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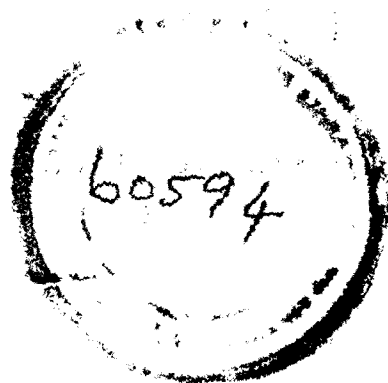
FOURTH SESSION
OF THE
FIFTH LEGISLATIVE ASSEMBLY,
1936



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MR. N. M. JOSHI, M.L.A.

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on all railways,—of gradually introducing these fans in the third and intermediate class compartments?

The Honourable Sir Muhammad Zafrullah Khan : If the Honourable Member means whether all the details have been settled and whether if money becomes available the scheme will be proceeded with, there is no scheme which has arrived at that stage yet.

Sardar Mangal Singh : Will Government make a beginning in those parts of the country which are very hot,—in the North Western Railway for instance?

The Honourable Sir Muhammad Zafrullah Khan : I am afraid that could not be done. If we make a beginning we must carry out that beginning with regard to every class of carriage all over the system, not only in one part of the country or for one class of passengers at the expense of the other.

RATES OF PASSENGER FARES AND GOODS FREIGHT ON INDIAN AND JAPANESE RAILWAYS.

375. ***Mr. Mohan Lal Saksena :** (a) Will Government be pleased to lay on the table a comparative statement giving rates of passenger fares and goods freight on Indian and Japanese Railways during the last ten years?

(b) Are Government aware that the passenger fares and rates of goods freight have been reduced on Japanese railways? If so, by what percentage?

The Honourable Sir Muhammad Zafrullah Khan : (a) and (b). I would refer the Honourable Member to the reply I gave to Mr. Mathuranga Mudaliar's question No. 352 on the 13th February, 1936.

PLACING OF RAILWAY FINANCE ON A PROPER FOOTING.

376. ***Mr. Mohan Lal Saksena :** (a) Is it a fact that Government have been considering ways and means for placing railway finance on a proper footing? If so, will Government be pleased to state if they have come to any definite conclusions?

(b) Will Government give an opportunity to the Assembly to discuss this question?

The Honourable Sir Muhammad Zafrullah Khan : (a) I would refer the Honourable Member to the reply I gave to parts (b), (c) and (d) of Mr. S. Satyamurti's question No. 37 on the 1st September, 1936, and to the reply I gave to Mr. M. Ananthasayanam Ayyangar's question No. 83 on the 2nd September, 1936.

(b) I regret I am not in a position to answer this question at this stage.

Mr. T. S. Avinashilingam Chettiar : With regard to the second part of clause (a), may I know if they have come to any definite conclusions?

The Honourable Sir Muhammad Zafrullah Khan : I have already replied that Government have several matters under consideration, and, as soon as any definite conclusions are arrived at, I am sure, the Honourable Member will know what they are.

Mr. T. S. Avinashilingam Chettiar : May I know why Government are unable to reply to part (b) just now?

The Honourable Sir Muhammad Zafrullah Khan : It depends upon the kind of conclusions arrived at. I could not in advance commit Government to placing them before the Assembly.

MALE AND FEMALE PRISONERS IN THE CONVICT SETTLEMENT IN THE ANDAMANS.

377. ***Mr. Mohan Lal Saksena :** Will Government state the number of male and female prisoners in the convict settlement in the Andamans, respectively, on 1st April, 1920, 1st April, 1935, and 1st April, 1936?

The Honourable Sir Henry Craik : The figures are as follows :

1st April, 1920	..	11,149 males ;	406 females.
1st April, 1935	..	5,505 males ;	67 females.
30th April, 1936	..	5,905 males ;	26 females.

Mr. Mohan Lal Saksena : Will the Honourable Member state on what figures he has worked out the proportion when he issued the communique from the Home Department, regarding the sex ratio in the Andamans?

The Honourable Sir Henry Craik : The sex ratio in the Andamans is quite independent of the fact whether there are female convicts there or not. Transportation of female convicts to the Andamans was stopped many years ago, and the few that remain are all married to convicts with the exception of a widow of a self-supporter. Female prisoners are not transported now to the Andamans except in very rare cases when they volunteer.

Mr. Mohan Lal Saksena : Is it not a fact that the ratio works out to 36 females to 100 males, because the number of females under 15 is much larger than the females between 15 and 50?

The Honourable Sir Henry Craik : That does not arise out of this question at all. There is a subsequent question on that subject. But, as a matter of fact, the Honourable Member's figures are not correct. Nearly all the females in the Andamans are not convicts at all : they are the wives or families of convicts.

Mr. Sri Prakasa : Will Government consider the desirability of sending a lady also to the Andamans along with Raizada Hans Raj and Sir Yamin Khan in order that she may be able to see the condition of these female prisoners specially in view of the fact that the Honourable Member desires them to get personal knowledge of the conditions of prisoners there?

The Honourable Sir Henry Craik : I do not think there is any case for sending a lady there as there are only 26 female convicts in the Andamans.

CERTAIN FACILITIES PROVIDED TO THE CONVICTS SENT TO THE ANDAMANS.

378. ***Mr. Mohan Lal Saksena :** (a) Will Government state the total number of convicts sent to the Andamans during the last ten years?

Mr. S. Satyamurti : Apart from instructions, have any steps been actually taken to improve latrines and accommodation, etc., to the knowledge of my Honourable friend ?

The Honourable Sir Muhammad Zafrullah Khan : I believe those instructions are being acted upon.

Mr. S. Satyamurti : Has my friend any information that those instructions are being acted upon ?

The Honourable Sir Muhammad Zafrullah Khan : I have no doubt that some of them that can be immediately looked into are being looked into. Others depend upon coaches being received in the workshops for repairs and as the coaches come in for repairs improvements will take place.

Mr. S. Satyamurti : What are the instructions which, in the judgment of my Honourable friend can be immediately carried out, and have been so immediately carried out ?

The Honourable Sir Muhammad Zafrullah Khan : For instance, instructions with regard to cleaning out the latrines during the early hours of the morning in third class carriages when they pass through certain stations.

Mr. Mohan Lal Saksena : Will the Honourable Member be pleased to lay on the table of the House a copy of the instructions issued to the railways ?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir.

Pandit Lakshmi Kanta Maitra : Is it not a fact that the Honourable Member said on the floor of this House that so far as the cut motion during the discussion of the railway budget for improvement of amenities of third class travel is concerned, the Honourable Member forwarded simply that part of the Resolution which only dealt with better and kinder treatment of these third class passengers ?

The Honourable Sir Muhammad Zafrullah Khan : If the Honourable Member will draw my attention to other specific matters with regard to which I assured the House action could be taken, I can assure him that action will be taken.

Prof. N. G. Ranga : Will the Honourable Member consider the advisability of placing in a prominent place in every station certain guiding principles or rather giving some guidance as to how and where the passengers have to go to make complaints or what they can expect ordinarily from the railway officials ?

The Honourable Sir Muhammad Zafrullah Khan : All that I can say is that the Honourable Member's suggestion will be considered.

Pandit Lakshmi Kanta Maitra : Is the Honourable Member considering the advisability of giving increased facilities for purchase of tickets by the third class passengers in all the railway stations ?

The Honourable Sir Muhammad Zafrullah Khan : The complaint that booking office windows were not opened in time at all stations to enable all passengers to book to their various destinations at ease before the train arrives has already been sent to all Agents and their attention has already been drawn to it.

Pandit Lakshmi Kanta Maitra : May I also impress on the Honourable Member the fact that apart from the question of booking clerks attending in time in most of the railway stations in the third class counter, there is not an adequate number of hands to cope with the rush of passengers ? Will the Honourable Member see that there are sufficient hands to cope with this traffic so that there may be no more ticketless travel ?

The Honourable Sir Muhammad Zafrullah Khan : I could not accept the allegation that at most stations this is so because most stations are small stations with very little traffic. It is possible that at some stations that might happen, and the suggestion of the Honourable Member will be sent down to the various Agents for their consideration.

Mr. S. Satyamurti : What are the reasons, for which Government decline to place on the table the instructions they issued to the railways, with regard to the removal or redress of certain grievances of third class passengers ?

The Honourable Sir Muhammad Zafrullah Khan : All sorts of departmental instructions have to be issued. I do not think it is in the public interest that all details with regard to which communications take place between the Railway Board and the Agents should be laid on the table of the House.

PROVISION OF FANS IN THE THIRD AND INTERMEDIATE CLASS COMPARTMENTS ON STATE RAILWAYS.

374. ***Mr. Mohan Lal Saksena :** Are Government prepared to consider the advisability of introducing fans in the third and intermediate class compartments of the State Railways ?

The Honourable Sir Muhammad Zafrullah Khan : As regards the provision of fans in third class compartments of State Railways the attention of the Honourable Member is drawn to the question and answer No. 648 in the Legislative Assembly on 24th September, 1935. With regard to intermediate class compartments it is estimated that the initial cost of providing fans in intermediate class compartments on the Eastern Bengal, East Indian, Great Indian Peninsula and North Western Railways will amount to about Rs. 21 lacs and the annual recurring expenditure to about Rupees 4½ lacs. In view of the present financial position Government regret they are unable to provide funds for this purpose.

Pandit Lakshmi Kanta Maitra : Is it in contemplation of Government to introduce these fans at all at any time in the future ?

The Honourable Sir Muhammad Zafrullah Khan : That surely is hypothetical.

Pandit Lakshmi Kanta Maitra : May I know if Government have got in view the idea of providing fans in these carriages apart from the fact that the finances do not permit them ?

The Honourable Sir Muhammad Zafrullah Khan : If the finances do not permit, is it any use going on with the idea ?

Pandit Lakshmi Kanta Maitra : May I know if Government have got any progressive scheme,—not introducing them at the same time

How many of them availed of the facilities provided by Government for the transport of their families ?

(b) Will Government be pleased to state how many places of religious worship have been built in the islands and how many preachers went from India during the last two years ?

(c) Will Government state how many high and primary schools are there in the Andamans, and what is the total number of boys and girls reading therein ?

(d) Will Government be pleased to state the total number of hospitals and dispensaries and their equipment and capacity for medical aid ?

(e) Will Government be pleased to state the total amount of money spent on reclamation of marshes since 1926 ?

(f) Will Government be pleased to state how does the expenditure on each convict in Andamans compare with that in Indian jails ?

The Honourable Sir Henry Craik : (a) 10,132 convicts were sent to the Andamans during the last ten years. The number of families of convicts provided with transport facilities by Government during the same period is 1,253.

(b) There are thirty places of religious worship of various denominations in the Settlement and 41 religious teachers visited the Islands during the last two years.

(c) There are one High School, and twelve Primary Schools in the Islands. The number of pupils on 31st March, 1935, was 597 boys and 107 girls.

(d) There are nine hospitals and nine dispensaries. It is not possible for me to detail their equipment and capacity : but they are well equipped and their capacity for medical aid is adequate for the requirements of the Islands.

(e) A sum of 23 lakhs of rupees has been spent on the reclamation scheme since 1926.

(f) The average cost per head in the biggest province of India in 1934 was about Rs. 106-8-0. The Andamans figure was Rs. 187, but this is a very rough estimate, 66 per cent. of the net cost of maintaining the settlement being taken as the amount chargeable to the cost of the convicts.

Sir Muhammad Yakub : Is it not a fact that Raizada Hans Raj has applied for permission to take his wife with him to the Andamans as he intends to settle down in that paradise of the sinners, and will Government allow him facilities to take his wife with him ?

The Honourable Sir Henry Craik : I am afraid the question does not arise : but Raizada Hans Raj mentioned to me that he would like to take his wife with him, and I said I should be delighted to provide facilities for her. He also mentioned to me that if he liked the place he would very likely settle down there.

Mr. Mohan Lal Saksena : With reference to part (a) of the question, is it not a fact that, out of 1,200 odd families transported, the majority of them consisted of Moplahs who are due to return back to India ?

The Honourable Sir Henry Craik : No : there are no Moplahs at all there now.

Mr. Sri Prakasa : With reference to the answer to clause (f), has the Honourable Member estimated the expenditure actually made on the prisoners themselves, or does his estimate include the expenditure on the administration ?

The Honourable Sir Henry Craik : I have explained that it is a very rough estimate : we took two-thirds of the total cost of the administration and debited that to the cost of keeping the convicts. I am afraid, I have no nearer estimate than that. But relative to an Indian jail, the cost per head is higher, because for one thing there is the cost of the journey, and for another, practically all the convicts except those in the jail are paid a monthly wage.

Pandit Lakshmi Kanta Maitra : Is it not a fact that this increased cost in the Andamans is due not so much to the better treatment or better facilities given to prisoners but to the fact that the cost of administration and the cost of reclaiming lands and maintaining hospitals is very expensive ?

The Honourable Sir Henry Craik : That raises a big question ; but I should say, broadly speaking, that the increased cost is mainly because, as I have said, all the convicts except those in the jail are in receipt of wages. Convicts in prisons in India are not in receipt of wages.

Pandit Lakshmi Kanta Maitra : Is the Honourable Member in a position to give us some idea of the number of such convicts who are in receipt of wages and the number of those who do not receive any wages.

The Honourable Sir Henry Craik : The total number of convicts at present in the island is roughly 6,000 ; and all except a few hundreds who are in the Cellular jail are in receipt of wages ; and there are a few convicts who are termed self-supporting, that is, they have been given land and they can earn sufficient to support themselves without wages.

Mr. G. Morgan : The answer given to part (c) was 26 lakhs : have Government any figures to show that the result of the incidence of malaria and the leasing of lands for agricultural purposes has been commensurate with the expenditure incurred ?

The Honourable Sir Henry Craik : As regards malaria, I can say quite definitely that there has been a most enormous improvement. Malaria is less prevalent in the Andamans than in the average Indian jail, and the figures of recent years have been better than most jails, certainly in the more malarial parts of India. There is very little malaria at all now there. As regards the cultivation of land, a good deal of land has been reclaimed from marshes and I myself saw some of it being cultivated : but whether it will ever pay is rather a doubtful question.

Pandit Lakshmi Kanta Maitra : I understood the Honourable Member to say that the incidence of malaria in the Andamans is now less than in other Indian jails. Is it not a fact, as I gathered from the statement laid on the table the other day by the Honourable Member, that malaria has been steadily on the increase since 1938 and it has reached

the maximum figure in 1935? I have put a short notice question on that: I do not know if the Honourable Member has accepted it.

The Honourable Sir Henry Craik: The Honourable Member sent me a short notice question on that subject which I have not yet time to study carefully; but, so far as I can see, he has completely misread the figures I have given. Malaria so far from being on the increase is steadily on the decline, and the comparatively few cases that now occur are mostly imported cases, that is, the infection has been incurred before the prisoner goes there.

Pandit Lakshmi Kanta Maitra: I shall not pursue the matter if the Honourable Member accepts that short notice question.

The Honourable Sir Henry Craik: No; I cannot accept short notice: but I shall be glad to see the Honourable Member and show him where he has misread the figures.

Pandit Lakshmi Kanta Maitra: I have gone through the actual figures in the table, and they show that from the second half of 1933 right up to the first half of 1936 there is an enormous increase in the number of patients and also in the duration of time that the patients actually suffer—the number of days are far in excess of previous years.

The Honourable Sir Henry Craik: I can assure the Honourable Member that his deductions are not correct: and if he will see me outside or see Mr. Thorne, he will be very pleased to explain to him the actual significance of the figures laid on the table.

Pandit Lakshmi Kanta Maitra: I have given notice of many other cases of diseases: will the Honourable Member kindly accept short notice at least in respect of those diseases, because it is a very important matter and we were not able to put any supplementaries on the statement laid on the table?

Mr. President (The Honourable Sir Abdur Rahim): I cannot allow any such questions now.

Mr. Sri Prakasa: Do the convicts who receive wages get their food over and above that, or, is the cost of food deducted from the wages?

The Honourable Sir Henry Craik: They are given wages: and they buy their own food.

Pandit Lakshmi Kanta Maitra: What is the approximate amount which is paid on account of wages to these convicts?

The Honourable Sir Henry Craik: The minimum wage for completely unskilled labour is Rs. 10 a month. They can earn considerably higher than that. If they are skilled in any form of artisan labour, skilled craftsmen of any kind, they can earn, and a great many of them do earn, very much in excess of that.

Pandit Lakshmi Kanta Maitra: What is the maximum?

The Honourable Sir Henry Craik: I cannot say off hand, I think it is somewhere about Rs. 35 a month.

CONVICT SETTLEMENTS IN INDIA FOR THE RECLAMATION OF CRIMINAL TRIBES.

379. ***Mr. Mohan Lal Saksena:** (a) Are there any convict settlements in India for the reclamation of criminal tribes? If so, how do they compare with the criminal settlement in the Andamans in the matter of cost of maintenance, moral conditions and results achieved?

(b) Are Government prepared to consider the advisability of starting similar convict settlements for long term prisoners with such facilities as are given in the Andamans?

The Honourable Sir Henry Craik: (a) Yes. There are Settlements in several provinces established under the Criminal Tribes Act, 1924, but there is very little in common between these Settlements, which are intended for tribes or gangs addicted to the systematic commission of non-bailable offences, and the Andamans Penal Settlement which is intended for the accommodation of prisoners convicted of crimes of a casual or accidental type. No comparison can therefore profitably be instituted between these Settlements.

(b) No.

CONVICT SETTLEMENTS IN EUROPE AND AMERICA.

380. ***Mr. Mohan Lal Saksena:** Will the Honourable the Home Member state the names of the convict settlements in Europe and America, if any, visited by him during the last ten years?

The Honourable Sir Henry Craik: I have not visited any convict Settlement in Europe or America.

Mr. Mohan Lal Saksena: Is it not a fact that in his interview with certain journalists after his visit to the Andamans, the Honourable Member said that the conditions in the Andamans were better than in any convict settlement in the world?

The Honourable Sir Henry Craik: No.

Mr. Mohan Lal Saksena: Am I to understand then that it was an interpolation by the press representatives who interviewed him?

The Honourable Sir Henry Craik: I don't believe it was so reported, but if it was, it was unauthorised.

Pandit Lakshmi Kanta Maitra: Are we to understand that the Honourable Member has not got any personal experience of any convict settlement except the Andamans?

The Honourable Sir Henry Craik: That is rather a personal question. I would not ask the Honourable Member to answer such a question himself.

Pandit Lakshmi Kanta Maitra: I did not mean the Honourable Member's experience as a convict, I meant as an officer of Government?

The Honourable Sir Henry Craik: Yes, I have seen many.

REPRESENTATIONS MADE BY THE PRISONERS OF THE CELLULAR JAIL.

381. ***Mr. Mohan Lal Saksena:** (a) Did the prisoners in Cellular Jail make any representation in writing to the Honourable the Home

Member during his visit there? If so, will he lay a copy of the same on the table of the House?

(b) Will Government lay on the table copies of all representations made by prisoners of the Cellular Jail during the last two years?

The Honourable Sir Henry Craik: (a) Yes, a representation was submitted to me by the prisoners confined in the Cellular Jail, Port Blair.

(b) No.

Mr. N. V. Gadgil: May I know if the Honourable Member received any representations from the two State Prisoners at present kept in the Yeravda Jail when he visited that jail last month, and whether their request to transfer them to Nasik Central Jail or to any other jail in Bengal will be conceded?

The Honourable Sir Henry Craik: I don't see how that arises out of this.

Prof. N. G. Ranga: With regard to part (a) of the question, will the Honourable Member be pleased to state the main points made by the convicts in the Cellular Jail in their representation to him?

The Honourable Sir Henry Craik: No, Sir.

Mr. S. Satyamurti: Why not, Sir? May I know why the Government will not lay on the table the representations made to them by these prisoners, or state the main points therein?

The Honourable Sir Henry Craik: Because Government does not consider it is in public interest to do so.

Pandit Lakshmi Kanta Maitra: May I know how many representations were received from prisoners in the Cellular Jail in the Andamans in the course of the last year?

The Honourable Sir Henry Craik: Two.

Pandit Lakshmi Kanta Maitra: Did the Honourable Member take into consideration the points raised in those representations by the prisoners themselves and what relief has he given them?

The Honourable Sir Henry Craik: Yes, I took into account the points raised and took such action as I considered desirable.

Pandit Lakshmi Kanta Maitra: Is it not a fact that in those representations two particular matters figured largely, one underfeeding of prisoners and secondly inadequate medical facilities?

The Honourable Sir Henry Craik: No, neither of these points figured prominently in those representations.

OBJECT IN TRANSPORTING TERRORIST PRISONERS TO THE ANDAMANS.

382. ***Mr. Mohan Lal Saksena:** Will Government state what is the object in transporting terrorist prisoners to the Andamans?

The Honourable Sir Henry Craik: The reasons for transporting prisoners convicted of crimes of violence or intended violence in connection with the terrorist movement are fully stated in the Home De-

partment Press Communiqué, dated the 13th June, 1933, a copy of which was placed on the table of the House on the 23rd August, 1933.

Prof. N. G. Ranga: In regard to the sending of these terrorist prisoners to the Andamans, in view of the fact that there is a great agitation going on all over India against this policy of the Government, may I know if they have reviewed the position since?

The Honourable Sir Henry Craik: Government have reviewed the position, and they think it is still necessary to send prisoners of this particular type to the Andamans.

Pandit Lakshmi Kanta Maitra: In view of the fact that the Government from time to time issue communiqués which often escape our notice, may we request the Honourable Member to see to it that a copy of all these communiqués is forwarded to every Honourable Member of this House so that we may keep ourselves informed of what is going on? As a matter of fact, we are working under a considerable handicap, because we are not able to keep ourselves in touch with the communiqués that are issued from time to time. Will the Honourable Member kindly apply his mind to this?

The Honourable Sir Henry Craik: This particular communiqué was placed on the table of the House by my predecessor, Sir Harry Haig, in 1933. I take it, Sir, that when a communiqué is placed on the table of the House, it is included in the Official Report, a copy of which is sent to every Honourable Member.

Pandit Lakshmi Kanta Maitra: I am speaking of the communiqués which the Honourable Member's Department issues from time to time. Will he kindly see that the Members of this House get a copy of all such communiqués?

Mr. President (The Honourable Sir Abdur Rahim): They are all published in the Gazette. I think a copy of it is sent to every Honourable Member.

Pandit Lakshmi Kanta Maitra: All of them are not published in the Gazette.

The Honourable Sir Nripendra Sircar: Some are published in newspapers.

Pandit Lakshmi Kanta Maitra: They may be published in some of your friendly newspapers, and not in all newspapers.

The Honourable Sir Nripendra Sircar: They are published in friendly, unfriendly and neutral press.

Mr. S. Satyamurti: I think, Sir, when Government issue press communiqués, they intend them for the consumption of the public. We represent a very large section of the public. May I, therefore, ask whether Government cannot consider the question of supplying copies of such communiqués to Honourable Members of this House also, at the same time as they are issued to the press?

The Honourable Sir Henry Craik: I will consider that point. I confess that I have not so far noticed that communiqués issued from my Department failed to secure adequate publicity. It has generally seemed to me that the publicity we have so far obtained was quite sufficient.

[15TH SEPT. 1936.]

CONDITION OF PRISONERS IN THE CELLULAR JAIL.

383. ***Mr. Mohan Lal Saksena** : (a) Will the Honourable the Home Member state what are his reasons for saying that the prisoners in the Cellular Jail are better off than in Indian Jails ?

(b) Has he visited any jails in Bengal ? If so, which and when ?

The Honourable Sir Henry Craik : (a) As I stated in my informal talk with the journalists the amenities and the conditions of life and the health statistics of the terrorist prisoners confined in the Cellular Jail are generally superior to those obtaining in Indian Jails.

(b) Yes, I visited the Alipur Central Jail, in August last.

Mr. Sri Prakasa : Do these prisoners in the Cellular Jail receive wages ?

Mr. Mohan Lal Saksena : With reference to part (a) of the question, I have asked for the reasons on which the Honourable Member said that the treatment meted out to prisoners in the Cellular Jail in the Andamans is superior to that meted out in Indian jails. I want to know the reasons, and not the fact that it is superior ?

The Honourable Sir Henry Craik : My statement was based on my personal observation and my comparison of the jail at Port Blair with those in India which I have visited.

Pandit Lakshmi Kanta Maitra : May I know whether in the course of his tenure of service as Home Member he has ever visited the detention camps at Deoli, Buxar, Hijli and Burhampore to study the conditions of the prisoners there ?

The Honourable Sir Henry Craik : There is no comparison between the conditions obtaining in those camps which are intended for detenus and the conditions obtaining in jails for convicted prisoners. I have visited the Deoli camp.

Pandit Lakshmi Kanta Maitra : In view of the fact that several questions are often asked relating to maintenance of law and order in those jails, will he consider the question of paying a visit to those jails ?

Mr. President (The Honourable Sir Abdur Rahim) : That does not arise out of this.

Pandit Lakshmi Kanta Maitra : It arises out of part (b), Sir.

Mr. President (The Honourable Sir Abdur Rahim) : The question only asks if the Honourable Member has visited any jails in Bengal.

Pandit Lakshmi Kanta Maitra : May I ask if the Honourable Member considers it desirable to visit these jails and study for himself the conditions that actually prevail.

The Honourable Sir Henry Craik : What jails ?

Pandit Lakshmi Kanta Maitra : Buxar, Burhampore, Hijli and other jails where these prisoners are kept ?

The Honourable Sir Henry Craik : What jail ?

Pandit Lakshmi Kanta Maitra : Buxar, Hijli and Burhampur jails where all political prisoners are kept.

The Honourable Sir Henry Craik : There is no detention camp now at Buxar. I will try, if I can find time, to visit them.

Mr. Sri Prakasa : What is the expenditure per head per day on food of those prisoners who are in the Cellular Jail ?

The Honourable Sir Henry Craik : I must have notice.

Pandit Lakshmi Kanta Maitra : Is the Honourable Member in a position to give this House an idea of the relative expenses per capita of the prisoners in the Andamans and in the jails in India ?

The Honourable Sir Henry Craik : I have just done that in reply to a previous question.

INTERVIEWS WITH PRISONERS IN THE CELLULAR JAIL.

384. ***Mr. Mohan Lal Saksena** : (a) Will Government be pleased to state how many interviews took place between the prisoners in the Cellular Jail and their relatives and friends during the last two years and also the total number of visits to which they had become entitled ?

(b) Is it a fact that the duration of the interview is 20 minutes in Indian jails in the centrally administered areas ? If so, are Government prepared to consider the advisability of modifying the rules in such a way that the duration of the interview is extended to one hour and a prisoner is able to have interview with his relations or friends as many times as he has been entitled to, but in no case more than four times during the course of their stay ?

The Honourable Sir Henry Craik : (a) During the two years commencing from 15th July, 1934, two prisoners in the Cellular Jail, Port Blair, had interviews with their relatives or friends. In each case a second interview was allowed. Under the Rules, each prisoner is, subject to good behaviour, allowed to see a visitor once in three months.

(b) No. The maximum time allowed in the Andamans is one hour while in other Centrally Administered Areas it varies from 15 to 30 minutes. I have found it difficult to understand precisely what modification is desired : but I do not think there is any good reason to modify the rules as the Superintendent of the Jail has the discretion to extend the time or to grant an interview in special circumstances.

Pandit Lakshmi Kanta Maitra : Is it not a fact that during these interviews with relations there is always a jail official or a police official present all along ?

The Honourable Sir Henry Craik : Not a police officer, but I think a jail officer has to be present at all interviews in all jails.

Mr. Mohan Lal Saksena : Is it a fact that only two prisoners had an interview during the last two years ?

The Honourable Sir Henry Craik : Yes, that is what I have said.

Mr. Mohan Lal Saksena : In view of the fact that only two persons out of 200 or 300 have availed themselves of the privilege of interview, will the Honourable Member kindly consider the advisability of allowing more than one interview to relations when they visit the Andamans, during the course of their stay, but in no case the interviews are to exceed four ?

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LEGISLATIVE ASSEMBLY.

[15TH SEPT. 1936.]

The Honourable Sir Henry Craik : The Honourable Member has again exaggerated the figures, he said 300 or 400, actually these are less than 300. As regards interviews I have already explained that when the relation of a convict goes to the Andamans he is allowed two interviews and the Superintendent of the Jail has discretion to grant further interviews or to extend the time if he thinks fit.

Mr. Mohan Lal Saksena : Will the Honourable Member state the reasons as to why more interviews were not availed of by the prisoners or their relations ?

The Honourable Sir Henry Craik : Obviously the reason is that it is a long and expensive journey that the relatives have to undertake.

JAIL OFFENCES COMMITTED IN THE CELLULAR JAIL.

385. ***Mr. Mohan Lal Saksena :** Will Government be pleased to lay on the table a statement giving the number of jail offences committed in Cellular Jail, their nature and punishment awarded ?

The Honourable Sir Henry Craik : The Honourable Member has not stated the period for which he requires the information. I lay on the table a statement giving the information for the last five years.

Statement showing the Number of Prison offences committed in the Cellular Jail, Port Blair, during the period 1931—36 and their nature and Punishment awarded.

Nature of Offence.	1931-32.	1932-33.	1933-34.	1934-35.	1935-36.
1. Refusal to work	..	2	24	5	9
2. Idleness or negligence at work ..	..	5	..	..	..
3. Assault on officials or visitors..	..	3	1	4	..
4. Assault on other prisoners ..	2	..	..	22	10
5. Fighting and quarrelling with other prisoners ..	..	16	..	..	..
6. Hunger striking	..	..	55	..	..
7. Abusive and threatening language	..	..	..	..	2
8. Insubordination and disobedience of orders ..	..	..	1	1	2
9. Escapes	..	2	..	3	2
10. Prohibited articles	30	31	21	4	2
11. Other offences	26	21	3	24	10
Total ..	58	80	105	63	37

PUNISHMENTS.

Nature of punishments.	1931-32.	1932-33.	1933-34.	1934-35.	1935-36.
1. Whipping	2	2	1	1	..
2. Whipping with loss of privileges.	..	..	..	2	..
3. Standing hand cuffs ..	42	53	15	6	..
4. Cross bar fetters	..	..	4	34	20
5. Bar fetters	2	..	..	5	3
6. Cross bar fetters, forfeiture of all remissions earned in Port Blair and loss of privileges	..	..	..	..	1
7. Cross bar fetters, cancellation of 28 days remission, debarring from earning further remission for 1 year	..	..	..	1	..
8. Loss of privileges for 3 months	..	..	77	..	3
9. Forfeiture of 12 days remission	..	..	..	3	..
10. Forfeiture of 12 days remission and withdrawal of privileges for 3 months	..	..	..	1	..
11. Separate confinement ..	..	..	..	2	1
12. Additional confinement (applies to convicts already sentenced to confinement in the Cellular Jail)	2	4	3	7	2
13. Gunny Clothing	10	9	..	..	..
14. Warnings	..	12	5	1	7
Total ..	58	80	105	63	37

Mr. Mohan Lal Saksena : As I have no time to go through this statement I hope the Chair will allow me to put supplementaries, if I want to do so next day.

Mr. President (The Honourable Sir Abdur Rahim) : No. That I cannot allow.

Mr. Mohan Lal Saksena : I have not got the statement before me, Sir, and how can I put supplementaries now ?

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member can give notice of substantive questions.

Prof. N. G. Ranga : In view of the fact that you were pleased to allow that kind of procedure to be followed.....

Mr. President (The Honourable Sir Abdur Rahim) : I know in one or two cases I did that, but I have reconsidered the matter. I have looked into the proceedings, and I have come to the conclusion that no supplementaries should be allowed.

Mr. S. Satyamurti : Will you consider the question of asking the Honourable Member placing the statements on the table, at 10-30 in the morning, so that we may look at them and put supplementary questions ?

Mr. President (The Honourable Sir Abdur Rahim) : The same day ?

Mr. S. Satyamurti : Yes, the same day, in the morning at 10-30, and those Members who are interested can come and look into the statement.

Mr. President (The Honourable Sir Abdur Rahim) : There will be only one copy, and how can all Honourable Members have a look at it ?

Mr. S. Satyamurti : Those Members who want to see it can come, and see it here at 10-30. I want you to consider the inconvenience that may otherwise be caused. If we have to give notice of fresh questions, it may be that those questions may not come on now but will have to go over to the Delhi Session.

Mr. President : (The Honourable Sir Abdur Rahim) : The Honourable Member must remember that these statements generally contain a lot of figures. Otherwise, the answers to questions are always read out in the House. No doubt, in one or two cases I allowed supplementary questions, but I have reconsidered the matter and I have come to the conclusion that it should not be allowed.

Mr. S. Satyamurti : I accept your conclusion, Sir, but will you kindly consider my suggestion made this morning. It will not cause any inconvenience to the Chair or to the Government, if a copy is laid on the table at 10-30 in the morning so that Members may look into it, and, if necessary, put supplementary questions.

Mr. President (The Honourable Sir Abdur Rahim) : There is one difficulty. All the other Members of the House have no access.

Mr. S. Satyamurti : They can come here at 10-30 in the morning.

Mr. President (The Honourable Sir Abdur Rahim) : But all cannot come to the table and read the statement. However, I will consider the matter. Next question.

PRISONERS CONFINED IN THE CELLULAR JAIL.

386. ***Mr. Mohan Lal Saksena** : Will Government be pleased to lay on the table a statement giving the names of the prisoners confined in Cellular Jail, their educational qualifications, their previous callings and vocations, their offences and sentences, the date of transfer to the Andamans, the number of interviews since transfer, their class, and jail punishments, if any, and their present weight as well as that at the time of transfer to the Andamans ?

The Honourable Sir Henry Craik : I am not prepared in the public interest to lay on the table the information asked for.

Mr. S. Satyamurti : What is the public interest, which will be affected by laying on the table a statement giving the names of prisoners confined in the Cellular Jail ?

The Honourable Sir Henry Craik : I do not think that the Honourable Member is entitled to ask me what is the public interest, but I am generally averse to publishing the names of convicts.

Fandit Lakshmi Kanta Maitra : May I know from the Honourable Member if he is in a position to state what is the number of prisoners in A division, the number in B and the number in C ? I was told the other day that there was also classification of prisoners in that jail.

The Honourable Sir Henry Craik : I cannot say, accurately, but my impression is that when I visited the jail there were about 206 prisoners there, and I should think that from about one-third to one-half are in B class.

Mr. S. Satyamurti : Are not all these prisoners those who have been convicted and sentenced in a court of law ?

The Honourable Sir Henry Craik : Yes.

Mr. S. Satyamurti : May I know, then, what is the public interest which will be affected by publishing the names of men who have been tried publicly in a court of law and whose names are in the proceedings of the law courts ?

The Honourable Sir Nripendra Sircar : I rise to a point of order, Sir. According to a parliamentary practice, no cross examination is allowed on a statement that a matter is against public interest. I can refer my Honourable friend to May's Parliamentary Practice.

Mr. President (The Honourable Sir Abdur Rahim) : When the Honourable Member says it is against public interest, I do not think generally he can be asked to define the public interest which will be affected. At any rate, I will look up the point.

Fandit Lakshmi Kanta Maitra : Are there any "A" class prisoners there ?

The Honourable Sir Henry Craik : No.

OUT-DOOR GAMES ALLOWED TO PRISONERS IN THE CELLULAR JAIL.

387. ***Mr. Mohan Lal Saksena** : (a) Will Government be pleased to state what out-door games the prisoners in Cellular Jail are allowed to play ?

(b) Is it a fact that because of early lock-up prisoners get very little time for out-door games ?

The Honourable Sir Henry Craik : (a) The prisoners in the Cellular Jail, Port Blair, are allowed to play such out-door games as volley ball and football.

(b) No. I understand that the prisoners are locked up at sunset and that their hours of labour terminate at 3 P.M. which allows them ample time for out-door recreation.

BOOKS IN THE CELLULAR JAIL LIBRARY.

388. *Mr. Mohan Lal Saksena : (a) What is the total number of books in the Cellular Jail library ? How many of them have been purchased by Government, and what is their cost ?

(b) Did the prisoners make any complaint about the library ?

The Honourable Sir Henry Craik : (a) I do not know the precise number, but I believe the library contains some thousands of books. I cannot say how many of them were bought by Government or at what cost. An initial grant of Rs. 500 was made for the purchase of books and an annual grant of Rs. 100. The annual grant has now been increased to Rs. 200 by the Bengal Government.

(b) No complaint was made to me, but in some representations submitted by the prisoners a request was made for a greater variety of books and for an increase in the grant for the library.

Pandit Lakshmi Kanta Maitra : What is the amount annually spent on this library ?

The Honourable Sir Henry Craik : The annual grant was Rs. 100, but it has now been raised to Rs. 200.

Mr. S. Satyamurti : What is the language of these books ?

The Honourable Sir Henry Craik : So far as I saw, they were mostly English, but I expect there were a good many vernacular ones too.

Mr. S. Satyamurti : Are all these prisoners acquainted with English ?

The Honourable Sir Henry Craik : I believe most of them.

Mr. Mohan Lal Saksena : Will Government provide greater facilities to the friends of the prisoners for supplying them with books ?

The Honourable Sir Henry Craik : If any friends of the prisoners care to send books, they are passed, subject, of course, to censorship.

Mr. Mohan Lal Saksena : Will the Honourable Member enquire and find out whether a number of books deposited by the friends of prisoners were neither returned to them nor given to the prisoners ?

The Honourable Sir Henry Craik : I have no reason to believe that.

NEWSPAPERS SUPPLIED TO PRISONERS IN THE CELLULAR JAIL.

389. *Mr. Mohan Lal Saksena : (a) Will Government state the names of the papers and the number of their copies that are being supplied in the Cellular Jail ?

(b) Have Government decided to supply daily papers to prisoners ? If not ; are they prepared to do so at an early date ?

The Honourable Sir Henry Craik : (a) The following weekly newspapers are supplied to the prisoners in the Cellular Jail, Port Blair :

1. Illustrated Weekly Times of India	10 copies.
2. Statesman (Weekly)	8 copies.
3. Sanjibani	12 copies.
4. Bangabasi	6 copies.
5. Andamans Bulletin	20 copies.

(b) No.

Pandit Lakshmi Kanta Maitra : Why is it that papers, which have the widest circulation in the country, like the *Amrita Bazar Patrika*, the *Ananda Bazar Patrika* and *Forward*, are not allowed to be supplied to these prisoners. I am told that most of the prisoners are Bengalis, and these are famous papers of Bengal ?

The Honourable Sir Henry Craik : I think these are daily newspapers.

Pandit Lakshmi Kanta Maitra : They have got weekly editions also. Will the Honourable Member kindly consider my suggestion ?

Mr. Sri Prakasa : Was any representation made to the Honourable Member on this subject when he visited the jail ?

The Honourable Sir Henry Craik : I cannot remember.

Mr. T. S. Avinashilingam Chettiar : At whose cost are these papers supplied ? At the cost of the prisoners ?

The Honourable Sir Henry Craik : At the cost of Government.

Mr. Sri Prakasa : Was the Honourable Member making a surprise visit there or was he surrounded by jail officials at the time of his visit ?

The Honourable Sir Henry Craik : That does not arise out of the answer I have given.

Mr. Sri Prakasa : Prisoners are afraid of making representations in the presence of jail officials. That is why I want to know whether the prisoners were deterred by the presence of local jail officials, from making any representations which they would have made if the Honourable Member had been alone ?

The Honourable Sir Henry Craik : I have already stated that they did make representations.

Pandit Lakshmi Kanta Maitra : I have not got a reply to my question.

The Honourable Sir Henry Craik : I was accompanied by the Superintendent of the Jail, the Chief Commissioner and one or two jail officials. Certainly any prisoner if he wanted to make a representation could have done so. Many of them did.

Mr. Mohan Lal Saksena : Did the Government inform prisoners beforehand about the Honourable Member's visit ?

The Honourable Sir Henry Craik : I don't know.

Pandit Lakshmi Kanta Maitra : May I know if these prisoners were informed beforehand that they were at perfect liberty to make any representation to the Honourable Member about their grievances ?

The Honourable Sir Henry Craik : I do not know whether they were informed beforehand but a good many prisoners certainly did make representations.

APPOINTMENT OF NON-OFFICIAL VISITORS FOR THE CELLULAR JAIL AND CONVICT SETTLEMENT IN THE ANDAMANS.

390. *Mr. Mohan Lal Saksena : Have Government taken any decision regarding the appointment of non-official visitors to the Cellular

censuring the Local Government for its policy of doing nothing to relieve unemployment there?

The Honourable Sir Frank Noyce : I have seen reports in the press on that subject.

Mr. N. V. Gadgil : Is it a fact that the Revenue Member of the Bombay Government pleaded lack of funds and wanted a contribution from the Central Government for famine relief?

The Honourable Sir Frank Noyce : I submit that is not a question for me to answer.

Mr. President (The Honourable Sir Abdur Rahim) : This question refers to the Centrally Administered Areas.

Mr. Mohan Lal Saksena : With reference to part (c) of my question, I should like to know from the Honourable Member, in view of the fact that the problem of unemployment is similar in all provinces, whether it is not desirable that a central committee should be appointed to consider this question, with a view to co-ordinate the activities of all these committees, as has been done in other matters, such as Agriculture, Railways and so on.

The Honourable Sir Frank Noyce : The Government of India are now actively considering perhaps one of the most important of the reports of the provincial unemployment committees from a general point of view.

Mr. N. V. Gadgil : May I know if Government accept it, as their own sole responsibility, the removal of unemployment from the land?

The Honourable Sir Frank Noyce : No, Sir. I have explained on more than one occasion that the unemployment problem is primarily a matter for Local Governments. The Government of India are at present considering what they can do to assist in dealing with it.

AGREEMENT BETWEEN HIS MAJESTY'S GOVERNMENT AND HIS EXALTED HIGHNESS THE NIZAM ABOUT BERAR REFERRED TO IN SECTION 47 OF THE GOVERNMENT OF INDIA ACT, 1935.

394. ***Mr. S. Satyamurti** (on behalf of Mr. M. S. Aney) : (a) Will Government be pleased to state whether the agreement between His Majesty's Government and His Exalted Highness the Nizam, referred to in section 47 of the Government of India Act of 1935 (20 Geo. 5), is concluded or whether it is still in contemplation?

(b) Is the attention of Government drawn to the fact that in promulgating the electoral rules for the coming Central Provinces and Berar Legislative Assembly, the authority which made the rules is described as the Governor of the Central Provinces and Berar in Council?

(c) Are Government aware of the fact that under section 47 (1), read with sub-clause (2), Berar and the Central Provinces shall be deemed to be one Governor's Province by the name of 'The Central Provinces and Berar' while the agreement, which is referred to in the foregoing part of the same section as being in contemplation between His Majesty and His Exalted Highness, is in force and not otherwise?

(d) Are Government aware of the fact that the Honourable Sir Nripendra Sircar stated in reply to part (b) of starred question No. 679, put by Mr. Akhil Chandra Datta on behalf of myself on the 5th March, 1935, that Government were prepared to publish the text of the entire arrangement between His Exalted Highness the Nizam and the British Government on the passing of the Government of India Act?

(e) If the aforesaid agreement be finally concluded, will Government be pleased to publish the text of the agreement and give the date of its conclusion without delay?

(f) Will Government be pleased to state why the publication of the text of the above agreement is being delayed so long after the passing of the Government of India Act, in spite of the above statement made by the Honourable the Leader of the House?

The Honourable Sir Nripendra Sircar : (a) The agreement in question has not yet been concluded.

(b) and (c). Yes.

(d) and (f). Yes, the text of the agreement, which is still under discussion, will be published after it has been concluded.

(e) Does not arise.

Mr. S. Satyamurti : With reference to the answer to clause (b) of the question, may I know if the Government have noticed that in the Government of India Act, section 47 as it now stands, the description, in the absence of an agreement, is inaccurate, viz. as "the Governor of the Central Provinces and Berar in Council"?

The Honourable Sir Nripendra Sircar : No, Sir. But I undertake to look into it as my attention has been drawn to it.

Mr. S. Satyamurti : May I inform the Government that, as a matter of fact the authority which has now made the rules is described as "the Governor of the Central Provinces in Council and Berar"?

The Honourable Sir Nripendra Sircar : I will take that from my Honourable friend.

Mr. S. Satyamurti : May I know how long this agreement has been under negotiation between His Exalted Highness and the Government of India?

The Honourable Sir Nripendra Sircar : I have got no definite information, but at least seven or eight months.

Mr. S. Satyamurti : May I invite the Honourable Member's attention to question No. 679 which is referred to in this question, which was answered by him on the 5th March, 1935, in which he said, in reply to this question, viz., "are Government prepared to publish the text of the entire agreement?" "Yes, on the passing of the Government of India Act?" May I know, how long before 1935, this matter was under negotiation and whether it has remained under negotiation from at least March, 1935, till September, 1936?

The Honourable Sir Nripendra Sircar : I am not in a position to give that information just now. The negotiations apparently started before March, 1935, but if my Honourable friend wants me to give the

Jail and convict settlement in the Andamans? If not, how long will they take to do so?

The Honourable Sir Henry Craik : I would refer the Honourable Member to the reply which I gave to Mr. Satyamurti's question No. 291 on the 10th September, 1936. It has been found impracticable to constitute a Board of non-official visitors from among the residents of the Andamans.

BRINGING BACK OF PRISONERS UNWILLING TO STAY IN THE CELLULAR JAIL AND ALLOWING OTHERS TO WORK OUTSIDE THE JAIL.

391. ***Mr. Mohan Lal Saksena :** Are Government prepared to consider the advisability of bringing back such prisoners as are not willing to stay in Cellular Jail and of allowing others to work outside jail, like other convicts, as an experimental measure?

The Honourable Sir Henry Craik : The Honourable Member is presumably referring to the terrorist prisoners who are confined in the Cellular Jail, Port Blair, for the entire period of their sentences. If so, Government are not prepared to accept the Honourable Member's suggestion.

HISTORIES OF PUBLIC WORKERS OF DELHI.

392. ***Mr. Mohan Lal Saksena :** (a) Are Government aware of the publication of a confidential book by the Delhi authorities, containing histories of various public workers of Delhi? If so, will Government lay a copy of the same on the table?

(b) Will Government state the steps taken to verify the information contained therein?

(c) What is the cost of this publication?

(d) Are similar reports compiled by other Local Governments?

(e) Are any instructions issued by the Central Government regarding the compilation of such histories? If so, will Government lay on the table a copy of the same?

The Honourable Sir Henry Craik : The answer to the first part of (a) is in the negative. The other parts of the question do not therefore arise.

UNEMPLOYMENT PROBLEM.

393. ***Mr. Mohan Lal Saksena :** (a) Are Government aware of the growing menace of unemployment in the country and the distress caused thereby?

(b) What steps, if any, have Government taken to fight unemployment in the centrally administered areas?

(c) Are Government prepared to consider the advisability of appointing a central unemployment board which may suggest remedial measures for reducing unemployment in the centrally administered areas, and co-ordinate the activities of the various provincial boards, set up in this behalf, and also collect and periodically publish statistics regarding unemployment in the country, its nature and extent?

(d) Are Government prepared to consider the feasibility of providing a sum of at least ten lakhs of rupees in the revised budget for tackling the problem of unemployment in the centrally administered areas and for assisting the provinces in their efforts in this direction?

The Honourable Sir Frank Noyce : I am aware that there is serious unemployment among the educated classes, but I am not prepared to subscribe to the Honourable Member's view that there is growing distress in the country generally.

(b) The general policy of Government, to which I have referred on more than one occasion in this House, is designed to benefit the Centrally Administered Areas equally with other parts of India. But I would add that in the only such area which can be regarded as industrialized to any large extent, namely, the province of Delhi, there has, in recent years, been very heavy expenditure on public works.

(c) and (d). As the Honourable Member is possibly aware, the question has been examined by a considerable number of committees in different provinces; and I have no reason for thinking that conditions in the Centrally Administered Areas are peculiar or that a board for these areas, which are widely scattered and have little in common, would contribute much that the other committees have overlooked. But the Government of India are at present actively engaged in the consideration of the United Provinces Unemployment Committee's report and will take such action as appears to them to be desirable.

Mr. Sri Prakasa : May I know whether any actually unemployed persons were invited to serve on these committees or only over-employed people?

Mr. Mohan Lal Saksena : With reference to part (a) of my question, I want to ask the Honourable Member whether unemployment in India is less acute than in England?

Mr. President (The Honourable Sir Abdur Rahim) : That is a matter of opinion.

The Honourable Sir Frank Noyce : That is an extremely difficult question to answer and my Honourable friend is in as good a position to answer it as I am but my view is that the industrial unemployment problem is much less acute in India than it is in England.

Prof. N. G. Ranga : Is the Honourable Member aware of the fact that certain hunger marchers marched all the way from Malabar to Madras in order to represent their grievances?

Mr. President (The Honourable Sir Abdur Rahim) : That is a general question.

Prof. N. G. Ranga : May I know if the Honourable Member is aware of the fact that widespread unemployment is today prevailing in large parts of the Bombay Presidency, U. P., Bihar and Bengal, owing to famine in Bombay and floods in other provinces?

The Honourable Sir Frank Noyce : I have no doubt that Local Governments are taking adequate steps to deal with the situation.

Prof. N. G. Ranga : Is the Honourable Member aware of the fact that the Bombay Legislative Council has passed an adjournment motion

exact time when they started, I am sorry I have not got the information just now.

Mr. S. Satyamurti : May I know what is the reason for the delay in the conclusion of this agreement ?

The Honourable Sir Nripendra Sircar : The reason for delay is this. There are two parties which have got to carry on negotiations, and delay is unavoidable in a matter of this importance.

Mr. N. V. Gadgil : Is any bargaining going on ?

The Honourable Sir Nripendra Sircar : Will you define bargaining ?

Mr. S. Satyamurti : Is this part of the negotiations going on, in order to persuade Hyderabad coming into the Federation ?

The Honourable Sir Nripendra Sircar : No, Sir.

Mr. S. Satyamurti : May I know if these negotiations are continued, wholly independently of the letters now passing between the Governor General and His Exalted Highness the Nizam, with regard to the Federation ?

The Honourable Sir Nripendra Sircar : Yes.

DEAD AND UNCLAIMED AMOUNT LYING IN THE POST OFFICE SAVINGS BANK.

395. **Mr. Sri Prakasa** : (a) What is the amount lying with the Post Offices as dead and unclaimed in the savings bank, for which no demand has been made for the last ten years ?

(b) Are Government prepared to consider the desirability of writing to the addresses given in the pass-books of such persons, informing them of the money lying in their account, so that in cases of death of the original depositors, their heirs and successors may be able to claim the money ?

(c) Is it a fact that Post Offices offer no assistance in this matter at the present moment and in case of loss of pass-book, they do not assist an heir applying for information to trace his father's account ? If so, do Government propose to give instructions to Post Offices to help in this matter ?

The Honourable Sir Frank Noyce : (a) The amount lying with post offices as dead and unclaimed in the savings bank for which no demand has been made for the last ten years is approximately Rs. 14 lakhs.

(b) No. The pass books remain with the depositors and not with the post offices.

(c) The reply to the first part of the question is in the negative. If sufficient indications are given, the Postal Department assists the claimants as far as may be possible. The latter part of the question does not arise.

Mr. Sri Prakasa : With reference to the reply to clause (b), is it not a fact that the Post Office also keep exact copies of the entries on these pass books, and what harm will be done if they help the heirs of dead depositors to trace the amounts lying with them ? I speak with personal knowledge, Sir, of some hard cases.

The Honourable Sir Frank Noyce : If my Honourable friend has special personal knowledge of any cases of hardship, then it is quite easy for him to bring them to my notice. As I have said, "if sufficient indications are given, the Postal Department assists the claimants as far as may be possible". He apparently is in a position to produce claimants, and their claims could be and would be investigated, if he gave us information.

Mr. Sri Prakasa : What Department must these letters be addressed to, because a Post Office within my knowledge, refused to give any assistance in the matter ?

The Honourable Sir Frank Noyce : Will my Honourable friend bring the facts to my notice personally and I will inquire into them ?

Mr. Sri Prakasa : In these cases I may bring the matters directly to the notice of the Honourable Member as I happen to be a Member of this House ; but I am asking for some sort of general instruction to Post Offices on the subject so that humble people in town and country may be able to bring such complaints to the notice of the Department, in view of the fact that the large amount of Rs. 14 lakhs is now lying with the Post Office unclaimed ?

The Honourable Sir Frank Noyce : I do not think I am in a position to add anything to what I have said, viz., that "if sufficient indications are given, the Postal Department assists the claimants as far as may be possible". But they must have some indications. It is for depositors to look after their own interests.

Pandit Lakshmi Kanta Maitra : Is the Postmaster General of the Province empowered to entertain these claims ?

The Honourable Sir Frank Noyce : Obviously.

Prof. N. G. Ranga : If no fresh deposits are received from any particular depositor continuously for one year and if, in spite of that, large deposits in his account are lying with the Postal Savings Bank, will the Government consider the advisability of adopting the suggestion made by my Honourable friend, Mr. Sri Prakasa, and inform the depositor, or people concerned to his address, that such and such funds are lying with them and asking whether the depositor wished to continue to keep the money with them or if he wished that that money should be sent back to him ?

The Honourable Sir Frank Noyce : Sir, it is not the business of the Post Office to inform depositors that a certain amount is lying at their credit in the Post Office. It is the duty of the depositors, if they want the money, to look after their own interests and claim their deposits.

Pandit Lakshmi Kanta Maitra : Is the Postal Superintendent of a District authorised to deal with a matter like that ?

The Honourable Sir Frank Noyce : I am not in a position to answer my Honourable friend's question off-hand, but I have very little doubt that Superintendents of Post Offices have powers in this connection.

Mr. Sri Prakasa : Will the Honourable Member issue instructions to all Postmasters to help in this matter in view of the fact that my question relates to the successors of depositors who have died.

The Honourable Sir Frank Noyce : I think postal officials are already fully aware that it is their business to assist claimants as far as may

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be possible. I do not think any special instructions on that point are necessary. As I have already stated, if my Honourable friend will bring to my notice any instances in which they have failed to do so, then they will be investigated.

Pandit Lakshmi Kanta Maitra : May I inform the Honourable Member that in such cases the Post Offices demand succession certificates from the parties preferring claims?

The Honourable Sir Frank Noyce : They have to demand proof of identity, obviously, and of the justice of the claim.

STATIONERY USED IN GOVERNMENT OF INDIA DEPARTMENTS.

396. ***Mr. Sri Prakasa :** (a) Has the attention of Government been drawn to the very heavy and expensive type of stationery used in various departments of Government and particularly by Members of the Executive Council?

(b) Are Government aware that letters that could easily be sent for an anna, require an anna and a half or even two annas as postage when sent on such stationery?

(c) Are Government prepared, in the interest of economy to order their departments to use cheaper quality of paper to save postage?

The Honourable Sir Frank Noyce : (a) and (c). There is no extensive use of expensive stationery and economies were introduced in this matter in 1932 at the instance of the Sub-Committee of the Retrenchment Advisory Committee. There may, however, be room for further economy in the use of the more expensive types of paper or envelopes, and I am having this question examined.

(b) The postage depends on the weight and if an unnecessarily heavy paper is used, this will tend in some cases to increase the postal charges.

LETTERS SENT BY THE OFFICERS OF THE POSTAL DEPARTMENT ON HIS MAJESTY'S SERVICE WITHOUT ANY POSTAGE STAMPS BEING AFFIXED TO THEM.

397. ***Mr. Sri Prakasa :** (a) Is it a fact that no stamps are necessary on letters sent by the officers of the Postal Department on His Majesty's Service?

(b) Is any record kept of such letters and any efforts made to make sure that the privilege is not abused by any officer of the Department?

(c) Is there any adjustment of accounts in the matter of such letters?

(d) Is it a fact that letters sent by the Honourable Member in charge of Labour and Industries, even if they pertain purely to the postal department, of which also he is the head, have to be stamped?

(e) If so, to what department is the expenditure on such stamps debited, and why is that department made to pay for expenditure on the postal department?

The Honourable Sir Frank Noyce : (a) No postage stamps are required to be affixed on letters sent on postal and telegraph service if they are superscribed "Posts and Telegraphs" and are duly franked by an officer of the Department.

(b) No daily record of such articles is kept but an enumeration of such articles is taken twice a year and the statistics are examined to see if there has been any undue increase in the number of service articles. There are standing instructions warning the staff not to abuse the privilege and to exercise every economy in its use. Any abuse if detected is punished.

(c) Yes, as between the different branches of the department.

(d) Yes, but I may add that the head of the Indian Posts and Telegraphs Department is the Director-General, not the Honourable Member in charge of the Department of Industries and Labour. The number of letters relating to postal matters sent by the latter is very small and, with very few exceptions, they are addressed to the Honourable Member who has asked this question.

(e) The charge is debited to the Industries and Labour Department as the total amount involved is trifling.

Mr. Sri Prakasa : To what Department is the charge debited?

The Honourable Sir Frank Noyce : To the Department of Industries and Labour

UNSTARRED QUESTIONS AND ANSWERS.

RE-ORGANISATION OF ESTABLISHMENT WORK ON THE EAST INDIAN RAILWAY.

20. **Mr. M. Ananthasayanam Ayyangar :** (a) With reference to the reply given in this House to unstarred question No. 4 on the 2nd September, 1935, that the Deputy Agent, General, East Indian Railway, has not passed any qualifying examination in Government rules and regulations governing the conduct, discipline, appeal and allied matters relating to Government servants, is it a fact that the Agent, East Indian Railway, in his Minute Sheet No. A. E. 2851, dated the 12th February, 1936, has ordered as follows :

"With effect from 24th February, 1936, the Establishment work connected with all Transportation, including Power and Rolling Stock and Engineering work will be concentrated in the Head Office under the Deputy Agent, Personnel. All correspondence in connection with Establishment matters relating to the branches of the administration referred to should be addressed to the Deputy Agent, Personnel, and not to the Chief Operating Superintendent, the Chief Commercial Manager, or the Chief Engineer."

The above reorganisation will in no way affect the powers now exercised by the Divisional Superintendents in establishment matters."

(b) If the answer to part (a) be in the affirmative, will Government please state whether they propose to consider the advisability of posting gazetted officers from the Accounts Department, who have been trained in establishment work, to the Personnel section attached to the office of the Agent?

(c) Is it a fact that in the non-gazetted staff, men from other sections are not promoted to the higher posts in the Establishment Section but advance in the avenues of promotions in their own branch? If so, why are exceptions made in the case of the gazetted staff attached to the Establishment or Personnel Section?

(d) What action do Government propose to take? If none, why not?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes.

(b) No.

(c) Gazetted Officers of all departments are eligible for posting to the Personnel Section while this is not generally the case in respect of non-gazetted staff.

(d) No action is called for.

RESERVATION OF ONE BAY OF NO. 4 SHED WITHIN THE HOWRAH GOODS SHEDS.

21. Mr. M. Ananthasayanam Ayyangar : (a) With reference to the reply given in this House to unstarred question No. 524 on the 7th April, 1936, that one bay of No. 4 shed within the Howrah Goods Sheds is neither fenced nor reserved, is it a fact :

- (i) that on receipt of the notice of unstarred question No. 524, the Divisional Superintendent and his Superintendent Commercial called at the office of the Goods Supervisor and with the latter official inspected the bay in question ;
- (ii) that the bay was fenced with barbed wire and was used by the Assistant Commercial Manager, Howrah Goods, to garage his motor car ;
- (iii) that these Gazetted Officers ordered the immediate removal of the barbed wire which was done ; and
- (iv) that the said Assistant Commercial Manager called on the Superintendent Commercial to permit him to continue to use the place for garaging his motor car ?

(b) Is it also a fact that the said Assistant Commercial Manager still uses that Bay for the garaging of his motor car, although the barbed wire has been removed ?

(c) Do Government propose to take disciplinary action against the Gazetted Officers responsible for furnishing false information to this House ? If so, what action ? If not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : (a) (i). No.

(ii) No. A small length of steel palisading has been put up in this bay to protect electrical machinery. This palisading gave no protection to the Assistant Commercial Manager's car when it was garaged in the bay.

(iii) Does not arise.

(iv) No, as there is no necessity for obtaining such special permission.

(b) Yes, whenever the space is available.

(c) Does not arise.

PAY OF THE EXECUTIVE OFFICER DEBITED TO THE CANTONMENT FUND OF MUTTRA.

22. Mr. Sham Lal : (a) Will Government be pleased to state what amount on account of the pay of the Executive Officer is debited to

the Cantonment Funds of Muttra, and also the total income of that Cantonment Authority ?

(b) Is it a fact that the Cantonment Authority of that place is not in a position to spend anything upon the education of the civilian inhabitants ? If so, why ?

(c) What step or steps do Government propose to take in the matter ?

Mr. G. R. F. Tottenham : (a) A sum of Rs. 3,600 is debited annually to the cantonment fund of Muttra on account of the pay of the Executive Officer. The actual income of the Cantonment Authority for the year 1934-35 was Rs. 19,597.

(b) The position is not such as stated by the Honourable Member. Owing to the existence of nine schools in close proximity to the cantonment there is no need for separate educational facilities in the cantonment.

(c) None.

INCREASE IN THE WATER RATES IN THE LAHORE CANTONMENT.

23. Mr. Sham Lal : (a) Will Government be pleased to state whether it is a fact that recently the Executive Officer of Lahore Cantonment informed the civilian residents that water rates in that Cantonment have been increased by the Military Engineering Services ?

(b) If the answer to part (a) be in the affirmative, what were the rates charged before the increase and after it, and how do they compare with the neighbouring municipality ?

(c) Is it a fact that since 1924 the Lahore Cantonment Board had to increase the water rates in that Cantonment about four times to meet the ever increasing demand of the Military Engineering Services from the civilian residents ?

(d) Are Government aware that the rates of water tax and water rates in Lahore Cantonment are at present much more than the neighbouring municipality of Lahore ?

(e) If the answer to the above be in the affirmative, what step or steps do Government propose to take to reduce the large demands of the Military Engineering Services in that Cantonment ?

Mr. G. R. F. Tottenham : (a) Yes.

(b) The rate has been increased from 8½ annas to 9½ annas per 1,000 gallons. The water rate charged for metered connections in the neighbouring municipality is 8 annas per 1,000 gallons.

(c) No. Since 1924, the water rate has been increased only twice.

(d) It is difficult to compare the rate of tax in the Cantonment which is based on a percentage of the annual value of the buildings with that in the municipality which is based on the size of the ferrule and number of taps.

(e) I would draw the attention of my Honourable friend to clause 58 of the Cantonments (Amendment) Bill which is now before this House.

DISABILITY PENSIONS OF MILITARY EMPLOYEES INVALIDED DURING THE GREAT WAR.

†27. **Seth Haji Abdoola Haroon :** (a) With reference to the reply given in this House to parts (a) and (b) of starred question No. 376 on the 16th September, 1935, will Government please state the total percentage of disability that will be taken in assessing the disability pension of a civil officer or subordinate who is assessed 60 per cent. disability on account of Field Service and 40 per cent. disability on account of Post-War Service ?

(b) Is it correct that the wife and minor children of a civil officer or subordinate retiring on a pay of Rs. 200 per month and over on account of diseases contracted on Field Service are eligible for family pensions agreeably to paragraphs 740 and 741-A., Civil Service Regulations ?

(c) Will Government please state the weekly rate of disability family pensions admissible to the wife and three minor sons of a civil officer retiring with the relative rank of a Sub-Conductor and assessed 60 per cent. disability on account of diseases contracted on Field Service ?

(d) Is it correct that disability pension claims of those retiring on a pay of Rs. 200 per month or more are payable in sterling and they are to be converted at the rate of one shilling four pence to the rupee if the pensioner was in Government service on 1st February, 1921 in the spirit of paragraph 24, Pension Regulations, India ?

(e) Is it a fact that following their final reply to question No. 331 of the 2nd March, 1934, given on the 13th November, 1934, Government called for marriage and birth certificates from the Collectors or Deputy Commissioners of Districts for the admission to disability pension the wives and children of the individuals involved in the Government's reply and that the necessary certificates were furnished to the pension authorities by the Civil Officers concerned ?

(f) Is it not clear from the letters written to Civil Officers regarding marriage and birth certificates that the documents were merely called for to make necessary assessments and adjustments of family pensions which were already accepted in principle ?

(g) Is it correct that the admissibility of disability pension to those who contracted diseases on Field Service during the Great War 1914-18 and eventually retired on Rs. 200 per mensem and over in 1928-1930 on account of the same diseases has been accepted by the Government in their replies to the questions noted below in the Assembly :

(i) Government reply to question No. 592 (a) and (b) of 4th September, 1933 ;

(ii) Government reply to question No. 1182 (a) of 27th November, 1933 ;

(iii) Government reply to question No. 331 of the 2nd March, 1934 ; and

(iv) Government reply to unstarred question No. 248, dated the 9th March, 1936 ?

† For answer to this question, see answer to question No. 25.

(h) Having gone so far and having made so many admissions, will Government be pleased to state why the claims involved in Government's final reply to question No. 331 of the 2nd March, 1934, given on the 13th November, 1934, have not been assessed and adjusted up to date and whether financial considerations and payments involved are the real factors standing in the way of right, legitimate and well-earned disability pension claims outstanding for five and six years ?

SUBSIDIARY RULES REGARDING DISCIPLINARY ACTION FRAMED BY THE AGENT, EASTERN BENGAL RAILWAY.

28. **Mr. Amarendra Nath Chattopadhyaya :** (a) With reference to the statement laid on the table of the House on the 27th February, 1936, in reply to unstarred question No. 155, is it a fact that the Agent, Eastern Bengal Railway, has, with his letter No. 148-E.O. P.II, dated the 17th October, 1935, to all concerned, forwarded Subsidiary Rules for compliance ?

(b) If the answer to part (a) be in the affirmative, will Government please state :

(i) whether it is obligatory on the authorities concerned to observe these Subsidiary Rules ;

(ii) whether any cases have recently been reported of non-observance of these rules by the District Officers of the Locomotive Department ; if so, with what results ;

(iii) whether train staff and running staff mentioned in the Subsidiary Rules are the same ; if not, what staff are classed as trains and as running ;

(iv) whether a senior subordinate is required, under the General Rules regarding disciplinary action, to serve " Explanation Sheets " calling upon the employee to explain certain incidents ; or

(v) whether a senior subordinate is competent, under Rule 12 of the General Rules, to serve a charge sheet against a non-gazetted employee informing him of the definite offences or failures on account of which it is proposed by him to impose the penalties prescribed in General Rule 2 ?

(c) Is disciplinary action taken against Gazetted Officers when they contravene the General and/or the Subsidiary Rules ? If not, why are they exempted from the actions ?

(d) Is it open to heads of departments to inform the appellant employees that the orders were issued by them when no mention of the same has been made in the punishment letters issued by the District Officers ? If so, why ?

The Honourable Sir Muhammad Zafrullah Khan : Government are informed as follows :

(a) Yes.

(b) (i) Yes.

(ii) The Eastern Bengal Railway Administration is not aware of any recent cases.

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EXTENSIONS SANCTIONED TO THE ENGINEER OF THE MEERUT CANTONMENT BOARD.

24. **Mr. Sham Lal :** (a) Will Government be pleased to state what amount the Meerut Cantonment Board has to spend annually on the pay of its Engineer ?

(b) Is it a fact that this engineer is above the age of fifty-five ?

(c) If the answer to part (b) be in the affirmative, how many extensions have already been sanctioned by the Officer Commanding-in-Chief, the Command, in his case ?

(d) What steps do Government propose to take in the matter ?

Mr. G. R. F. Tottenham : (a) Rs. 4,200.

(b) Yes.

(c) One extension for a period of five years ending 28th October, 1938, has been granted by the Cantonment Authority, Meerut, under rule 18 of the Cantonment Fund Servants Rules, 1925.

(d) Government do not propose to interfere in the matter.

DISABILITY PENSIONS OF MILITARY EMPLOYEES INVALIDED DURING THE GREAT WAR.

25. **Seth Haji Abdoola Haroon :** (a) Is it a fact that in spite of Government's reply to question No. 592 (a) and (b) of the 4th September, 1933, and its numerous confirmations ending with the latest Government reply to unstarred question No. 248, dated the 9th March, 1936, not a single case of disability military pension has yet been assessed according to items (d) to (i) of those replies ?

(b) Is it a fact that not a single case has yet been assessed according to Government reply to question No. 1182 (a), dated the 27th November, 1933, and its confirmation ending with the latest Government reply to unstarred question No. 248, dated the 9th March, 1936 in this House ?

(c) Is it quite correct that not a single case of disability military pension has yet been assessed according to Government's final reply to question No. 331 of the 2nd March, 1934 given on the 13th November, 1934 and again confirmed as per Government reply to unstarred question No. 248, dated the 9th March, 1936 in this House ?

(d) Is it correct that all applications and appeals made with reference to the preceding Government replies were all turned down and rejected without a single exception ?

(e) Is it correct that in the final reply to question No. 331 of the 2nd March, 1934, given on the 13th November, 1934, Government clearly admitted wrong assessment of disability cases for diseases, and ordered the reassessment and readjustment of such cases ?

(f) Is it quite correct that none of the cases ordered have been reassessed and readjusted up to date and all of them without a single exception have been finally dropped and rejected without giving any

reasons for the same in accordance with item No. 3 of India Army Order No. 560 of September, 1933 ?

Mr. G. R. F. Tottenham : The questions appear to relate to one individual case which has been under examination for some time and which has raised a number of difficult points. The Government of India have made certain recommendations to the Secretary of State on the subject and hope to receive his orders in the near future.

DISABILITY PENSIONS OF MILITARY EMPLOYEES INVALIDED DURING THE GREAT WAR.

†26. **Seth Haji Abdoola Haroon :** (a) Is it correct that the principle involved and referred to in Defence Secretary's demi-official letter No. 283, dated the 1st November, 1934, to Mr. B. V. Jadhav, ex-M.L.A., was decided and settled as per Government's final reply to question No. 331 of the 2nd March, 1934, given on the 13th November, 1934 ?

(b) Is it correct that the Defence Secretary in his demi-official letter referred to in part (a) hoped that the R. I. A. S. C. cases referred to therein, would be settled before long but they have not been settled and adjusted up to date agreeably to Government's final reply to question No. 331 of the 2nd March, 1934, given on the 13th November, 1934 ?

(c) Do Government realise the extent of the future losses of pay and increased pension of the men concerned ?

(d) Are Government aware that the college education of the individual boys were ruined and discontinued on account of the abrupt reduction of the income of those who were drawing Rs. 200 per mensem and over as salaries ?

(e) Are Government aware that a good deal out of the ordinary civil pension is spent on medicinal and attendance charges on account of chronic diseases contracted in the cause of Government on Field Service ?

(f) Is it a fact that disability pensions are intended to compensate for the loss of future prospects and careers and for the lessened expectation of life and activities of those who have been disabled in the cause of the Government ?

(g) Keeping in view recommendations Nos. 4 and 9 of the War Pension Committee, sanctioned by the Government and published with India Army Order No. 560 of September, 1933, will Government be pleased to state when the R. I. A. S. C. cases ordered for reassessment and readjustment as per Government final reply to question No. 331 of the 2nd March, 1934 are likely to be reassessed and readjusted and how long will it still take to do so ? Is it a fact that the cases are already pending for about 5½ years ?

(h) Is it a fact that disability pension claims of those retiring on a pay of Rs. 200 per mensem or more are payable in sterling and that they are to be converted at the rate of one shilling four pence to the rupee if the pensioner was in Government service on 1st February, 1921 in the spirit of paragraph 24, Pension Regulations, India ?

† For answer to this question, see answer to question No. 25.

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- (iii) The term 'Running Staff' includes all staff who perform duties directly connected with the charge of a moving train; by "Train Staff" is meant running staff of the Traffic Department.
- (iv) and (v). There is nothing in the rules to debar senior subordinates from obtaining explanations from staff under General Rule 12. The orders of punishment are, however, passed by officers competent to pass such orders.
- (c) Each case is dealt with on its merits and action taken when necessary.
- (d) Yes, if such be the case.

SUBSIDIARY RULES REGARDING DISCIPLINARY ACTION FRAMED BY THE AGENT, EAST INDIAN RAILWAY.

29. **Mr. Amarendra Nath Chattopadhyaya :** (a) With reference to the reply given in this House to unstarred question No. 156 (b), (i), on the 18th February, 1936, that it is not intended to publish the Subsidiary Rules framed by the Agent in the East Indian Railway Gazette, will Government please state :

- (i) the reasons why it proposes to suppress from the non-gazetted staff on this railway only the Subsidiary Rules which govern disciplinary actions against them ;
- (ii) whether the Subsidiary Rules regulating disciplinary action against gazetted officers are published and are available to them and the public as well ; and
- (iii) whether the Eastern Bengal Railway have made their Subsidiary Rules available to their non-gazetted staff ?
- (b) Do Government propose to have a uniform system on all State-managed Railways regarding the publication and availability to the non-gazetted staff the General and Subsidiary Rules which regulate disciplinary action ? If not, what are the reasons for permitting each Railway Administration to act according to its whims and fancies on this important question of policy ?

The Honourable Sir Muhammad Zafrullah Khan : (a) (i) The rules referred to are available to the staff for official purposes.

(ii) As regards the first part, there are no subsidiary rules. The latter part of the question does not arise.

(iii) Yes.

(b) No. Government do not consider it necessary.

RAILWAY CARRIAGES FOR SHOOTING AND CAMPING PARTIES.

30. **Mr. Amarendra Nath Chattopadhyaya :** (a) Is it a fact that the East Indian Railway Administration have issued a circular letter dated the 4th December, 1935, by the Chief Operating Superintendent and the Chief Commercial Manager under the caption—"Carriages for shooting and camping parties"—with the object of attracting railway passenger traffic ? If so, why is it that these carriages are not to be booked to McCluskiegunge station where an Anglo-Indian colony is being built ?

(b) Do Government propose to take action in the matter of including this station where these carriages can be booked so as to encourage this mode of rail travel ? If not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : (a) The reply to the first part is in the affirmative, as regards the second part, these carriages are intended only for fishing and shooting parties travelling to such stations to which normally ordinary carriages would not be booked, thereby obtaining a class of traffic which would not otherwise be obtained. McCluskiegunge is one of many stations to which these carriages cannot be booked.

(b) Government do not consider that their intervention in this matter is called for.

AVENUES OF ECONOMY ON THE EAST INDIAN RAILWAY.

31. **Mr. Amarendra Nath Chattopadhyaya :** (a) Is it a fact that it is the policy of the East Indian Railway Administration to explore all avenues for improvement in working and in securing economy in all departments except the Engineering which has supplied all the Job Analysis Officers and Agents ? If not, will Government please state :

- (i) whether Job Analysis of the Block Signal Workshop at Howrah has been undertaken ; if so, were any economies recommended and accepted ;
- (ii) whether the transfer of the lorry service from the workshop to the Divisional Superintendent was recommended by the Job Analysis Committee ; if not, on whose recommendation was this transfer made ;
- (iii) whether the garage and its staff have also been made over to the division ;
- (iv) whether running repairs are done in the garage ; and
- (v) whether the garage have been prohibited from executing heavy repairs which have been reserved for the workshop although the garage are able to do them ?

(b) Is it a fact that supervisory staff on pay of Rs. 550, Rs. 400, etc., plus a large staff are maintained in the Block Signal Workshop for the heavy repairs to the lorries ? If so, will Government please state :

- (i) whether a very heavy overhead charge is levied on each job executed ;
- (ii) whether they have considered that the overhead charges would be reduced if the work was done in the garage ; and
- (iii) whether any other motor undertakings maintain a workshop as well as a garage for the repairs to their cars and lorries ?

(c) Is it a fact that it took the workshop four months to overhaul a lorry and that the amount debited to the garage for the overhaul to this lorry was Rs. 2,930-6-0 ? If so, will Government be pleased to state :

- (i) what is the cost of the spare parts replaced, general repairs, and overhead charges ;

non-stock items as cannot be repaired or economically manufactured in the Shops, quotations are invited from various local motor firms, by the manager of the workshop, direct, in order to save time, but the purchase is made through the Controller of Stores, in accordance with the Stores Purchase Rules. Small spare parts are purchased direct under sanction of competent authority.

(b) No.

(i) to (v). Do not arise.

(c) Government do not see the need for such an enquiry.

GRANT OF ACTING ALLOWANCE TO THE EMPLOYEES OF THE EAST INDIAN RAILWAY COMPANY TAKEN OVER BY THE STATE.

33. **Mr. Amarendra Nath Chattopadhyaya :** (a) With reference to the reply given in this House to unstarred question No. 185 on the 26th February, 1936, regarding the grant of acting allowances to the employees of the East Indian Railway Company who were taken over by the State, will Government please state :

(i) the Company's rules in regard to pay or acting allowance when an employee has been put on to a vacant post in a temporary or acting capacity ; and

(ii) the decision referred to in parts (d) to (f) of the unstarred question, that has been taken ?

(b) Is it the policy of Government to whittle down the privileges enjoyed by the staff taken over from the Company and included in the terms of their employment under the State ? If not, why have the Company's rules regarding the grant of acting allowances been withheld or stopped ?

(c) Will Government please state whether the withholding of the acting allowances under the Company's rules have been enforced in the Accounts Department only or whether other departments have observed the same procedure ?

The Honourable Sir Muhammad Zafrullah Khan : (a) (i) The relevant orders are contained in rules 48—52, 74, 116 *et seq.*, of the East Indian Railway Leave Rules, a copy of which is in the Library of the House.

(ii) It has been decided to cancel the provisional instructions issued by the Chief Accounts Officer.

(b) and (c). The policy of Government, which applies to the Accounts Department as well as to other departments of the railway, is to allow to staff in the permanent service of the East Indian Railway Company at the time of their transfer to the State on 1st January, 1925, pay and allowances, provident fund and gratuity, and leave, under the then existing rules and conditions of the East Indian Railway Company as expressed in the agreement entered into by them with Government.

GRANTS FROM THE STAFF BENEFIT FUND ON THE EASTERN BENGAL RAILWAY.

34. **Mr. Amarendra Nath Chattopadhyaya :** With reference to the reply given in this House to unstarred question No. 187 (c) on the 26th February, 1936, regarding grants from the Staff Benefit Fund on the Eastern Bengal Railway, will Government please state what check is maintained over the misuse of this fund ? If none, why ?

The Honourable Sir Muhammad Zafrullah Khan : Government are informed as follows :

(a) The fund is controlled by a properly constituted committee presided over by the Deputy Agent Personnel. The accounts of the fund are duly audited by the Chief Accounts Officer.

EMPLOYMENT OF THE PRINTING SUPERINTENDENT AS THE CARETAKER OF THE HEAD OFFICE BUILDINGS OF THE EAST INDIAN RAILWAY.

35. **Mr. Amarendra Nath Chattopadhyaya :** (a) With reference to the reply given in this House to unstarred question No. 191 on the 26th February, 1936, regarding the employment of the Printing Superintendent, a gazetted officer, as the Caretaker of the head office buildings of the East Indian Railway in addition to his own duties which embrace the printing work of the East Indian and the Eastern Bengal Railways, is it a fact that non-gazetted staff are employed as Caretakers for the other Government buildings at Calcutta ?

(b) Is it the policy of Government in the Railway Department to employ as Caretakers gazetted officers who do this work in addition to their legitimate duties ? If so, do the Eastern Bengal, the North Western and the Great Indian Peninsula Railways observe this policy ?

(c) Is it a fact that the Watch and Ward Department are posted in the head office buildings of the East Indian Railway and that they are responsible for the fire appliances ? If so, do Government propose to explore this avenue of economy by making over the work now done by the Caretaker *cum* Printing Superintendent to the Watch and Ward Department ? If not, why not ?

(d) Was any recommendation made by the Job Analysis Committee which is located at the head office regarding this avenue of economy ? If not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Government have no information.

(b) Government have not laid down any policy in the matter, but have left it to the discretion of Railway Administrations.

(c) The office of the Superintendent, Watch and Ward Department, is located in the Head Office building, but that officer is not responsible for the fire appliances. The organisation for dealing with outbreaks of fire in the Head Office is under the control of the Printing Superintendent and the inferior personnel of the Watch and Ward Department who are on duty at the Head Office are included in this organisation. The Printing Superintendent draws no additional special pay on account of being in charge of the fire organisation.

(d) No.

- (ii) whether the major portion of the overhaul could have been done in the garage in the usual course of their work ; and
- (iii) what is the value of the lorry after its overhaul ?
- (d) Do Government propose to explore this avenue of economy by taking away from the workshop all repairs to the lorries and having the same done in their own garage where experienced staff are employed ? If not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : Government are informed as follows :

(a) No.

- (i) As a result of job analysis into the work of the clerical staff of the Block Signal Shops, the staff had to be strengthened. The work of the labour staff has not been job analysed.

(ii) The transfer was made on the recommendation of a Committee appointed by the Agent to examine the question of the operation of railway lorries.

(iii) Yes.

(iv) and (v). The garage equipment consists of :

Two vices and an air compressor (motor driven) for maintenance of tyres.

The garage also supplies petrol, oil and consumable stores and has been provided primarily for the housing of the vehicles.

The repairs which the garage staff are capable of undertaking comprise the following :

Greasing and oiling engines.

Care of batteries.

Adjustment of tappets, cleaning and adjusting magnetos.

Examination of springs.

Maintenance of brakes and other small works of similar nature.

If repairs of a heavier nature than this have to be carried out staff are either requisitioned from the Block Signal Shops, or lorries are sent to the Block Signal Shops.

(b) No. All work in connection with Signalling and Interlocking equipment, telephones, Block Instruments and Electric Signalling Apparatus for the whole railway is concentrated in the Block Signal Workshops at Howrah. The supervising staff of the Block Signal Workshop also supervise heavy repairs to lorries which may be undertaken.

(i) Charges are levied strictly in accordance with the rules.

(ii) I would invite the Honourable Member's attention to my reply to parts (a) (iv) and (v) of the question.

(iii) Government have no information.

(c) Yes.

	Rs.	a.	p.
(i) Labour	1,372	4	0
Spare parts	677	7	0
General charges	808	11	0

(ii) No.

(iii) It is difficult to state the monetary value of the lorry, but repairs are estimated to have given it five years' further life.

(d) I would invite the Honourable Member's attention to my reply to parts (a), (iv) and (v), and (b) of the question.

PURCHASE OF NEW FITTINGS FOR THE MOTOR TROLRIES BY THE EAST INDIAN RAILWAY.

32. Mr. Amarendra Nath Chattopadhyaya : (a) Will Government please state whether the East Indian Railway Administration have any policy in regard to the indenting, sanctioning and purchasing of new fittings for the motor trolries which are in use on that Railway ? If so, whether it has been applied in all cases of purchase of spare parts indented by the Block Signal Workshop at Howrah ?

(b) Is it a fact that twelve magnetos for single cylinder motor trolries have been purchased and are now lying on hand being unsuitable for the motor trolries ? If so, will Government please state :

(i) how many motor trolries are in use and in stock ;

(ii) how many motor trolries have single and how many have double or twin cylinders ;

(iii) whether the changing of magnetos is a common repair ; if not, who is responsible for sanctioning the purchase of the twelve magnetos ;

(iv) what is the cost of these twelve magnetos ; and

(v) whether it has been proposed that these new magnetos should be disposed of as scrap ?

(c) Do Government propose to institute an enquiry by other than Engineering Officers into this matter and to explore all avenues in that workshop as regards the indenting, sanctioning, and purchasing of articles with a view to effecting economy in the working expenses ? If not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes. The policy ordinarily followed in all cases in the Block Signal Workshop at Howrah is briefly as below :

On receipt of a motor trolley for overhaul and repair at the workshop, a list of parts requiring replacement is drawn up and such parts as can be economically manufactured in the Shops and those not procurable from the market are manufactured in the Shops. Stock items are requisitioned from the District Controller of Stores. For such of the

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(ii) When a fall in earnings below the minima fixed is sufficiently exceptional, an explanation of the probable causes is required. If the fall is considered to be due to causes within the control of the staff (such as failure to open the booking office windows at the appointed time so that intending passengers are enabled to secure tickets, negligence in checking admission to platform of passengers without tickets, etc.), the question of taking disciplinary action is considered.

RULES ON THE EAST INDIAN RAILWAY PREVENTING THE EMPLOYMENT OF STAFF SUFFERING FROM DEFECTIVE VISION TO CERTAIN POSTS.

40. **Mr. Amarendra Nath Chattopadhyaya :** (a) Will Government please state whether there are any rules on the East Indian Railway which prevent the employment of staff who suffer from defective vision from posts such as Guards, Station Masters, Transportation Inspectors, Commercial and Movement, etc. ?

(b) If the answer to part (a) be in the affirmative, will Government please state :

(i) whether the rules in question are in operation on all the divisions ; if not, why there is a difference in policy on the same Railway ; and

(ii) whether it is obligatory on the Divisional Superintendent and his subordinate officers to observe these rules ?

The Honourable Sir Muhammad Zafrullah Khan : Government are informed as follows :

(a) Yes.

(b), (i) and (ii). Yes.

RULES FOR THE RECRUITMENT AND TRAINING OF NON-GAZETTED STAFF ON THE EASTERN BENGAL RAILWAY.

41. **Mr. Amarendra Nath Chattopadhyaya :** With reference to the reply given in this House to unstarred question No. 463 on the 7th April, 1936, regarding the rules for the recruitment and training of the non-gazetted staff on the Eastern Bengal Railway, will Government please state :

(i) whether these rules have been printed by the Eastern Bengal Railway and made available to the non-gazetted staff ; if not, will this be done ; and

(ii) whether the channels of promotions as sanctioned by the Agent have been made available to the staff ; if not, whether this will also be done ; if not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : Government are informed as follows :

(i) and (ii). The rules have been printed by the Eastern Bengal Railway and distributed to the Heads of Departments and District Officers. A booklet containing these rules, together with information regarding the normal channels of promotion in the various categories, is under com-

pilation and will be made available to the staff as soon as ready.

SHORT-COMINGS IN THE SCHEME OF CATTLE IMPROVEMENT AND A REDUCTION OF THE CANAL WATER RATE.

42. **Mr. M. Asaf Ali :** (a) Has the attention of Government been drawn to the press note published by the Director of the Delhi Cattle Breeding Farm, Limited, in the *Hindustan Times*, dated the 27th June, 1936, regarding the short-comings in the scheme of cattle improvement, prepared by Colonel Oliver, and have they made any attempt to meet the objections contained in that note ?

(b) Is it a fact, as alleged in that note, that the canal water rate for fodder crops in Delhi has been increased by more than 66 per cent. during the past two or three years ?

(c) Is it not a fact that the area, for which the canal water rates for fodder crops are increased, is the best cattle breeding area in India ?

(d) In view of the present policy of Government to improve the breed of Indian cattle, do they propose to reduce the canal water rate to its former level ? If not, why not ?

Sir Girja Shankar Bajpai : (a) Yes. The points mentioned were all duly considered when the scheme was drawn up.

(b) Yes, the canal water rate was increased from Rs. 1-8-0 to Rs. 2-8-0 per acre in 1934. The increase, however, is general and is applicable to all areas irrigated by the Western Jumna Canal and other canals in the Punjab. The rates for supply of canal water are fixed by the Punjab Government and are liable to fluctuation. Thus they are lower now than in 1924 when the rate was Rs. 3.

(c) It is certainly one of the best cattle breeding areas.

(d) The Western Jumna Canal, which is the chief source of irrigation in the Delhi Province, is controlled by the Punjab Government. The Delhi Administration is not responsible for fixing the rates.

RULES REGULATING DISCIPLINE AND RIGHTS OF APPEAL OF THE NON-GAZETTED RAILWAY SERVANTS.

43. **Mr. Amarendra Nath Chattopadhyaya :** (a) Is it a fact that in the rules regulating discipline and rights of appeal of the non-gazetted Railway servants, issued by the Railway Board with their letter No. E.1341 R.G.-6, dated the 22nd June, 1935, provision has been made under Rule 2 regarding :

“ withholding of the whole or part of the Provident Fund Contribution or Gratuity in accordance with the provisions of the State Railway Provident Fund and Gratuity Rules ” ?

If so, will Government please state whether the rule means the withholding of the whole or part of the Gratuity as well ?

(b) If the answer to the second part of part (a) be in the affirmative, do Government propose to inform the State-managed Railways of their interpretation of this rule in order to avoid any misunderstandings and hardships that may be caused by a wrong interpretation of this rule ?

SUBMISSION OF PETITIONS OF THE RAILWAY STAFF TO THE GOVERNOR GENERAL IN COUNCIL.

36. **Mr. Amarendra Nath Chattopadhyaya :** (a) With reference to the reply given in this House to unstarred question No. 194 (d) on the 26th February, 1936, regarding the submission of petitions to the Governor General in Council, will Government please state whether the rules prior to those issued in 1933 were published by the Agent, East Indian Railway, in that Railway's Gazette? If so, when? If not, how can the staff be expected to know the rules which govern the submission of petitions?

(b) Do Government propose to waive the time limit for the submission of petitions? If not, why not?

The Honourable Sir Muhammad Zafrullah Khan : (a) Government are informed that the instructions regarding the submission of petitions to the Governor General in Council published in the Government of India, Home Department Notification, Public, No. F. 472-II-2/23, dated the 21st June, 1924, were not published by the East Indian Railway Administration as those instructions did not apply to non-pensionable subordinate, clerical and menial establishments employed in the construction and working of the State Railways.

(b) Does not arise.

RULES FOR THE RECRUITMENT AND TRAINING OF CLERICAL STAFF AND THE AVENUES FOR THEIR PROMOTION ON THE EAST INDIAN RAILWAY.

37. **Mr. Amarendra Nath Chattopadhyaya :** With reference to the reply given in this House to unstarred question No. 195 (b), (i) to (iv) on the 26th February, 1936, regarding rules for the recruitment and training of clerical staff and the avenues of their promotions, will Government please state :

(i) whether the rules have since been framed; if so, when;

(ii) whether these rules will be published and made available to the staff; if not, why not?

The Honourable Sir Muhammad Zafrullah Khan : (a) (i) Yes.

(ii) I would invite the Honourable Member's attention to my reply to part (b) (ii) of his question No. 195.

RACIAL DISCRIMINATION IN THE HOWRAH DIVISION OF THE EAST INDIAN RAILWAY IN THE MATTER OF PLACING CERTAIN STAFF UNDER SUSPENSION.

38. **Mr. Amarendra Nath Chattopadhyaya :** (a) Is it a fact that it is the policy of Government in the Railway Department that when an employee, gazetted or otherwise, has been arrested by the Police under any of the sections of the Indian Penal Code involving moral turpitude and who has been released on bail, must be placed under suspension until such time as the case has been disposed of by the Court?

(b) Is it a fact that this policy is observed on the East Indian Railway but partially on the Howrah Division of that Railway?

(c) Are Government aware that racial prejudice operates on the Howrah Division in the matter of placing staff under suspension and that while Indian staff are suspended the non-Indian staff are permitted to continue their duties? If not, will Government please state :

(i) whether a non-Indian employee in the Control Office attached to the Divisional Office has been arrested under sections 193 and 199, released on bail, and has been permitted to work;

(ii) whether the incident was reported to the Superintendent, Traffic, a non-Indian, who declined to observe the rule and to suspend this employee; and

(iii) whether the Superintendent Traffic has suppressed these facts from the Divisional Superintendent?

(d) Do Government propose to take disciplinary action against the gazetted officer responsible for this breach of the rule and the display of racial feelings? If so, what action? If not, why not?

The Honourable Sir Muhammad Zafrullah Khan : (a) and (b). I would invite the Honourable Member's attention to revised rule 11 of the "Rules regulating discipline and rights of appeal of non-gazetted Railway servants", a copy of which is in the Library of the House. The policy laid down therein is followed over the whole of the East Indian Railway.

(c) The reply to the first part of the question is in the negative. As regards parts (i), (ii) and (iii) if the Honourable Member will name the person to whom he is referring I will endeavour to obtain information.

(d) In view of my reply to the latter part of (c), this does not arise.

PASSENGER EARNINGS FIXED FOR EACH STATION ON THE EASTERN BENGAL RAILWAY.

39. **Mr. Amarendra Nath Chattopadhyaya :** With reference to the reply given in this House to unstarred question No. 291 (a) on the 9th March, 1936, that the extract :

"The action taken against the defaulting station where there is a fall",

is not contained in the Eastern Bengal Railway Gazette Notification No. 744 of Gazette No. 22 of 1935, is it a fact that it is contained in the last line of paragraph 3 of the Notification printed on page 2114 of the Debate Book for the 9th March, 1936? If so; will Government please state :

(i) who is responsible for furnishing the wrong information; and

(ii) whether any action will be taken against those stations whose earnings fall below the minima fixed for them? If so, on what grounds?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes. The Honourable Member's question No. 291 contained three extracts: the first reproducing the first sentence of a paragraph, the second reproducing an entire paragraph, the third being the concluding line of a paragraph.

(i) No wrong information was furnished; it was a case of excusable oversight.

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes.

(b) Government do not consider that any further orders are necessary as the Rules on the subject are quite clear.

SPECIAL PAY OF EMPLOYEES ON STATE RAILWAYS.

44. Mr. Amarendra Nath Chattopadhyaya : (a) With reference to the reply in this House to unstarred question No. 351 on the 13th March, 1936, regarding special pay of employees on State Railways, will Government please state :

(i) why, in the cases of gazetted officers, special pay should not be reduced unless the conditions which originally led to the grant of the special pay have disappeared or changed and in the cases of the non-gazetted staff special pay may be reduced on any grounds which Government consider reasonable ;

(ii) what justification is there for this differential treatment in financial matters to the humble employees of the Crown in India ; and

(iii) whether they now propose to remove the discretionary power in the case of the non-gazetted staff and make it mandatory as in the case of the gazetted officers ?

(b) Is it a fact that this discretionary power, where non-gazetted staff of the East Indian Railway are concerned, has been used to the disadvantage of the non-gazetted employees ?

(c) Is it a fact that the special pay of certain of the non-gazetted staff on the East Indian Railway, granted for the specific addition to their work or responsibility, has been withdrawn although the additional work and responsibility have not been withdrawn ? If so, has the same treatment been accorded to the gazetted staff ? If not, why not ?

(d) Do Government propose to treat alike the staff, both gazetted and non-gazetted, in the matter of the withdrawal of special pay ? If not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : (a) and (d). The position is that generally it is open to the authority sanctioning the special pay to withdraw it for any reason whatsoever, but it was found necessary to lay down a special condition to govern officers who are protected by section 96B (2) of the present Government of India Act.

(b) No. The railway administration was satisfied that there was no justification for continuing the special pay originally granted.

(c) If the Honourable Member will give me the instances he refers to, I shall have the question examined.

FAREWELL PARTY TO BE GIVEN TO THE ASSISTANT SUPERINTENDENT, HOWRAH GOODS.

45. Mr. Amarendra Nath Chattopadhyaya : (a) Is it a fact that it is against the Government Servants' Conduct Rules for the staff in the

Railway Department to give farewell parties to gazetted officers when they proceed on leave, transfer, or on leave prior to retirement ? If not, under what conditions can such parties be given ?

(b) Do these rules apply to the East Indian Railway ? If so, are Government aware :

(i) that the Divisional Superintendent, Howrah, is arranging through his junior officers, for a grand and expensive farewell party to be given to the Assistant Superintendent, Howrah Goods ;

(ii) that subscriptions are not confined to railway staff only but that merchants, forwarding agents, jemadars, etc., are being pressed to contribute ; and

(iii) that such compulsory contributions from outsiders place the non-gazetted staff under obligations to them ?

(c) Is it a fact that the Superintendent, Commercial, who is the immediate superior of the Assistant Superintendent, Howrah Goods, has recently issued a circular letter to the staff warning them against the acceptance of "dasturi" ? If so, why is he encouraging his staff to collect contributions from merchants, jemadars, etc. ?

(d) Do Government propose to take disciplinary action against the gazetted officers responsible for this breach of the Government Servants' Conduct Rules ?

The Honourable Sir Muhammad Zafrullah Khan : (a) I would invite the Honourable Member's attention to sub-paragraphs (c) and (d) of paragraph 3 of the Government Servants' Conduct Rules, a copy of which is in the Library of the House.

(b) Yes. Government are informed as follows :

(i) No farewell entertainment has been or is being arranged with the knowledge of the Divisional Superintendent or through the Junior Officers to be given to the Assistant Superintendent, Howrah Goods, on retirement. In fact the Assistant Superintendent has already retired in July, 1936.

(ii) No request has been made for subscription either from non-gazetted staff or from outsiders.

(iii) Does not arise.

(c) In view of my reply to parts (b) (i) and (ii) this does not arise.

(d) No action is called for.

USE OF OFFICE PERQUISITES FOR THE BENEFIT OF THE GAZETTED OFFICERS ON THE EAST INDIAN RAILWAY.

46. Mr. Amarendra Nath Chattopadhyaya : (a) Is it the policy of Government in the Railway Department that perquisites of office must be provided at State expense for the benefit of the gazetted officers only ?

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(b) If the answer to part (a) be in the negative, will Government please state why an exception has been made in the case of the Howrah Division of the East Indian Railway ?

(c) Is it a fact :

- (i) that a lorry is in daily use for the supply of coal from the Loco. Depot at Howrah to the residences of the gazetted officers ;
- (ii) that no charge is made for the use of the lorry for the carriage of coal ;
- (iii) that the expenses incurred on this lorry on its unofficial use are included in the working expenses of the garage ; and
- (iv) that this avenue of economy has not been explored by the Job Analysis staff ?

(d) Will Government please state whether the same facilities regarding the free carriage of coal at Howrah have been extended to the non-gazetted staff ; if not, why this differential treatment ?

(e) Are different rates for coal charged from the gazetted and the non-gazetted staff ? If so, what are the rates charged, and why has a lower rate been placed on coal supplied to the gazetted staff ?

(f) Has this avenue of economy been scrutinized by the Job Analysis staff ? If not, why not ?

(g) Will Government please state :

- (i) whether repairs are done to the private cars of the gazetted officers of the East Indian Railway, Howrah, free of cost, at the lorry garage ;
- (ii) whether " Opel " motor car No. 33778 has been frequently attended to at the garage without any payment to Government for the same ;
- (iii) whether this avenue of economy has been investigated by the Job Analysis staff ;
- (iv) whether the lorry garage is under the direct control of the Superintendent, Commercial ; and
- (v) whether " Opel " car No. 33778 belongs to the Superintendent, Commercial ?

(h) Do Government propose to have these matters investigated with a view to lowering the working expenses of the Howrah Division and thereby save some of the staff from being discharged on retrenchment as well as to take disciplinary action against the gazetted staff responsible for depriving Government of revenue ? If not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : (a) No.

(b) No exception has been made in the case of the Howrah Division.

(c) (i) A lorry runs four days a month for the supply of coal to the residences of a few gazetted officers on payment of charges due.

(ii) No. An extra charge is levied for the carriage of coal.

(iii) The lorry is not being put to any unofficial use.

(iv) In view of my reply to parts (c) (i) and (ii) this does not arise.

(d) The lorry supplies coal in the Calcutta area. Officers and non-gazetted staff stationed in Howrah do not find it an economical proposition to get their coal through this lorry.

(e) The reply to the first part of the question is in the negative. The latter part does not arise.

(f) I would refer the Honourable Member to my reply to part (c) (iv) of the question.

(g) (i) and (ii) No.

(iii) Does not arise.

(iv) and (v) Yes.

(h) Government do not consider any action is called for.

MIS-DECLARATION OF GOODS ON THE EAST INDIAN RAILWAY.

47. Mr. Amarendra Nath Chattopadhyaya : (a) With reference to the reply given in this House to unstarred question No. 101 on the 4th February, 1936, regarding mis-declaration of goods on the East Indian Railway, are Government aware that it can be definitely established from the records of the Howrah Goods Sheds and the Divisional Office, as well as from the official who reported all these cases, that all the persons were Indians ?

(b) Were the other persons who were prosecuted for mis-declaration of goods given the privilege of having a discussion with the Deputy and the Chief Commercial Manager before prosecution was ordered ? If not, what is the reason for this differential treatment to a European firm ?

(c) Was the opinion of the *Vakil* attached to the office of the Agent obtained as to whether there was sufficient evidence to secure a conviction ? If not, why was not this done by the Chief Commercial Manager ?

(d) Were any of the Forwarding Agents, attached to the Howrah Goods Sheds prosecuted and convicted for mis-declaration of goods ? If so, were they Europeans or Indians ?

(e) Is the matter of sanctioning the prosecution of people who mis-declare goods within the powers delegated to Divisional Superintendents ? If so, why did the Chief Commercial Manager intervene in this case instead of forwarding any letter he may have received to the Divisional Superintendent for action ?

(f) Is it a fact that the consignment was booked as furniture and a certificate given that it was *bona fide* personal property whereas it was actually motor parts ? If so, where was there any room for misunderstanding either by the French Motor Car Company or by the Chief Commercial Manager ?

(g) Do Government propose to recover the difference lost to Government, *viz.*, Rs. 5,588-2-0, from the Chief Commercial Manager ? If not, will Government please state why recoveries are made from the dues of the non-gazetted staff when through ignorance of the rules, racial prejudice or otherwise, losses are caused to Government ? Are no responsibilities attached to gazetted officers for their actions ?

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The Honourable Sir Muhammad Zafrullah Khan : (a) The Agent, East Indian Railway, has repeated his assurance that the connected files relating to cases of mis-declaration are not now available. A register maintained at the Howrah Goods Shed, however, shows that during 1932, 1933 and 1934, there were twelve cases in which European firms were challenged for mis-declaration, but it was found that there had not been any mis-declaration.

(b) No, there was no differential treatment as the circumstances in regard to the French Motor Car Company's case, to which it is presumed the Honourable Member's question refers, were different to those in other cases.

(c) The Agent states that there was no necessity for obtaining legal opinion either in the case of the French Motor Company or in any other case.

(d) Yes ; there were no European forwarding agents.

(e) The reply to the first part is in the affirmative. Delegation of powers does not, however, preclude intervention by the Chief Commercial Manager at his discretion.

(f) The reply to the first part is in the affirmative. The certificate was, however, given by a representative of the firm, but as the wagon was not opened in his presence, there was room for misunderstanding as was explained later by the firm.

(g) As previously stated, there was no loss to Government.

LOSSES SUSTAINED BY GOVERNMENT THROUGH FRAUD OR NEGLIGENCE ON THE EAST INDIAN RAILWAY.

48. Mr. Amarendra Nath Chattopadhyaya : (a) Is it a fact that in a memorandum of general principles to regulate the enforcement of responsibility for losses sustained by Government through fraud or negligence of individuals, issued with the Finance Department letter No. D. 243-A., of the 21st June, 1929, it is stated as follows ?

" Means should be devised to ensure that every government servant realises fully and clearly that he will be held personally responsible for any loss sustained by government through fraud or negligence on his part, and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other government servant to the extent to which it may be shown that he contributed to the loss by his own action or negligence. The cardinal principle governing the assessment of responsibility in such cases is that every public officer should exert the same vigilance in respect of public expenditure and public funds generally as a person of ordinary prudence would exercise in respect of the expenditure and the custody of his own money. While, therefore, government are prepared to condone an officer's honest errors of judgment involving financial loss, provided the officer can show that he has done his best up to the limits of his ability and experience, they are determined to penalise officers who are dishonest, careless or negligent in the duties entrusted to them ".

(b) If the answer to part (a) be in the affirmative, will Government please state :

(i) whether these instructions have been published by the Agent, East Indian Railway, in a pamphlet detailing delegation of powers ;

(ii) whether these instructions are binding on the Agent and his subordinate officers ;

(iii) whether they propose to take disciplinary action as indicated in the above instructions against the Chief Commercial Manager for the loss of Rs. 5,588-2-0 in the case of mis-declaration of goods referred to in unstarred question No. 101 on the 4th February, 1936 ; and

(iv) whether they propose to take similar action against the Divisional Superintendent, Howrah, for the loss occasioned to Government in the matter of ticket frauds and dealt with in his case No. Com. T.C. C. 630-34 ?

(c) Will Government please state whether a fraud case regarding the misuse of Concession Orders was given to the Divisional Superintendent, investigated by his Superintendent, Commercial, and the employee who practised the fraud was dismissed but no further action was taken to find out whether the fraud had ramifications among those who were highly placed ?

(d) Is it a fact that the dismissal of this employee was not published in that Railway's Gazette ? If so, why was this not done ?

(e) Is it a fact that further information was given of a more serious kind of ticket fraud by the same informant, but the Divisional Superintendent declined to have the information investigated ? If so, why ?

(f) What action do Government propose to take in this matter ?

The Honourable Sir Muhammad Zafrullah Khan : (a), (b), (i) and (ii). Yes.

(b), (iii). No : there was no loss as explained in the reply I gave previously to the question referred to.

(iv) No ; the Agent states that suitable action was taken by the Divisional Superintendent in the case referred to.

(c) The reply to the first part is in the affirmative. As regards the second part, I understand there was no specific information on which suitable action could have been taken.

(d) Yes ; the matter is entirely one for the Administration's discretion.

(e) I understand no specific information had been given to permit of enquiries being made.

(f) Government do not propose to take any action, as they are satisfied that the Administration will do what is practicable to stop any fraudulent practices.

LIABILITY OF RAILWAY SERVANTS TO BE DISMISSED FROM SERVICE FOR INSOLVENCY OR HABITUAL INDEBTEDNESS.

49. Mr. Amarendra Nath Chattopadhyaya : (a) Has the attention of Government been drawn to the Press report of the judgment of Mr. Justice Atkinson, sitting in the Insolvency Jurisdiction of the Rangoon

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High Court and published in the *Statesman* (Calcutta edition) of the 24th July, 1936, in which it has been stated as follows :

"A man employed by Messrs. Steel Bros. as a clerk was adjudicated an insolvent in 1931 and now applied for discharge and exemption from further payment on the ground that his firm would otherwise dismiss him from service. The judge, while sympathising with the applicant, said he could not grant the request if the making of an appropriation order or indeed the making of an adjudication order was to be regarded, apart from the merits of a particular case, as the signal for an automatic dismissal from employment. The whole object of the Insolvency Law would be frustrated, said the judge, for where the insolvent's resources consisted only of his employment, the power to marshal the means of an insolvent in or towards the repayment of his debts was at once removed. Such employers as adopted this practice were (possibly unconsciously) striking a blow at the whole policy of the Insolvency Act and at the community of creditors whose protection was one of its principal objects."

(b) Is it a fact that the whole policy of the Insolvency Act is frustrated by Government in the Railway Department who have, in the rules regulating discipline and rights of appeal of non-gazetted railway servants issued by the Railway Board in their letter No. E.34/R.G.-6, dated the 22nd June, 1935, to the Agents of State-managed Railways, laid down in rule 6 that a railway servant shall be liable to be dismissed from service for insolvency or habitual indebtedness ?

(c) Is it a fact that there are cases on State-managed Railways in which employees have been dismissed or discharged for having taken the protection of the Insolvency Act ?

(d) Do Government propose to revise their policy in regard to their staff being permitted to enjoy the rights enacted for the benefit of all the citizens under the Crown in India ? If not, will Government please state the reasons why this right has been withheld from the staff employed in the Railway Department ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes.

(b) and (d). There is no difference in this respect between State Railway servants and other Government servants. The rule quoted by the Honourable Member merely enunciates the principle laid down in rule 16 of the Government Servants' Conduct Rules which apply to all Government servants, including State Railway servants.

(c) Government have no information.

CONTINUATION OF THE CUT ON ALLOWANCES OF THE RAILWAY STAFF AT HOWRAH AND CALCUTTA.

50. Mr. Amarendra Nath Chattopadhyaya : With reference to the promised reply to unstarred question No. 605 on the 17th April, 1936, regarding the continuance of the cut on allowances of the railway staff at Howrah and Calcutta, will Government please state whether the privilege of retaining the pay and allowances, enjoyed under the Company's rules, formed one of the conditions under which Government offered employment to the Company men ? If so, will these men be exempted from the operation of the cut on their local allowances enjoyed by them during the time they were under Company employ ? If not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : I am obtaining necessary information from the Railway Administration and will lay it on the table of the House in due course.

PROMOTIONS ON THE EAST INDIAN RAILWAY.

51. Mr. Amarendra Nath Chattopadhyaya : With reference to the reply given in this House to unstarred question No. 189 on the 26th February, 1936, that "merit" as interpreted on the East Indian Railway means "the passing of departmental examinations and also record of service, personality, character and educational qualifications", will Government please state :

(i) whether the Divisional Superintendent, Howrah, has, in his Circular No. E. G.-50, dated the 25th July, 1932, ruled :

"that an A. S. M. or A. Y. M. on being promoted to Station Master will be given three months in which to pass the Goods Accounts Examination, if he has not already done so. If he does not pass the next man will be promoted. These orders will also apply to Commercial staff on being promoted to Goods Clerks' posts and to Assistant Station Masters of all grades";

(ii) whether the instructions referred to in part (i) are still in existence ; if not, when they were stopped ;

(iii) whether the Divisional Superintendent in his circular No. E. G.-203, dated the 11th August, 1932, has ordered :

"referring to paragraph 3 of this office circular letter No. E. G.-50 of 25th July, 1932, it is further intimated that the liability of passing the Goods Accounts Examination for qualifying for promotion also applies to the posts of Assistant Goods Clerk, Inward, and Assistant Goods Clerk, Outward, of Howrah Goods";

(iv) whether these instructions are in existence ; if not, when they were superseded ;

(v) whether the Divisional Superintendent in his circular No. E. G.-50, dated the 11th November, 1931, has stated that it had been decided by the Agent that :

"similarly promotions as Goods Clerks are also to be made from among those who have passed the Goods Accounts Examination";

(vi) whether these instructions are still in force ; if not, when they were superseded ;

(vii) whether the Divisional Superintendent in his circular No. E. G.-203/32, dated the 5th January, 1932, has ordered :

"it has since been decided that all Commercial staff whose grade increases were stopped for their not passing in respective commercial examinations are to be granted their annual increase of pay with effect from the 26th November, 1931. They will not, however, be considered fit for promotion to the next higher grade unless they are qualified in their respective commercial examinations"; and

(viii) whether these instructions are still in force ; if not, when they were superseded ?

The Honourable Sir Muhammad Zafrullah Khan : Government are informed as follows :

(i), (ii), (iii), (iv), (v), (vi) and (viii). Yes.

(vi) No. They were superseded by the instructions contained in the circular dated the 25th July, 1932.

CONFIDENTIAL REPORTS ON THE WORK OF THE STAFF MAINTAINED IN THE GOVERNMENT OF INDIA OFFICES.

52. **Mr. C. N. Muthuranga Mudaliar** : Will Government be pleased to state :

- (a) whether Departments of the Government of India and their attached offices maintain confidential reports on the work of the gazetted and non-gazetted staff employed under them, and if so, which are those Departments and offices ;
- (b) the period for which each report is written ;
- (c) in what form the reports are maintained ;
- (d) whether there is any difference between the entries in the reports maintained in the Army Headquarters and those maintained in the Civil Departments and offices, which are required to be filled, and if so, the reason for the difference ;
- (e) whether there is uniformity in the maintenance of the report in the Departments of the Government of India ;
- (f) whether it is not a fact that in some Departments the report are so maintained that officers writing their reports for any one year cannot help looking into the reports of previous years ;
- (g) whether it is not a fact that in certain other Departments the arrangement is such that an officer writing his report has no chance of seeing previous entries ;
- (h) why these different arrangements exist ;
- (i) whether it is not a fact that not infrequently it happens that reports are written on a particular year's work in the Departments referred to in part (f) above, not with reference to that year's work only but with reference to previous year's work also ; and
- (j) whether they are prepared to consider the desirability of introducing a uniform method on the lines of that in existence in some Departments referred to in part (g) above ?

The Honourable Sir Henry Craik : (a) As regards the superior staff, I would refer the Honourable Member to the reply I am giving to his next question. As to the rest of the staff, almost all Departments and their attached offices maintain confidential records for their permanent staff.

- (b) The reports are usually written once a year.
- (c), (d) and (e). The forms used vary in the different offices according to the needs of each Department.
- (f) and (g). Yes.
- (h) The Government of India have felt no need for strict uniformity in this respect.

(i) The reports are on the work of the particular year. It is scarcely possible for me to say whether any reporting officer takes into account the record of previous years.

(j) The Government do not consider it necessary to prescribe uniformity in this respect.

CONFIDENTIAL REPORTS ON THE WORK OF THE OFFICERS MAINTAINED IN THE GOVERNMENT OF INDIA OFFICES.

53. **Mr. C. N. Muthuranga Mudaliar** : Will Government be pleased to state :

- (a) whether confidential reports are maintained in the case of officers serving in the Secretariat of and above the rank of Assistant Secretary ;
- (b) whether these reports are annual ;
- (c) the designations of officers who report on the work of Assistant Secretaries, Deputy Secretaries, Joint Secretaries and Secretaries ; and
- (d) whether in the case of officers of the Indian Civil Service, reports on their work in the Secretariat are sent to the Local Governments from whom their services were originally obtained ?

The Honourable Sir Henry Craik : (a), (b), (c) and (d). Local Governments are supplied with reports on the work of officers lent to the Government of India and employed in posts below the rank of a Secretary or Additional Secretary on the reversion of these officers to their own provinces. Reports on the work of Assistant Secretaries are made annually. It is generally the Head of a Department who reports on the work of the officers concerned.

BALUCHIS FROM SIND AND BALUCHISTAN IN THE INDIAN ARMY RESERVE OF OFFICERS.

54. **Seth Haji Abdoola Haroon** : (a) Will Government be pleased to state the number and names of Baluchis from Sind and Baluchistan who are in the Indian Army Reserve of Officers at present ?

(b) Are Government aware that Baluchi youths from Sind and Baluchistan, desirous of enlistment as "Y" Cadets, are being discouraged and refused by the military authorities ?

(c) Is there any class or tribe restriction for those who seek a commission in the army ? If not, why are Baluchi youths in Sind and Baluchistan being discouraged in their respective places ?

(d) Are Government prepared to instruct the military authorities of Sind and Baluchistan to take up desirous Baluchi candidates in the various arms stationed there ?

(e) In the interest and convenience of the Baluchi inhabitants of Sind and Baluchistan, are Government prepared to instruct the Sind and Baluchistan Army Headquarters to enlist and encourage Baluchis in all branches of the Army stationed there ?

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Mr. G. B. F. Tottenham : (a) From the details furnished by candidates for commissions in the Army in India Reserve of Officers, to which the Honourable Member is presumably referring, it is not possible to determine precisely their class or tribe. But so far as can be ascertained Lieutenants Aliani Jam Mir Khan and Sirdar Nur Ahmad Khan are Baluchis.

(b) to (e). Baluchis were formerly enlisted in the Indian Army, but they were found to be unsuitable : the desertion rate among them was abnormally high, and it was found very difficult to obtain suitable recruits. Their recruitment was, therefore, discontinued in 1925. They are, however, eligible to enter the Indian Military Academy under the same conditions as other classes in India. Government are not prepared to change the existing arrangements.

INELIGIBILITY OF CERTAIN STAFF TO OFFICIATE AS ACCOUNTANTS ON THE EAST INDIAN RAILWAY.

55. **Mr. Amarendra Nath Chattopadhyaya :** With reference to the replies given in this House to unstarred question No. 166 (b) and (c) on the 18th February, 1936, will Government please state :

(i) from which date the Appendix D examination was brought into effect and through what medium it was brought to the notice of all the men concerned ;

(ii) in what month and year the Training School for Accountants at Calcutta was started ;

(iii) whether the 59 men appointed to the Training School were informed at the time of their appointment thereto that it would be necessary for them to pass :

(1) the Appendix E examination in order to be eligible to officiate only as Accountants without any prospect of confirmation ; and

(2) that they could not be confirmed as Accountants till they passed the Appendix D examination ;

(iv) the number of vacancies as Accountant or Assistant Superintendents that was proposed to be filled by these men from the Training School ;

(v) whether it was not the intention of the then Controller of Railway Accounts and the then Financial Commissioner of Railways to fill all Accountants' posts on State-managed Railways held by men who had not passed the Subordinate Railway Audit Service, Part II, examination by the men specially trained for this purpose in the Training School ; and

(vi) the number of men who passed the Appendix E examinations held in 1929 and 1930 ?

The Honourable Sir Muhammad Zafrullah Khan : (i) The Appendix D examination was introduced in the Railway Accounts Department simultaneously with the permanent separation of Audit from Accounts and the rules, etc., regarding this examination were published in Railway Board's memorandum No. 5565-F., dated the 31st of July 1929.

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(ii) In November, 1928.

(iii) I have nothing to add to the replies already given to parts (b) and (c) of question No. 166 referred to by the Honourable Member.

(iv) There was no fixed number of vacancies earmarked for these men. The passed men of the Training School were intended to form a sort of reserve to fill the vacancies as they occurred.

(v) No.

(vi) Nineteen men of the Training School passed the Appendix E examination in 1929 and four in 1930.

INELIGIBILITY OF CERTAIN STAFF TO OFFICIATE AS ACCOUNTANTS ON THE EAST INDIAN RAILWAY.

56. **Mr. Amarendra Nath Chattopadhyaya :** (a) Is it a fact :

(i) that several months after the Training School for Accountants at Calcutta was started, 37 posts which were to have been filled by the men under training were surrendered to the Auditor General to be filled by his men and that he had not the requisite number of men with Railway Accounting experience ;

(ii) that it was then decided that only a limited number of men from the Training School were to be declared as qualified in the Appendix E examination ; and

(iii) that a further condition was imposed that the men who passed the Appendix E examination could only officiate as Accountants but could not be confirmed till they had passed the Appendix D examination ?

(b) Will Government please state :

(i) whether the holding of a post in an officiating capacity without any chance of confirmation exists in the cases of other posts in the Accounts Department ;

(ii) whether instructions to this effect were issued by the Financial Commissioner of Railways to the Controller of Railway Accounts and the other gazetted officers ; and

(iii) whether the instructions were conveyed to all the men who were affected by the altered conditions ?

The Honourable Sir Muhammad Zafrullah Khan : (a) (i) No. As I have already pointed out, no posts were reserved for these men.

(ii) No.

(iii) The reason for the imposition of this condition has been explained in the reply to question No. 166 asked by the Honourable Member on the 18th February, 1936.

(b) (i) The Honourable Member is referred to the note below paragraphs 9 and 14 of the Railway Board's Memorandum, No. 5565-F., dated the 31st July, 1929, (a copy of which is available in the Library of the House) according to which certain categories of men are eligible to hold certain posts in an officiating capacity only and their eligibility for

confirmation in these posts depends upon their passing the requisite departmental examinations.

(ii) and (iii). It is not clear to what instructions the Honourable Member refers.

DISCIPLINARY ACTION AGAINST NON-GAZETTED RAILWAY STAFF.

57. **Mr. Amarendra Nath Chattopadhyaya :** (a) Is it a fact that in the Regulations regarding disciplinary action against the non-gazetted staff, including discharge and dismissal, framed by the Railway Board and issued to the Agents of State-managed Railways in June, 1935, provision has been made under Rule 7 (d) that :

(i) "at such an enquiry a definite charge in writing shall be framed and explained to the railway servant in respect of each offence which has not been admitted by him, and the evidence in support of it, as well as his defence, along with any evidence which he may advance in defence, shall be recorded in his presence"; and

(ii) that provision has also been made under the same rule that :

"provided that for special reasons to be recorded in writing, the officer or the committee of enquiry may refuse to call any witness suggested by the railway servant and may decide that the evidence of any witness should be taken and recorded otherwise than in the presence of the railway servant";

(b) If the answers to part (a) be in the affirmative, will Government please state :

(i) whether the 'accused' railway servant is permitted to record the evidence that is tendered, or whether copies of the same will be supplied to him ;

(ii) whether the 'accused' railway servant is permitted to cross-examine the witnesses ; if not, why not ;

(iii) whether the special reasons which are to be recorded in the cases of witnesses whose evidence has been recorded in the absence of the 'accused' railway servant will also be supplied to him ;

(iv) whether there are similar rules in the cases of gazetted officers whose conduct is under investigation ; if not, the reason for this differential treatment ; and

(v) whether any action in the matter will be taken ; if so, what ; if not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes.

(b) (i) to (iii). I would invite the Honourable Member's attention to rule 7 (c) of the "Rules regulating discipline and rights of appeal of non-gazetted Railway servants" which provides for the grant of all reasonable facilities for the conduct of defence of a railway servant at a departmental enquiry.

(iv) I would invite the Honourable Member's attention to rule 34 of the Railway Services (Classification, Control and Appeal) Rules, a copy of which is in the Library of the House.

(v) Government consider that no action is called for.

EXEMPTION OF THE EAST INDIAN RAILWAY ACCOUNTS DEPARTMENT FROM THE OPERATION OF CERTAIN INSTRUCTIONS.

58. **Mr. Amarendra Nath Chattopadhyaya :** With reference to the reply given in this House to unstarred question No. 1016 on the 18th September, 1933, that there are instructions already in existence laying down that the pay of a Government servant must not be charged against any post other than in which he is working, will Government please state whether the Accounts Department of the East Indian Railway has been exempted from the operation of these orders ?

The Honourable Sir Muhammad Zafrullah Khan : No department is exempted from the operation of these orders.

PROMOTIONS OF THE RELATIVES OF GAZETTED OFFICERS ON THE EAST INDIAN RAILWAY.

59. **Mr. Amarendra Nath Chattopadhyaya :** (a) With reference to the reply given in this House to unstarred question No. 67 on the 4th February, 1936, will Government please state what their policy is on State-managed Railways in regard to gazetted officers who have their relatives in the non-gazetted staff serving under them ?

(b) Is it a fact :

(i) that cases have occurred on the East Indian Railway where the relatives of the gazetted officers have received accelerated promotion ; and

(ii) that such methods of promotion are now of common occurrence on the Howrah Division ?

(c) Is it a fact that selection committees are convened in this Division for nominating suitable candidates for non-selection posts ? If so, why was this procedure not observed in the case of nominating an employee to the post of Warehouse Keeper ?

(d) What action do Government propose to take ?

The Honourable Sir Muhammad Zafrullah Khan : (a) No definite policy has been laid down in this matter but it is left to the discretion of the authorities responsible for postings to see that family cliques do not come into being as a result of groups of persons related to each other being posted together.

(b) and (d). Government have no information. The matters referred to are within the competence of the Agent to whom a copy of the question has been sent for information and such action as he may consider necessary.

(c) I would invite the Honourable Member's attention to my reply to part (b) of the Honourable Member's unstarred question No. 241 asked on the 26th February, 1936.

INELIGIBILITY OF CERTAIN STAFF TO OFFICIATE AS ACCOUNTANTS ON THE EAST INDIAN RAILWAY.

60. **Mr. Amarendra Nath Chattopadhyaya :** (a) With reference to the reply given in this House to unstarred question No. 166 on the 18th February, 1936, will Government please state :

- (i) whether the men of the Training School of Accountants at Calcutta who had passed the Appendix E examination and officiated as Accountants for several years had, in the course of their duties, to pass large amounts of money ;
- (ii) how many of the Appendix E passed men have by now passed the Appendix D examination ;
- (iii) how many have appeared for the Appendix D examination and have not qualified ;
- (iv) how many men have not appeared for the Appendix D examination ; and
- (v) whether all the batch of probationary Accountants appointed prior to the starting of the Training School were confirmed as Accountants, Grade II, without passing any qualifying examination and that they are not permitted to officiate as Accountants, Grade I, till they pass the Appendix D examination ?

(b) Do Government propose to treat these Appendix E passed men in the same manner as that in which these unqualified probationary Accountants have been treated ? If not, will Government please state the reasons why ?

The Honourable Sir Muhammad Zafrullah Khan : (a) (i) It is part of the duty of Accountants in the Railway Accounts Department to check bills before they are passed for payment by an officer ; and the Appendix E men who acted as Accountants no doubt checked such bills in the course of their duties.

(ii), (iii) and (iv). Out of the 23 Appendix E passed men of the Training School all have appeared for the Appendix D examination. Sixteen have passed and seven have not passed.

(v) Yes.

(b) No ; because the conditions of service of the two classes of men were different.

NON-CONFIRMATION OF PERSONS OFFICIATING IN HIGHER GRADES IN THE HOWRAH DIVISION OF THE EAST INDIAN RAILWAY.

61. **Mr. Amarendra Nath Chattopadhyaya :** (a) Is it the policy of Government in the Railway Department that staff employed in the non-gazetted service should be put on to officiate against permanent vacancies for some considerable time and that thereafter the appointment is filled by other than the officiating incumbent on the plea that he is not senior ? If not, what is their policy in this respect ?

(b) Is it a fact that on the East Indian Railway, and in the Howrah Division in particular, staff are put on to officiate, not as a sudden measure in the exigencies of the service, but in the change of arrangements caused by the promotion of the incumbent to a higher post, that is, against a permanent vacancy, but the post is filled by other than the man who had been officiating for some considerable time ?

(c) Is it a fact that the reasons given to the men who have been removed from the officiating jobs are that there are staff with senior claims

who have been promoted and that officiating in a post does not create any claim for consideration at the time for filling up the vacant post ?

(d) Do Government propose to take any action in the matter of those employees of the Howrah Division who have officiated against permanent vacancies in the higher posts and who have been deprived of confirmation in them ? If not, why not ?

(e) Is the same policy observed when filling vacancies in the gazetted service ?

The Honourable Sir Muhammad Zafrullah Khan : I presume the Honourable Member is referring to the East Indian Railway. If so Government are informed as follows :

(a) to (c). It is sometimes necessary to appoint a person other than the one who would in the normal course be appointed to officiate in a higher post which is temporarily or permanently vacant. Such an arrangement is liable to be reversed at any time and particularly when the vacancy is being filled up permanently.

(d) No.

(e) Yes.

ARCHAEOLOGICAL EXCAVATION BY FOREIGNERS IN INDIA.

62. **Mr. C. N. Muthuranga Mudaliar :** (a) Will Government be pleased to state if they are aware of an article on Archaeological excavation in India by foreigners, published in the *Modern Review* in 1934 ?

(b) Is it a fact that antiquities discovered in India by foreign experts are liberally allowed to be taken away from India ?

(c) If the answer to the above be in the affirmative, are Government going to continue this practice any longer ?

(d) Is it a fact, as alleged in the article referred to above, that Italy, Greece, and Turkey, do not allow foreign agencies to excavate in their country ?

(e) Are Government prepared to adopt such a policy in future ?

(f) Even if foreigners are allowed to excavate, do Government propose to see that the antiquities do not leave India as in the case of Greece and Turkey ?

(g) Do Government propose to find out the conditions under which foreign institutions are allowed to excavate in Greece, Egypt, etc. ?

Sir Girja Shankar Bajpai : (a) Yes.

(b) No. Under the rules framed under section 20-B of the Ancient Monuments Preservation Act, 1904, human relics of historical and religious importance and any objects which in the opinion of Government are of national importance remain the property of Government and are retained in India. Of the other antiquities, the licensee is given such portion as is considered to be sufficient in the opinion of Government to recompense him for the expenditure incurred in the course of operations under the license.

(c) The question does not arise.

(d) and (g). No up-to-date information about these countries is available but enquiries will be made.

(e) and (f). In the opinion of Government the existing provisions adequately safeguard the interests of India.

TRAINING OF INDIANS IN FIELD-WORK IN THE ARCHÆOLOGICAL DEPARTMENT.

63. **Mr. C. N. Muthuranga Mudaliar** : (a) Is it a fact that for some time now no Indian scholar has been getting any training for field-work in the Archæological Department ?

(b) Will not this mean that in future there will be no Indian competent for excavation work ?

(c) Is it the intention of Government that no Indian should get training and do this excavation work in future ?

Sir Girja Shankar Bajpai : (a) I would invite the Honourable Member's attention to the reply given by me to parts (a) and (c) of his unstarred question No. 249 on the 9th March, 1936. Government have since decided to train in excavation work during the next cold weather a scholar to be deputed by an Indian University.

(b) and (c). Do not arise.

PUBLICATION OF THE REPORT OF MR. S. S. MARKHAM, EMPIRE SECRETARY, MUSEUM ASSOCIATION, ON THE MUSEUMS IN INDIA.

64. **Mr. C. N. Muthuranga Mudaliar** : (a) Will Government state whether the official report of Mr. S. S. Markham, Empire Secretary, Museum Association, on the Museums in India has been published ?

(b) Will Government place on the table a copy of the report ?

(c) Is it a fact that most of the museums in India have been condemned in the report ?

(d) Do Government propose to rectify the defects noted therein ?

Sir Girja Shankar Bajpai : (a) No.

(b) to (d). Do not arise.

ARCHÆOLOGICAL INVESTIGATION IN THE CHHOTA NAGPUR DIVISION.

65. **Mr. C. N. Muthuranga Mudaliar** : With reference to the answer to starred question No. 1358 (c), dated the 20th March, 1936, regarding archæological investigation in the Chhota Nagpur Division, did the Superintendent of Archæology examine the antiquities ? What is his report ?

Sir Girja Shankar Bajpai : The report of the Superintendent, Archæological Survey, Central Circle, is still awaited.

PRE-HISTORIC STONE IMPLEMENTS TAKEN TO CAMBRIDGE.

66. **Mr. C. N. Muthuranga Mudaliar** : With reference to the answer to unstarred question No. 251 (d), dated the 9th March, 1936, do

Government propose to insist on the pre-historic stone implements taken to Cambridge, being returned and kept in the Indian Museum ?

Sir Girja Shankar Bajpai : Steps have been taken by Government to secure 50 per cent. of the finds, including stone implements, as India's share of the collections made by the Cambridge-Yale Expedition.

EXCAVATION WORK AT PADAMPUR.

67. **Mr. C. N. Muthuranga Mudaliar** : (a) With reference to answer to part (b) of starred question No. 803, dated the 25th February, 1936, regarding excavation work at Padampur, will Government state whether the report of the officer concerned has been obtained ?

(b) Will Government lay on the table a copy of the report ?

(c) What action do Government propose to take ?

Sir Girja Shankar Bajpai : I regret that owing to his other pre-occupations the officer did not find it possible to visit Padampur last cold weather, but expects to do so shortly. The action to be taken will be considered when his report is received.

CENSORING OF LETTERS ADDRESSED TO MEMBERS OF THE LEGISLATIVE ASSEMBLY.

68. **Mr. C. N. Muthuranga Mudaliar** : (a) Is it a fact that letters addressed to the Honourable Members of this Legislature are being censored ?

(b) Is it a fact that even after censoring, letters are sometime not delivered to the addressees ?

(c) Is it a fact that letters addressed to me from Madras during the last Delhi Session were censored and not delivered to me ?

(d) Are Government prepared to make enquiries and order the delivery of the letter or letters ?

The Honourable Sir Henry Craik : (a), (b) and (d). I would refer the Honourable Member to the answer given by me on the 25th March, 1935, to Pandit Govind Ballabh's question No. 965.

(c) I am not aware of this.

COLLECTION AND PRESERVATION OF ANCIENT INDIAN MANUSCRIPTS.

69. **Mr. C. N. Muthuranga Mudaliar** : (a) Is it a fact that in the past the Archæological Survey has been collecting and preserving ancient Indian manuscripts in the same way as the epigraphic material ?

(b) If so when, at what stage, and for what reasons, was this discontinued ?

(c) Is it not a fact that old manuscripts are as important, if not more so, for the proper elucidation of Indian history, culture, languages, thought, etc. ?

(d) Are Government prepared to start afresh a manuscript survey, on the model of the Archæological Survey, with a centre in each of the

major Provinces and go on vigorously with their collections and preservation ?

Sir Girja Shankar Bajpai : (a) The Archaeological Survey have collected a few manuscripts but have not undertaken this work as a part of their regular duties.

(b) The question does not arise.

(c) Some old manuscripts are no doubt important for the elucidation of history.

(d) As explained in (a) the Government of India have never collected manuscripts as a regular activity. Some of the Provincial Governments, Indian States and Research institutions, etc., maintain special Departments or establishments for the collection of old manuscripts and Government are content to leave this work to them.

ALLOTMENT FOR CIVIL AVIATION IN THE BUDGETS.

70. Mr. C. N. Muthuranga Mudaliar : (a) What is the allotment for civil aviation in the budgets for the past two years, and what is the estimate for 1936-37 ?

(b) What percentage of the total revenue does this form ?

(c) What proportion do the civil aviation budgets bear to the total revenue in Britain and America ?

The Honourable Sir Frank Noyce : (a) A statement showing the allotments for Civil Aviation in the budgets for the years 1934-35 and 1935-36 and the estimate for the year 1936-37 is laid on the table.

(b) From the figures given in the statement referred to above and in the budget papers, which were circulated to Members of the Legislature, the Honourable Member will find no difficulty in calculating the percentages he requires.

(c) Government have no information.

Statement showing the Allotment for Civil Aviation in the Budgets for the Years 1934-35 and 1935-36 and the Estimate for the Year 1936-37.

	Lakhs.
	Rs.
Allotment for the year 1934-35	14.4
Allotment for the year 1935-36	17.6
Estimate for the year 1936-37	23.8

*These figures do not include the allotments made from the special fund of Rs. 92.57 lakhs created out of the revenue surplus of the year 1934-35 for the development of civil aviation in India. The allotment made from that fund are as follows :

	Lakhs.
	Rs.
Allotment for the year 1934-35	0.7
Allotment for the year 1935-36	16.4
Estimate for the year 1936-37	48.3

INAUGURATION OF DIRECT WIRELESS BEAM SERVICE BETWEEN INDIA AND JAPAN.

71. Mr. C. N. Muthuranga Mudaliar : (a) When was the direct Wireless Beam Service between India and Japan inaugurated ? By whom is this service worked ?

(b) Are they working at a profit or loss ?

(c) Why did not Government take it up in view of the deficit of the Telegraphic Department (*vide* Administration Report of Posts and Telegraphs Department) ?

(d) Is it not a fact that no foreign traffic is handled by Indian Posts and Telegraphs Department ?

(e) Is it not a fact that foreign traffic is more paying than inland traffic ?

(f) What is the policy of Government in not taking up the responsibility of working a paying department like this ?

The Honourable Sir Frank Noyce : (a) 11th January, 1933. The Indian Radio and Cable Communications Company, Limited.

(b) The Company is working at a profit on its services taken as a whole.

(c) The Indo-Japanese Service by itself could not be worked at a profit.

(d) No.

(e) Not necessarily and not in every case.

(f) Does not arise in view of the reply to (c).

APPOINTMENT OF A FOREIGN EXPERT TO ADVISE GOVERNMENT ON BROADCASTING.

72. Mr. C. N. Muthuranga Mudaliar : (a) What are the scientific and technical qualifications of the officers in the Wireless Department and their salaries ?

(b) Is it a fact that a technical adviser from the British Broadcasting Corporation has been brought down to advise the Government of India on Indian broadcasting ? If so, why ?

(c) Did Government try to get schemes worked out by qualified radio engineers in India ?

(d) Is the appointment of a foreign expert a confession of the inefficiency of the Wireless Department ?

(e) In view of the rapid strides that wireless science is taking in modern times, what steps are being taken to keep the Department up to date with a view to working it at maximum efficiency ?

The Honourable Sir Frank Noyce : (a) A statement is attached.

(b), (c) and (d). An adviser from the British Broadcasting Corporation was sent to the Government of India to report on the development of Broadcasting. The provision of Broadcasting Stations is a specialist

subject outside the scope of the Wireless Branch of the Posts and Telegraphs Department which exists to provide wireless telegraph and telephone services required for its commercial activities. The Government of India considered it advisable to obtain the advice of an expert from a Corporation with extensive recent experience of broadcasting development and this action involved no reflection whatever on the efficiency of the Wireless Branch of the Indian Posts and Telegraphs Department.

(e) Study leave is granted periodically. Officers also keep themselves up-to-date by reading books and scientific journals.

Statement of Scientific and Technical Qualifications and Salaries of Officers of the Superior Wireless Branch.

- Deputy Director-General, Wireless. Salary Rs. 2,150 plus overseas pay £13-6-8 and special pay Rs. 175. M.A., B.Sc. (Oxford University).
- One Divisional Engineer, Wireless. Salary Rs. 1,275 plus overseas pay £30 per mensem. M.A. (Cambridge University).
- One Divisional Engineer, Wireless. Salary Rs. 1,175 plus overseas pay £30. Member of the Institute of Radio Engineers.
- One Divisional Engineer, Wireless. Salary Rs. 1,025 per mensem. B.A., B.Sc. (Calcutta), with honours in Physics. B.Sc. (Tech.), Victoria University, Manchester.
- One Assistant Director of Wireless. Salary Rs. 975 plus overseas pay £30. Employed in the British Post Office before the War. Served in Wireless Units of the Royal Engineers during the War.
- One Assistant Divisional Engineer, Wireless. Salary Rs. 725 per mensem. Bachelor of Engineering, Mysore University, followed by 4 years at the Indian Institute of Science, Bangalore.

WIRELESS VALVES AND OTHER COMPONENTS.

73. **Mr. C. N. Muthuranga Mudaliar :** (a) Is it not a fact that wireless valves and other components, which form the very soul of the wireless, used by the Wireless Department are entirely obsolete?

(b) Is it a fact that all contracts from the Department are the monopoly of one or the other of two British firms?

(c) Have Government ever called for tenders for these articles from America and other countries in Europe?

(d) Is it not a fact that American products are very much cheaper and more efficient?

(e) Will Government place on the table of the House a list of transmitters and the receivers with their components with type numbers, cost, makes and nature of the valves used by the Department?

(f) Are they prepared to collect similar facts from important American and European stations, other than British?

(g) What are the stations outside Britain which use British valves?

(h) Are Government aware of the impression that Government are enthusiastic about wireless in India just to find a market for the obsolete goods manufactured in Britain for which there is no other market in the world?

(a) Before they give large tenders to foreign companies, including even British, are Government prepared to insist upon their training suitable Indians, so that all the wireless goods may be manufactured in India?

(j) Why did Government shelve the report submitted by technical expert appointed by the Madras Government at a cost of Rs. 50,000, in the matter of broadcasting in the Madras Presidency?

(k) In view of the experiences of the Madras Government since the appointment of the previous expert by them, why did not Government consult them or call for schemes from local experts?

The Honourable Sir Frank Noyce : (a) and (b). No.

(c) Tenders are called for from all competing organisations which are in a position to quote usefully.

(d) Not always.

(e) Government regret that they are unable to furnish the information as its collection would involve an undue expenditure of time and labour.

(f) No.

(g) Government have no information.

(h) Government have no reason to believe that such an impression exists or that there are any grounds for entertaining any such impression.

(i) No difficulty has been experienced in the past in obtaining facilities for training Indians when necessary.

(j) The report was neither called for, nor made to the Government of India, and therefore no question of their shelving it arises.

(k) The Government of Madras were obviously not in a position to advise on a scheme for the development of broadcasting throughout India, nor were local experts available for the purpose.

GOVERNMENT PENSIONERS.

74. **Mr. N. M. Joshi :** Will Government be pleased to state :

(a) the total number of Government pensioners on 1st April, 1936, under the following categories :

(i) superior services of the Central Government ;

(ii) subordinate superior services of the Central Government ; and

(iii) inferior services of the Central Government ?

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(b) the total number of Government servants on 1st April, 1936, under the following categories :

- (i) superior services of the Central Government ;
- (ii) subordinate superior services of the Central Government ; and
- (iii) inferior services of the Central Government ;

(c) the number of Government pensioners as per categories in part (a) above further sub-divided as follows :

- (i) in receipt of pension for less than one year ;
- (ii) in receipt of pension for more than a year but less than two years ;
- (iii) in receipt of pension for more than two years but less than three years ;
- (iv) in receipt of pension for more than three years but less than four years ;
- (v) in receipt of pension for more than four years but less than five years ;
- (vi) in receipt of pension for more than five years but less than ten years ; and
- (vii) in receipt of pension for more than ten years ;

(d) (i) the number of Government servants as per categories in part (b) above who retired on pension during the last five years—year by year ; and

(ii) the total number of Government servants as per categories in part (c) above who died while in service during the last five years—with the average length of their service ?

The Honourable Sir James Grigg : The information asked for by the Honourable Member is not readily available and cannot be compiled without an excessive expenditure of time and labour which would not be justified.

NON-INCLUSION OF PATNA AND NAGPUR IN THE LIST OF CENTRES FOR EXAMINATIONS FOR APPOINTMENT TO PUBLIC SERVICES.

75. **Babu Kailash Behari Lal :** Will Government be pleased to say :

(a) if the centres of examination for appointment to public service as published in the official *Gazette of Bihar*, Part IX, page 557 of the 3rd June, 1936, under the authority of the Secretary to the Public Service Commission, has been fixed for the present year only ;

(b) if so, why important Provincial capitals, like Patna and Nagpur, have not been included among the centres ; and

(c) if they propose to include them as centres of examination in future ?

The Honourable Sir Henry Craik : (a), (b) and (c). The notice of the ensuing ministerial service examination, to which the Honourable Member presumably refers, relates to the present year. It is the function of the Public Service Commission to determine the centres at which the examination should be held and to make all other arrangements. If additional centres were fixed as suggested by the Honourable Member, the risk of a leakage of the examination papers and the expense of holding the examination would both be greatly increased.

ALLEGED NEGLECT OF ROAD DEVELOPMENT SCHEMES IN BIHAR.

76. **Babu Kailash Behari Lal :** Will Government be pleased to state :

(a) what powers of interference they have got in case of laches in the performance of duties by a Provincial Government ;

(b) if they have any power under the present constitution to supersede or take over the particular department of administration of a Provincial Government in case any Provincial Government fails to administer that particular department efficiently and satisfactorily ;

(c) if it is not a fact that the particular department of works of Road Development forms a part of the transferred subject of the Minister of Local Self Government ;

(d) if they are aware that the Government of Bihar in the Ministry of Local Self-Government has not been able to spend satisfactorily the Road Account Fund allotted to the share of Bihar ;

(e) if it is not a fact that the Government of Bihar in the Ministry of Local Self-Government has failed to submit any report in time regarding its programme and progress of works in respect of road development schemes ; and

(f) if the answers to parts (c), (d) and (e) be in the affirmative whether they propose to take any action, in the matter ?

The Honourable Sir Frank Noyce : (a) and (b). I would refer the Honourable Member to section 45 of the Government of India Act, 1919, and the rules framed under section 45A of that Act.

(c) Not in every Province.

(d) and (e). There is an unspent balance of about Rs. 7 lakhs in the share of the Government of Bihar in the Road Fund allotted to date. This balance and the delay in the preparation of a programme of works to be financed from it have been mainly due to the Local Government's preoccupation with the heavy programme of reconstruction necessitated by the earthquake, and to the difficulty in finding suitable additional staff to cope with the increase in work. It is however understood that the Local

Government propose to place an officer on special duty to work out a programme and hope to have the details ready before the end of the financial year.

(f) The Government of India propose to bring before the House during the current Session a revised Resolution on Roads which when passed will ensure prompt expenditure of provincial shares in the Road Fund.

CERTAIN CLERKS OF THE ADJUTANT GENERAL'S BRANCH ON DEPUTATION.

77. Pandit Sri Krishna Dutta Paliwal : (a) Is it a fact that the maximum limit of deputation period for a Government servant is only three years. If so, will Government please state the rules under which several clerks of the Adjutant General's Branch are on deputation for the last seven years to the Central Revision Section, Defence Department, and whether the special sanction of the Finance and Home Departments was taken to this effect ? If so, when ?

(b) Can the deputation period be indefinite ? If not, why was no action taken to revert those men or to confirm them in the Defence Department ?

(c) Is it a fact that the post of the Director, Regulations and Forms, is permanent since 1930 ? If so, why is the staff of the Central Revision Section, Defence Department, on deputation, and the Section on trial for the last seven years ?

(d) When is the trial period likely to be over ?

(e) Why is not the Director, Regulations and Forms, like the staff, kept on deputation ?

Mr. G. R. F. Tottenham : (a) to (e). The clerks concerned are not on deputation. The rest of the question does not, therefore, arise.

DEPARTMENTAL EXAMINATION HELD IN 1922 FOR THE GOVERNMENT OF INDIA OFFICES.

78. Pandit Sri Krishna Dutta Paliwal : (a) Will Government please state the number of minimum qualifying marks which were required in the qualifying examination held in 1922, both in the case of outside and departmental candidates, for the First Division, attached offices, and Lower Division, Secretariat ?

(b) Will Government please place on the table of the House a copy of the result of the Departmental Examination for 1922 ? If not, how and from where can it be obtained ?

The Honourable Sir Henry Craik : (a) and (b). The results of the external candidates, who appeared at the ministerial service examination held by the late Staff Selection Board in 1922, were published in the Home Department Notification No. F. 1215-Public, dated the 23rd

December, 1922, and will be found in the Supplement to the Gazette of India, dated the 30th December, 1922. It is regretted that no further information can be supplied.

ILLICIT TRAVELLING ON STATE RAILWAYS.

79. Qazi Muhammad Ahmad Kazmi : (a) With reference to the illicit travelling on State Railways in India, will Government be pleased to state if various State Railways maintained a complete record on the subject ? If not, why not ?

(b) On what definite data has it been presumed that sections 112 and 113 of the Railways Act have not been sufficient to act as a deterrent on ticketless travellers ?

(c) Will Government be pleased to lay on the table of this House the following information for each of the State Railways in India, separately in respect of the Ticket Collectors and Travelling Ticket Checkers, annually, for the years 1924 to 1935 :

- (i) number of staff employed ;
- (ii) expenditure incurred on them ;
- (iii) annual recoveries, cash and credit in respect of those detected for (showing fare and penalty separately) :
 - (1) travelling without ticket ;
 - (2) travelling in higher class than the one for which ticket was held ;
 - (3) travelling beyond destination ;
 - (4) children over three years without ticket ;
 - (5) grown up men travelling on children's tickets ;
 - (6) travelling by prohibited trains ;
 - (7) travelling on expired date or wrong tickets ;
 - (8) travelling with luggage not booked at the starting station ;
 - (9) travelling with luggage more than the booked one ; and
 - (10) cases in which no penalty was recovered, i.e., changed to upper class, issued to those unable to buy a ticket from Booking Office, etc., etc. †

(d) Will Government please state :

- (ii) how many were let off and how many were convicted ;
- (iii) the amount of the fare recovered ;
- (iv) the amount of fine imposed ; and
- (v) how many persons were sent to jail due to the non-payment of fine ?
- (e) Will Government please state :
- (i) how many persons were prosecuted under section 113 of the Railways Act ;
- (ii) how many out of them were produced before Magistrates ;
- (iii) how many were let off by the Railway staff after recording their names and addresses ;
- (iv) how many were let off by the Railway Police on personal bonds ;
- (v) the total amount involved in respect of those prosecuted under section 113 ;
- (vi) how much amount was recovered ; and
- (vii) how many persons could not be found due to wrong names and addresses having been given to the Railway Police ?
- (f) Are Government aware that the Railway Police generally refuse to take over and produce before Magistrates such ticketless passengers, and they are let off by the Railway staff ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Each Railway Administration has been maintaining records in varying detail according to the nature of the information required by it from time to time.

(b) I would refer the Honourable Member to the Railway Board's memorandum No. 1979-T., dated the 4th February, 1936, published in the proceedings of the meeting of the Central Advisory Council for Railways held in February and March, 1936.

(c) (4) and (ii). The compilation of this information will involve a considerable amount of labour not commensurate with any use to which it could be put.

(c) (iii), (d) and (e). I am placing on the table statements giving such information for the years 1928 to 1934 as it has been practicable to compile from the records available. Similar figures for the years prior to 1928 are not available.

(f) Government have not received any complaints to this effect.

Statement relating to passengers found travelling without proper tickets on State Railways.
1928.

Railways.	Total number of passengers found travelling without tickets.	Number of passengers who paid excess fares and penalty on detection.	Details of action taken under Indian Railways Act.									
			Under Section 112.					Under Section 113.				
			Let off.	Fare and penalty recovered.	Punishment inflicted.	Pending in Courts.	Total.	Let off.	Fares and penalty recovered.	Punishment inflicted.	Pending in Courts.	Total.
A. B.	51,023	..	29	11	29	84	153	953	6,819	17	3,638	11,427
B. N.	77,445½	..	102	4	321	218	645	811½	151½	268	1,955½	3,186½
B. & N. W.	294,794½	..	583	228½	456	48	1,315½	6,788	1,542½	6	87	8,427½
B. B. & C. I.	255,903	..	4	..	135	15	153	2	..	25	..	27
Burma	237,041	..	270	442	639	640	1,991	189	504	245	215	1,153
E. B.	53,767	..	37	22	142	92	393	994	589	64	542	7,068
E. I.	86,702	..	122	827	3,264	468½	4,681½	1,446½	3,346½	..	4,379	9,172
G. I. P.	403,685	..	14	33	297	41	385	46	1,172½	141	41½	1,401
M. & S. M.	65,436	..	648	177	257	124	1,206	140	3,034	12	56	3,242
N. W.	593,584	..	2,987	..	3,467	..	6,454	3,524	..	2,042	..	5,566
R. & K.	34,921	..	..	..	..	..	..	115	38	..	252	406
S. I.	137,602	..	..	..	649	..	649	..	..	566	..	566

Statement relating to passengers found travelling without proper tickets on State Railways.

1931.

Details of action taken under Indian Railways Act.												
Railways.	Total number of passengers found travelling without tickets.	Number of passengers who paid excess fares and penalty on detection.	Under Section 112.					Under Section 113.				
			Let off.	Fare and penalty recovered.	Punishment inflicted.	Pending in Courts.	Total.	Let off.	Fares and penalty recovered.	Punishment inflicted.	Pending in Courts.	Total.
A. B.	52,656	..	127	103	12	391	634	2,753	6,582	167	9,594	19,098
B. N.	78,364	..	67	1,457	741	332	2,597	7,268	4,713	365	8,003	20,349
B. & N. W.	344,108½	..	4,652	312½	29	5,379½	10,873	3,541	328	44	9,152½	13,065½
B. B. & C. I.	264,031	..	..	..	111	..	111	..	..	72	..	72
Burma	226,220	..	180	401	585	183	1,341	331	897	419	254	1,901
E. B.	195,387	..	99	101	380	356	945	2,528	492	1,150	11,042	15,212
E. I.	99,491½	..	299	1,195½	158½	1,109	2,762	3,721	16,869	315	23,651½	44,457
G. I. P.	271,409	..	340	1,026	257	70	1,688	256	2,365½	26	378	2,980½
M. & S. M.	63,528	..	434	430	330	187	1,381	429	816	54	209	1,498
N. W.	432,190	..	1,335	856	3,071½	273	5,535½	2,632½	888	1,569	816	5,895½
R. & K.	27,843	..	..	..	..	..	..	590	410	..	466	1,466
S. I.	181,084	..	73	63	2	21	159	2,115	1,343	..	2,530	5,988

LEGISLATIVE ASSEMBLY.

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UNSTARRED QUESTIONS AND ANSWERS.

Statement relating to passengers found travelling without proper tickets in State Railways.

1932.

Details of action taken under Indian Railways Act.												
	Total number of passengers found travelling without tickets.	Number of passengers who paid excess fares and penalty on detection.	Under Section 112.					Under Section 113.				
			Let off.	Fare and penalty recovered.	Punishment inflicted.	Pending in Courts.	Total.	Let off.	Fares and penalty recovered.	Punishment inflicted.	Pending in Courts.	Total.
A. B.	160,302	..	80	164	13	169	426	4,778	6,905	15	8,073	19,771
B. N.	66,840½	..	68	849	92	217	1,226	1,824	7,003½	106	6,435	15,368½
B. & N. W.	352,357	..	6,007½	609	75	3,005½	9,697	6,605	737½	12	8,404½	15,759
B. B. & C. I.	279,859	..	1	..	196	..	197	2	..	68	..	70
Burma	230,724	..	288	508	616	269	1,681	668	1,522	474	339	3,003
E. B.	251,900	..	499	384	1,540	552	2,975	3,244	1,142	261	11,316	15,963
E. I.	181,918½	149,514	927½	1,933	544	923	4,327½	2,891	11,936½	256	12,501½	27,585
G. I. P.	331,717½	..	174	938½	1,347	18	2,477½	85	1,802½	4	33½	1,924
M. & S. M.	48,390	..	265	326	157	150	898	487	483	57	190	1,217
N. W.	476,057	..	1,512½	1,298	7,301	934½	10,945	2,589½	1,724	3,667½	2,750½	10,731½
R. & K.	29,908	..	..	..	..	..	..	634	284	..	493	1,411
S. I.	173,904	..	13	38	1	14	66	2,109	1,377	..	1,707	5,253

Railways.	Total number of passengers found travelling without tickets.	Number of passengers who paid excess fares and penalty on detection.	Details of action taken under Indian Railways Act.									
			Under Section 112.					Under Section 113.				
			Let off.	Fare and penalty recovered.	Punishment inflicted.	Pending in Courts.	Total.	Let off.	Fares and penalty recovered.	Punishment inflicted.	Pending in Courts.	Total.
A. B.	48,344	31,170	79	189	5	229	402	2,419	4,931	15	7,665	15,030
B. N.	71,058	..	104	873	92	260	1,329	3,971½	10,043½	111	7,994	21,120
B. & N. W.	320,653	296,894½	3,059	447½	235	5,383	9,125	2,413	467½	84	11,562½	14,527
B. B. & C. I.	806,200½	276,629½	4	98	31	..	133	..	69	..	..	69
Burma	235,960	236,878	247	411	650	495	1,803	483	895	285	600	2,263
E. B.	269,328	Not available.	847	123	2,067	728	3,765	2,944	2,164	333	19,870	16,311
E. I.	143,628½	100,662½	180	1,805½	825	912	3,733	3,094	19,418½	499	15,883	38,895½
G. I. P.	307,962	204,750	42	485	1,112	31	1,670	80	1,376	36	184	1,676
M. & S. M.	49,345	46,119	389	388	434	106	1,317	507	539	101	247	1,394
N. W.	337,981½	312,261½	965	1,047	4,630	1,670	8,312	2,770½	1,603	3,576½	1,677	9,227
R. & K.	30,050	23,004	..	..	..	..	..	683	436	..	599	1,720
S. I.	162,697	Not available.	2	21	11	14	48	1,203	982	..	385	2,570

Statement relating to passengers found travelling without proper tickets on State Railways.
1934.

Details of action taken under Indian Railways Act.												
Railways.	Total number of passengers found travelling without tickets.	Number of passengers who paid excess fares and penalty on detection.	Under Section 112.				Under Section 113.					
			Let off.	Fare and penalty recovered.	Punishment inflicted.	Pending in Courts.	Total.	Let off.	Fares and penalty recovered.	Punishment inflicted.	Pending in Courts.	Total.
A. B.	45,059	30,546	70	18	8	120	216	2,531	1,478	13	8,382	12,404
B. N.	84,920	21,610	85	125	757	192	1,159	1,537	760	32	6,051	8,380
B. & N. W.	318,118½	292,100½	4,150	573½	138	7,508½	12,370	5,330	1,059½	50	7,186½	13,026
B. B. & C. I.	749,308	262,187½	5	121	76	..	20.2	2	88	..	..	90
Burma	192,372	188,233	154	653	542	478	1,827	412	1,161	157	516	2,256
E. B.	226,427	73,345	63	63	1,636	220	1,982	3,234	2,226	629	14,835	20,924
E. I.	144,052	103,166	599	1,836	3,693	1,292	7,576	3,739	12,394	277	15,232	32,909
G. I. P.	237,839	189,265	108	497	1,532	46	2,093	107	777	28	86	908
M. & S. M.	41,264	36,366	444	281	531	124	1,380	738	638	53	405	1,834
N. W.	228,026	310,119	429	673	2,826	1,987	5,915	1,162	1,072	2,230	1,493	5,957
R. & K.	32,221	30,528	..	..	..	..	..	410	311	..	262	983
S. I.	162,649	107,991	18	182	129	6	335	1,220	1,932	..	308	2,620

INCOME AND EXPENDITURE OF EACH CANTONMENT.

80. **Seth Govind Das** : Will Government be pleased to lay on the table of this House a statement showing the annual income and expenditure in the case of each cantonment ?

Mr. G. R. F. Tottenham : I lay on the table a statement showing the required information in respect of the year 1934-35.

Statement.

Cantonments. 1	*Income Actual— 1934-35. 2	Expenditure Actual— 1934-35. 3	*Excluding the grants-in-aid received from the Government of India. 4
NORTHERN COMMAND.			
	Rs.	Rs.	
Abbottabad	53,968	40,582	Based on the actuals for the second half of the year.
Ambala	2,81,936	2,60,038	
Amritsar	15,327	36,727	
Bakloh	13,510	12,292	
Bannu	42,928	41,313	
Cherat	19,618	17,414	
Campbellpore	9,929	21,241	
Dagshai	23,833	21,709	
Dalhousie	23,938	20,343	
Dharamsala	4,945	5,751	
D. I. Khan	20,792	24,677	
Ferozepore	1,63,864	1,65,335	
Jhelum	54,927	56,804	
Jullundur	1,10,536	1,08,891	
Jutogh	9,749	9,560	
Kasauli	57,688	60,078	
Kohat	66,612	51,627	
Lahore	2,41,834	2,33,466	
Mardan	24,824	25,765	
Murree Galis	29,928	28,705	
Murree Hills	69,133	66,499	

UNSTARRED QUESTIONS AND ANSWERS.

Cantonments. 1	*Income Actual— 1934-35. 2	Expenditure Actual— 1934-35. 3	*Excluding the grants-in-aid received from the Government of India. 4
Multan	1,01,648	91,194	
Nowshera	2,06,965	1,88,636	
Peshawar	3,02,225	2,86,713	
Risalpur	62,130	73,819	
Rawalpindi	4,66,231	4,30,355	
Sialkot	1,12,877	1,23,257	
Subathu	13,956	16,134	
WESTERN COMMAND.			
Drigh Road	20,691	27,923	
Hyderabad (Sind)	85,623	94,398	
Karachi	71,404	54,109	
Loralai	17,267	17,037	
Manora	8,569	9,561	
Quetta	3,75,749	3,35,014	
EASTERN COMMAND.			
Agra	1,62,824	1,67,176	
Allahabad	1,19,815	1,24,112	
Almora	7,809	9,868	
Barrackpore	1,13,645	1,20,986	
Bareilly	1,01,349	95,089	
Benares	36,434	34,845	
Cawnpore	1,85,342	1,81,831	
Chakrata	73,698	71,855	
Dehra Dun	34,397	37,524	
Dinapore	60,541	67,293	
Fatehgarh	12,066	13,220	
Fyzabad	38,239	36,445	
Jalapahar	10,560	16,190	

1930.

Details of action taken under Indian Railways Act.												
Railways	Total number of passengers found travelling without tickets.	Number of passengers who paid excess fares and penalty on detection.	Under Section 112.					Under Section 113.				
			Let off.	Fare and penalty recovered.	Punishment inflicted.	Pending Courts.	Total.	Let off.	Fares and penalty recovered.	Punishment inflicted.	Pending Courts.	Total.
A. B. ..	61,900	..	20	48	17	54	139	1,850	7,967	23	4,490	14,330
B. N. ..	73,911	..	206	1,606†	231	313	2,356†	842	2,300	528	2,911†	6,581†
B. & N. W. ..	377,014	..	1,789	294	379	2,085†	4,497†	1,123†	187†	15	1,449	2,775
B. B. & C. I. ..	284,334	..	1	..	97	42	140	6	..	28	..	34
Burma ..	219,631	..	410	436	508	257	1,611	239	769	325	171	1,500
E. B. ..	168,641	..	46	165	427	107	471	986	1,169	817	2,953	5,925
E. I. ..	67,838†	..	109	1,180	1,233	520	2,982	120†	4,338†	51	3,693	8,111
G. I. P. ..	348,400	..	20	201	107	42	369	107	983	13	60	1,168
M. & S. M. ..	46,402	..	106	320	106	154	686	96	2,549	106	74	2,825
N. W. ..	645,022	..	..	..	4,004†	..	8,332†	..	..	1,344†	..	5,376*
R. & K. ..	34,193	..	..	..	1	..	1	301	144	..	426	871
S. I. ..	221,530	..	39	4	64	..	107	501	377	..	533	1,411

* Full details to agree with the total not furnished.

Statement relating to passengers found travelling without proper tickets on State Railways.
1930.

Railways.	Total number of passengers found travelling without tickets.	Number of passengers who paid excess fares and penalty on detection.	Details of action taken under Indian Railways Act.									
			Under Section 112.					Under Section 113.				
			Let off.	Fare and penalty recovered.	Punishment inflicted.	Pending Courts.	Total.	Let off.	Fares and penalty recovered.	Punishment inflicted.	Pending Courts.	Total.
A. B. ..	61,445	..	39	42	16	217	314	2,091	4,991	27	5,206	12,315
B. N. ..	70,444†	..	82	936†	261	238	1,517†	1,372†	3,589	249†	3,924	9,141
B. & N. W. ..	366,048†	..	1,645†	206	102†	3,025†	4,969†	1,983†	347†	20	4,110†	6,401†
B. B. and C. I. ..	567,423	..	1	..	68	..	69	..	..	68*	..	71
Burma ..	224,483	..	99	1,551	598	159	2,407	244	2,834	368	249	3,635
E. B. ..	186,688	..	67	70	367	158	662	1,546	1,383	416	5,346	9,145
E. I. ..	58,170†	..	16	527†	138	494†	1,176	28	3,609†	4	4,383	8,024†
G. I. P. ..	270,395†	..	48	260	79	34	421	103	1,341†	1	92	1,537†
M. & S. M. ..	57,432	..	179	212	236	332	959	137	276	62	125	600
N. W. ..	545,276†	..	†	†	3,068	†	7,866†	†	†	†	†	6,126†
R. & K. ..	29,561	..	..	..	..	..	..	162	128	..	308	618
S. I. ..	217,809	..	166	46	..	160	226	787	561	..	868	2,216

* 3 shroeped.

† Details not furnished.

Cantonments.	*Income Actual— 1934-35.	Expenditure Actual— 1934-35.	*Excluding the grants-in-aid received from the Government of India.
1	2	3	4
EASTERN COMMAND—contd.	Rs.	Rs.	
Jhansi	75,533	69,901	
Landour	30,002	29,327	
Lansdowne	48,787	49,390	
Lebong	11,222	17,802	
Lucknow	1,89,818	1,67,934	
Meerut	3,08,365	2,99,765	
Muttra	19,597	23,427	
Naini Tal	20,381	32,002	
New Delhi	79,126	82,821	
Ranikhet	1,19,797	1,21,119	
Roorkee	21,268	18,702	
Shahjahanpur	20,056	19,836	
Shillong	37,631	30,147	
Sitapur	15,612	13,481	
BURMA (INDEPENDENT) DISTRICT.			
Mandalay	62,378	64,713	
Maymyo	33,853	36,225	
Mingaladon	42,616	69,635	
Rangoon	41,990	38,780	
SOUTHERN COMMAND.			
Ahmedabad	34,624	32,337	
Ahmednagar	1,06,659	1,15,863	
Aurangabad	1,05,289	1,23,668	
Baroda	20,573	24,965	
Belgaum	71,227	97,073	
Deolali	96,946	95,836	
Jubbulpore	1,43,285	1,57,565	
Kamptee	45,834*	45,644*	* Revised mates. Esti-

Cantonments.	*Income Actual— 1934-35.	Expenditure Actual— 1934-35.	*Excluding the grants-in-aid received from the Government of India.
1	2	3	4
	Rs.	Rs.	
Kirkee	92,206	92,160	
Mhow	2,26,391	2,19,985	
Nasirabad	1,03,511	1,04,896	
Neemuch	54,524	47,215	
Pachmarhi	25,420*	27,723*	* Revised Esti- mates.
Poona	4,22,767	3,84,173	
Saugor	52,096	54,635	
Secunderabad	8,33,036	9,70,680	
St. Thomas Mount and Pallavaram	48,761	50,930	
Wellington	70,142	70,673	

INCOME AND EXPENDITURE OF EACH CANTONMENT.

81. Seth Govind Das : Will Government be pleased to lay on the table a statement showing in the case of each cantonment :

- the annual income from taxation imposed upon and realised from civil population as also from troops stationed there ;
- the annual income from land, property, etc., now entrusted to the management of the Military Estates Officers in each cantonment ;
- the annual income from land, property, etc., now placed under the management of each Cantonment Authority ;
- the annual expenditure on civil population conservancy and on troops' conservancy in each cantonment ;
- the annual expenditure on roads and lighting in Sadar Bazaars and military areas in each cantonment ;
- the annual expenditure on education and medical relief in each cantonment ; which of the cantonments have schools owned by the Cantonment Authority and the standard of education obtaining therein ;
- the annual receipts from patients in each cantonment hospital and the percentage of the same given away to the Medical Officers and the percentage retained by the Cantonment Authority ?

Mr. G. R. F. Tottenham : A full answer to this question would involve the preparation of 83 statements of seven parts each containing

[Mr. President.]

Companies Act, 1913, for certain purposes, as reported by the Select Committee. The motion before the House is :

“ That after the proviso to clause 7 of the Bill, the following further proviso be added :

‘ Provided, further, that Regulation 107 shall not be deemed to form part of the Articles of Association of any company if the company in general meeting shall so determine ’.”

Mr. S. Satyamurti (Madras City : Non-Muhammadan Urban) : Sir, when we adjourned yesterday, I was trying to point out to the House that there is nothing in regulation 107 of Table A, to which any reasonable objection can be taken. I am hoping that the night's rest has made tempers cooler and intellects quicker, and I am hoping that, in a few minutes, the Honourable the Leader of the House or somebody on his behalf will put forward an amendment which will carry out the object of this regulation before the House, namely, that the regulation, subject to the small exception mentioned yesterday, may be accepted as compulsory, in respect of the Articles of Association of all companies. I was also pointing out that the continuation of regulation 107, as part of the compulsory Articles of Association of all companies, is alone consistent with clauses 65, 67, and 68 of the Bill. I have already addressed the House on clause 65, and I now want to say, if I may, a few words on clause 67. You will notice that clause 67 reads thus :

“ To section 132 of the said Act the following sub-section shall be added, namely :

“(3) The profit and loss account shall include particulars showing the total of the amount paid whether as fees, percentages or otherwise to * * * the managing agent, if any, and the directors respectively as remuneration for their services ’.”

Therefore, it undoubtedly contemplates the profit and loss account, containing all the particulars mentioned in regulation 107, and this simply wants in addition to that, all amounts paid whether as fees, percentages, or otherwise to the managing agent and the directors respectively, as remuneration, should be stated in the profit and loss account. I may also mention that, in the Committee which sat before this Bill took shape in the hands of the Honourable the Leader of the House this matter was considered and the Committee was equally divided and the Chairman himself was in favour of the inclusion of regulation 107 compulsorily in the Articles of Association. I am anxious that this matter should be settled in a manner which will bring out the object, without affecting any relevant interests adversely. I hope the Government will see their way to accept the real purpose behind our move to get this article included without affecting any interest adversely. Sir, I beg to oppose the amendment and once more request the Government to reconsider their attitude and accept the inclusion of article 107 compulsorily.

The Honourable Sir Nripendra Sircar (Law Member) : Will you allow me, Sir, to make a statement which might shorten the matter ? I understand that the Leaders of some of the Parties would be quite willing to accept an amendment on these lines which, with your permission, I propose to read to the House. I am not sure of the facts, but if that is

a fact, I shall have no objection in moving the amendment myself. The language of the amendment is this :

“ Provided that the reasons why of the whole amount of any item of expenditure which may in fairness be distributed over several years, only a portion thereof is charged against the income of the year, shall be shown in the profit and loss account unless the company in general meeting shall determine otherwise.”

Mr. President (The Honourable Sir Abdur Rahim) : Has this amendment been circulated ?

The Honourable Sir Nripendra Sircar : No, Sir. This amendment was prepared only this morning, and I understand the Leaders of at least three of the Parties are willing to accept it.

Mr. President (The Honourable Sir Abdur Rahim) : Has the Mover of the original amendment No. 23 been consulted ?

The Honourable Sir Nripendra Sircar : Yes, Sir, he has been consulted.

Mr. M. A. Jinnah (Bombay City : Muhammadan Urban) : So far as I am concerned, that was exactly my point when I was speaking on the amendment. I am, therefore, quite satisfied with the amendment that the Law Member has produced.

Mr. Bhulabhai J. Desai (Bombay Northern Division : Non-Muhammadan Rural) : I take it that the effect of this will be that if this proviso is added, Regulation 107 will be established as an obligatory part of the Articles of Association.

The Honourable Sir Nripendra Sircar : Yes.

Mr. Bhulabhai J. Desai : Then, I am agreeable also.

Sir Leslie Hudson (Bombay : European) : Sir, whilst this amendment does not cover the point which we endeavoured to make yesterday, what I would again like to stress on the Honourable Members opposite is that although we are not in any way opposed to the disclosure of facts, and while we realise perfectly well that the profit and loss account has to be produced, we do emphasise that the disclosure in the profit and loss account of the items relating to the details of the trading account is going to be of very great detriment to many companies working in this country.

Their competitors in this country will be able to ascertain from these figures the actual working cost, the actual production costs of the manufactures which they produce. Not only that, but their competitors in countries abroad, in England, in Germany and in America and in Japan whose products compete with the products of the manufacturers in this country, will also be fully seized with the costs of production in this country and will be able to market their goods accordingly. I think I have made my point clear and I trust that, later on when it becomes necessary to make alterations to this Bill, what I have said now will be borne in mind. I fully expect that the happenings which I anticipate now will come to pass and I hope that Honourable Members who will then be in the House will remember that I have at this moment warned them most plainly as to what is likely to happen to the industries of this country. Having said that, I will fall in line with the Honourable the Law Member.

the information required for all cantonments in India and Burma. The time and labour involved in compiling such statements would be incommensurate with the value of the result.

I can, however, give the Honourable Member the following information :

- (i) The income from land in all cantonments in India and Burma entrusted to the management of Military Estates Officers during the year 1935-36 was approximately Rs. 2,75,000.
- (ii) The income of cantonment authorities from land placed under their management by Government in all cantonments in India and Burma during the year 1935-36 was approximately Rs. 3,18,000.
- (iii) The actual amount paid from the Defence Services Estimates to cantonment authorities on account of conservancy services rendered to the troops during the year 1935-36 was Rs. 7,41,482-5-10.

SHORT NOTICE QUESTION AND ANSWER.

SPEECHES MADE BY MEMBERS OF GOVERNMENT AGAINST THE ACCEPTED POLICY OF GOVERNMENT.

Mr. S. Satyamurti : Will the Honourable the Leader of the House be pleased to state :

- (a) whether Government have considered or propose to consider the question of Members of Government making public speeches against the accepted policy of Government ;
- (b) what their conclusion on the matter is.

The Honourable Sir Nripendra Sircar : (a) I must dissociate myself from any implication which the Honourable Member may seek to convey to the effect that any particular speeches made by Members of the Government are correctly describable as having been made against the accepted policy of Government. Government have, however, taken the opportunity afforded by the Honourable Member's previous question to review the general position in respect of the freedom of individual Members to express personal opinions out of accord with the accepted policy of Government.

(b) The view of Government is that complete identity of opinion is no more possible among the Members of a Government than among the members of any other associated body. The question of when an avowed divergence of opinion is incompatible with continuance in the Government of the individual Member concerned is a question of degree to be decided by the head of the Government.

Mr. S. Satyamurti : With reference to answer to clause (a) of the question, my Honourable friend said :

" I do not accept the implication of my Honourable friend's question that any Members of Government had expressed in any speeches differences with the accepted policy of the Government."

May I know what are the bases or what are the reasons on which my Honourable friend dissociates himself from that allegation in my question ?

The Honourable Sir Nripendra Sircar : As I said, I did not accept short notice of part (c) because that would have involved my reading carefully all the speeches which may be suspected of having gone against the Government policy. Therefore, it is really for my Honourable friend to say on what the allegations are based. That part of the question has not been answered.

Mr. President (The Honourable Sir Abdur Rahim) : I cannot allow any details to be discussed.

Mr. S. Satyamurti : May I take it, therefore, that the Honourable the Leader of the House in the first part of his answer simply means to say that he has no information on the matter, that he has not examined the matter and therefore he can say neither yes nor no.

The Honourable Sir Nripendra Sircar : I have not carefully examined the matter, but my impression is contrary to the implication of the question.

Mr. S. Satyamurti : With reference to answer to clause (b) of my question, that is to say, that it is a question of degree whether the continuance in Government of an Honourable Member with his expression of opinions contrary to the accepted policy of Government, may I ask whether Government have laid down or propose to lay down any tests by which they, on the one hand, and this House on the other can judge of the propriety or impropriety of such a question on the part of any Member of Government ?

The Honourable Sir Nripendra Sircar : If I may read the last part of my answer :

" The question of degree to be decided by the head of the Government."

I do not suggest that the Governor General in Council should lay down any quantum of the degree, or the test to be applied.

Mr. S. Satyamurti : May I take it, therefore, that it is a matter on which the Governor General in Council is to be the sole judge and this House has nothing to do with it ?

The Honourable Sir Nripendra Sircar : This House has certainly nothing to do with it and the other part of the question does not arise.

THE INDIAN COMPANIES (AMENDMENT) BILL—contd.

Mr. President (The Honourable Sir Abdur Rahim) : The House will now resume consideration of the Bill further to amend the Indian

Mr. President (The Honourable Sir Abdur Rahim) : Does the Honourable Member, Mr. Buss, who moved the original amendment, wish to withdraw it, and let the other amendment just now proposed by the Leader of the House to take its place ?

Mr. L. C. Buss (Nominated Non-Official) : In the circumstances, I beg leave to withdraw my amendment.

The amendment was, by leave of the Assembly, withdrawn.

The Honourable Sir Nripendra Sircar : With your permission, Sir, I beg to move the following amendment to clause 7 :

“ That after the proviso to clause 7 of the Bill, the following further proviso be added :

‘ Provided that the reasons why of the whole amount of any item of expenditure which may in fairness be distributed over several years only a portion thereof is charged against the income of the year shall be shown in the profit and loss accounts, unless the company in general meeting shall determine otherwise ’.”

Sir Cowasji Jehangir (Bombay City : Non-Muhammadan Urban) : May I point out, Sir, that this is not the time to move this amendment. The time will be when you are moving the clause which deals with Table A, and that will be some days hence. Just now we are only on the clause which includes or does not include certain of the Regulations in Table A.

The Honourable Sir Nripendra Sircar : I do not accept that view. What is happening is that Regulation 107 is being included. The proviso is that as regards the last three lines of that Regulation, that will be left to the decision of the shareholders. There is no insuperable bar to this proviso being added now. We need not wait till clause 114 is reached. I submit that there is really no technical objection. It is really a proviso that has got to be borne in mind in realising that Regulation 107 has been made compulsory.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

“ That after the proviso to clause 7 of the Bill, the following further proviso be added :

‘ Provided that the reasons why of the whole amount of any item of expenditure which may in fairness be distributed over several years only a portion thereof is charged against the income of the year shall be shown in the profit and loss accounts, unless the company in general meeting shall determine otherwise ’.”

Mr. Bhulabhai J. Desai : That is a proviso to the inclusion of Regulation 107 ; otherwise it will read entirely out of joint because there are several other Regulations which are being added.

Mr. President (The Honourable Sir Abdur Rahim) : Then, it ought to be :

“ after the proviso to Regulation 107.”

Mr. Bhulabhai J. Desai : It should be :

“ After the words, ‘ Regulation 107 ’, the following further proviso be added.”

Mr. President (The Honourable Sir Abdur Rahim) : Then it ought to be moved after Regulation 107.

The Honourable Sir Nripendra Sircar : Regulation 107 is in clause 7. We are only adding a proviso to make a part of it being dealt with in a different way.

Mr. C. F. Grant (Burma : Nominated Official) : May I point out, Sir, that after the word and figures “ Regulation 107 ”, there appears only a comma. It is very unusual to put a proviso in that manner. I submit that this proviso should come after the other proviso to Regulation 78.

Mr. President (The Honourable Sir Abdur Rahim) : Then it ought to be :

“ The following further proviso be added.”

Mr. C. F. Grant : I submit, Sir, that in clause 7, at present, the word and figures “ Regulation 107 ” are only followed by a comma, and, therefore, if you insert a proviso immediately after that comma, it will make the section read rather peculiarly.

The Honourable Sir Nripendra Sircar : If the words are put within brackets immediately after the word and figures “ Regulation 107 ”, there will not be the least inconvenience in understanding what it means.

Mr. Bhulabhai J. Desai : When the Act is printed, it will be better to take it in its proper place under Regulation 107. That would be the best way.

Mr. C. F. Grant : What is the harm in putting the proviso after the proviso to Regulation 78, saying “ Provided as far it relates to Regulation 107, etc., etc.”

Mr. President (The Honourable Sir Abdur Rahim) : I think the Honourable Member had better draft the amendment properly. In the meantime, we will proceed with other amendments.

There are no amendments to clause 8. The question is :

“ That clause 8 stand part of the Bill.”

The motion was adopted.

Clause 8 was added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That clause 9 stand part of the Bill.”

The motion was adopted.

Clause 9 was added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : Next we come to clause 3 which was held back yesterday. There are three amendments in the names of Mr. Bhulabhai J. Desai, Babu Baijnath Bajoria and Mr. Husenbhai Abdullahai Laljee.....

Babu Baijnath Bajoria (Marwari Association : Indian Commerce) : If the Honourable the Leader of the Opposition moves his amendment, I think it will satisfy all sections of the House. Then, I won't move mine.

Mr. Bhulabhai J. Desai : Sir, I am informed that if the word “ Hindu ” in my amendment is omitted, it will be acceptable to all sections of the House, because the law of joint family may be applicable

[Mr. Bhulabhai J. Desai.]

to other parties than Hindus. I am agreeable to that. I, therefore, move :

"That in clause 3 of the Bill, before the proposed sub-section (3) of section 4, the following new sub-section be inserted and the subsequent sub-sections be re-numbered accordingly :

"(3) This section shall not apply to a Joint Family carrying on joint family trade or business and where two or more such joint families form a partnership, in computing the number of persons for the purposes of this section, minor members of such families shall be excluded."

I also omit the word "male". Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in clause 3 of the Bill, before the proposed sub-section (3) of section 4, the following new sub-section be inserted and the subsequent sub-sections be re-numbered accordingly :

"(3) This section shall not apply to a Joint Family carrying on joint family trade or business and where two or more such joint families form a partnership, in computing the number of persons for the purposes of this section, minor members of such families shall be excluded."

Before I put this motion to the vote, I understand Mr. Husenbhai Laljee wants to withdraw his amendment ?

Mr. Husenbhai Abdullahai Laljee (Bombay Central Division : Muhammadan Rural) : Yes, Sir.

Mr. President (The Honourable Sir Abdur Rahim) : Has the Honourable Member leave of the House to withdraw his amendment ?

(No objection was taken.)

The amendment was, by leave of the Assembly, withdrawn.

Sir H. P. Mody (Bombay Millowners' Association : Indian Commerce) : Sir, I have a little difficulty in understanding this amendment moved by my Honourable friend, the Leader of the Opposition. Would the effect of it be that outsiders trading with a joint family will not be able to look to the minors in the event of losses being incurred ?

Mr. Bhulabhai J. Desai : No, certainly not. It only relates to the computation for the purpose of this section. The section says that not more than 10 in the case of a bank and not more than 20 in the case of a company shall carry on business for the purpose of gain without being registered as a company. This is only for the purpose of computation and the language is therefore selected carefully on that basis. In computing the number of persons the joint family will none the less be a partner, and the property of the joint family will be liable for all the debts of such a trading concern. The words are,—"and where two or more of such joint families form a partnership". Therefore the hypothesis is that the partnership consists of the families, but in computing the number namely, whether there are 20 or less or whether there are 10 or less as the case may be, the limited operation of the section applies, namely, that the minors shall be excluded.

Sir Cowasji Jehangir : Does the Law Member accept that as correct ?

The Honourable Sir Nripendra Sircar : What I understand is this. Whether they are liable or not is a question which depends on general

law. If they are liable they are liable, and if they are not liable they are not. But in so far as section 3 makes it compulsory for 20 persons to be registered before they can do any business, that ban is being removed, but their general liability or otherwise under the law is not being touched. If this is accepted by the House the result will be that a joint Hindu family consisting of 21 or 22 persons will not be required to register themselves as a company under the law. If some of them are infants, questions as regards the liability of infants, namely, whether their share will be available or not, those are questions of general law which we are not disturbing in any way.

Babu Baijnath Bajoria : Sir, I am much obliged to the Leader of the Opposition for drafting an amendment on this point which is acceptable to all sections of the House, and I am also obliged to the Leader of the House for kindly accepting this amendment. This will go a long way in minimising the difficulties and inconveniences which members of Hindu joint families would otherwise have felt under the provisions of section 4 of the Act. Sir, I have great pleasure in supporting the amendment.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in clause 3 of the Bill, before the proposed sub-section (3) of section 4, the following new sub-section be inserted and the subsequent sub-sections be re-numbered accordingly :

"(3) This section shall not apply to a Joint Family carrying on joint family trade or business and where two or more such joint families form a partnership, in computing the number of persons for the purposes of this section, minor members of such families shall be excluded."

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That clause 3, as amended, stand part of the Bill."

The motion was adopted.

Clause 3, as amended, was added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That after the proviso to clause 7 of the Bill, the following further proviso be added, namely :

"Provided, further, that Regulation 107 shall be deemed to require a statement of the reasons why of the whole amount of any item of expenditure which may in fairness be distributed over several years, only a portion thereof is charged against the income of the year, shall be shown in the profit and loss account unless the company in general meeting shall determine otherwise."

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That clause 7, as amended, stand part of the Bill."

The motion was adopted.

Clause 7, as amended, was added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

" That clause 10 stand part of the Bill."

Mr. Sri Prakasa (Allahabad and Jhansi Divisions : Non-Muhammadan Rural) : Sir I beg to move :

" That for clause 10 of the Bill, the following be substituted :

" 10. For sub-section (1) of section 25 of the said Act, the following shall be substituted, namely :

" (1) Every company shall send to every member and when the company is an insurance company to every member or policy holder, and on payment of one rupee or such less sum as the company may prescribe, and to any other person on payment of such sum not exceeding two rupees as the company may prescribe, at his request and within fourteen days thereof, a copy of the memorandum and of the articles (if any) ' ' "

So far as I can find out, the purpose of the Bill as well as of the original Act, is to make the public take some interest in companies. At various places in the Bill and in the Act, provisions are made by which members of the public can inspect various registers and see various other papers of the company on payment of a small and reasonable fee. I do not see any reason why the memorandum and articles of association alone should be regarded so sacrosanct as not to be available to members of the public if they so desire. It happened with me that I wanted the articles and memorandum of association of an insurance company, and I had no evil intentions at all : in fact I was a policy holder in that insurance company. But the manager said in reply that I was a stranger and so I could not get those papers. When I informed him that I was a policy holder and as such entitled to elect a director and that I should in all reason be made familiar with the rules of the company, he still persisted in regarding me as a stranger. So I said that as the Companies Bill was on the legislative anvil and as I was a Member of this House, I would move an amendment on this subject and take my vengeance straight off. So, for the sake of satisfying me, if for nothing else, I hope the Honourable the Law Member will accept the amendment.

If you see section 36, section 124 and section 248 of the Act, you will find that provisions are made there for members of the public to see the papers of various companies. In this connection I may say that I am informed that there is a proposal of bringing an insurance Bill before the House and therefore it may be thought proper that the words dealing with the insurance companies may be omitted from my amendment. Though my grievance was against an insurance company, still I am quite prepared to take those words off, if the Honourable the Law Member would accept the other parts of my amendment. The only difference will be that even policy holders will have to pay a double fee : that is all. I shall wait to hear the Honourable the Law Member before I put forward my other suggestions, because I have got on the order paper another amendment in which these words are taken off ; so that if the Honourable the Law Member will agree to accept that amendment which is No. 5 on the supplementary list No. 3, I shall be quite prepared to abide by his decision.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

" That for clause 10 of the Bill, the following be substituted :

" 10. For sub-section (1) of section 25 of the said Act, the following shall be substituted, namely :

" (1) Every company shall send to every member and when the company is an insurance company to every member or policy holder, and on payment of one rupee or such less sum as the company may prescribe, and to any other person on payment of such sum not exceeding two rupees as the company may prescribe, at his request and within fourteen days thereof, a copy of the memorandum and of the articles (if any) ' ' "

Mr. Akhil Chandra Datta (Chittagong and Rajshahi Divisions : Non-Muhammadan Rural) : Sir, on a point of order : in this amendment the period is mentioned as fourteen days : and there are other amendments mentioning a week and one month....

Mr. President (The Honourable Sir Abdur Rahim) : This is to substitute an entire clause : If this is carried, the whole thing is substituted for clause 10. Then the other amendments could be moved.

The Honourable Sir Nripendra Sircar : Sir, I am glad to find that my Honourable friend, Mr. Sri Prakasa, has at last been compelled to say something on the Bill....

Mr. President (The Honourable Sir Abdur Rahim) : I do not think anybody has compelled him.

The Honourable Sir Nripendra Sircar : He has been compelled by his desire for vengeance against a particular manager. Now, he has withdrawn part of his amendment, relating to insurance. If he had withdrawn only the other part, I would have been saved a speech. There are two sections in the existing Act to which my Honourable friend's attention may be drawn. What he is after is really provided for in the existing Act : the first section is section 25 of the existing Act, which says :

" Every company shall send to every member, at his request, and on payment of one rupee or such less sum as the company may prescribe, a copy of the memorandum and of the articles (if any)."

Now let us look at his amendment : he says :

" Every company shall send to every member on payment of one rupee or such less sum as the company may prescribe.....a copy of the memorandum....."

So that is all right there. Then the other section is 248 (5) : there you have got to pay a little more than what you are now prescribing....

Mr. Sri Prakasa : You have to go to a Registrar.

The Honourable Sir Nripendra Sircar : Yes. It says :

" Any person may inspect the documents kept by the registrar on payment of such fees as may be appointed by the Local Government....."

So that, my friend is allowed to see the memorandum : but after all he is an outsider : for what I know, he may be a busybody : and if he wants to get at the contents of the document, why should he not go to the Registrar ? We are not compelling a shareholder to go to the Registrar. That is provided for by section 25 ; and I think outsiders who are promoted by a keen desire to look into the affairs of other people should take the trouble of going to the Registrar. I oppose this amendment.

Mr. Sri Prakasa : Why do you give facilities to outsiders in other matters ?

Sir H. P. Mody : A company is not a bookstall ?

The Honourable Sir Nripendra Sircar : In what other matters ?

Mr. Sri Prakasa : Section 36 (1) of the original Act provides for inspection of registers by any members or others on payment of rupee one : if provisions are made for the inspection of even confidential papers by strangers, why should not strangers be allowed to get copies of the printed memorandum of association for a small payment ?

The Honourable Sir Nripendra Sircar : I never said that they should not be allowed : they are allowed under the present Act ; but I do not think that the company should have any great tender concern for outsiders ; and the fees which are prescribed are not prohibitive : I do not see any reason for changing the existing law. That is all I wanted to say.

Mr. Sri Prakasa : Sir, I will withdraw this amendment.

Mr. President (The Honourable Sir Abdur Rahim) : Has the Honourable Member leave of the House to withdraw the amendment ?

Honourable Members : Yes.

The amendment was, by leave of the Assembly, withdrawn.

Mr. Sri Prakasa : I do not move the two other amendments, No. 25 on the final list and No. 5 on supplementary list No. 3.

Mr. President (The Honourable Sir Abdur Rahim) : You don't want to move No. 25 on the final list ?

Mr. Sri Prakasa : No, Sir.

Mr. M. Ananthasayanam Ayyangar (Madras ceded Districts and Chittoor : Non-Muhammadan Rural) : I don't move No. 26 on the final list, Sir.

Mr. Akhil Chandra Datta : Sir, I want to move amendment No. 6 in Supplementary List No. 3. It reads thus :

“ That in clause 10 of the Bill, for the words ‘ within fourteen days ’ the words ‘ within one month thereof ’ be substituted.”

My reason for moving this amendment is this, Sir. There is no question of principle or policy involved in this ; it is only a question of feasibility. It will be very difficult, if not impossible, to furnish a copy within fourteen days. Under clause 11 of the Bill, a new section is proposed to be added, namely, section 25A. Sub-section (1) of section 25A provides : “ Where an alteration is made in the memorandum or articles of a company, every copy of the article or memorandum issued after the date of the alteration shall be in accordance with the alteration.” Let us take a concrete case. Suppose an alteration is made on the 1st day of January, and suppose a request is made by a member for a copy of the articles on the day following, namely, the 2nd of January. What will happen ? Copies have to be furnished in accordance with the alteration. But the articles as altered have got to be printed, which will necessarily take some time, and specially in places where there is no printing press, it may be almost impossible to furnish the copy within 14 days....

Mr. K. Ahmed (Rajshahi Division : Muhammadan Rural) : All the Indian Companies are not in Comilla district alone.

Mr. Akhil Chandra Datta : Comilla is not a district.

Mr. K. Ahmed : Well, Headquarters at Comilla in Tipperah.

Mr. Akhil Chandra Datta : This extension of time is all the more necessary in view of the penal clause proposed in clause 11, I mean sub-section (2) of the proposed new section 25A where it is said that if any alteration is made, the company at anytime after the date of the alteration issues any copies of the memorandum or articles which are not in accordance with the alteration, it shall be liable to a fine, and so on. Therefore, the extension of time is certainly required to enable the company to furnish the members with a copy of the memorandum or articles as altered. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

“ That in clause 10 of the Bill, for the words ‘ within fourteen days ’ the words ‘ within one month thereof ’ be substituted.”

Mr. M. Ananthasayanam Ayyangar : Sir, I oppose this amendment. Sir, I have given notice of an amendment, it is No. 26 on the final list, that in clause 10 of the Bill, for the word ‘ fourteen ’ the word ‘ seven ’ be substituted, because I consider that 14 days is too long, and the period should be reduced to 7 days. Sir, if you will kindly refer to amendment No. 26.....

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member withdrew it ?

Mr. M. Ananthasayanam Ayyangar : Yes, I withdrew it but it does not preclude me from opposing this amendment which is now before the House.

The Honourable the Mover wants the period to be extended from 14 days to 30 days. Under section 25 every company shall send to every member, at his request, and on payment of one rupee or such less sum as the company may prescribe, a copy of the memorandum and of the articles (if any). For this a penal clause is provided if any company makes a default in complying with the requirements of this section. The penal clause will come into operation only if the company makes a default. Now, Sir, I gave my amendment to point out that 14 days was too long and that it should be curtailed to 7 days, for this reason. If Honourable Members will kindly refer to clause 32 of the Bill they will see that it is provided there that a meeting of a company other than a meeting for the passing of a special Resolution be called by not less than fourteen days' notice ; or at least 14 days' notice must be given. Let us assume that 14 days' notice is given and it is sufficient under the Act. Suppose one of the members wants to study the memorandum as altered so that he is better able to study the subject. Now, if 14 days are allowed, he may not be able to get a copy of the memorandum before the meeting takes place. That will be frustrating the very object of his attending the meeting and objecting to any of the items that might be coming up before the meeting. Therefore I thought that instead of 14 days, 7 days ought to be substituted. My friend says the period must be extended to 30 days. It is for this

[Mr. M. Ananthasayanam Ayyangar.]

simple reason that in case the articles or memorandum are altered immediately thereafter within 7 days, it might be impossible for the company to furnish members with copies. Those cases where by a special resolution they want to alter the articles will be rare cases.

Mr. Akhil Chandra Datta : Sir, I don't press my amendment, and I want the leave of the House to withdraw it.

The amendment was, by leave of the Assembly, withdrawn.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That clause 10 stand part of the Bill."

The motion was adopted.

Clause 10 was added to the Bill.

Clauses 11 and 12 were added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That clause 13 stand part of the Bill."

Pandit Sri Krishna Dutta Paliwal (Agra Division : Non-Muhamadan Rural) : Sir, I move :

"That in clause 13 of the Bill, in sub-section (3) of the proposed section 31A, after the words 'not exceeding fifty rupees' the words 'for each day during which the default continues' be inserted."

Clause 13 lays down :

"Every company having more than fifty members shall, unless the register of members is in such a form as to constitute in itself an index, keep an index of the names of the members of the company and shall within fourteen days after the date on which any alteration is made in the register of members make any necessary alteration in the index."

The object of my amendment is to provide an effective punishment for default in complying with the provisions of this clause. The punishment at present provided is too inadequate; it only amounts to a fine not exceeding Rs. 50. Now, Sir, suppose a company does not comply with the provisions of this clause, what happens? The company and every officer of the company is fined, but the fine may be anything below Rs. 50. No minimum is fixed, the fine may go down even to a pie. Now, supposing that the company and every officer of the company has been fined Rs. 5 each, they can very well pay this petty sum and ignore this clause altogether. There is nothing in the clause to prevent the company from doing that. Sir, if we require a company to do a thing, we should see to it that it does it and it is not able to defy the Act with impunity. And there is no harm in providing the punishment I have suggested. It will only make the companies more careful in complying with the provisions of the clause. If the non-compliance is due to any extenuating circumstances that can be taken into consideration in imposing the fine. So there is really no great hardship to the companies if this punishment is provided, and I hope that the Government and the commercial interests will accept this amendment. Yesterday the Honourable the Baronet from Bombay tom-tomed his impartiality and reasonableness, I hope Sir, he will today see the reasonableness of my amendment and support it.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in clause 13 of the Bill, in sub-section (3) of the proposed section 31A, after the words 'not exceeding fifty rupees' the words 'for each day during which the default continues' be inserted."

The Honourable Sir Nripendra Sircar : I am afraid I cannot accept this amendment. The offence for which Rs. 50 fine is provided is not a very heinous offence. He has got to keep an index, and if he does not keep an index then he is fined Rs. 50. My Honourable friend suggests that that should be Rs. 50 per day from the time when the default had taken place. That is to say, for failure to keep an index he may be in for thousands of rupees. I think it is out of all proportion to the heinousness of the crime. I oppose it.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in clause 13 of the Bill, in sub-section (3) of the proposed section 31A, after the words 'not exceeding fifty rupees' the words 'for each day during which the default continues' be inserted."

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That clause 13 stand part of the Bill."

The motion was adopted.

Clause 13 was added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That clause 14 stand part of the Bill."

Mr. M. Ananthasayanam Ayyangar : Sir, I move :

"That in sub-clause (b) of clause 14 of the Bill, the proposed items (i) and (ii) be renumbered as items (ii) and (iii) respectively and before the items as so renumbered the following be reinserted :

"(i) After the words 'registration of the transfers' the words 'and, if the names therein are not arranged in alphabetical order, must have annexed to it an index sufficient to enable the name of any person in the list to be readily found' shall be inserted."

The object of my amendment is this. In making these amendments to the Indian Companies Act we are closely following the English Act. An index is provided under clause 13 wherever a register of members is directed to be prepared by the amending Bill, and in the later clauses it is required that an index of the members in alphabetical order should be maintained. Penal provisions are also enacted to see that this provision is strictly complied with. But in the case of a list of members that has to be prepared at the time of every annual meeting a similar index has not been provided for. But there is a similar provision in the English Act. Section 108 (2) lays down :

"The list must state the names, addresses, and occupations of all the past and present members therein mentioned, and the number of shares held by each of the existing members at the date of the return, specifying shares transferred since the date of the last return, or in the case of the first return, of the incorporation of the company by persons who are still members and have ceased to be members respectively and the dates of registration of the transfers....."

[Mr. M. Ananthasayanam Ayyangar.]

But the following words were left out in the present Bill :

".....and, if the names therein are not arranged in alphabetical order, must have annexed to it an index sufficient to enable the name of any person in the list to be readily found."

That I am afraid has been left out in the Bill by an oversight. There does not seem to be any principle behind it. In clause 13 which has just been made part of the Bill provision is made for the preparation of an index by providing :

"Every company having more than fifty members shall, unless the register of members is in such a form as to constitute in itself an index, keep an index of the names of the members of the company."

That is provided in section 13 with regard to the register of members, but with respect to the list there is no such index provided. This is not a matter of any great principle, but only for the purpose of enabling members to find out who are all members before each annual meeting there must be a provision to keep an alphabetical list. There must be a lot of canvassing with respect to particular resolutions and one must be able to find out who is or is not a member. One should not be put to the trouble of roaming about from place to place or rummaging pages and pages of records. If an index is thought necessary with respect to registers and with respect to registers maintained by private companies, this index which I am pleading for is absolutely necessary. This is only an enabling provision and follows the English Act. I hope that the Leader of the House will have no objection to accepting this amendment.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in sub-clause (b) of clause 14 of the Bill, the proposed items (i) and (ii) be renumbered as items (ii) and (iii) respectively and before the items as so renumbered the following be reinserted :

(i) After the words 'registration of the transfers' the words 'and, if the names therein are not arranged in alphabetical order, must have annexed to it an index sufficient to enable the name of any person in the list to be readily found' shall be inserted."

The Honourable Sir Nripendra Sircar : This was not omitted by any inadvertence as my Honourable friend seems to think. It may be a question of difference of opinion, but what the framers of the Bill thought was that this is really casting an unnecessary burden on the company. When the annual return is made to the Registrar, the company has got to send a list of shareholders. My Honourable friend is providing that an index should be attached when the list is sent to the Registrar, and if there is failure there is penalty attached. I do still think that it is unnecessary and I am not willing to accept the amendment.

Mr. M. Ananthasayanam Ayyangar : Sir, I beg leave of the House to withdraw my amendment.

The amendment was, by leave of the Assembly, withdrawn.

Pandit Sri Krishna Dutta Paliwal : Sir, I beg to move :

"That in sub-clause (c) of clause 14 of the Bill, after the words 'twenty-one days' the words 'and for the word 'forthwith' the words 'within seven days thereafter' be inserted."

I think, Sir, that this amendment is non-controversial. Forthwith— is a vague word. There is no harm in making it clear and if we allow

21 days for completing the list there is no harm in letting them have seven days more for filing it. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in sub-clause (c) of clause 14 of the Bill, after the words 'twenty-one days' the words 'and for the word 'forthwith' the words 'within seven days thereafter' be inserted."

Mr. Susil Chandra Sen (Government of India : Nominated Official) : Sir, in connection with this matter, we considered that the original period of seven days which was the time provided in the Act was insufficient. It was pointed out by various bodies that Resolutions have sometimes got to be drafted and that it may take some time and that seven days will not be sufficient within which to comply with the list. That was the reason why it was extended to 21 days. It does not make much of a difference. The list has got to be filed and I hope my Honourable friend, Mr. Paliwal, will not press his amendment. It is after all a provision intended to give time to the company after the meeting. The shareholders present at the meeting know all about it and I do not think that there is any real ground for complaining against this extension of time in the Bill.

Pandit Sri Krishna Dutta Paliwal : I do not want to press my amendment.

The amendment was, by leave of the Assembly, withdrawn.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That clause 14 stand part of the Bill."

The motion was adopted.

Clause 14 was added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That clause 15 stand part of the Bill."

Mr. Suryya Kumar Som (Dacca Division : Non-Muhammadan Rural) : Sir, I beg to move :

"That in clause 15 of the Bill, in sub-section (1) of the proposed section 34, the words 'by the transferor' occurring after the words 'where such application is made' be omitted."

In this clause, it has been provided that when a transferor of a share makes an application that he is transferring his share to such and such a person, in that case notice is to be given to the transferee, that is, the beneficiary, but in the case where a transferee makes an application that he has got a transfer from such and such a person of such and such a share, no provision has been made that a notice should be given to the transferor who is going to be affected by the transfer. As I have observed in my preliminary observations on the Bill, I think there can be no objection on the part of the Leader of the House to accept this amendment, because, in the case of application by the transferee, he has benefited by the transfer as against the person who has transferred. It is, therefore, natural and common sense that he should get a notice where he has transferred his share to such and such a person. My other two amendments, Nos. 32 and 33, are of the same nature. I appeal to the Leader of the House to accept my amendment.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in clause 15 of the Bill, in sub-section (1) of the proposed section 34, the words 'by the transferor' occurring after the words 'where such application is made' be omitted."

Mr. Susil Chandra Sen : I am sorry to oppose this amendment moved by my friend, Mr. Suryya Kumar Som. What he wants is that irrespective of whether an application for registration of a transfer is made by the transferor or the transferee, notice must be given to the other party in all cases. There is one aspect of the thing which I am sure my Honourable friend has not looked into. In the case where an application to register a transfer is sent in by a transferee it is usual under the articles and under the provisions of this section that he should send in not only the transfer form but also the share scrip. Therefore, there is *prima facie* proof before a company that he is the holder of this scrip in question and there is *prima facie* evidence of transfer in the shape of a transfer deed signed by both the parties. In such a case there is absolutely no sense in sending a notice to the transferor on the assumption that the signature in the transfer deed is likely to be a forgery. That is a thing which is very far fetched. If it is forged, the transferor has his remedy in Court. He can at once come up and have the share register rectified and have a declaration that the alleged transfer is invalid but in the case where the application is made by the transferor he is naturally not in a position either to send the scrip or to send the transfer deed and therefore there is no *prima facie* documentary proof of the fact that there has been a transfer. That is the reason which prompted the framers of the Bill to provide in the latter case for a notice to be given to the transferee to whom the transferor alleges he has made the transfer. That is the whole point of difference and I submit that absolutely no case has been made out for sending a notice to a transferor where the transferee puts in not only the scrip but the signed transfer deed also to which the transferor has been a party. This will be on the basis of an unjustified assumption which is not warranted and I oppose the amendment.

Mr. Suryya Kumar Som : Sir, I do not press my amendment.

The amendment was, by leave of the Assembly, withdrawn.

Mr. F. E. James (Madras : European) : Sir, I move :

"That in clause 15 of the Bill, in sub-section (4) of the proposed section 34, after the words 'within two months from the date on which the instrument of transfer was lodged with the company' the words 'or within such further time as the Court may allow' be inserted."

This section deals with the question of the transfer of shares. Sub-section (4) at present provides that :

"If a company refuses to register the transfer of any shares or debentures, the company shall, within two months from the date on which the instrument of transfer was lodged with the company, send to the transferee and the transferor notice of the refusal."

And, in sub-section (5), there is a penalty :

"If default is made in complying with sub-section (4) of this section, the company and every director, manager, secretary or other officer of the company who is knowingly a party to the default shall be liable to a fine not exceeding fifty rupees for every day during which the default continues."

I understand that this provision is copied from English Act of 1929. Prior to that Act, it was held that directors were entitled to a reasonable time and then the 1929 Act fixed the period at two months. Well now my submission is that while that may be a reasonable time for conditions obtaining in England, it is not as reasonable in view of the somewhat different conditions that obtain in this country. What is to be the position? Supposing, on presentation of the title, there is a dispute as to whether a particular transferor is entitled to sign, for example, on behalf of a deceased member. A dispute of this nature would naturally involve correspondence through lawyers, with parties very often on the other side of India, and an attempt to obtain an order of the Court in regard to the dispute. If a company is not in a position to register the transfer owing to the dispute, as the clause is at present worded, that company will suffer the penalties laid down in sub-section (5), and it seems to us that there is a case for a safeguard. We therefore suggest that although normally two months should be provided, there should be a provision whereby, in cases such as the one I have mentioned, the company might go to the Court and get an order to extend the time beyond the ordinary period of two months. That is the difficulty and that is our suggestion as to how to meet that difficulty. I very much hope the Honourable the Law Member will be able to meet us on this point or, if he cannot, explain what remedy the company has, placed in the difficulty which I have just mentioned. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in clause 15 of the Bill, in sub-section (4) of the proposed section 34, after the words 'within two months from the date on which the instrument of transfer was lodged with the company' the words 'or within such further time as the Court may allow' be inserted."

The Honourable Sir Nripendra Sircar : Sir, I oppose this amendment. I do not know how in the normal case the Court comes in at all. An application is lodged, with the transfer deed, and the directors have got to make up their minds within two months whether they will accept the transfer or refuse to do so. There is no question then of the company going to Court. If there is such a dispute,—that one party has gone to Court either for rectification or on some other ground,—the Court will have ample seisin of the matter to do the needful. I may remind my friend, Mr. James, that this is the counterpart of the English section 66 where there is no such provision. There is no provision for going to Court because, in the ordinary course, why should a company go to Court? I submit there is absolutely no reason for making a change simply because we are in India. (Laughter.)

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in clause 15 of the Bill, in sub-section (4) of the proposed section 34, after the words 'within two months from the date on which the instrument of transfer was lodged with the company' the words 'or within such further time as the Court may allow' be inserted."

The motion was negatived.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. Deputy President (Mr. Akhil Chandra Datta) in the Chair.

Mr. S. Satyamurti : Sir, I beg to move :

"That in clause 15 of the Bill, to sub-section (7) of the proposed section 34, the following be added at the end :

"or confer any power on the company to refuse to register a transfer of any fully-paid-up share or shares."

Honourable Members will notice that sub-section (7) of the proposed section 34, in clause 15 of the Bill, reads thus:

"Nothing in this section shall prejudice any power of the company under its articles to refuse to register the transfer of any shares."

My amendment seeks to add, at the end of this sub-section, the following words :

"or confer any power on the company to refuse to register a transfer of any fully-paid-up share or shares."

On this matter, my Bible is, as usual, Mr. Sen's report.

The Honourable Sir Nripendra Sircar : That is the Old Testament : we are following the New Testament.

Mr. S. Satyamurti : I am deeply obliged to my friend, the Law Member, but I hope there is only one version of the "New Testament". This is what the "Old Testament" says :

"The Act does not lay down the procedure for the transfer of shares. It is generally left to be provided for in the Articles of Association of companies. In view, however, of the way in which the powers of transfer have been abused, by some companies, it is desirable that provisions governing the transfer of shares and the registration thereof should be included in the statute. Bitter complaints have been made from different sources as to the arbitrary way in which registration of transfers of shares is delayed and sometimes refused."

I shall be highly obliged to the Honourable the Law Member if, from the evidence in his possession, he can assure the House that the "Old Testament" was wholly wrong in suggesting that "bitter complaints have been made from different sources as to the arbitrary way in which registration of transfers of shares is delayed and sometimes refused". The "Old Testament" goes on to say :

"The question of the refusal to register transfer is one which requires serious consideration. It is now well settled that under the existing law, although a shareholder has *prima facie* an absolute right to transfer his share or debenture, it can be restricted by the articles of association of the company. With properly framed Articles of Association it is possible for directors to refuse registration without assigning any reasons whatsoever, and the courts are powerless to afford any relief in such cases. It is only when the court can scrutinise the reasons so given and if they appear to be wrong, can direct registration."

Then, he quotes the arguments in favour of the position that these are matters of internal management and the law should not interfere with it. But he also states the other side :

"On the other hand, it is pointed out that unless there is some provision to prevent the abuse of the powers, the directors may at their sweet will render the shares valueless and unsaleable by refusing to register the transfers on arbitrary grounds."

That is my main point, which I should like the Honourable the Law Member to consider and to meet. He further goes on to say :

"It is also pointed out that so far as fully paid up shares are concerned there can be no valid objection to transfers thereof being registered as, of course, there is no question of any further payment."

Mr. Sen, I must add, of course, suggests that, in the case of fully paid up shares, when directors refuse to transfer them, they ought to state reasons. You will notice the Bill does not provide for it. Speaking for myself, I feel that the only way to prevent directors refusing to register fully paid up shares is to take away the power from them and not to compel them to give reasons. So far as the fully paid up shares are concerned, it seems to me that any statutory obligation to give reasons for refusing the transfer thereunder will not lead us anywhere. After all, it will lead to endless litigation, and ultimately it may well be argued successfully that directors, being the most responsible people, must be the final judges of the soundness or otherwise of the reasons. In any case, it seems to me, unless there is something pointed out, which has not been pointed out in the Select Committee, that there is no reason as to why this power ought to be vested in the directors. My amendment will make the shares absolutely valuable, and will cause no serious hindrance to the working of companies. I know the argument that there are some professional company-wreckers whose only objective is to go on buying shares after shares, and then wreck the company. As against that, I want to suggest that we must have full faith in the majority of shareholders, not to give any countenance to these professional company-wreckers. Moreover, when the companies offer shares to the public, they have not much choice as to who buy the shares. At the same time, to vest any company with the right to refuse to register any transfer of fully paid shares, arbitrarily and without giving any reasons, as provided in the Bill, is unnecessary and is too great a power in the hands of directors. Hence, I hope the House will accept my amendment. Sir, I move.

Mr. Deputy President (Mr. Akhil Chandra Datta) : Amendment moved :

"That in clause 15 of the Bill, to sub-section (7) of the proposed section 34, the following be added at the end :

"or confer any power on the company to refuse to register a transfer of any fully-paid-up share or shares."

Pandit Govind Ballabh Pant (Rohilkund and Kumaon Divisions : Non-Muhammadan Rural) : Sir, there is an amendment in my name just after this amendment. I should like to know as to how and in what order you would wish me to proceed. Can I move an amendment to Mr. Satyamurti's amendment to the effect that the words "on which the company has no lien or charge" be added at the end of the amendment moved by Mr. Satyamurti, or would you like me to move my amendment separately or should I wait till Mr. Satyamurti's amendment has been disposed of?

Mr. Deputy President (Mr. Akhil Chandra Datta) : I think it will be better if you move your amendment as an amendment to Mr. Satyamurti's amendment just now.

Pandit Govind Ballabh Pant : With your permission, Sir, I move :

“ That the following words be added to Mr. Satyamurti's amendment :

‘ on which the company has no lien or charge ’.”

The amendment will then run thus :

“ or confer any power on the company to refuse to register a transfer of any fully-paid-up share or shares on which the company has no lien or charge.”

Sir, the amendment which I have moved further restricts the scope of Mr. Satyamurti's amendment and to that extent it gives a discretion to the company to refuse transfers in the case even of fully paid up shares where the share or shares are subject to no lien or charge. Now, I would like Honourable Members to remember one or two elementary matters.

Pandit Lakshmi Kanta Maitra (Presidency Division : Non-Muham-madan Rural) : On a point of order, Sir. I want to know exactly what particular amendment we are now dealing with. I find that my Honourable friend, Mr. Satyamurti, has moved an amendment and Pandit Govind Ballabh Pant has also moved an amendment. Supposing there is a division on them, how are we to know what we are voting for ?

Pandit Govind Ballabh Pant : In substance, it is my amendment ; but, in name, it is Mr. Satyamurti's. So you can give both of us the benefit of your support and assistance.

Mr. Deputy President (Mr. Akhil Chandra Datta) : Two amend-ments have been moved, and there will be one comprehensive debate.

Pandit Govind Ballabh Pant : I was just stating that the amend-ment which I have moved affects the shares only of a public company. It has nothing to do with the shares of a private company, for from the very nature of the definition of a private company, such company has a right and is in fact under an obligation by which the transfer of its shares is restricted. We are concerned here only with the transfer of such shares as the company promoters have invited the public to purchase and to make offers for ; it is on the basis of a public invitation that a person is induced to invest his money in purchasing a share of a public company and it is only with reference to the shares of a public company that this amendment will be valid. The other point I would like to state at the outset is equally an elementary one. According to the general policy, freedom of contract should be encouraged. It is against public policy to restrict transfers or the inherent right of transfer that a person possesses in respect of property belonging to him. Sir, we have to see whether the companies would be in any way prejudiced if there is a rule making it incumbent upon them to recognise transfers of fully paid up shares. As my amendment runs or as the amended amendment of Mr. Satyamurti runs, in case the company has any lien or charge, no transfer will be made against the wishes of the company. So far as a fully paid up share is concerned, the company cannot make any further calls in respect of that share. All the money due to the company has already been paid up and that is the only way how a share acquires the status of a fully paid up share. Thus the company's pecuniary interests are not directly affected by a transfer of this type. It has been suggested that a mischievous person who wants to give trouble to a

company may sometimes manage to acquire such a share. My submis-sion is that it is a very thin excuse. Companies consist of stalwarts like my Honourable friend, Sir H. P. Mody, and they can easily face the imbecile critics possessing one or two shares. I do not see any reason why they should feel nervous. One would suspect from this that the state of the company should be like the rotten State of Denmark and they do not want any man who has eyes and ears to get into the concern lest he should get a real inkling into the state of affairs which they want to conceal from the public. In fact, I believe such is the view of many of those who have made a study of this subject. As the Honourable the Leader of the House presumably knows Mr. Lokanathan in his book observes that the companies are under the absolute control and sway of the managing agents and the directors are no more than a pack, whether of fools or otherwise, nominated by them directly or indirectly. So a little light would not occasionally be altogether useless and it should in no case be unwelcome to the gentlemen associated with the administra-tion of companies. After all criticism, even if it comes from a hostile quarter, has a salutary result : and what can a solitary shareholder do even if he is bent on causing mischief ? And can a mischief-monger not create trouble without acquiring a share ? I believe, Sir, that if men would shed their suspicions and meet each other in a straightfor-ward manner, perhaps much of the misgiving which stands in the way of good and clear understanding would disappear. So, it would be of advantage to an honest company occasionally, even if such be the case, to get one who enters the company in the determined mood of a critic. I would rather welcome it. I believe that there is no better method of winning over a person than by giving him an opportunity of looking into what he suspects to be a dark corner, although it has enough light, because of his ignorances. I believe that criticism is not unhelpful and to a cer-tain extent it is a desirable thing and if occasionally a person joins a com-pany with a view to look into its affairs in an intelligent manner, that is perfectly legitimate and desirable. Regarding our companies the general complaint is that our shareholders are apathetic, and unintelligent and do not take any interest in the company's affairs. And yet you want to block the door against all those who wish to take an intelligent interest ! In Mr. Lokanathan's book there is a quotation from what Mr. Wadia, one of the great commercialists of Bombay, once said :

“ Once a director begins to look closely into the affairs of the company, out he must go. He cannot be tolerated any longer by the managing agents or by his colleagues on the Board of Directors.”

In these circumstances, what can a single shareholder do ? After all his voice will be confined to a general meeting of the company, and the utmost he can do is to shout out if he is allowed to, but ultimately, Sir H. P. Mody will have his own way as here, in spite of our making every effort to persuade him, to woo him and to earn his good will. That will be the case with these people too. But is it really such a serious affair ? After all, if it is such a dangerous thing, why has the Reserve Bank made such a rule ? Under the Reserve Bank Act, Regulations have been framed which give no discretion to the Directors to refuse the transfer of any fully paid share. The Directors in the case of the Reserve Bank are people above suspicion and no company can have directors more compe-

[Pandit Govind Ballabh Pant.]

tent or impartial than the directors of the Reserve Bank and still it has been considered necessary to prescribe a rule that fully paid shares of the Reserve Bank shall be transferable irrespective of the wishes of the Board of Directors. Then, Sir, I may remind the House of what the signatories of the Imperial Bank Select Committee report unanimously said on the subject. They said :

"We do not agree that the Bank should have the power to decline to register the transfer of fully paid shares."

So far it refers to the particular bank. But I would invite the attention of the Leader of the House to the sentence that follows :

"This is not a right which we consider it desirable that they or any limited liability company should possess."

If I am not mistaken Sir Cowasji Jehangir was one of the members of that Select Committee and he too was of that opinion namely that this is a right which no limited liability company should possess. These eighteen gentlemen, all eminent men who were then included in this House some of them being also the foremost commercial and industrial magnates of this country, were definitely and unanimously of the opinion, including our respected and good friend Sir Cowasji Jehangir, that a limited liability company should not have the discretion of refusing any transfer relating to fully paid shares. So, Sir, with this authoritative opinion of the most responsible body that this House or the country could possibly devise to go into a matter of this type, I do not see what is left for this House to consider or to examine. It is final and conclusive on the subject. Then, Sir, there are many companies which even today have a rule to the effect that fully paid shares will always be registered and there will be no objection to such registration. And so far as I am aware, those companies are thriving and prospering. There are big banks which have regulations to this effect. There is, I think, the Bombay Tramway Company about the affairs of which my Honourable friend, Sir Homi Mody, cannot possibly be ignorant, which has a regulation to the same effect. There are many others but it is no use going into the details thereof. Then you have also to look at it from the other point of view. How will it affect the shareholders if the companies refuse to register shares in spite of their being fully paid up. Sir, if a shareholder, standing in need of money, transfers his share and then you refuse to register the share, it is very hard on the purchaser as well as the seller. It is just possible that legally the transfer as between the seller and the purchaser may not be upset on that ground, but all the same the difficulty is there, and no person would like to purchase a share when he is not allowed to exercise the rights and privileges of a shareholder. For one case of an undesirable person there may be one hundred undesirable cases where objections are raised by the directors to such transfers even in favour of desirable persons. And it may sometimes affect the value of the shares. If it goes out that the shares are not transferable, that the directors may not register a transfer though the whole of the amount due on the share has been paid up, then it may react even on the quotations in the market. So I submit that even in the interest of the companies themselves it is better that these transfers should be treated as securities of a gift-edged type which carry with them their full face value and which can be converted at any time by any person into cash, the transferee acquiring thereby

full rights and privileges of a shareholder. If this is done I hope it will prove beneficial to all concerned, and in our country in particular, I submit our industrialists do need some little light even from unfriendly quarters now and then.

Mr. Deputy President (Mr. Akhil Chandra Datta) : Amendment moved :

"That in clause 15 of the Bill, to sub-section (7) of the proposed section 34, the following be added at the end :

"or confer any power on the company to refuse to register a transfer of any fully-paid-up share or shares on which the company has no lien or charge."

The Honourable Sir Nripendra Sircar : Sir, it strikes me that the way in which the amendments have been worded makes them fairly innocuous. I proceed to state my reasons. Unless authorised by the Articles the directors have no power to refuse a transfer. I think that is quite elementary. But as it is always desirable to have something to support you, I am reading two lines from page 612 of Palmer's Legal Precedents, Vol. I :

"It is well settled that save and so far as restricted by the Articles, the right of transfer is absolute."

Therefore, unless there is something in the Articles which allow the directors to refuse a transfer, whether of fully paid up or of partly paid up shares, they have no right whatsoever. Now let us see how this clause will stand if the amendment is accepted :

"Nothing in this section shall prejudice any power of the company under its articles to refuse to register the transfer of any shares."

Then, if these words are added, "or confer any power", it means that nothing in this section shall confer any power on the company :

"to refuse to register a transfer of any fully-paid-up share or shares on which the company has no lien or charge."

Pausing there one moment, if the directors have the power to refuse registration, it is not by reason of this section ; it is by reason of the Articles. Therefore if this amendment is carried the directors will be left where they are. And from that point of view I said that it is perfectly harmless. But I am opposed to this principle altogether and I have got to meet some of the arguments of my Honourable friends here, although I shall be as concise as possible. We have been reminded that Mr. Sen came to a different conclusion, not to this whole extent, but to the extent that was read over just now by my Honourable friend, Mr. Satyamurti. Sir, when I was here yesterday Mr. Satyamurti was making a very pungent attack on Mr. Sen claiming that among his other numerous qualities he, Mr. Satyamurti, can read the faces of men and he can dive into the hearts of men.

Mr. S. Satyamurti : No, I did not say, I can dive into the hearts of men.

The Honourable Sir Nripendra Sircar : Look into the official transcript.

Mr. S. Satyamurti : You may manage even that, I do not know. (Laughter.)

The Honourable Sir Nripendra Sircar : I am glad that he does not claim the power of getting into the hearts of men.

3 P.M. I think in my younger days I read a statement of Chief Justice Brian that the thought of man is not triable because the devil knoweth not what is the thought of man. I thought my Honourable friend was claiming higher powers. However, I need not refer to Mr. Sen any further. That is the case of a lamb being devoured by a lion. But I need not say much, because, first of all, Mr. Sen is more than a mouthful for any lion, and, secondly, the lion is a vegetarian in this particular case. (Laughter.) But coming, Sir, to the merits of the thing, I do not know what experience Mr. Sen had at that time, but I hope no one will be able to contradict me when I say that, as a matter of fact, this right of refusal in case of fully paid up shares is not used once in fifty thousand cases. It is very very rare indeed and no director would ordinarily do it. There may have been a couple of cases or there may have been half a dozen cases; but in thousands of cases which are happening daily on the stock exchange, do you hear of refusals? It is possible Bombay shareholders have got hold of certain cases and have placed them before us and Mr. Sen: but what is the experience of anybody who has anything to do either with Courts of law or with the stock exchange? How often has it happened? On the other hand it has happened twice within my knowledge that a flourishing company—I do not mind giving the name of the first,—the Bengal Chemical Works—and I had to appear in that case for the company—a dead set was made by a few speculators in the bazaar who wanted to corner the shares—what for?—to get rid of the directors—there are no managing agents—Sir P. C. Ray and others. These gentlemen in the bazaar thought they knew more of chemistry than Sir P. C. Ray, and, therefore, they began cornering and buying a number of fully paid up shares. The directors were satisfied that this was done with a *mala fide* purpose, and they refused transfer, and the matter came up to Court before Mr. Justice Fletcher somewhere about 1910 or 1911; and he upheld the objection of the directors: he said the discretion was theirs and they need not give any reasons. It is not possible to state reasons in commercial matters. We know that merchants and bankers have got to act on information which they must at their peril decide whether they should be acted upon or not. But if they have to prove in Court that Mr. A. B. C. was not in fairly good financial circumstances or that Mr. X. Y. Z. was buying shares for ulterior purposes, it is incapable of proof and the only result will be that the director will be landed in a defamation suit if nothing else. In another insurance company—I will not mention the name, it is known to most of us who come from Bengal—because in that case the directors did not exercise this power—the speculators got the fully paid up shares and the directors did not refuse transfer, either because they had not sufficient information or because they thought they would not like to exercise this power of refusal of transfer of fully paid up shares—what happened? Within six months, a very competent set of directors were turned out and they were successfully replaced by these people who had been buying up fully paid up shares. Sir, this power of refusal of transfer is exercised very rarely and the occasions also arise very very rarely. But I submit this power ought not to be taken away, because the powers after all are conferred by the articles. The articles represent the agreement between the shareholders and the company, and a person

who buys shares knowing that it is within the power of the directors to refuse to recognise transfer has nothing to complain if that power is exercised. I submit no abuse of sufficient proportions has been proved which would justify our taking away the right of shareholders to agree with the company that certain powers should be given to the directors. My Honourable friend, Pandit Govind Ballabh Pant, made a passing reference to public policy and freedom of contract. There is another aspect of the case. If my Honourable friend believes in freedom of contract, why should he not allow shareholders freedom of contract to enter into contract with the company and to be bound by the articles which give power to refuse the transfer of fully paid up shares? That is freedom of contract. But here, what is happening is that although my friend talks of freedom of contract, although the shareholders have freely entered into a contract with the company that the directors should be given power of refusal, yet in the name of freedom of contract that power is going to be taken away. I submit no sufficient reasons have been shown for disturbing the present state of the law.

Mr. M. Ananthasayanam Ayyangar : Sir, I support both the amendments. I find there is no such unhappiness in the wording as the Honourable the Law Member finds in the amendments.....

Pandit Govind Ballabh Pant : But why quarrel with that? I would request the Honourable the Law Member to accept it because it is innocuous.

The Honourable Sir Nripendra Sircar : It is a vicious principle, however it may be worded.

Mr. M. Ananthasayanam Ayyangar : Under section 28 of the Act shares are movable property; and unless restrictive powers are imposed on the right to transfer, they are transferable. Shares and other interest in a company shall be moveable property transferable in the manner provided in the articles of the company. My reading of it is that normally no restriction should be placed in the articles upon transfer except where there is some danger to the company: otherwise what is really moveable property will become immoveable: even immoveable property is transferable: but this will be a special kind of moveable property which will not be transferable at all. If transfers are made by operation of law, the amendment says.....

Pandit Lakshmi Kanta Maitra : Is there really any ban on transfer?

The Honourable Sir Nripendra Sircar : It is a ban on transfer if he does not recognise the transfer; if he does not register it, then it means that the transferee gets no rights.

Mr. M. Ananthasayanam Ayyangar : If by operation of law, inasmuch as it is moveable property, if the shares are attached and sold in Court, it is open at the sweet will and pleasure of the directors, supported by the articles, which give ample power of discretion to directors, to refuse in individual cases to recognise transfer: it would not be possible for the man who purchases the shares to know what will happen to the shares in which he has invested his money. It is only after he comes and applies that it is left open to the directors to accept or refuse transfer. The articles might provide that in such cases transfer should not be

[Mr. M. Ananthasayanam Ayyangar.]

refused. It is open to the directors to say that power of transfer is left to their discretion: it is not any general principle: in the case of partly paid up shares, this can be understood as there may be a liability still outstanding, and the transferee may not be in a position to discharge the liability that is outstanding. But there is no reason in the case of fully paid up shares. If such shares are purchased in Court auction, there is no knowing whether the directors would accept the transfer or not. If transfer is not accepted, there will be no relief for the debts advanced to the persons who held the shares originally and for that reason it might work hardship. There may be exceptional cases—one in ten thousand, where a person of the eminence of Sir P. C. Ray may be sought to be removed from the management by cornering of shares. I would ask the Honourable the Law Member to cite any other instances where such persons have been sought to be thrown out. On the other hand, my information is that important persons who take a lively interest in the affairs of a company have refused to recognise certain transfers. I have information that in particular cases whose conduct is above reproach the Directors of certain companies have refused to recognise the transfer of shares, in Bombay and other places. It is not necessary for me to give their names, because it might compromise their position.

As regards fully paid up shares, I am not able to understand on what principle such transfers can be refused, nor can I see what would happen to a company if such shares are permitted to be transferred. If people are prepared to transfer a major portion of their shares, then they will do so to their own prejudice, it is against their interest to see that the company collapses. They replace the other majority who possess those shares. Therefore, it would be unreasonable to expect that to spite the company they would cut their nose. By purchasing a large number of shares, they acquire a stake in the company, and how is it possible to expect such persons to take any action which will spell ruin to the company? Therefore, such a possibility is very remote. Now, let us take the instance of one or two persons who might try to create mischief by purchasing a large number of shares of a certain company.

If a majority of the shareholders are against a certain company, they can easily make the voice of the company not prevail. Therefore, there is absolutely nothing in principle to restrict the scope of the immovable property which has been made moveable under the Act. I would further say that I find in the Bill some powers are given to Directors to transfer the management of a company for short intervals. Even Directors who are chosen on account of their personal qualifications can transfer away their rights for short intervals to put in some other persons. That is not the case with respect to shareholders. What are the peculiar qualifications of the shareholders which are necessary and which would not be available in case a free transfer is allowed? I would refer the House, Sir, to a section in the Canadian Act passed in 1934 allowing transfers freely, for this reason. The earlier Act of 1929 is the model on which this Bill has been framed. Since 1929, seven years have elapsed, and there have been many changes in the working of the Companies Act, and the Canadians are as much alive to the inconveniences of such provisions as the provisions

in the English Act. Therefore, it is not right to say that the English Act with all the inconveniences which might not have been anticipated when the Act was passed should continue to be the model, and we should close our eyes to any further changes that might have been made in the Act. Therefore, Sir, we should accept the Canadian Act in preference to the English Act. Now, Sir, section 38 of the Canadian Act says this:

“Subject to sub-section 2 of this section and to the power of the company by by-law to prescribe the form of transfer and to regulate the mode of transferring and registering transfers of its shares, the right of a holder of fully-paid shares of a public company to transfer the same may not be restricted.”

(2) Where the letters patent, supplementary letters patent or by-laws of a company confer that power on the directors, they may decline to permit the registration of a transfer of fully-paid shares belonging to a shareholder who is indebted to the company except in the case of shares listed on a recognised stock exchange.”

I would say that the power of refusal is restricted to very narrow limits, that is, in case where a person is indebted to the company in which case it is open to the Directors to exercise their discretion. I have still my doubts as to whether section 28 will permit any articles to be framed in a manner so as to give permission to Directors to refuse a transfer. I have still my doubts. Anyhow, that is not a principle on which we should act. I would therefore say that the amendment should be adopted; and we should see that that fully paid up shares should be freely transferable.

Mr. N. M. Joshi (Nominated Non-Official): I move, Sir, that the question be now put.

Prof. N. G. Ranga (Guntur cum Nellore: Non-Muhammadan Rural): Sir, I rise to support this amendment. This Bill and the Government already propose to make the position of managing agents and the directors as strong and as invulnerable, as possible. Although it is said that this Bill is primarily brought here in the interests of the shareholders, every portion of it seems to contain almost the stamp of authority and approval of the powers that be in the commercial world. The Honourable the Law Member has made a surprising speech in opposition to this amendment. He seems to be of the opinion that there should not be any transfers of shares unless the directors themselves agree to it lest undesirable people should get into companies and break them up. I wonder why he and his Government have not tried to apply the same logic in regard to our peasants. In various provinces, peasants as a class have been complaining that their lands are being purchased by absentee landlords or by absentee moneylenders, *sowcars* and others, and thereby their whole class is being exterminated; yet no action has been sought to be taken, except in the Punjab, either by the Provincial Governments or by the Central Government, to restrict the rights of peasants to alienate their lands or restrict the rights of others to purchase lands from the peasants. If that is the attitude of the Government of India as well as of the Provincial Governments, I don't see why they should adopt a different attitude in regard to the transfer of shares of companies, unless it be that they are extremely anxious to leave complete control of our commercial life in the few people who have been able to acquire control over all these companies, and they are extremely unwilling to jeopardise their position. Therefore, it is necessary that this amendment should be accepted.

[Prof. N. G. Ranga.]

if we are really to safeguard the interests of the shareholders. Sir, can anyone, who has got even a small amount of money to invest, be expected to be enthusiastic about investing his money in these joint stock companies unless he is assured of his power to transfer his shares whenever he likes provided, of course, his shares are fully paid up, and realise his money whenever he wants it. Of course, we are told by the Honourable the Law Member that he is at liberty to invest it or not. There are the articles of association which make it perfectly clear to him and to everyone else that the shares of that company cannot be transferred unless it is approved of by the directors, and, therefore, he need not invest his money if he does not care to. But, Sir, if we go through the pages of the reports of the Industrial Commission, or the Fiscal Commission, or even the External Capital Committee, we find mention being made again and again of the unwillingness of the Indian investing public to put their money in joint stock companies and the necessity for Government as well as the commercial magnates to provide as many facilities as possible for the investing public to have more confidence in these companies and to invest their money. It is rather a curious thing indeed to try to oppose this amendment and thus help to meet these recommendations. If we are going to say to the investing public in this country that they are only free to invest their monies in the joint stock companies, but they cannot be free to transfer their shares to somebody else and realise the money whenever they want and meet their needs, then very few people would be willing to place their money in the joint stock companies.

Babu Baijnath Bajoria : There is the system of bank transfers.

Prof. N. G. Ranga : I would be answered, how is it, then, even in spite of these articles of associations which prohibit free transfer of shares, there is so much of money flowing into the joint stock companies ?

Mr. N. M. Joshi : Not much nowadays.

Prof. N. G. Ranga : That supports my argument. It is a very curious argument for this reason. In a desert, where there is a very great dearth of drinking water, men will be obliged to pay a scarcity price for a few drops of water. But that does not mean that people ordinarily and normally should go on paying such scarcity prices for a few drops of water. Similarly, merely because we would not provide that shareholders should freely transfer their shares, and because we do not provide any other opportunities for them to invest their monies profitably,—it does not mean that we should continue to do so and then force them to place their funds at the disposal of the joint stock companies. It is because of failure of the Government to provide alternative and profitable avenues of employment for money and for people that people are obliged to place crores and crores of rupees in the savings bank although it pays the lowest rate of interest. It is also because there are not enough of opportunities for people to invest their money that even those few who can somehow or other muster their courage and think of investing their monies in the joint stock companies—that we find these small sums of money being invested in the joint stock companies. Therefore it is wrong to try to discourage the investing public from investing their

funds in the joint stock companies if Government, as well as the commercial magnates, are anxious for the progress of joint stock enterprise in this country, by opposing this amendment.

There is the other thing. They do not want anybody to get into these companies who can be suspected of being mischievous. I would like to know, how are they going to suspect these people ? Just like this Government they will also become inquisitive and pry into everybody's affairs, and more than that, everybody's intentions, and try to keep to themselves the power to allow any transfer of shares to any particular individual or not. I refuse to be a party to give this particular power or to continue to give this particular power to these boards of directors and directors in joint stock companies. Many of them are becoming monopolists. We know it only too well. The Honourable the Law Member has mentioned only one case, but I could mention any number of cases from the Andhra. I would not mention the names of the companies, but I know that the founders themselves of those companies were driven away, not by new shareholders, not by the transferees, not by any mischief-mongers from outside, but by those who were inside and who cornered the whole position and who wanted to get rid of the founders themselves and wanted to monopolise all the advantages for themselves, and sent away the founders who are just as eminent and just as respectable as Sir P. C. Ray himself and who really were the cause of the progress of these companies. Some people wanted to get in,—eminent people, respectable people, nationalists, people who have sacrificed everything for the sake of their country, they wanted to get in. They were not allowed to get in. They were simply refused permission to get in. There could be no transfer of shares with the result that these two companies—one of them has gone to ruin and the other is still in the hands of those two or three mischief-mongers who have got in merely because there was a chance and because of this particular law and the articles of the association. Such instances I could multiply. It is no good giving any more instances and take the time of the House, but that is enough to prove that the Honourable the Law Member, after all, is not quite correct in saying that there are not very many cases where these directors have abused their powers, and also to prove that this particular right of shareholders to transfer their shares to others and realise their monies is absolutely necessary and valuable and must be maintained and kept in tact. Therefore, I hope that the House will accept this amendment.

Several Honourable Members (on the Official Benches) : Let the question be now put.

Mr. Deputy President (Mr. Akhil Chandra Datta) : The question under discussion is rather important and I do not think it will be fair to close the debate now. **Mr. Sami Vencatachalam Chetty.**

Mr. Sami Vencatachalam Chetty (Madras : Indian Commerce) : Though I will ultimately vote with my Party, I feel bound to place before the House the rather serious fears which I entertain with regard to this amendment. It is no doubt a very plausible case that in order that the evils of management of any company may be exposed and ventilated, the public must have a right to become shareholders and thereby help in eliminating the evils to which the company was subject. I do not propose to discuss the

[Mr. Sami Vencatachalam Chetty.]

legal aspect of this rule, because it is far beyond my power to do so ; but so far as the practical mischief that was feared is concerned, I believe that an emphatic answer was given by the Honourable the Law Member who stated that, within the last so many years of the working of the Indian Companies Act, excepting half a dozen cases, no case has occurred in which the directors have refused to transfer shares. Well, Sir, generally speaking, it is undoubtedly detrimental to the interests of a company to refuse to transfer shares, thereby depreciating the value of the shares. But, as against that, the dangers that are lurking in the amendment must be made known to the House in order to persuade them to exercise their proper judgment in regard to this matter. Sir, I have known of certain companies the shares of which would be bought by their enemies at double and treble the value, in order to kill that company.

Mr. N. M. Joshi : How can they kill ?

Mr. Sami Vencatachalam Chetty : I will tell you. Supposing, for the sake of example, the Congress Party floats a company for the purpose of publishing a paper. The shares will be open for sale. Of course, in the beginning they might all be bought by those who believe in the Congress policy. Afterwards, my Honourable friend, Sir James Grigg, might buy a large number of shares, or the Members opposite might buy a large number of shares if you make the transfer compulsory. What will happen ? The second day, after the purchase of these shares, the paper will either become an *ultra-loyalist* paper or it may be abolished.

Mr. N. M. Joshi : Shareholders have a right.

Mr. Sami Vencatachalam Chetty : Right of killing the company ? In India, particularly the danger is all the greater, because, in respect of the textile companies at the earlier stages, it is in the interests of the well established companies that no more companies shall come in. Now, my Honourable friend, Mr. Ranga, was against the monopolists ; but, in spite of him, some monopolists do exist. Suppose those monopolists are earning huge dividends. It would induce or encourage other people to form companies in order to share the profits that are going to the other company. Now, a company is started by a few people and shares are open to the public. A well established company with huge reserves will be in a position to purchase the shares of this new company and wind it up at the earliest opportunity in order to eliminate competition. So far as these company matters go, I would rather think it to be a safe principle to follow the English law in all its details and provisions than to go beyond the English law, because, whether it is slave mentality or otherwise, we are following in this law many of the provisions of the English law. In fact, we consider that this managing agency system is an importation from England. I think there are more successful and prosperous managing agents among Englishmen than among Indians. (An Honourable Member : "Why not follow the Canadian precedent?") We cannot follow the Canadian precedent until we establish here full democracy as Canada did. The English law only gives the power to refuse to transfer shares, but what is made obligatory upon the directorate is that they must give notice to the transferor and transferee that they are not willing to register the transfer. Thereby it gives an opportunity either to the transferor or transferee to question the justification of the directors to refuse the transfer. If, in a Court of law, it appeared that this exercise of the right was exercised in a capricious manner or in a manner not justifiable by any consideration of the

company itself, certainly a Court of law can order its transfer to be registered. With that safeguard always existing and with that possibility, and in this country the likeliness of new companies being smothered by companies which enjoy a monopoly in well established lines, it seems to me very undesirable that this amendment should be carried. All the same, if my Party insist upon having a division, I shall walk in with them.

[At this stage, Mr. President (The Honourable Sir Abdur Rahim) resumed the Chair.]

Several Honourable Members : I move that the question be now put.

Mr. President (The Honourable Sir Abdur Rahim) : The question is that the question be now put.

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in clause 15 of the Bill, to sub-section (7) of the proposed section 34, the following be added at the end :

'or confer any power on the company to refuse to register a transfer of any fully-paid-up share or shares on which the company has no lien or charge'."

The motion was negatived.

Mr. Akhil Chandra Datta : Sir, I move :

"That in clause 15 of the Bill, after sub-section (7) of the proposed section 34, the following be added :

'(8) Transfer of a part or a fraction of a share shall not be permitted'."

The amendment speaks for itself and I need not make any more remarks. To be on the safe side, I want to make the meaning clear. Suppose a shareholder dies leaving four heirs and one of them wants to transfer his share to an outsider or some shareholder. I want to prevent a thing like that.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in clause 15 of the Bill, after sub-section (7) of the proposed section 34, the following be added :

'(8) Transfer of a part or a fraction of a share shall not be permitted'."

The Honourable Sir Nripendra Sircar : Sir, I would not be a party to a clause which is unintelligible. My friend knows that such a thing has not happened since the Companies Act was enacted in 1913. What happens is when the transferor makes his application, the name of the transferor goes out. You cannot have one fourth of a share admitted on the register as a shareholder. I oppose this amendment as wholly unnecessary and meaningless.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in clause 15 of the Bill, after sub-section (7) of the proposed section 34, the following be added :

'(8) Transfer of a part or a fraction of a share shall not be permitted'."

The motion was negatived.

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Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That clause 15 stand part of the Bill.”

The motion was adopted.

Clause 15 was added to the Bill.

Babu Baijnath Bajoria : Sir, I move :

“ That after clause 15 of the Bill, the following new clause be inserted :

“ 16. To section 35 of the said Act the following *Explanation* shall be added, namely :

“ *Explanation.*—The term ‘ legal representative ’ in this section includes heirs also in the case of Hindus ’.”

Sir, the object of my moving this amendment is to remove a practical difficulty which has been experienced by the heirs on the death of a person governed by the Mitakshara school of law. Sir, the whole thing is—what is a legal representative? A legal representative has been interpreted in regulation 21 of Table A as “ executors or administrators of a deceased ”. Sir, we, who are governed by the Mitakshara school of law, have not to take out letters of administration and so executors or administrators do not come in. Sir, this section has been copied from the English law, and so this is also a case of blindly following the English law without considering the conditions obtaining in this country. Sir, it is very expensive to take out letters of administration only for the purpose of transfer of shares. Sir, even the Savings Bank, Insurance Companies and others accept succession certificates. Still, in the case of a transfer of shares a company insists on having letters of administration, which is not easy for us to secure. Sir, I will give a concrete instance of the difficulty we are experiencing. Sir, in the case of our big Marwari school, with which I am closely connected, we have got 80 shares in one jute company. The shares stand in the name of our late trustee, Sir Hari Ram Goenka. We want that these shares should be transferred into the name of the present trustee or into the name of the present Secretary. I personally went to the office of the company but they said—“ you must have the letters of administration of the deceased ”. Well, the estate of Sir Hari Ram Goenka is valued at several crores of rupees and the value of these shares is only Rs. 5,000. If they have to take out letters of administration, it will cost much more than the value of these shares. Sir, the position is this, that we can neither transfer these shares nor can draw dividends, and our school is suffering. This is the position and this is the difficulty which many other persons also have been experiencing. I hope the Honourable the Leader of the House will give due consideration to this amendment, which is a very minor one, and it will remove a difficulty which we are experiencing at the present moment. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

“ That after clause 15 of the Bill, the following new clause be inserted :

“ 16. To section 35 of the said Act the following *Explanation* shall be added, namely :

“ *Explanation.*—The term ‘ legal representative ’ in this section includes heirs also in the case of Hindus ’.”

The Honourable Sir Nripendra Sircar : Sir, my Honourable friend, Babu Baijnath Bajoria's appetite seems to be increasing. He now wants an *Explanation* to be added that the term “ legal representative ” in this section includes heirs in the case of Hindus. Sir, I would like to know what the feelings of Sikhs, Bengal Muslims and others will be and what they have done that this should be differentiated in the case of the Mitakshara Hindus.

Babu Baijnath Bajoria : If there is any difficulty in their case, you should try and remove that also ?

The Honourable Sir Nripendra Sircar : I would rather like to put more difficulties in the way of Mitakshara families avoiding paying anything towards the revenues. What happens is this. My friend gave the case of some big man who was a trustee, but, obviously, under the company law a company would take no notice of a trust, for very good reasons, and if in this particular case there is any difficulty, there is no reason why the law should be changed. Sir, in most of the articles it is provided that they will not recognize an heir or legal representative unless and until letters of administration have been produced. In so far as shareholders agree to abide by that condition, why should that restriction be removed and he or she should be allowed to come in without taking out letters of administration? As to whether there are other ways of avoiding payment or not, no longer being in the bar I do not want to put any ideas into the head of my Honourable friend, Mr. Bajoria, about that and I would not suggest any, but if he will think over it, probably there may be some loopholes.

Mr. Bhulabhai J. Desai : There are ways.

The Honourable Sir Nripendra Sircar : So far as this is concerned, I strongly oppose the amendment. I do not see why in the case of Hindus the heirs should be allowed to come in. Look at the position of this unfortunate company. A man died. “ A ” comes up and says—“ I am his brother's sister's grandson and heir ”. What is the company going to do? And another man comes up and says, “ I am the heir ”. Surely, if you produce letters of administration, the company is saved from the difficulty and the company does not go into the question of title at all. Sir, this will lead to endless confusion, involving companies investigating into titles of persons, questions of heirship, whether a person was duly adopted, and what not. I oppose this amendment.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That after clause 15 of the Bill, the following new clause be inserted :

“ 16. To section 35 of the said Act the following *Explanation* shall be added, namely :

“ *Explanation.*—The term ‘ legal representative ’ in this section includes heirs also in the case of Hindus ’.”

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That clause 16 stand part of the Bill.”

Mr. M. Ananthasayanam Ayyangar : Sir, I beg to move :

"That in clause 16 of the Bill, the proposed sub-clause (a) be re-lettered as (a) (i), and, after the clause as so re-lettered, the following be inserted :

'(ii) to sub-section (i) the words 'any such member or other person may make extracts therefrom' shall be added at the end.'"

Sir, I am told that the Honourable the Leader of the House is likely to accept it. In section 36 of the Act it is stated that the books, etc., of a company may be inspected by the members. The difficulty now is that if one of the members wants to purchase some shares or wants to see who are the persons who are likely to sell their shares, he is not allowed to take extracts from the register. He is entitled to make an extract from the register otherwise what is the use of looking at it. It may not be necessary to take an exact copy which may take some time. The purpose of my amendment is to enable a member to whom an inspection is allowed to take an extract. Such extracts are allowed by the Canadian code, section 105.

The Honourable Sir Nripendra Sircar : Sir, I am quite willing to accept the amendment, but Canada makes me suspicious.

Mr. M. Ananthasayanam Ayyangar : I will drop the reference to Canada if my Honourable friend will accept the amendment.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in clause 16 of the Bill, the proposed sub-clause (a) be re-lettered as (a) (i), and, after the clause as so re-lettered, the following be inserted :

'(ii) to sub-section (i) the words 'any such member or other person may make extracts therefrom' shall be added at the end.'"

The Honourable Sir Nripendra Sircar : Sir, I accept this amendment, because I know that, although it is extremely reasonable that the person inspecting should be allowed to take extracts, it has happened that sometimes arbitrarily such right has been refused. In any case, I think it is quite reasonable that persons who have power of inspection should be allowed to take extracts. I accept the amendment.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in clause 16 of the Bill, the proposed sub-clause (a) be re-lettered as (a) (i), and, after the clause as so re-lettered, the following be inserted :

'(ii) to sub-section (i) the words 'any such member or other person may make extracts therefrom' shall be added at the end.'"

The motion was adopted.

Pandit Sri Krishna Dutta Paliwal : Sir, I move :

"That in sub-clause (b) of clause 16 of the Bill, for the words 'thirty days' the words 'ten days' be substituted."

Sir, the Bill provides :

"and the company shall cause any copy (copy here refers to the copy of the names and addresses, etc., of the shareholders), so required by any person to be sent to that person within a period of thirty days commencing on the day next after the day on which the requirement is received by the company."

Now, Sir, the period of the 30 days provided here is too much. Ordinarily, the period of ten days, provided in the original Bill, was, I think, more than sufficient. If more than 10 days' time is allowed,

the result will be that we will defeat the very object for which the shareholders require these copies. The shareholders require these copies at the time of the general meeting and for the purposes of the general meeting in order to canvass business, etc. If they will not get a reasonable margin of time between the receipt of the copy and the holding of the meeting they will not be able to make use of the copy. Clause 32 of this Bill requires only 14 days' notice to be given of the meeting to the shareholders. Therefore, if more than 14 days are given, the result will be that the shareholders, after the receipt of the notice, cannot get the copies of the names and addresses within time. It may be urged that there is nothing to prevent the shareholders from acquiring the copies months before. But, Sir, it is too much to expect that the shareholders are so alert. They are not even organised except in big places like Calcutta and Bombay.

Sir H. P. Mody : They can always inspect.

Pandit Sri Krishna Dutta Paliwal : That is another matter. The shareholders do not even know when the meetings are going to be held. I have made it clear that the difficulty in the case of the shareholders is real but I would like to know what the difficulty is in the case of companies. No company worth the name can experience any difficulty in getting the copies of these names and addresses ready easily within 10 days. In the case of those companies which have got an extraordinarily large number of shareholders extra labour can be employed. Surely what one man can do in 30 days three can do in 10. There is no difficulty at all in the case of a company to get these copies ready in 10 days. Therefore, I hope my proposal will be accepted. Sir, the period of 10 days was already there in the original Bill but the Select Committee amended it. Therefore, I ask for nothing more than what was provided in the original Bill. I think the wisdom that dawned on Government in the first instance ought to be maintained.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in sub-clause (b) of clause 16 of the Bill, for the words 'thirty days' the words 'ten days' be substituted."

The motion was adopted.

Mr. M. Ananthasayanam Ayyangar : Sir, I beg to move :

"That for sub-clause (c) of clause 16 of the Bill, the following be substituted :

'(c) For sub-section (3) the following sub-section shall be substituted, namely :

'(3) If any inspection required under this section is refused or if any copy required under this section is not sent within the proper period the company and every officer of the company who is in default shall be liable in respect of each offence to a fine not exceeding twenty rupees and to a further fine not exceeding twenty rupees for every day during which the refusal or default continues and the Court may by an order compel an immediate inspection of the register and index or direct that copies required shall be sent to the persons requiring them.'"

Sir, I have not made any serious inroads into the section as it is except to make two alterations. If a copy is refused, then the ordinary provision is already there. I want that it be substituted by the words "If a copy is not sent". There is nothing to be done if the refusal is made, in which case he may not have any occasion to come and complain.

[Mr. M. Ananthasayanam Ayyangar.]

The other thing is that index is asked to be furnished. Consequential changes are made in the latter portion and I have included the word "index" immediately after the word "inspection". I am glad to submit that the Honourable the Leader of the House seems to have no objection to accept this amendment.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That for sub-clause (c) of clause 16 of the Bill, the following be substituted :

"(c) For sub-section (3) the following sub-section shall be substituted, namely :

"(3) If any inspection required under this section is refused or if any copy required under this section is not sent within the proper period the company and every officer of the company who is in default shall be liable in respect of each offence to a fine not exceeding twenty rupees and to a further fine not exceeding twenty rupees for every day during which the refusal or default continues and the Court may by an order compel an immediate inspection of the register and index or direct that copies required shall be sent to the persons requiring them."

The Honourable Sir Nripendra Sircar : Sir, I accept the amendment, but I think for keeping the records absolutely correct, the two small changes which he indicated have not gone down anywhere and there may be confusion as to what the exact change is that he has made. I would suggest my friend putting the words at the proper place and handing them over to the President before the amendment is put to the vote. Otherwise we do not exactly know what the words are that are being changed, although I have followed the substance.

Mr. M. Ananthasayanam Ayyangar : I want that my amendment should be substituted. I only referred to the changes that I have made by my amendment. My amendment incorporates the changes that I have referred to. I only amplified the changes in my speech, the amendment stands as it is.

The Honourable Sir Nripendra Sircar : If there is no change in the language, I accept the amendment.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That for sub-clause (c) of clause 16 of the Bill, the following be substituted :

"(c) For sub-section (3) the following sub-section shall be substituted, namely :

"(3) If any inspection required under this section is refused or if any copy required under this section is not sent within the proper period the company and every officer of the company who is in default shall be liable in respect of each offence to a fine not exceeding twenty rupees and to a further fine not exceeding twenty rupees for every day during which the refusal or default continues and the Court may by an order compel an immediate inspection of the register and index or direct that copies required shall be sent to the persons requiring them."

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That clause 16, as amended, stand part of the Bill."

The motion was adopted.

Clause 16, as amended, was added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That clause 17 stand part of the Bill."

Mr. M. Ananthasayanam Ayyangar : Sir, I beg to move :

"That for clause 17 of the Bill, the following be substituted :

"17. In section 37 of the said Act :

(a) after the word 'giving' the words 'seven days previous' shall be added ;

(b) for the word 'thirty' the word 'forty-five' shall be substituted ;

(c) the words 'but not exceeding thirty days at a time' shall be added at the end."

Sir, with respect to clause (a) of my amendment, I find that my Honourable friend, Mr. Sen, has given notice of an amendment which is No. 46 in the list, and which runs as follows :

"That for clause 17 of the Bill, the following clause be substituted :

"17. In section 37 of the said Act after the word 'giving' the words 'seven days previous' shall be inserted."

This is identical with clause (a) of my amendment which I have just moved. I, therefore, conclude that the Government have no objection to that part of my amendment. This amendment refers to giving notice of closing the register for a period of thirty days which was originally there and it has been amended that for a period of 45 days the register can be closed after previous notice. Neither in the original section nor in the Bill is there any period of notice prescribed. Therefore, I gave notice of an amendment that seven days previous notice ought to be given. That amendment has been accepted. My next amendment is that for the word "thirty" the word "forty-five" shall be substituted. I only took it from the Bill itself. I have made no change. So that is also accepted by the Government. My clause (c) of my amendment says "that the words 'but not exceeding thirty days' shall be added at the end". Now with the previous amendment the register can be closed for a period of 45 days. What I want by my amendment is that this period of 45 days shall not be at a stretch, at one time for not more than 30 days the register may be closed. The original section reads thus—that will make it clear as to why this period of 45 days may be distributed over two periods and it need not be consecutive. Section 37 reads :

"A company may, on giving notice by advertisement in some newspaper circulating in the district in which the registered office of the company is situate, close the register of members for any time or times not exceeding in the whole thirty days in each year."

Therefore, the very scheme of the section is 30 days and that need not be consecutive. The section says "at such time or times, not exceeding in the whole thirty days" the registers are ordinarily closed. I understand that dividends have to be calculated and for that purpose the registers are closed. If there is an interim dividend, the period has been extended from 30 days to 45 days so as to enable the companies to

[Mr. M. Ananthasayanam Ayyangar.]

declare interim dividends. I, therefore, think there would be no objection on the part of the Government to my amendment, which is that 45 days need not run at a stretch because it will be very inconvenient to shareholders because if transfers take place and if information is wanted, the registers will be closed. I want to avoid this inconvenience to the shareholders and thus enable the framers of this section to take the fullest advantage of the amendment as set out in the Bill. Sir, I move.

The Honourable Sir Nripendra Sircar : I have no objection to this amendment.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That for clause 17 of the Bill, the following be substituted :

'17. In section 37 of the said Act :

- (a) after the word 'giving' the words 'seven days previous' shall be added ;
- (b) for the word 'thirty' the word 'forty-five' shall be substituted ;
- (c) the words 'but not exceeding thirty days at a time' shall be added at the end."

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That clause 17, as amended, stand part of the Bill."

The motion was adopted.

Clause 17, as amended, was added to the Bill.

Clause 18 was added to the Bill.

Clause 19 was added to the Bill.

Clause 20 was added to the Bill.

Mr. Susil Chandra Sen : Sir, I beg to move :

"That after clause 20 of the Bill, the following clause be inserted :

'20A. In section 53 of the said Act :

- (a) in sub-section (1) the words 'or in the case of a special resolution the confirmation' shall be omitted ;
- (b) sub-section (2) shall be renumbered as sub-section (3) and the following sub-section shall be inserted as sub-section (2), namely :
- '(2) the notice to be given as aforesaid shall include particulars of the classes of shares affected and the conditions (if any) subject to which the new shares are to be issued'."

Sir, if I may draw your attention to section 53 of the Act, the first clause of my amendment is really to give effect to an alteration in the Act which has been made in this Bill, namely, of doing away with the confirmatory resolutions in the case of a special resolution. That has not been passed. The present amendment is really consequential on that alteration. It depends upon as to whether you, Sir, will keep this part of the clause aside until that matter is disposed of, because I find that my Honourable friend, Mr. Satyamurti, has given notice of an amendment to restore the original clause as it stood in the Act. Clause (b) of my amendment can be disposed of now. That is for the purpose

of enabling certain particulars to be given in the notice provided in the section itself. My point in moving the amendment is that notice which is to be given under the section should include the particulars of the classes of shares affected and the conditions, if any, subject to which new shares are to be issued. Sir, the advantages of this will be that the persons to whom such notice may go will at once find the class of shares sought to be affected and the conditions, if any, subject to which it is issued. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member said that clause (a) of his amendment may stand over and that clause (b) might be disposed of now.

The Honourable Sir Nripendra Sircar : If I may make a suggestion, I really think the whole thing should stand over.

Mr. President (The Honourable Sir Abdur Rahim) : Yes, the whole amendment will stand over. The question is :

"That clause 21 stand part of the Bill."

Mr. M. Ananthasayanam Ayyangar : Sir, I beg to move :

"That for clause 21 of the Bill, the following be substituted :

'21. Section 54 of the said Act shall be omitted'."

This is only consequential if we have regard to the amendments already effected to section 54 which refers to reorganisation of share capital :

"A company limited by shares may, by special resolution confirmed by an order of the Court, modify the conditions contained in its memorandum so as to reorganise its share capital, whether by the consolidation of shares of different classes or by the division of its shares into shares of different classes ;

Provided ", etc.

Clause 21 of the Bill says :

"In the proviso to sub-section (1) of section 54 of the said Act, the words 'and confirmed at a meeting of shareholders of that class in the same manner as a special resolution of the company is required to be confirmed' shall be omitted."

In the Bill itself, provision is made in clause 21 that that portion may be omitted. I say that the whole section should be omitted so that that portion which is not omitted by the Bill may be introduced into the other portion later on where special provision is made for arrangements to be recognised by Courts. That is section 153. In the English Act this portion of consolidation of shares also is included in the section which refers to compromise. I have given a consequential amendment to section 153, clause 78. Unless you read both the amendments and the clauses together, the amendment that I have given might not be easily comprehended. I therefore request that this may be allowed to stand over until we come to the other amendment with respect to clause 78. Meanwhile I will have a talk with my Honourable friend.

The Honourable Sir Nripendra Sircar : I do not think this is a matter on which any talk will do any good to my friend or to me, because I am strongly opposed to it and this may be disposed of now.

Mr. M. Ananthasayanam Ayyangar : Then, I do not press it.

The amendment was, by leave of the Assembly, withdrawn.

Mr. S. Satyamurti : Sir, may I ask one question with regard to clause 21? I want to know whether Government are putting it in, independent of the vote of the House on special resolutions, and they do not want confirmation, whatever may happen to special resolutions. I want to know, in other words, if this is put in, as a mere consequential amendment on the expectation of Government that confirmation will not be required in the case of special resolutions. If that is so, it ought to stand over. If not, if on the merits themselves they do not want confirmation, that is another matter.

The Honourable Sir Nripendra Sircar : I think that is right. It is consequential, and I think I may explain to the House what is happening. It may be a bit confusing but the matter is really fairly simple. In the existing law, following the English law, two meetings are required. A special resolution means a resolution which has been carried by three-fourth majority in a particular manner after giving certain notices. Then after that a bare majority is required at a second meeting which is called a confirmatory meeting. We have throughout in the Bill followed the English Act of 1929; that is to say, we have done away with the confirmatory meeting and that has involved various consequential changes in various sections which are scattered all over the Bill. I quite agree that as my Honourable friend, Mr. Satyamurti, wants to attack that proposition, namely, that this confirmatory meeting should not be given up, it is but fair that this clause 21 should stand over until we know what the decision of the House is as to whether our idea is to be accepted or the confirmatory meeting will be restored. I agree to clause 21 standing over.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That clause 22 stand part of the Bill.”

Mr. Susil Chandra Sen : Sir, I move :

“ That in clause 22 of the Bill, in sub-section (1) of the proposed section 54A, after the words ‘ its own shares ’ the words ‘ or the shares of a public company of which it is a subsidiary company ’ be inserted.”

If you will refer to section 54A, the new proposed section, it is intended to be a section by which restrictions are put upon a company to purchase its own shares or to finance the purchase of its own shares. Now, we have in this Act defined a subsidiary company and a holding company; and what I intend to do by this amendment is to prevent the purchase of the shares of a holding company by the subsidiary company. I find it is practically the same as the next amendment of which notice has been given by my Honourable friend, Pandit Govind Ballabh Pant. The objects are obvious. It is intended not to allow the diversion of the funds of a company in the purchase of the shares of a holding company. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That in clause 22 of the Bill, in sub-section (1) of the proposed section 54A, after the words ‘ its own shares ’ the words ‘ or the shares of a public company of which it is a subsidiary company ’ be inserted.”

The motion was adopted.

Babu Baijnath Bajoria : Sir, I move :

“ That in clause 22 of the Bill, after sub-section (1) of the proposed section 54A, the following be inserted, and the subsequent sub-sections be re-numbered accordingly :

(2) If the issued capital of a company is not fully subscribed within one year from the date of commencement of its business, the company shall reduce its authorised capital to not more than double the amount of subscribed capital.”

My intention in moving this is that sometimes it happens that a company has got authorised capital of 10 lakhs, issued capital 1 lakh, subscribed capital of 50,000 rupees and paid up capital, Rs. 25,000. When this capital is advertised in the newspapers the authorised capital tops the list and it is always in bold letters. The unwary public presume that this company is one with a capital of 5 or 10 lakhs. The authorised capital has got practically no value. It is the subscribed capital and the paid up capital that counts. I want that there should be some ratio between the authorised capital and the subscribed capital; and I think the ratio should be two to one: that is, the authorised capital should be, at most, double the amount of the subscribed capital: and I am giving one year's time to the company that if the capital they issue is not subscribed and the ratio falls below half of the authorised capital, I want them to reduce their authorised capital to not more than double the amount of the subscribed capital. I do not think any harm will be done to any company if they accept this condition. If their business expands, there is a margin of a hundred per cent. and there is nothing to prevent them increasing their capital. It could be done easily. I move this amendment because I think it will be beneficial to the public and to the shareholders.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

“ That in clause 22 of the Bill, after sub-section (1) of the proposed section 54A, the following be inserted, and the subsequent sub-sections be re-numbered accordingly :

(2) If the issued capital of a company is not fully subscribed within one year from the date of commencement of its business, the company shall reduce its authorised capital to not more than double the amount of subscribed capital.”

Sir H. P. Mody : Mr. President, I oppose this amendment. My Honourable friend, Mr. Bajoria, does not seem to have realised at all what he is about. The authorised capital of a company may be placed at a very substantial figure to start with. The company may have ideas of expansion which it cannot possibly, in the first few years of its existence, be able to carry out. Therefore, the issued capital may be a very much reduced figure. Now, if my Honourable friend's amendment were to be carried, then the authorised capital within one year of the flotation of the company would have to be brought down to twice the figure of the subscribed capital. What for? I do not see the least occasion. If my Honourable friend has in mind gullible shareholders who only read the top figure of one crore or five crores and rush to subscribe without reading anything more, they have only to thank themselves. But in my part of the country, we are very much alive and we are never deceived by the authorised capital of a company.

Pandit Govind Ballabh Pant : You deceive others.

Sir H. P. Mody : That is much better than being deceived ourselves ; I am sure my Honourable friend will concede that. I do not think my Honourable friend has realised the implications of this amendment, and I hope he will be opposed from every quarter of the House.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That in clause 22 of the Bill, after sub-section (1) of the proposed section 54A, the following be inserted, and the subsequent sub-sections be re-numbered accordingly :

“(2) If the issued capital of a company is not fully subscribed within one year from the date of commencement of its business, the company shall reduce its authorised capital to not more than double the amount of subscribed capital.”

The motion was negatived.

Mr. G. E. J. Robertson (Burma : European) : Sir, I move :

“ That in clause 22 of the Bill, in sub-section (2) of the proposed section 54A, after the words ‘ No company limited by shares ’ the words ‘ other than a private company, not being a subsidiary company of a public company ’ be inserted.”

It is not one of the purposes of this Bill to interfere with the internal affairs of private companies. We are concerned in looking after the interests of shareholders in public companies. Now, it is not uncommon in the case of private companies to formulate schemes whereby loans are advanced to junior employees to enable them to purchase shares from a retiring member. If that liberty is denied to private companies, the process whereby members retire and junior members take over their shareholding will be seriously hampered. A shareholder in a public company, if he wants to sell out, will, if he is lucky, find a buyer. In a private company there are necessarily a very limited number of persons who are in a potential position to buy his shares ; but usually those persons will not have the necessary capital nor the means of raising the necessary capital to take over those shares ; and I do want the House most seriously to consider this amendment. I do not think it is offensive in any way. It concerns only private companies and as I have already said, the Bill is not concerned with the internal affairs of private companies. The Bill concerns public companies. I should also like to draw the attention of the House, firstly, to page 15 of the Bill—proposed section 86D : there we have a provision which forbids a company from making a loan or loans to directors : and you will notice that in that section private companies, provided they are not subsidiary companies of public companies, are expressly excluded. Again at page 20, in the provision dealing with loans from companies to managing agents—clause (4) of proposed section 87D—we find that private companies are excluded. I think it is only consistent that also in clause (2) of proposed section 54A, private companies, other than those subsidiary to public companies, should be excluded. I cannot see any reason why they should be denied the liberty in this section when they are expressly exempted in other cases where the Bill deals with loans from companies to directors or managing agents. I hope that the House will accept this amendment. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

“ That in clause 22 of the Bill, in sub-section (2) of the proposed section 54A, after the words ‘ No company limited by shares ’ the words ‘ other than a private company, not being a subsidiary company of a public company ’ be inserted.”

The Honourable Sir Nripendra Sircar : Sir, I have no objection to accept the amendment.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That in clause 22 of the Bill, in sub-section (2) of the proposed section 54A, after the words ‘ No company limited by shares ’ the words ‘ other than a private company, not being a subsidiary company of a public company ’ be inserted.”

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That clause 22, as amended, stand part of the Bill.”

The motion was adopted.

Clause 22, as amended, was added to the Bill.

Clause 23 was added to the Bill.

Clauses 24, 25 and 26 were added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That clause 27 stand part of the Bill.”

Mr. M. Ananthasayanam Ayyangar : Sir, I move :

“ That clause 27 of the Bill be omitted and consequential amendments be made.”

By clause 27, it is sought to amend section 71. Section 71 imposes unlimited liability, to a case where at a meeting of the shareholders of a company by a special resolution, upon Directors so that the provisions of the memorandum may be modified. Section 71 (1) reads thus :

“(1) A limited company if so authorised by its articles, may, by special resolution, alter its memorandum so as to render unlimited liability of its directors or of any director.”

By the Bill the subsequent clause is altered, and then it must be confirmed by sub-section (2) which says :

“ Upon the confirmation of any such special resolution, the provisions thereof shall be as valid as if they had been originally contained in the memorandum, and a copy thereof shall be embodied in or annexed to every copy of the memorandum issued after the confirmation of the resolution.”

Then, sub-section (3) says this :

“ If a company makes default in complying with the requirements of this section, it shall be liable to a fine not exceeding ten rupees for each copy.....”

Now, Sir, the Bill in clause 27 seeks to do away with the confirmatory meeting. It says that the special resolution passed to modify the condition in the memorandum or the terms in the memorandum making the unlimited liability of the directors or converting the limited liability into an unlimited liability, though it may be by a special resolution, need not be confirmed at a later meeting. That is the object of the amendment in clause 27. If it need not be confirmed, the further penal clause has no value. That is why the penal clause is sought to be removed. My object in moving this amendment is that a confirmatory meeting is necessary, and section 71 must stand as it is. The framers of the Bill have an idea that the original object of having a special

[Mr. M. Ananthasayanam Ayyangar.]

resolution followed by a confirmatory resolution should be done away with. They have modified the procedure to be adopted by a special resolution by increasing the number of days notice. By that modification it is sought to do away with a confirmatory meeting. Now, Sir, let us see what the consequences of such an amendment will be. A hasty conclusion or a hasty resolution that might be given effect to regarding the unlimited liability of a director or similar matters provided for in the memorandum will not be allowed to stand; it should be brought up at a subsequent meeting for confirmation or for throwing it away. That is the scheme of the Act. If certain provisions in the Act are made inviolable and they could not be touched except by special resolution followed by an order of the Court under section 12, you will see what these provisions are, at least in their skeleton. I am referring to this for the purpose of showing that whenever power is given under the articles to modify certain conditions in the memorandum, the scheme of the original Act was that that power ought not to be exercised except with very great caution. If hastily power is taken to modify the conditions of the memorandum, it would not come into operation unless and until it was confirmed at a later meeting. This has ample support in the provisions of section 12 as it stands. This section says:

"Subject to the provisions of this Act, a company may, by special resolution, alter the provisions of its memorandum so as to change the place of the registered office from one province to another, or with respect to the objects of the company, so far as may be required to enable it—to carry on some business which under existing circumstances may conveniently or advantageously be combined with the business of the company or (1) to restrict or abandon any of the objects specified in the memorandum, and (2) the alteration shall not take effect until and except in so far as it is confirmed by a Court on petition."

Thus, with reference to the objects of the company as laid down in the memorandum, if it is sought to touch the objects or vary them, it should be done not only by a special resolution, but it should also be confirmed by the Court. With respect to the other conditions in the memorandum, the Court's permission is necessary. The other condition in the memorandum might be more easily touched than these conditions in the objects of the memorandum, but there is this safeguard in the existing Act, and that safeguard is that, though with respect to certain other matters as the change of unlimited liability it does not require the confirmation of a Court, it says that confirmation by another meeting of the shareholders is necessary. Thus, Sir, the memorandum is the charter of a company and so its articles or conditions ought not to be lightly touched, and therefore every safeguard has been provided in the Act to avoid unnecessary or hasty conclusions being reached. That is the object with which the original section was framed. That is sought to be done away with, and I therefore say that it ought not to be allowed. I move that the whole clause be deleted.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That clause 27 of the Bill be omitted and consequential amendments be made."

Mr. Susil Chandra Sen : Sir, I really cannot understand the reasons which have prompted by Honourable friend, Mr. Ayyangar, to move this amendment. Sir, if you will look at clause 27, all that has been done is, following the alteration in the Bill to the definition of a special resolution, to which alteration my friend, Mr. Satyamurti, has moved certain

amendments, we have made consequential amendments at all places where special resolutions are mentioned, namely, in place of confirmation by a special resolution, we have altered the wording slightly so as to mean the passing of such a resolution. But if my friend, Mr. Ayyangar's point is whether that alteration in the Bill remains or not, he wants a special provision to confirm a special resolution, that is another thing, but in his present amendment all that he does is, he leaves the section in its original state. This will be absolutely inconsistent with the alterations in the Bill, if my Honourable friend Mr. Satyamurti's amendments are not carried. I, therefore, suggest, that he should ask your permission to have this matter left over until clause 33 which deals with the alterations regarding special resolutions is dealt with, otherwise, the position is absolutely inconsistent, and the amendment should be rejected.

Mr. S. Satyamurti : I suggest, Sir, this should stand over, because, if special resolutions are to be confirmed by a confirmatory meeting, the section should stand as it is, at least sub-section (2), and, therefore, I suggest that, following the precedent in two other cases where we have adjourned the clauses, sub-clause (a) to clause 27 may stand over, and perhaps sub-clause (b) also, because it depends upon the wording of sub-section (2). I, therefore, suggest, according to the precedents we have adopted in this matter, clause 27 may stand over, till the House has had an opportunity of pronouncing its opinion on the question whether a special resolution should be confirmed by a special meeting or not.

Mr. President (The Honourable Sir Abdur Rahim) : Which is that ?

Mr. S. Satyamurti : My amendments on the Order Paper are Nos. 77, 79 and 80, which deal with clause 33 of the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : I think that would be the most convenient course.

The Honourable Sir Nripendra Sircar : I think so, Sir. Unless we know whether the House accepts our suggestion about confirmatory resolution or not, all these difficulties would continually arise.

Mr. President (The Honourable Sir Abdur Rahim) : Clause 27 and the amendments thereon will stand over.

The question is :

"That clause 28 stand part of the Bill."

The motion was adopted.

Clause 28 was added to the Bill.

Clause 29 was added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That clause 30 stand part of the Bill."

Mr. M. Ananthasayanam Ayyangar : Sir, I move :

"That in clause 30 of the Bill, to sub-section (2) of the proposed section 77, the words 'together with a copy of the auditors' report' be added at the end."

[Mr. M. Ananthasayanam Ayyangar.]

This refers to the procedure that is to be adopted in connection with a statutory meeting to be held under section 77 of the Act. In the proposed section 77, sub-section (2), it is laid down :

"The directors shall, at least twenty-one days before the day on which the meeting is held, forward a report (in this Act referred to as the statutory report) certified as required by this section to every member of the company."

I want that not only that report but also a copy of the auditors' report should be sent to enable the members who attend the statutory meeting to discharge their duties and responsibilities more properly. By that time the auditor's report would have come in and there cannot be any valid objection to circulating a copy of the auditor's report also. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in clause 30 of the Bill, to sub-section (2) of the proposed section 77, the words 'together with a copy of the auditors' report' be added at the end."

The Honourable Sir Nripendra Sircar : My Honourable friend before resuming his seat said, "I hope there will be no objection to accepting my amendment". The only objection is this that we cannot direct an auditor's report to be circulated which is not in existence.

An Honourable Member : But sometimes there may be.

The Honourable Sir Nripendra Sircar : But very often the auditor will be appointed at this meeting and there is no report at that stage. I oppose this amendment.

Mr. M. Ananthasayanam Ayyangar : May I know if in all cases there is no auditor's report?

The Honourable Sir Nripendra Sircar : There may be some cases.

Mr. M. Ananthasayanam Ayyangar : I would ask this amendment to be applied in such cases.

Sir H. P. Mody : There is a provision for the certificate of the directors to the statutory report in sub-section (3). So this is directly contradictory.

Mr. Susil Chandra Sen : I think there is some misapprehension in the mind of my Honourable friend, Mr. Ayyangar. If he will analyse the clause he will find that the auditor only comes in in sub-section (4), which says :

"The statutory report shall, so far as it relates to the shares allotted by the company, and to the cash received in respect of such shares and to the receipts and payments of the company, be certified as correct by the auditors of the company."

That is the only function of the auditors, namely, to give a certificate. No report is provided for, no report can be had. So, my Honourable friend has overlooked the provisions and in asking for the auditor's report has asked for something which will not be in existence. The certificate which is provided there has got to be sent round and that will be there but there cannot be any auditor's report at this stage.

Mr. M. Ananthasayanam Ayyangar : Far from being against me, it is in my favour.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in clause 30 of the Bill, to sub-section (2) of the proposed section 77, the words 'together with a copy of the auditors' report' be added at the end."

The motion was negatived.

Mr. M. Ananthasayanam Ayyangar : Sir, I move :

"That in clause 30 of the Bill, to clause (h) of sub-section (3) of the proposed section 77, the words 'or a partner of the managing agent if the managing agent is a firm, or director of the managing agent if the managing agent is a private company' be added at the end."

Clause (h) says :

"the particulars of any commission or brokerage paid or to be paid in connection with the issue or sale of shares to any director, managing agent or manager."

The object of directing particulars to be given will be frustrated if the additional safeguards as mentioned in my amendment are not introduced by way of amendment to clause (h). Not only particulars regarding the issue or sale of shares to any director, managing agent or manager, but also particulars regarding issue or sale as detailed in my amendment, are needed for the shareholders to understand as to how the shares have been allotted or how the other work of the company is going on. I, therefore, move.

Sir Cowasji Jehangir : What is the meaning of "director of a managing agent"? It is not properly worded.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in clause 30 of the Bill, to clause (h) of sub-section (3) of the proposed section 77, the words 'or a partner of the managing agent if the managing agent is a firm, or director of the managing agent if the managing agent is a private company' be added at the end."

Mr. T. Chapman-Mortimer (Bengal : European) : Is this amendment really necessary for the clarification of the clause in question? It seems to me that the point that my Honourable friend wants to make is amply covered already. The prospectus has got to disclose particulars in regard to commissions, and sub-clause (h) of clause 30 is only a special clause inserted by the Select Committee to make it quite sure that disclosure of commissions would cover these particular persons, that disclosure of commissions would cover these particular persons, director, managing agent or manager. In the case of the managing agent and manager we have got very clear and full definitions in clause 2 (2) of the Bill, and it does not seem to me that this proposed amendment would do any good at all. Moreover, as my Honourable friend, Sir Cowasji Jehangir, has pointed out, it is not even very well worded. (Interruption.) I do not think the question of principle really arises here, because in actual fact, as I have endeavoured to point out, the prospectus already covers and provides for the information required, and I do not see how this amendment will do us the slightest good.

Mr. Susil Chandra Sen : I am sorry that my Honourable friend, Mr. Chapman-Mortimer, has not quite realised the idea which underlies this amendment. Mr. Ananthasayanam Ayyangar really wants that no managing agent or manager can evade the provisions of sub-section (7) by setting up a partner or a director of his company to earn the

[Mr. Susil Chandra Sen.]

commission. As it is, it is innocuous and I do not think there can be any objection to it on principle.

Sir Cowasji Jehangir : I agree with my Honourable friend, but you cannot say "director of the managing agent". What Mr. Ayyangar wants to say is, "or a partner of the managing agents if the managing agents are a firm, or a director if the managing agents are a private company".

The Honourable Sir Nripendra Sircar : But what is wrong with this ? It says, "or a partner of the managing agent if the managing agent is a firm or a director of the managing agent". If you stop there it makes no sense, but if you read it along with "director of the managing agent if the managing agent is a private company", I do not see any objection to the language. I see, my Honourable friend wants to add the word "a" before "director", and it will then read as follows : "or a director of the managing agent if the managing agent is a private company". Has my Honourable friend any objection ?

Mr. M. Ananthasayanam Ayyangar : I have no objection.

Pandit Govind Ballabh Pant : May I suggest to Mr. Ayyangar and to the Leader of the House that instead of the words "or director of the managing agent if the managing agent is a private company" we might have the words "or if the managing agent is a private company, a director thereof".

The Honourable Sir Nripendra Sircar : That will be better.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in clause 30 of the Bill, to clause (h) of sub-section (3) of the proposed section 77, the words 'or a partner of the managing agent if the managing agent is a firm or if the managing agent is a private company, a director thereof' be added at the end."

The motion was adopted.

Mr. Susil Chandra Sen : Sir, first of all, I should like to correct a printing mistake. It is printed in the Order Paper that my amendment is to clause (h). It is really to clause (d). I move :

"That in clause 30 of the Bill, in clause (d) of sub-section (3) of the proposed section 77, the words 'and the changes if any which have happened since the date of the incorporation' be added at the end."

If you look at clause (d), Sir, you will find that the statutory report must disclose the names, addresses and descriptions of the directors, auditors, managing agents and managers, if any, and of the secretary of the company. All that I want is that if any changes have happened since the incorporation, they should also be disclosed. The object is perfectly obvious and I think it is a reasonable thing which the House should accept. Sir, I move.

Sir Leslie Hudson : I suggest that we might substitute the word "occurred" instead of "happened".

Mr. Susil Chandra Sen : That will be better, and I agree.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in clause 30 of the Bill, in clause (d) of sub-section (3) of the proposed section 77, the words 'and the changes if any which have occurred since the date of the incorporation' be added at the end."

The motion was adopted.

Mr. M. Ananthasayanam Ayyangar : Sir, I move :

"That in clause 30 of the Bill, after clause (h) of sub-section (3) of the proposed section 77, the following clause be inserted :

(i) the names of directors or auditors who have resigned before the date of the statutory report together with the reasons, if any, for such resignation."

This is merely a consequential amendment, to the one moved by Mr. Sen.

The Honourable Sir Nripendra Sircar : Nothing of the kind. It will be most violently resisted.

Mr. M. Ananthasayanam Ayyangar : This amendment practically follows as a consequence of amendment No. 56 moved by Mr. Sen and which has been adopted by the House. I want Honourable Members to go a step further. By my amendment I have only amplified the previous amendment. What I suggest is that along with the report the names of directors or auditors who have resigned before the date of the statutory report together with the reasons for such resignation should be given. If before a child is born, it should die, certainly one should like to ask what are the reasons for such a state of affairs. My amendment will give the shareholders an insight into the affairs of the company. If any directors have resigned, it is absolutely necessary that the shareholders should know the reasons, because that will give them an idea of the real affairs of the company and of the working of the company. In spite of what the Honourable the Law Member said, I still maintain that this is merely a consequential amendment. Otherwise the amendment which was just carried will be a purely dummy amendment which has no meaning. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in clause 30 of the Bill, after clause (h) of sub-section (3) of the proposed section 77, the following clause be inserted :

(i) the names of directors or auditors who have resigned before the date of the statutory report together with the reasons, if any, for such resignation."

Sir H. P. Mody : Sir, this is a very ill-conceived amendment. It means that my Honourable friend's curiosity would be aroused whenever he saw a change in the names of directors or auditors, and he would want to know the special reasons which have compelled their resignation or retirement. Well, Sir a director or an auditor may have committed an offence under the Penal Code which may not bear to be advertised. He may have eloped with somebody's wife, for instance. Is that reason to be disclosed ? There may be other offences of even a worse character. After all, directors and auditors are human, and it does not necessarily follow that they will never commit any offence

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[Sir H. P. Mody.]

under the Penal Code, and as my Honourable Leader points out, if a statement were to be made and the real reasons disclosed, the company might be hauled up for damages.

Mr. M. Ananthasayanam Ayyangar : I can give you an assurance on that point. A privilege could be claimed for the statements.

Sir H. P. Mody : Your assurance is not worth anything at all—not even worth the House in which it is uttered.

Mr. S. Satyamurti : On a point of order. Is the Honourable Member entitled to cast this reflection on the House?

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member must withdraw those words.

Sir H. P. Mody : No reflection was intended.

Mr. S. Satyamurti : I submit, Sir, that the Honourable Member has not withdrawn those words.

Sir H. P. Mody : I do not know why my friend who makes so many questionable jokes in this House objects to a little joke. The words have been already withdrawn.

Mr. President (The Honourable Sir Abdur Rahim) : It is disrespectful to the House.

Sir H. P. Mody : I have already said that I withdraw those words, and nobody who knows me will believe that I intended to convey a reflection on the House. I am surprised that a point like that has been made by my friend.

Mr. S. Satyamurti : Sir, my friend has not withdrawn those words.

5 P.M. The House is not concerned with his intention : he must formally and openly say—"I withdraw those words".

Sir H. P. Mody : Let us get on to the business.

Mr. S. Satyamurti : Sir, I am in your hands, and I have raised this point of order.

Mr. President (The Honourable Sir Abdur Rahim) : The Chair understood that the Honourable Member did withdraw those words?

Sir H. P. Mody : Of course, Sir. Now, what I was going to submit was that apart from any of these considerations, there may be some very substantial reasons which it would not be in the interest of the company to disclose. Thus, there may be acute differences of opinion amongst the directors which may have caused the retirement of a particular director. Those reasons may relate to the internal administration of the affairs of the company. Are such matters to be publicly proclaimed?

Mr. N. M. Joshi : Why not?

Sir H. P. Mody : It would certainly be most prejudicial to the interests of the company that any difference of opinion which has caused such retirement or resignation should be made known to anybody outside the directorate, and for all these reasons, Sir, I join my Honour-

able friend, the Leader of the House, in saying that this is not a consequential amendment, but that it is one of substance, and ought to be stoutly resisted.

The Honourable Sir Nripendra Sircar : Sir, as I said, I shall be very brief now, having regard to the time. I am opposing this because I do think that disclosing the reasons why particular directors have resigned is not always possible, nor is it likely to do any good to the company. The reasons which I am thinking of are not on the lines which weighed with my Honourable friend, Sir H. P. Mody, but what I do think of is this. Supposing in the board of directors there are four directors unable to get on with one another and one of them resigns and says, "I shall have nothing to do with it", but as regards the publication of that news what good will it do to the shareholders? The company will be damaged. I can conceive of various examples where it will not be to the interest of the company to disclose why a director has resigned. Sir, I oppose this amendment.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in clause 30 of the Bill, after clause (h) of sub-section (3) of the proposed section 77, the following clause be inserted :

(i) the names of directors or auditors who have resigned before the date of the statutory report together with the reasons, if any, for such resignation."

The motion was negatived.

The Assembly then adjourned till Eleven of the Clock on Wednesday, the 16th September, 1936.

LEGISLATIVE ASSEMBLY.

Wednesday, 16th September, 1936.



The Assembly met in the Assembly Chamber at Eleven of the Clock,
Mr. President (The Honourable Sir Abdur Rahim) in the Chair.

QUESTIONS AND ANSWERS.

**KALKA-DELHI-CALCUTTA AND THE CALCUTTA-BOMBAY MAILS RUN BETWEEN
HOWRAH AND MOGHAL SARAI.**

398. *Mr. Sri Prakasa : (a) Are Government aware that the two mails namely the Kalka-Delhi-Calcutta and the Calcutta-Bombay Mails run between Howrah and Moghal Sarai within a couple of hours of each other, both Up and Down, and stop at practically the same stations *en route* ?

(b) Are Government satisfied that both the mails are necessary in view of traffic ?

(c) Do Government propose, in the interest of economy, to consider the desirability of recommending to the East Indian Railway to discontinue the Kalka-Calcutta Mail between Howrah and Moghal Sarai and arrange to bring a few through carriages between the two stations by both the main and the grand chord lines by the Punjab-Calcutta and the Calcutta-Bombay Mails, and form a full mail train from Moghal Sarai to Kalka ?

The Honourable Sir Muhammad Zafrullah Khan : (a) There is an interval of 34 minutes between the departure of the two Up Mails from Howrah and of about three hours between the arrival of the Down Mails at Howrah. 3 Up Mail between Howrah and Moghal Sarai makes two more stoppages than 1 Up Mail.

(b) The Agent, East Indian Railway, states that both Mails are necessary.

(c) Government are informed that it is not practicable to discontinue the Howrah-Kalka Mail between Howrah and Moghal Sarai as the load for the traffic offering will be too heavy for one train, and that there is no room for several additional carriages which would be necessary on 5 Up and 6 Down Punjab Mails if the Honourable Member's suggestion were accepted.

Mr. Sri Prakasa : Is the Honourable Member aware that there used to be formerly only one Mail by the main line and one by the Grand Chord ? Are Government satisfied that there is sufficient increase in traffic to necessitate two mails running now on the grand chord line, besides the one on the main line.

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The Honourable Sir Muhammad Zafrullah Khan : I have answered that in my answer to part (b) of the question.

Mr. Sri Prakasa : What I ask is whether Government are satisfied that both Mails are necessary? The Honourable Member stated that the Agent was satisfied.

The Honourable Sir Muhammad Zafrullah Khan : Government have no reason to think that the information supplied by the Agent is not correct.

TRANSLATIONS FROM ENGLISH OF THE NOTICES PASTED ON RAILWAY PLATFORMS AND INSIDE THE COMPARTMENTS.

399. ***Mr. Sri Prakasa :** (a) Has the attention of Government been drawn to the violence that is being done to the grammar and syntax of the Bengali, Hindi and Urdu languages in the translations from English of the notices pasted on railway platforms and inside railway compartments?

(b) Are Government prepared to make reasonably sure that the translations are made in correct and intelligible language?

(c) Do Government approve of the use of grammatically incorrect English expressions in railway notices, and if not, do they propose to instruct the Bengal and North Western Railway not to use expressions like "Do not spit. It spreads disease"?

The Honourable Sir Muhammad Zafrullah Khan : (a) No, but I would point out that notices are not pasted on railway platforms.

(b) I am sure Railway Administrations will be grateful to the Honourable Member if he will bring to notice incorrect and unintelligible translations.

(c) I hope it will satisfy the Honourable Member if the question is brought to the notice of the Agent, Bengal and North Western Railway.

PRINTING IN TIME TABLES THE DETENTION PERIOD OF TRAINS AT JUNCTION STATIONS IN CASE CONNECTING TRAINS ARE LATE.

400. ***Mr. Sri Prakasa :** (a) Is it a fact that at junction stations, Station Masters are instructed to keep certain trains waiting for fixed periods of time in case connecting trains are late? If so, do Government propose to recommend to the Railway Administrations to print the amount of time permitted at various junction stations in their time tables, to enable passengers wanting to catch these trains to make sure about their movements when connecting trains are late?

(b) In case this may not be found desirable in all cases, are Government prepared to recommend at least to the East Indian Railway to give this information in their time tables in the case of junction stations of Moghal Sarai and Tundla to help passengers from Benares and Agra?

The Honourable Sir Muhammad Zafrullah Khan : (a) Station Masters of junction stations have instructions to detain trains to connect with others that may be running late: the time for which they may be detained, provided that by such detention the connection is established, varies according to circumstances, e.g., on one railway, the general instructions

issued provide for a main line train to be detained to connect with a branch line train for not more than fifteen minutes and for a branch line train to be detained to connect with a main line train for not more than one hour, but these general instructions are superseded by special instructions providing for the detention being either more or less than that generally prescribed according to the importance or otherwise of the connection to be established. Government do not consider that it is desirable to act on the suggestion in the latter part of the question, as the publication of such information might be misleading if circumstances arose necessitating a deviation from the standing orders.

(b) No.

RECOMMENDATIONS OF THE HIDES COMMITTEE.

401. ***Pandit Sri Krishna Dutta Paliwal** (on behalf of Qazi Muhammad Ahmad Kazmi) : (a) Will Government be pleased to state whether any of the main recommendations of the Hides Committee of 1929 have been adopted by them? If so, which and with what result?

(b) What was the total expenditure incurred on that Committee?

(c) Has any practical benefit to the country been derived by the report of that Committee?

(d) If the answer to part (c) be in the affirmative, what is that benefit?

(e) Have Government now under their consideration any steps for the amelioration of the hide trade and leather industry, as recommended by the said Committee?

(f) If the answer to part (e) be in the affirmative, will Government be pleased to state briefly what those steps are?

The Honourable Sir Muhammad Zafrullah Khan : (a), (b), (e) and (f). I would refer the Honourable Member to the reply given to his question on the same subject on the 4th September, 1935. There has been no material change in the situation since then.

(c) and (d). Though it has not as yet been found possible to give effect to the main recommendations of the Hides Cess Enquiry Committee, Government believe that the Report of that Committee which has been published has proved of benefit to the industry in bringing to light the existing defects and suggesting remedies therefor.

REDUCTION OF THIRD CLASS FARE ON THE SHAHDARA-SAHARANPUR RAILWAY.

402. ***Pandit Sri Krishna Dutta Paliwal** (on behalf of Qazi Muhammad Ahmad Kazmi) : (a) With reference to my question No. 1269 asked on the 17th March, 1936, will Government be pleased to state whether the Managing Agents of the Shahdara-Saharanpur Railway paid any consideration to the suggestion of bringing down the railway fares to the level of other Railways in Northern India?

(b) If the answer to part (a) be in the affirmative, what is the result of that consideration?

(c) If the answer to part (a) be in the negative, why has it not been considered?

The Honourable Sir Muhammad Zafrullah Khan : (a), (b) and (c). Government are informed that the question of reducing passenger fares was examined last year, but there seemed to be no evidence justifying any change.

DIVIDENDS GIVEN BY THE SHAHDARA-SAHARANPUR RAILWAY TO ITS SHAREHOLDERS.

403. ***Pandit Sri Krishna Dutta Paliwal** (on behalf of Qazi Muhammad Ahmad Kazmi) : Will Government be pleased to state the amount of dividend that Shahdara-Saharanpur Railway Company has been giving to its shareholders for the last five years ?

The Honourable Sir Muhammad Zafrullah Khan : Dividends declared by the Shahdara-Saharanpur Light Railway Company during the five financial years ending 31st March, 1935, are as follows :

Years.	Dividend per cent.
1930-31	9
1931-32	6
1932-33	6
1933-34	7
1934-35	6

EXTENSION OF THE WESTERN PLATFORM AT THE SAHARANPUR RAILWAY STATION.

404. ***Pandit Sri Krishna Dutta Paliwal** (on behalf of Qazi Muhammad Ahmad Kazmi) : With reference to my starred question No. 1271, asked on the 17th March, 1936, will Government be pleased to state whether the Agent of the North Western Railway has given any consideration to the question of extending the western platform at Saharanpur Railway Station, so as to provide facility to the passengers going to the Shahdara-Saharanpur Railway Station ? If so, with what effect ? If not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : The North Western Railway have reported that there is an extension of the foot overbridge already in existence at the east end of Saharanpur Station, which gives access from the broad gauge to the narrow gauge line. An extension to the foot overbridge at the west end would cost approximately Rs. 30,000 and is not considered justified by the number of passengers likely to use it.

PROVISION OF LATRINES IN THIRD CLASS COMPARTMENTS ON THE SHAHDARA-SAHARANPUR RAILWAY.

405. ***Pandit Sri Krishna Dutta Paliwal** (on behalf of Qazi Muhammad Ahmad Kazmi) : With reference to the answer given to my starred question No. 1274 on the 17th March, 1936, will Government be pleased to state whether the Managing Agents of the Shahdara-Saharanpur Railway have given any consideration to the provision of latrines in old coaches ? If so, with what result ? If not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : The average passenger journey on night trains on the Shahdara (Delhi) Saharanpur Light Railway is under 20 miles and Government have no reason to believe that serious inconvenience is caused to the public. Steps are, however, being taken by the Railway Administration to increase the proportion of latrine fitted coaches on night trains.

OPENING OF THE TELEGRAPH OFFICES ON THE SHAHDARA-SAHARANPUR RAILWAY TO THE PUBLIC.

406. ***Pandit Sri Krishna Dutta Paliwal** (on behalf of Qazi Muhammad Ahmad Kazmi) : (a) Will the Honourable Member in charge of the Telegraph Department be pleased to state whether the telegraph offices on Shahdara-Saharanpur Railway are open to the public ?

(b) If the answer to part (a) be in the negative, have Government considered the advisability of persuading the Shahdara-Saharanpur Railway authorities to arrange the opening of the telegraph offices to the public ? If not, why not ?

The Honourable Sir Frank Noyce : (a) and (b). Enquiries made from the Manager, Shahdara-Saharanpur Light Railway, indicate that of the twenty-one stations on that Railway thirteen are fitted for the reception and despatch of telegraph messages. Of these thirteen, five offices are open for public traffic. No demand for opening any of the remaining offices for public traffic has been made by the local residents. Should any such demand be received by the Railway it would have no objection to opening such offices also for public traffic.

DEFECTS IN THE JAIL LIFE OF THE ANDAMANS FOUND BY THE HOME MEMBER.

407. ***Bhai Parma Nand** (on behalf of Mr. Lalchand Navalrai) : (a) Will the Honourable the Home Member, who recently visited the Andaman Islands and gave a rosy picture of the jail life there, be pleased to enlighten the House if he found any such defects which required to be remedied ? If so, which, and what steps do Government propose to take in order to eradicate the same ?

(b) What is the death rate in the Andamans ?

(c) Is it a fact that the civil and military officers remain there unwillingly owing to unwholesome climate and difficulty of water ? Do such difficulties exist there ?

(d) Is there a constant danger to life and property at the hands of the local aborigines, and what safeguards are there against any such danger ?

The Honourable Sir Henry Craik : (a) I found no serious defects in the administration of the Cellular Jail, Port Blair, which required to be remedied.

(b) According to the Public Health Commissioner's report for 1934, which is the latest report available, the death rate was 11 per thousand of the total convict population.

(c) No. There is no trouble about the water supply in the Andamans except in a year of poor rainfall, but steps are being taken to increase

and improve the water supply. The climate, though not bracing, is not unwholesome.

(d) No. There is a Bush Police force to protect the Settlement against raids from the Jarawas who inhabit the forests on the border of the Settlement. The Military Police is also available if required.

Mr. G. Morgan : With regard to item (d) of the question, is it a fact that there are only 200 to 250 Jarawas who inhabit the western part of the middle Island of the Andamans ?

The Honourable Sir Henry Craik : The number is certainly very small but I have no accurate idea as to how many there are. When I was in the Andamans in April or May last, nobody had seen a Jarawa for over two years.

Mr. Sri Prakasa : In view of the fact that the Andamans are Paradise, where do the prisoners go after they die ? (Laughter.)

The Honourable Sir Henry Craik : That, Sir, is a matter of speculation. I should like to take this opportunity of stating that the phrase which is so often quoted as 'Paradise' was not the phrase I used. I said it was a "paradise for prisoners" and I maintain that, in comparison with any other jail or convict settlement in British India, it is a paradise.

Mr. Sri Prakasa : That is why I asked that the Andamans being a paradise for prisoners, where do these prisoners go after death there ?

(No answer.)

OVERHAULING OF THE JAIL RULES AND REGULATIONS.

408. *Bhai Parma Nand (on behalf of Mr. Lalchand Navalrai) :

(a) Has the attention of Government been drawn to a contribution in the *Sind Observer*, dated the 14th June, 1936, under the caption "Jawaharlal's Glimpses of Prison Life in India", suggesting overhauling of the rules and regulations to suit modern conditions and civilized sense of justice and humanity ?

(b) Is it a fact that in 1920 Government appointed a Committee under the Chairmanship of Sir Alexander Cardew, which made some recommendations for the improvement of jail life ?

(c) Was any effect given to the recommendations of that Committee in practice ? If so, how ?

(d) Have any steps been taken since then to enquire into the rules and regulations with a view to reform them ? If so, which ?

(e) Do Government propose to take any steps into this matter in order to introduce modifications to keep pace with the rapid strides the other countries including English have made in this direction ?

The Honourable Sir Henry Craik : (a) Yes.

(b) Yes in 1919.

(c) Information showing the progress made in giving effect to the recommendations of the Committee will be found in the Jail Administration Reports published annually by Local Governments. As the Committee made 584 recommendations, I cannot give a complete reply, but

I lay on the table a statement showing the action taken on the more important of them.

(d) and (e). No specific committee of enquiry has been appointed by the Government of India since that of 1919-20. But revised orders were issued in 1930, after consultation with Party Leaders, on the treatment and classification of prisoners ; and the Local Governments, upon whom the main responsibility rests, are continually making reforms in the treatment of convicts. Some of them have appointed Committees to enquire into their jail administration. Periodical conferences of Inspectors-General of Prisons have been held and the Government of India are kept in touch both with the discussions held on this subject under the auspices of the League of Nations, and, through the Annual Reports of the Prisons Commissioners, with modifications in English practice.

Statement showing the more important recommendations of the Indian Jails Committee which have been accepted and given effect to by Local Governments.

No.	Recommendation.	Action taken.
	<i>Superintendence and Inspection.</i>	
1	Superintendence of Prisons should be in the hands of trained whole-time experts.	Accepted. All Superintendents of Jails receive special training. Some officers have also attended special courses of instructions in the United Kingdom.
2	Strict limit to be imposed on the number of Prisoners collected in one prison. Maximum of 1,500 not to be exceeded.	This limit is observed as far as local circumstances permit.
3	Every Central Jail should be in charge of a whole-time Superintendent.	Accepted.
4	Biennial conferences of Inspectors-General of Prisons to promote uniformity in important matters of jail administration.	Accepted. Five of these conferences have been held.
5	Post of Inspector General of Prisons should be filled by selection from Superintendents of Central Jails, whether Medical or non-Medical.	Not accepted. The post in each province is reserved for Indian Medical Service Officers.
	<i>Warder Staff.</i>	
6	Employment of better class of Warders. Strength to be based on average prison population.	Accepted. Local Governments have done a good deal to strengthen their warder staff and to improve the conditions of service.
	<i>Medical Staff.</i>	
7	At least one whole time medical subordinate in each central and district jail.	Accepted.

No.	Recommendation.	Action taken.
<i>Convict Officers.</i>		
8	No convict officers should have independent charge of any file, gang or other body of prisoners.	Accepted.
9	Non-habituals should not be employed as convict officers in charge of habituals.	Accepted.
10	Paid warders should be in charge of habitual gangs and workshops.	Accepted.
<i>Classification and separation of Prisoners.</i>		
11	Separation of habituals from non-habituals	Accepted. Local Governments have taken steps as far as their jail accommodation permits to segregate the habituals from the non-habituals.
12	Habituals not to be excluded from remission system.	Accepted.
13	All non-habitual prisoners should be divided into two classes (a) star, and (b) ordinary.	Under the present system of classification the prisoners are divided into three classes viz., A. B. and C., according to their social status, education and mode of living. Principle of separation of the various classes of prisoners is enforced.
<i>Jail labour and manufacture.</i>		
14	Main object of prison labour to be kept in view should be reformation.	Accepted.
15	Up to date methods of labour to fit prisoner for free life under modern conditions.	In most provinces prisoners are employed on labour suited to modern conditions. In addition to arts and crafts, model farms have also been started in certain provinces. In certain provinces, schools have been started for the prisoners.
16	Jail manufacture should be carefully chosen so as to do the least possible injury to private enterprise.	This principle is observed in all provinces.
<i>Prison discipline.</i>		
17	Every offence to be dealt with by Superintendent and to be recorded in punishment book.	Accepted.
18	Award of corporal punishment should be restricted to mutiny or incitement to mutiny and serious assaults on public servants or visitors.	Accepted. Corporal punishment is resorted to only in serious cases affecting jail discipline after other measures have failed. The procedure proposed by the Jails Committee is followed in the infliction of the punishment.
19	The prison punishment of solitary confinement should be abolished.	Accepted. The Prisons Act, 1894, has been amended.

No.	Recommendation.	Action taken.
20	Maximum period of separate confinement to be reduced to three months. <i>Use of irons as means of restraint and for security.</i>	Accepted. Necessary amendment made in the Prisons Act, 1894.
21	Prisoners inside a jail should not be fettered as a means of restraint except on grounds that they are dangerous.	Accepted. The punishment of standing handcuffs and barfettors is resorted to in extreme cases when the maintenance of jail discipline is at stake.
22	Use of fetters in case of prisoners employed outside jail or sent beyond jail premises to be avoided. <i>Reformatory influences.</i>	Accepted.
23	Remission to be extended to sentences of six months and over.	Accepted.
24	Remission of 2 days a month for good conduct and 2 days for industry.	Accepted. More liberal remissions than those recommended by the Indian Jails Committee for work on holidays and Sundays and for convict sweepers, etc., are granted.
<i>Gratuities to prisoners.</i>		
25	Grant of gratuities as an incentive to labour	The "pecule" system was tried in the Punjab but did not prove a success. Grant of remissions is more appreciated by prisoners.
<i>Interviews and letters.</i>		
26	Rules for interviews and letters	Accepted. Interviews and letters are allowed once a fortnight for A class prisoners, once a month for B class and once in three months for C class.
<i>Prison Libraries and supply of books, etc.</i>		
27	Every central and district jail should contain a small library of books.	There are libraries in all prisons.
<i>Religious and moral instruction.</i>		
28	Religious and moral instruction should be provided. Interference with caste prejudices to be avoided.	Accepted. Religious teachers are admitted into the jails and all facilities afforded for religious observances.
<i>Hospital administration and care of sick.</i>		
29	Special jails or wards to be provided for cases of tubercle.	Accepted.
30	Prisoners, who cannot adequately be dealt with, to be removed to local civil hospitals.	Accepted.

No.	Recommendation.	Action taken.
	<i>Overcrowding.</i>	
31	Duty of every Local Government to take prompt measures to prevent overcrowding.	Accepted. Wherever possible special prisons are constructed in times of emergency.
32	A central association for the assistance of released prisoners should be set up in the capital city of each province.	In the majority of the provinces there are Prisoners' Aid Societies.
	<i>The Child Offender.</i>	
33	Definitions of "Child" and "Young Person" as in the English Children's Act, 1908, and treatment of young offenders.	Accepted, but financial and local conditions have prevented some local Governments from giving effect to all the recommendations of the Jails Committee. Madras, Bombay, Bengal and Central Provinces have Children's Acts while in Burma there is the Prevention of Crime (Young Offenders) Act 1931.
	<i>Adolescent Criminals.</i>	
34	Adolescent offenders should not be sent to ordinary jails, but should be confined in separate jails or institutions.	Accepted. Most local Governments have Borstal Schools and Juvenile jails.
	<i>Probation.</i>	
35	Probation system and appointment of probation Officers.	Probation officers under section 562 Criminal Procedure Code and Children's Acts have been appointed in several Provinces. The Punjab Government have the Good Conduct Prisoners Probation Release Act, 1926 and the Central Provinces Government have introduced a Probation Act.
	<i>Indeterminate sentences.</i>	
36	Revision by Advisory Boards of sentences of long-term prisoners.	Advisory Boards have been instituted in all provinces and are working satisfactorily.
	<i>Female Prisoners.</i>	
37	Separation of adolescents from older prisoners and provision of a matron or female warder in every jail for female prisoners.	Accepted.
	<i>Lepers.</i>	
38	Separate jail or annexe to a jail to be provided for leper convicts.	Accepted.
	<i>Lunatics.</i>	
39	Non-Criminal lunatics should not be sent to jail but to a civil hospital.	Accepted.

No.	Recommendations.	Action taken.
	<i>Visitors.</i>	
40	Sufficient number of official and non-official visitors to be appointed in every jail. Lady visitors to be appointed for jails for female prisoners.	Accepted.
	<i>Transportation and the Andamans.</i>	
41	Deportation to Andamans should cease except in regard to specially dangerous prisoners and any others whose removal from Indian Jails is considered by Government in the public interests.	Except for a small number of terrorist prisoners, all convicts in the Andamans, are now persons who have volunteered to go there, and after a short period of confinement live outside the Jail.
42	Reclamation of swamps	This has been done, and the health of the settlement has much improved in consequence.
43	Provision of moral and religious influences; embargo on construction of religious buildings should be withdrawn.	Accepted. The embargo has been withdrawn, a number of religious buildings have been built in the settlement and religious and moral teachers are encouraged to visit the jail.

Mr. S. Satyamurti : Did this Committee of Enquiry, referred to in part (b) recommend the abolition of the Andamans, as a convict settlement ?

The Honourable Sir Henry Craik : Yes, Sir.

Mr. S. Satyamurti : May I know why and when Government went back on that recommendation ?

The Honourable Sir Henry Craik : The Government, I think, reversed that decision about the year 1925, after Sir Alexander Muddiman, the then Home Member, visited the Andamans.

Mr. S. Satyamurti : May I know if the Government are aware that that Committee gave very strong reasons for their recommendation for the abolition of the Andamans as a convict settlement, and have any new facts come into the possession of the Government to make them go back on that recommendation ?

The Honourable Sir Henry Craik : Yes ; many new facts ; it is rather difficult for me to state them all in reply to a supplementary question, but I understand a Resolution has been tabled on the subject and I am perfectly prepared to explain in detail when that Resolution is discussed. The reasons why the Government of India reconsidered their decision to abandon the Andamans were fully stated in a Resolution published at that time.

Mr. S. Satyamurti : Are Government considering the question of abolishing the present classification of prisoners as 'A', 'B', and 'C' class in the case of political prisoners and having a special class of

political prisoners, that is those not convicted of offences involving violence to person or property ?

The Honourable Sir Henry Craik : The Honourable Member and his friends always refer to terrorist prisoners as political prisoners, although they have been convicted of crimes of violence, but I do not recognise any distinction between political prisoners and other prisoners.

Mr. S. Satyamurti : Apart from terrorist prisoners—I do not admit what the Honourable the Home Member has said about them—I am asking for information whether, apart from what he calls the terrorist prisoners, with regard to other political prisoners have Government any intention of considering the creation of a special class, as they have in England of such prisoners giving them special treatment ?

The Honourable Sir Henry Craik : No, Sir.

Mr. S. Satyamurti : Why not, Sir ?

The Honourable Sir Henry Craik : Government do not think it necessary.

Mr. S. Satyamurti : May I know if Government are considering the question of supplying at least one daily newspaper to those political prisoners ?

The Honourable Sir Henry Craik : That is a matter for the Local Governments to consider.

Mr. S. Satyamurti : May I know if Government are considering the question of promoting free association amongst these political prisoners, if necessary, by concentrating them in one or more jails in each province ?

The Honourable Sir Henry Craik : No, Sir.

Mr. S. Satyamurti : Why not, Sir.

The Honourable Sir Henry Craik : Because in most provinces, it is impracticable owing to the expense involved.

Mr. President (The Honourable Sir Abdur Rahim) : A discussion of all the recommendations of the Cardew Committee—I know what those recommendations are—cannot be done in question hour.

Pandit Lakshmi Kanta Maitra : I understood the Honourable Member to say that revised orders were issued in 1930 in consultation with Party Leaders on the treatment and classification of prisoners ; ever since has any fresh recommendation been given effect to in connection with jail administration ?

The Honourable Sir Henry Craik : I have said I am laying on the table a statement showing the action on the more important of 584 recommendations of the Indian Jails Committee. I cannot say the exact date on which action was taken on which of the recommendations.

Pandit Lakshmi Kanta Maitra : Has the attention of the Government of India been drawn to the recent demand made by the people on the All-India Prisoners Day ?

The Honourable Sir Henry Craik : I saw something in the newspaper about that.

Pandit Lakshmi Kanta Maitra : Do Government propose to take any action on that irresistible volume of public opinion behind that demand ?

The Honourable Sir Henry Craik : I am not aware of the volume of public opinion behind the particular demand which the Honourable Member referred to.

Pandit Lakshmi Kanta Maitra : Is not the Honourable Member aware that meetings were held in all important cities in India on the All-India Prisoners day ?

The Honourable Sir Henry Craik : Not aware.

Mr. Mohan Lal Saksena : Will the Honourable Member consult Party Leaders again ?

The Honourable Sir Henry Craik : About what ?

Mr. Mohan Lal Saksena : About modifying the rules regarding reclassification of prisoners.

The Honourable Sir Henry Craik : No, Sir.

Mr. S. Satyamurti : May I know whether, following the precedent when Government consulted Party Leaders in this House and laid down the classification of 'A', 'B' and 'C' class prisoners, the Government have any intention of consulting Party Leaders again in this House, with a view to finding out if any reclassification is required, and if so the reasons therefor ?

The Honourable Sir Henry Craik : No, Sir, Government have no such intention.

PASSENGERS WHO ATTENDED THE KURUKSHETRA FAIR.

409. ***Bhai Parma Nand** (on behalf of Mr. Lalchand Navalrai) :
(a) Will Government be pleased to state the number of passengers who travelled both ways by railway for attending the last Kurukshetra fair on the occasion of the Solar Eclipse ?

(b) What were the railway earnings and the expenditure on the occasion ?

(c) Was the railway arrangement for checking tickets and collecting them complete and satisfactory ?

(d) Will Government be pleased to state how many ticketless passengers travelled on the occasion, and how many of them paid the fares after being detected and how many were placed before the authorities for recovery of the fares and with what result ?

(e) How much in all was recovered by the railway from the ticketless passengers and how many of them were unable to pay the fares ?

The Honourable Sir Muhammad Zafrullah Khan : (a) To Kurukshetra, from 1st to 19th June—87,140 from Kurukshetra, from 19th to 23rd June—57,204.

(b) Earnings from passengers booked from Kurukshetra amounted to Rs. 58,141. The earnings from passengers booked to Kurukshetra cannot be readily ascertained, but may be taken as approximately Rs. 87,000.

Excluding the cost of running trains carrying passengers to and from Kurukshetra as it is not practicable to ascertain this, the expenditure in connection with the arrangements made for the fair amounted to about Rs. 69,000.

(c) Yes.

(d) and (e). 953 passengers were detected at Kurukshetra travelling without proper tickets. 582 of these were beggars, 307 of these were let-off as they had no money, and Rs. 111-9-0 were recovered from the remaining 275 beggars. 370 other passengers paid the charges due and one was placed before a magistrate and punished. The amount recovered from these 371 passengers was Rs. 371-14-3.

Special Ticket Examiners recovered a further amount of Rs. 725-12-0 from passengers detected travelling without proper tickets at various stations en route to or from Kurukshetra. A large number of beggars were also ejected at various stations as and when they were detected without tickets.

MOTOR AND LORRY TRAFFIC COMPETITION WITH THE RAILWAY ON THE OCCASION OF THE KURUKSHETRA FAIR.

410. *Bhai Parma Nand (on behalf of Mr. Lalchand Navalrai) : (a) Will Government be pleased to state if there was motor and lorry traffic competition with the railway on the occasion of the Kurukshetra fair? If so, from what maximum distances?

(b) Are Government in a position to say, even approximately, how much loss the railway suffered by the motor competition on roads parallel to the railway on the occasion of the fair?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes ; for a distance of about 200 miles.

(b) No.

COLLISION OF TRAINS ON THE OCCASION OF THE KURUKSHETRA FAIR.

411. *Bhai Parma Nand (on behalf of Mr. Lalchand Navalrai) : (a) Was there any collision of trains on the occasion of the fair? If so, what were the casualties and what was the cause of the collision? What steps have Government taken against those responsible for it?

(b) Was there any special officer put on duty to specially watch and see that no accidents take place on the occasion? If so, what is the explanation of that officer as to the occurrence of the collision?

(c) Has any compensation been paid to the killed and the injured in the collision? If so, how much in all?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes, 360. Down mixed train was admitted at Kalayat station on to a line on which a

train composed of empty stock returning from Kurukshetra was already standing. Two passengers were killed, two seriously injured, sixty-one received minor bruises and abrasions and two railway servants were slightly injured. The Assistant Station Master on duty and a Pointsman are being prosecuted.

(b) Several officials were on special duty to see to the welfare of pilgrims, but not at every station on the various routes to Kurukshetra. Kalayat station, where the accident occurred, is the seventh station from Kurukshetra in the Narwana direction. The latter part of the question does not, therefore, arise.

(c) The question of payment of compensation to those entitled to it will be considered by the Railway Administration if and when claims have been received.

TICKETLESS PASSENGERS TRAVELLING ON THE NORTH WESTERN RAILWAY.

412. *Bhai Parma Nand (on behalf of Mr. Lalchand Navalrai) : (a) Will Government be pleased to state how many ticketless passengers travelled on the North Western Railway during the year 1935?

(b) How much was recovered from these ticketless travellers, and how much loss did the railway sustain owing to non-recovery of fares?

(c) How many of these ticketless passengers were railway servants?

The Honourable Sir Muhammad Zafrullah Khan : (a) 462,432 passengers were detected travelling without proper tickets.

(b) Rs. 5,27,482 were recovered. This figure includes amounts outstanding from passengers detected without proper tickets during 1934 but excludes an amount of Rs. 37,658, which was due at the close of the year and a portion of which may have been recovered during the current year. Amounts due to be recovered during one year but recovered after the close of that year are not recorded separately. The loss due to non-recovery of fares from passengers without tickets who were not detected is not known.

(c) 701.

FOREIGN EXPERTS INVITED TO EXAMINE THE GOVERNMENT OF INDIA DEPARTMENTS.

413. *Mr. T. S. Avinashilingam Chettiar : Will Government state :

(a) which departments of the Government of India foreign experts have been invited to examine ;

(b) the purpose of these investigations ;

(c) when the investigations are expected to be over ; and

(d) whether they have received reports from any of these experts ; if so, what action they have taken on them ?

The Honourable Sir Henry Craik : I lay on the table a statement containing the information asked for.

Statement.

(a)	(b)	(c)	(d)
Department of Industries and Labour.	To advise the Government of India on a general plan for the development of broadcasting in India.	The investigations were completed in May 1936.	Yes. The recommendations made by the expert have been considered by the Government of India in consultation with local Governments and proposals will shortly be laid before the Standing Finance Committee, for consideration.
Imperial Council of Agricultural Research.	To carry out a scientific review of the research programme of the Imperial Council of Agricultural Research whether accomplished, in progress or contemplated, with a view to ascertaining how far the Council has succeeded in performing its task of co-ordinating, encouraging and developing agricultural research and to suggest directions in which improvements may be effected also to give expert advice as to the manner in which the production and handling of dairy products can be improved in India.	By April 1937	Not yet.
Finance Department (Central Board of Revenue).	To conduct an exhaustive examination of the income-tax system (law, machinery and recruitment of staff).	By the end of October 1936.	Not yet.

NOTE.—In fulfilment of the promise given by the Honourable Kunwar Sir Jagdish Prasad in the Council of State last Session, the Department of Education, Health and Lands also proposes to obtain expert advice to give a more practical turn to secondary education. It is expected that the necessary investigations will last until March, 1937.

Mr. T. S. Avinashilingam Chettiar : May I know in how many cases foreign experts were invited and examined the questions here ?

The Honourable Sir Henry Craik : The Honourable Member will see from the statement I lay on the table.

Mr. T. S. Avinashilingam Chettiar : I want to know only the number.

The Honourable Sir Henry Craik : Three.

Mr. T. S. Avinashilingam Chettiar : May I know if it is a fact that the allowances and the remuneration paid to these experts are more than double what they were getting in their previous positions ?

The Honourable Sir Henry Craik : I want notice.

Mr. T. S. Avinashilingam Chettiar : May I know whether there are any rules governing the grant of allowances and remuneration to these foreign experts ?

The Honourable Sir Henry Craik : I want notice.

Mr. S. Satyamurti : Is there any proposal to import foreign experts to advise us, on the reformation of vocational education in this country ?

Sir Girja Shankar Bajpai : I answered that question the other day, that it was the intention of Government.

Mr. T. S. Avinashilingam Chettiar : May I know what are the three cases in which foreign experts were invited ?

The Honourable Sir Henry Craik : First, to advise the Government of India on a general plan for the development of broadcasting in India, secondly to carry out a scientific review of the research programme of the Imperial Council of Agricultural Research and thirdly to conduct an exhaustive examination of the income-tax system.

Mr. K. Ahmed : Was there any chance for any Indian to get all these posts or any of them ?

The Honourable Sir Henry Craik : The question relates to foreign experts.

The Honourable Sir James Grigg : I may point out that with regard to the income-tax inquiry an Indian was associated with that.

Mr. Ram Narayan Singh : May I know to which nation these foreign experts belong ?

The Honourable Sir Henry Craik : I must ask for notice.

INDIAN SECRETARIES, JOINT AND ASSISTANT SECRETARIES IN THE GOVERNMENT OF INDIA.

414. ***Mr. T. S. Avinashilingam Chettiar :** Will Government state :

(a) the number of the Indian Secretaries, Joint and Assistant Secretaries in the Government of India, at present ; and

(b) which are the departments in which there is no Indian, either as a Secretary or Joint or Assistant Secretary, and what the reason for this is ?

The Honourable Sir Henry Craik : (a) There are at present three Indians employed as Secretaries, two as Joint Secretaries and 19 as Assistant Secretaries in the Government of India Secretariat. These figures include officers holding posts of corresponding status.

(b) There are no Indians in the Imperial Council of Agricultural Research Department holding posts corresponding to those of Secretary, Joint Secretary or Assistant Secretary but the Secretary of the Imperial Council of Agricultural Research who has the status of a Deputy Secretary to the Government of India is an Indian.

Mr. T. S. Avinashilingam Chettiar : May I know whether the number of Indian Secretaries and Joint Secretaries has increased as compared with last year and previous years ?

(c) to (f). For the reasons I have given, these matters, in their relation to provincial taxation, concern only the Local Government and the local legislature.

Prof. N. G. Ranga : Are we to understand that so long as local proposals for fresh taxation do not come into conflict with the Central system of taxation, the Local Governments are entirely free to impose any taxes they like and to whatever extent they like?

The Honourable Sir James Grigg : If the Honourable Member will read my answer and study it at leisure, I do not think he will be able to draw any such conclusion from it.

LEVY OF LOCAL CESS ON INDUSTRIES.

418. ***Pandit Lakshmi Kanta Maitra :** (a) Are any of the industries in India, except the mining industries in Bengal, Bihar and the Central Provinces, assessable to any local cess either on income or on production?

(b) Is it a fact that the mining industries in the Bombay Presidency and the Punjab do not pay any local cess?

(c) Is it a fact that collieries in Bengal and Bihar pay local cess both on rent of the surface lands they occupy and on their profits?

The Honourable Sir Frank Noyce : (a) and (b). Local cesses are levied by Provincial Governments and Legislatures and I have no complete list of them, but the answer to part (a) of the Honourable Member's question would appear to be in the affirmative and to part (b) in the negative as the report of the Indian Taxation Enquiry Committee refers to local cesses paid by the mining industries in Bombay and Assam. I believe that there is no such tax in the Punjab.

(c) Yes.

Pandit Lakshmi Kanta Maitra : With regard to part (c), why is this dual form of taxation going on?

The Honourable Sir Frank Noyce : I am afraid I must ask for notice. I have given my Honourable friend all the information I have got.

Mr. K. Ahmed : Is it not a fact that because the mining industry in Bombay and the Punjab are not profitable concerns, therefore the Local Governments do not impose any local cess?

The Honourable Sir Frank Noyce : I must ask for notice.

REMISSION OF SENTENCE PASSED ON THE ACCUSED IN THE COIMBATORE EXTORTION CASE.

419. ***Mr. M. Ananthasayanam Ayyangar :** (a) Has the attention of Government been drawn to a series of articles in the *Hindu* by Messrs. V. V. Srinivasa Iyengar, ex-High Court Judge, and Mr. J. R. Venkatrama Sastri, ex-Advocate General of the Government of Madras, on the remission of sentence passed on the accused in the Coimbatore extortion case?

(b) Has the attention of Government been drawn to the article in the *Hindu* of the 11th May, 1936, on the same subject by Mr. V. V. Srinivasa Iyengar, detailing the grounds, conditions and limitations under which alone clemency could be exercised?

(c) What are the special reasons for invoking the special prerogative of the Crown in this case?

(d) Is it not a fact that the accused had preferred an appeal to the High Court regarding the reduction of sentence and that the same was dismissed?

(e) Were the Judges of the High Court, who heard the appeal, consulted and, if so, what was their opinion, and, if not, why not?

(f) Has there been any agitation in the Press by any large body of public men or an appeal by any influential section for mercy? If so, what and who were they?

(g) Has there been any other case where the special powers of the Crown were invoked in cases where death sentence was not inflicted?

(h) Was there any additional material or new and important fact arising after the decision on the appeal by the High Court which necessitated the interference and, if so, what were they?

(i) Was there any representation made by Members of the Assembly or ex-Members of the Assembly and if so, who were they?

(j) Are Government aware that the interference by His Excellency the Viceroy has tended to shake the faith in the impartial administration of justice?

(k) Is it a fact that the accused was absconding and was staying somewhere in Delhi, near the Assembly quarters while the appeal was pending before the High Court?

(l) What are the grounds set out in the petition for clemency by the accused? Did Government agree with the serious allegations of partiality against the jurors on account of their having been Brahmins and, if so, on what evidence?

(m) Are Government aware that no such exception was taken to the composition of the jury, either in the Original Court or in the Court of Appeal?

The Honourable Sir Nripendra Sircar : (a) and (b). Yes.

(c) Governor General in Council exercised powers under section 401, Criminal Procedure Code. No special prerogative of the Crown was involved in the matter. Governor General in Council is not prepared to disclose the reasons, and it is opposed to public interest.

(d) Yes.

(e) No. Such consultation is not compulsory under the provisions of section 401, Criminal Procedure Code.

(f) Government is not aware of any such agitation in the Press or of any such appeals.

(g) There have been many cases where power under section 401, Criminal Procedure Code, has been exercised where no death sentence had been passed.

(h) No. The decision was based on the records of the case.

(i) No representations were made. I was asked in private conversation by two Members of this House—one belonging to the Congress Party

The Honourable Sir Henry Craik : I cannot say from the information with me.

Mr. T. S. Avinashilingam Chettiar : May I know whether Government are paying any attention to their promise that there will be progressive Indianisation in the higher services of the Government of India ?

The Honourable Sir Henry Craik : Yes, Sir ; the question of Indianisation is constantly borne in mind.

Mr. T. S. Avinashilingam Chettiar : May I know whether that is shown by the results ?

The Honourable Sir Henry Craik : If the Honourable Member wants a comparative statement he should have asked for it. I have not got the comparative figures.

Sir Muhammad Yakub : May I know how many of these Secretaries and Joint Secretaries are Muslims ?

Mr. S. Satyamurti : Are Muslims not Indians ?

Sir Muhammad Yakub : You are not the President, keep quiet. Don't go on interrupting like that.

Mr. S. Satyamurti : I can also shout, if you will shout.

The Honourable Sir Henry Craik : Two out of the five are Muslims.

Pandit Krishna Kant Malaviya : May I know whether in some departments of the Government of India Hindus are being ousted and replaced by Europeans ?

The Honourable Sir Henry Craik : No, Sir ; not that I am aware of.

ABOLITION OF THE TARIFF BOARD.

415. ***Mr. T. S. Avinashilingam Chettiar :** Will Government state :

- (a) whether it is true that the Tariff Board has been abolished ;
- (b) how many matters are still pending, awaiting reference to the Tariff Board ; and
- (c) what their object is in abolishing the Tariff Board ?

The Honourable Sir Muhammad Zafrullah Khan : (a), (b) and (c). The Honourable Member is referred to the replies given to Mr. M. Ananthasayanam Ayyangar's starred question No. 361 in the current Session.

LOANS ADVANCED TO THE JHARIA WATER BOARD.

416. ***Pandit Lakshmi Kanta Maitra :** (a) Will Government please state at what figure the loan advanced by them to the Jharia Water Board stands at present ?

(b) What is the rate of interest charged on the loan ?

(c) Is it a fact that each colliery served by the Jharia Water Board has to pay for supply of water only a cess of nine pies per ton of coal despatched from it ?

(d) Is it a fact that the total amount of the water cess realised from collieries works out at about Rs. 10 per head of colliery employees, per year, for water supply alone ?

(e) Do Government propose to consider the question of reducing the rate of interest in view of the cheapness of money prevailing at the present moment and the prolonged depression in the coal trade ?

The Honourable Sir Frank Noyce : (a) and (b). The 108½ is one from the Government of Bihar to the Jharia Water Board. The Government of India have no information of the amount still outstanding or of the rate of interest payable by the Board.

(c) and (d). The Government of India have no information. The rate of cess to which reference is made is determined by the Board from time to time with the approval of the Local Government.

(e) This is a matter for the Local Government to consider.

TAXATION PROPOSALS OF PROVINCIAL GOVERNMENTS AND COAL CESS IN BIHAR.

417. ***Pandit Lakshmi Kanta Maitra :** (a) Will Government be pleased to state what the considerations are that weigh with them in according sanctions to proposals of taxation made by Provincial Governments ?

(b) What are the criteria by which Government judge the soundness of such taxation proposals ?

(c) Is the necessity for raising such increased taxation and the capacity of the proposed tax-payers to bear the burden examined ?

(d) Do Government accept the view held by the Indian Taxation Enquiry Committee (1925) in paragraph 474 of their Report that "The general cesses are raised for general services of the local bodies and are therefore levied on the 'ability' principle, whereas special cesses are ear-marked for specified services and in this case the 'benefit' principle is appropriate" ?

(e) If the answer to part (d) be in the affirmative, will Government please state for what specific purpose the special cess on production and despatches of coal in Bihar is to be applied ?

(f) If the answer to part (d) be in the negative, will Government be pleased to state their own principle in the matter of imposition of local cess on mining and other industries ?

The Honourable Sir James Grigg : (a) I presume the Honourable Member is referring to the previous sanction which is required under clause (a) of sub-section (3) of section 80A of the Government of India Act to provincial legislation for the imposition of a tax not embraced by the Scheduled Taxes Rules. That sanction is accorded not by the Government of India but by the Governor General.

(b) In examining proposed legislation of this character the Government of India are not called upon to judge of the soundness of the taxation proposed. They are concerned only with the question whether the proposals encroach upon the fiscal sphere of the Central Government or otherwise interfere with Central taxation, and whether they adversely affect inter-provincial relations.

and another not belonging to that Party to look into the papers carefully. This was before the records had been received here. I am not prepared to disclose their names.

(j) The interference was not by His Excellency the Viceroy but by Governor General in Council in exercise of statutory power, and Government believes that the assertion in the last part of the question is wholly unfounded.

(k) Government has no such information.

(l) The petition is a very lengthy document and has been published in several newspapers. Government paid no attention to allegations against Jurors as there was no legal proof in support of them.

(m) Yes.

Mr. M. Ananthasayanam Ayyangar : If no additional materials were placed before them, will the Honourable Member be pleased to state at least the main ground on which the decision was arrived at?

The Honourable Sir Nripendra Sircar : I have nothing to add to what I have already said: the Governor General in Council is not prepared to disclose the reasons as it is opposed to public interest.

Mr. K. Ahmed : Will there be any objection on the part of the Government of India if a resolution is moved in the Assembly for the remission or acquittal?

(No answer.)

CASE OF ONE RATNASABHAPATHI GOUNDER OF THE COIMBATORE DISTRICT.

420. ***Mr. S. Satyamurti :** Will Government be pleased to state :

(a) the reasons why they remitted the balance of sentence of imprisonment for two years on one Ratnasabhapathi Gounder of the Coimbatore District in the Madras Presidency, last March ;

(b) whether they are aware that this person was found guilty of the offence by a jury which returned a unanimous verdict, and that the Judge accepted the verdict and sentenced him to two years' rigorous imprisonment ;

(c) whether the accused appealed to the High Court against the conviction and sentence ;

(d) whether the District Magistrate moved the Government to apply to the High Court for an enhancement of the sentence on the ground of its inadequacy, and also suggested an appeal against acquittal in respect of the other charges against him ;

(e) whether the Advocate General was consulted by Government ;

(f) whether the Advocate General supported both the proposals of the District Magistrate ;

(g) whether the Government of Madras accepted only the recommendation to apply for enhancement of the sentence ;

(h) whether the Government of India are aware that the Government of Madras have said that they did not apply for en-

hancement on the ground of inadequacy, but only on the ground of a technicality ;

(i) whether they are aware that the intention of the Government of Madras, in so applying for the enhancement of the sentence, was to give a right to the accused to re-open the whole case and go into the facts, as stated by them ;

(j) whether the High Court dismissed both the appeal and the petition for enhancement ;

(k) whether they are aware that after the decision of the High Court, the accused remained free, and presented a petition asking the Government to remit his sentence ;

(l) whether they are aware that the accused's petition was published in the *Justice*, a local newspaper ;

(m) whether they are aware that the petition of the accused contained scandalous allegations against jurymen, the police, etc. ;

(n) whether the Government of Madras referred it to the District authorities for verification ; if not, why not ;

(o) whether the petition was referred to the High Court for remarks, as contemplated by section 401, clause 2 ; and

(p) whether they are aware that in the judgment of the High Court, the learned Judges have said that the conviction was thoroughly justified, and the Sessions Judge's charge to the jury was unduly favourable to the accused ?

The Honourable Sir Nripendra Sircar : (a) Government is not prepared to disclose the reasons, and the same is against public interest.

(b), (c), (j) and (l). The answer is in the affirmative.

(d), (e), (f), (g), (h), (i), (k) and (n). Government have no information.

(m) The petition contained allegations against Jurymen and a Policeman to which no attention was paid.

(o) Reference to the High Court is not necessary under section 401, Criminal Procedure Code.

(p) That is the trend of the judgment though the exact language used in the question may not have been used.

Mr. S. Satyamurti : With reference to the answer to clauses (b) and other clauses to which the answer was in the affirmative, may I know whether, in passing the order they did, they took into account the facts stated in clause (b) of the question, that the person was found guilty of the offence by a jury which returned a unanimous verdict, and that the Judge accepted the verdict and sentenced him to two years' rigorous imprisonment ?

The Honourable Sir Nripendra Sircar : Yes.

Mr. S. Satyamurti : May I know, with reference to the answer to part (a)—I am not asking because the Government have said they are not prepared to answer, as it is against the public interest—if Government are prepared to answer this question, whether it was a case of

exercising clemency or mercy, or whether they went into the merits of the case at all?

The Honourable Sir Nripendra Sircar : They went fully into the merits of the case.

Mr. S. Satyamurti : May I know if my Honourable friend's attention has been drawn to the communiqué issued by the Bengal Government, where they interfered in a similar case, in which they said, in exercising powers under section 401, that they had no intention of interfering with the judgment on the merits of the case?

The Honourable Sir Nripendra Sircar : Yes.

Mr. S. Satyamurti : May I know if the Government of India accept that position, or if they have taken up the position in this case, that they should act as a semi or quasi-appellate court, against the judgments of the courts of the land?

The Honourable Sir Nripendra Sircar : This cannot be answered 'yes' or 'no'. But under section 401 discretion has been given to the Governor General in Council and they will exercise that discretion having regard to all the facts and circumstances, without being bound by any definite ruling, or any general principle applicable to all cases.

Mr. S. Satyamurti : May I take it, therefore, that, in this case as in similar cases, they will consider the merits of the case, apart from any question of clemency or mercy?

The Honourable Sir Nripendra Sircar : They have always been doing it. I myself have been doing it every day and that is why I have got to go into the merits of each mercy petition received.

Sardar Sant Singh : Is it a fact that section 401 is meant for the purpose of giving a special power to the Governor General in Council?

The Honourable Sir Nripendra Sircar : What section 401 is meant for is a question of the construction of the Statute : I express no opinion.

Mr. K. Ahmed : With regard to part (1) of the question, remission of sentence under section 401 was passed in the Imperial Council.

The Honourable Sir Nripendra Sircar : What is the question?

Mr. K. Ahmed : Is not that a fact?

The Honourable Sir Nripendra Sircar : Speaking from memory, the Code of Criminal Procedure was passed in 1898 : I do not know if my Honourable friend had any hand in passing it.

Mr. K. Ahmed : Since the irrelevancy arises out of the question, may I ask whether the forerunner of this Assembly in 1898, the Imperial Legislative Council, passed section 401 and we amended it in 1923 in this Assembly?

The Honourable Sir Nripendra Sircar : The Council which was then functioning must have passed it.

Mr. S. Satyamurti : With reference to parts (l), (m), (n)..... (Laughter)..... If Honourable Members knew more about this scandalous abuse of power, they would not laugh—I am sorry, Sir.....

The Honourable Sir Henry Craik : The Honourable Member said that this was a scandalous abuse of power : I submit that that is not a parliamentary expression and should be withdrawn.

Mr. S. Satyamurti : I have done that already : I do not stand in need of correction from the Home Member. May I ask my Honourable friend whether he is aware that this petition contained an allegation that the jurymen were Brahmins, the policemen were Brahmins, that he was a non-Brahmin who belonged to the Justice Ministry in power, and therefore the jurymen committed a grave offence by returning an incorrect verdict, that the policemen did not discharge their duties without prejudice but on caste lines, and therefore, as a loyal supporter of the Justice Party, he ought to be let out?

The Honourable Sir Nripendra Sircar : I have already answered that. I do not know if my friend by repeating wants publicity : but I may tell him there were allegations against jurymen, there were allegations against a policeman ; there were allegations on political lines. But I have said already in answer to questions, that no attention was paid to them because there was no legal proof in support of any of those apparently unfounded allegations.

Mr. K. Ahmed : Is it not a fact that in the Khord-Govindpur (Rajshahi) case, there is legal proof found in the Calcutta High Court decided by Justices Cunliffe and Henderson only a couple of months ago that the conviction by the Hindu Sessions Judge in trial and by the majority of the Hindu jury convicting the Muhammadan accused and sentencing them for transportation for life and ten years' rigorous imprisonment for kidnapping offences under sections 366 and 376 and the Judges of the Calcutta High Court who on remand had it tried by a Christian European Sessions Judge at Jalpaiguri with a majority of Muhammadan juries who reduced the sentence and a light sentence ranging from six months to four years was awarded to meet the ends of justice?

The Honourable Sir Nripendra Sircar : My Honourable friend, Mr. K. Ahmed,.....

Mr. President (The Honourable Sir Abdur Rahim) : The question does not arise.

The Honourable Sir Nripendra Sircar : May I finish the sentence, Sir? My Honourable friend is misleading the House and insulting the Calcutta High Court by saying they said something which they have not said at all.

Mr. K. Ahmed : Evidently, Sir, my friend is not aware of the decision.

Mr. President (The Honourable Sir Abdur Rahim) : Next question.

CASE OF ONE RATNASABHAPATHI GOUNDER OF THE COIMBATORE DISTRICT.

421. **Mr. S. Satyamurti :** Will Government be pleased to state, in connection with the case of one Ratnasabhpathi of Coimbatore District in the Madras Presidency whether, in remitting the sentence, they considered the verdict of the jury, and the judgment of the Sessions Judge, which were all in favour of the guilt of the accused?

The Honourable Sir Nripendra Sircar : Yes.

Mr. Sami Vencatachalam Chetty : What was the number of days that intervened between the passing of the sentence by the Madras Government and the remission of the balance of the sentence by the Government of India ?

The Honourable Sir Nripendra Sircar : I submit that does not arise from this question.

CASE OF ONE RATNASABHAPATHI GOUNDER OF THE COIMBATORE DISTRICT.

422. ***Mr. S. Satyamurti :** Will Government be pleased to state, in connection with the case of one Ratnasabhpathi of Coimbatore District in the Madras Presidency whether in the petition for remission filed by the accused, the petitioner introduces political elements and urges his services to the Justice Party, and claims that he was convicted because he was a prominent member of the Justice Party ?

The Honourable Sir Nripendra Sircar : The question reproduces the gist of part of the petition with substantial correctness.

Mr. S. Satyamurti : May I know if Government took any steps, or propose to take any steps to remove the possible misapprehension that this was one of the grounds which weighed with the Government of India in remitting the whole sentence ?

The Honourable Sir Nripendra Sircar : Government does not want to take any steps for removing a misapprehension which, I do not admit that it does exist, and which in any case must be totally unfounded.

Mr. S. Satyamurti : May I know if the Government are aware that the petition for mercy itself contained those allegations which are often asked to be expunged by courts and even executive officers, before they consider a petition which contains unfounded allegations ?

The Honourable Sir Nripendra Sircar : That has never been done. Petitions for mercy contain all sorts of things, and it is for the officer to take notice or not of such things, but I have never followed in dealing with petitions the practice to ask for expungement of certain sentences because the allegations are unfounded.

Mr. S. Satyamurti : May I take it, then that, this allegation has nothing to do with his services to the party ?

The Honourable Sir Nripendra Sircar : I have said so three times, and I repeat it again for the fourth time.

Sir Srinivasa Sarma : Is it or is it not a fact that my friend, Mr. Satyamurti, was assured, perhaps to his entire satisfaction, that there was no political element at all in one of those very mysterious but very frequent interviews that he has had with His Excellency the Governor of Madras, which however much he may like publicity, has been very carefully kept out of the press ?

Mr. Sri Prakasa : On a point of order, Sir. Are any of these interviews of Mr. Satyamurti the primary concern of the Governor General in Council ?

The Honourable Sir Nripendra Sircar : I am glad that my Honourable friend is taking up cudgels on behalf of the Governor General in Council.

CASE OF ONE RATNASABHAPATHI GOUNDER OF THE COIMBATORE DISTRICT.

423. ***Mr. S. Satyamurti :** Will Government be pleased to state, in connection with the case of one Ratnasabhpathi of Coimbatore District in the Madras Presidency :

- (a) whether they will issue a statement to allay the feeling in the Province that political and party influences have been at work to remit the sentence on the accused ;
- (b) whether they will appoint a committee to go into the question ; and
- (c) if not, why not ?

The Honourable Sir Nripendra Sircar : (a) The allegation that political and party influence had been at work is wholly incorrect. Government do not admit that there is any such feeling as has been assumed in the question. The answer, therefore, is in the negative.

(b) No.

(c) There are no reasons for doing it and further the discretionary power given to Governor General in Council by section 401, Criminal Procedure Code, is not open to investigation or revision, by any Committee howsoever appointed.

Mr. S. Satyamurti : May I know if Government have any intention of appointing any Committee, not to go into this particular question, but into the question of laying down any general principles for guidance in future ?

The Honourable Sir Nripendra Sircar : No, Sir.

REMISSION OF SENTENCE OF ONE RATNASABHAPATHI GOUNDER OF THE COIMBATORE DISTRICT.

424. ***Mr. S. Satyamurti :** Will Government be pleased to state :

- (a) whether their attention has been drawn to an article entitled "A sordid episode", published in the *Indian Express*, dated the 21st April, 1936, regarding the remission of sentence of Ratnasabhpathi Gounder ;
- (b) whether they propose to take any steps in the matter ; and
- (c) if not, why not ?

The Honourable Sir Nripendra Sircar : (a) Yes.

(b) and (c). The answer is in the negative and reasons have been given in answer to questions already put regarding this matter.

Mr. Sami Vencatachalam Chetty : May I know how many days have intervened between the remission of a part of this sentence by the Madras Government and the balance by the Government of India ?

The Honourable Sir Nripendra Sircar : I am not very good at calculating, but the file came up here, and it was disposed of in the ordinary course which took a little more time, because one had to go

very carefully through the records, but there is nothing very exceptional either in the matter of delay or of expedition in connection with that petition.

Mr. Sami Vencatachalam Chetty : Did the Government of India recommend the balance of the sentence ?

The Honourable Sir Nripendra Sircar : No, Sir.

Mr. M. Ananthasayanam Ayyangar : Was it consulted at all ?

The Honourable Sir Nripendra Sircar : By whom ?

Mr. M. Ananthasayanam Ayyangar : By the Government of India ?

The Honourable Sir Nripendra Sircar : No, Sir.

Mr. M. Ananthasayanam Ayyangar : How long was this before a decision on the Ottawa Agreement took place ?

The Honourable Sir Nripendra Sircar : I cannot solve one unknown quantity in terms of another, as I do not remember the dates.

Mr. President (The Honourable Sir Abdur Rahim) : Two answers have been given already. Next question please.

STATE CONTROL OF THE BENGAL AND NORTH WESTERN RAILWAY.

425. ***Mr. Ram Narayan Singh :** (a) Will Government be pleased to state whether they have finally decided to take over the management of the Bengal and North Western Railway under the State control, and if so, from what date or year ?

(b) Has the attention of Government been drawn to the leading article in the *Searchlight*, dated Patna, the 27th May, 1936, headed "Golden Opportunity for Taking over Bengal and North Western Railway", and if so, do Government propose to accept the recommendations made therein ?

The Honourable Sir Muhammad Zafrullah Khan : I invite the Honourable Member's attention to the replies I have given to the several questions during the current Session.

Mr. Mohan Lal Saksena : Are the Government aware of the rumour in Gorakhpur that the contract will be extended by another five years ?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir.

SPEECHES DELIVERED BY THE GOVERNOR GENERAL TO THE LEGISLATURE.

426. ***Mr. Sri Prakasa :** Are the speeches delivered by the Governor General to the Legislature a part of the proceedings of the Assembly ? If not, why are they printed in the Legislative Assembly Debates ?

Mr. President (The Honourable Sir Abdur Rahim) : Mr. Sri Prakasa's question No. 426 asks why are speeches, delivered by the Governor General to the Legislature, a part of the proceedings of the Assembly, and, if not, why are they printed in the Legislative Assembly debates ? As regards this point, I want to make the position quite clear.

At least one of my predecessors in office (Sir Frederick Whyte) was distinctly of the opinion that when the Governor General addresses the Members of the Assembly or of the Assembly and the Council of State together under section 63-B (3), that is not a meeting of the Assembly or a "Joint Sitting" of the two Chambers and that a meeting of the Assembly is only duly constituted when Mr. President has taken the Chair. This was laid down in connection with the question whether a new Member may attend without having taken the oath. I am aware that the Presidents of some Provincial Legislative Councils have expressed a different view, but I am inclined to agree with Sir Frederick Whyte.

The next question therefore whether the President acting under Standing Order 75 can direct that the Address of the Governor General so delivered be included in the Proceedings of the Assembly must be answered in the negative. At the same time, it has been the uniform practice from the commencement of this Assembly to include the Address of the Governor General in the Proceedings of the Assembly and no question has hitherto been raised as to its propriety. It is also obvious that a full and authentic report of the Address should be made available to the Members in a convenient form as soon as practicable, for its importance as bearing on the course of future legislation in the Assembly and the general policy of the Government cannot be denied. And it might well have been thought that the President in order to enable the Members to discharge their duties properly could, in the exercise of his administrative powers as the Head of the Assembly Department, authorize the publication of such speeches as part of the Proceedings of the Assembly. Having regard to these considerations I do not propose to alter the established practice in this connection unless the House clearly expresses a desire to that effect by appropriate motion.

PROBABLE DATE OF THE INAUGURATION OF FEDERATION.

427. ***Mr. Satya Narayan Sinha :** Will Government be pleased to state the probable date of inaugurating the Federation ?

The Honourable Sir Nripendra Sircar : The attention of the Honourable Member is invited to my answer to part (a) of question No. 87.

CORONATION OF KING EDWARD VIII IN INDIA.

428. ***Mr. Satya Narayan Sinha :** (a) Has the attention of Government been drawn to Reuter's cable, published some time back in all the leading newspapers of the country, in which it was stated that the Coronation of the King will be held in this country in the month of January, 1936, when His Majesty the King will inaugurate the Federation ?

(b) If the reply be in the affirmative, will Government be pleased to state, how far the said news is correct ?

The Honourable Sir Henry Craik : (a) I have not been able to trace any cable in these terms.

(b) I would refer the Honourable Member to the reply which I gave to Mr. M. Ananthasayanam Ayyangar's starred question No. 88 on the 3rd September, 1936.

Mr. K. Ahmed : Is it not a fact, Sir, that just before we commenced our Session here, His Excellency the Viceroy went down to Delhi to inspect the Assembly Chamber and found that the number of seats could be increased? Is it in the mind of the Government of India that the Federation is coming in the year 1938? What was then the necessity of incurring so much expense? What is the object of increasing the number of seats in the Delhi Assembly Chamber?

The Honourable Sir Henry Craik : That question seems to arise out of No. 427 which we have just finished. I have since answered No. 428 which has nothing to do with this supplementary.

Mr. K. Ahmed : Inauguration of Federation by His Majesty in January, 1938?

GIVING EFFECT TO THE RECOMMENDATIONS OF THE TARIFF BOARD ON THE COTTON TEXTILE INDUSTRY.

429. ***Mr. Satya Narayan Sinha :** Will Government be pleased to state the reason for giving effect to the recommendation of the Cotton Tariff Report, without ascertaining the opinion of the Legislative Assembly?

The Honourable Sir Muhammad Zafrullah Khan : The Honourable Member is referred to paragraphs 2 and 3 of the Government of India, Commerce Department, Resolution No. 341-T. (10)/36, dated the 25th June, 1936, on the Report of the Special Tariff Board on the cotton textile industry and to my speech in this House on the 2nd September, 1936, in connection with the Adjournment Motion by Mr. T. S. Avinashilingam Chettiar on the subject.

END OF THE TUNGABHADRA DISPUTE.

430. ***Mr. T. S. Avinashilingam Chettiar :** Will Government state :

- (a) whether the Tungabhadra dispute has come to an end ;
- (b) whether the concerned parties met at a conference and came to a conclusion ; and
- (c) if so, what are the conclusions ?

The Honourable Sir Frank Noyce : (a) and (b). No.

(c) Does not arise.

Mr. T. S. Avinashilingam Chettiar : Is there any conference in contemplation ?

The Honourable Sir Frank Noyce : I have already answered questions on two or three occasions in this House about this when my Honourable friend has been present.

RAILWAY EARNINGS.

431. ***Mr. T. S. Avinashilingam Chettiar :** Will Government state :

- (a) the exact position of railway earnings in the current year as opposed to last year's income ;
- (b) whether the railway rates on certain articles have been increased ; and
- (c) the effect of this change in the railway tariff ?

The Honourable Sir Muhammad Zafrullah Khan : (a) The total approximate gross earnings of State-owned Railways from 1st April to 31st August, 1936, amounted to Rs. 39 crores as compared with Rs. 37.77 crores during the corresponding period of 1935.

(b) Yes : reference to the more important enhancements was made in paragraph 22 of the Explanatory Memorandum of the Railway Budget of the Government of India 1936-37.

(c) As will be seen from the figures given in my reply to part (a) of this question, there has been an increase in the gross earnings of Rs. 123 lakhs, some of which may be attributed to the changes in the tariff.

Mr. T. S. Avinashilingam Chettiar : May I know whether according to the present rates they expect to have a deficit or a surplus in the coming year ?

The Honourable Sir Muhammad Zafrullah Khan : If railway earnings continue to increase at the present rate I think on the commercial lines there may be some surplus.

STEPS TAKEN TO IMPROVE THE RAILWAY REVENUES AND REDUCE THE RAILWAY EXPENDITURE.

432. ***Mr. T. S. Avinashilingam Chettiar :** Will Government state :

- (a) what steps have been taken to improve the railway revenues and reduce the railway expenditure, since the last Session ;
- (b) whether they contemplate appointing any expert to go into this matter ; and
- (c) if so, who is the expert they propose to appoint ?

The Honourable Sir Muhammad Zafrullah Khan : (a) I would refer the Honourable Member to the reply I gave to parts (b), (c) and (d) of Mr. S. Satyamurti's question No. 37 on the 1st September, 1936.

(b) and (c). I would refer the Honourable Member to the reply I gave to Mr. Ananthasayanam Ayyangar's question No. 84 on the 2nd September, 1936.

Mr. T. S. Avinashilingam Chettiar : May I take it that it has not been finally settled whether to bring in a foreign expert or not ?

The Honourable Sir Muhammad Zafrullah Khan : Yes, the Honourable Member may take it.

†433*.

† This question was not put by the questioner.

SUFFERERS FROM ITALIAN GAS BOMBS IN ADDIS ABABA.

434. *Sardar Sant Singh : (a) Was any representation made by the Indian community in Addis Ababa to Sir Sidney Barton, the British Ambassador, on the 31st March, 1931 ? If so, will Government lay a copy of the same on the table of the House ?

(b) Is it a fact that the British Ambassador gave a reply to the representation ? If so, what was the reply ? Will Government lay a copy of the same on the table of the House ?

(c) Is it a fact that an Association of Indians was formed in Addis Ababa to help the sufferers from the Italian gas bombs ? If so, is it a fact that this Association passed a resolution demanding gas masks from the British Legation and requesting the Ambassador to arrange for the expropriation of Indian women and children ? If so, what reply was given by the British Legation to this resolution of the Association ?

Sir Aubrey Metcalfe : (a) to (c). The Government of India have no information.

Mr. S. Satyamurti : Will they kindly call for the information ?

Sir Aubrey Metcalfe : It is somewhat difficult to call for information about what happened in Addis Ababa five years ago.

Sardar Sant Singh : It must be 1936, and 1931 is a mistake in printing.

Sir Aubrey Metcalfe : That is the question as it reached us, and it is somewhat difficult for Government to correct such mistakes.

Sardar Sant Singh : It is a mistake in printing. It must be 1936. Will the Honourable Member find out the information after correcting the mistake ?

Sir Aubrey Metcalfe : Notice was received as to 1931 and I submit that it is not the duty of Government to correct mistakes of five years.

Mr. President (The Honourable Sir Abdur Rahim) : Is the Honourable Member really sure that it is a misprint here ?

Sardar Sant Singh : Yes. It must be 1936 and not 1931. 1931 is a mistake.

An Honourable Member : Give fresh notice.

BRAVERY OF SIKHS IN ADDIS ABABA.

435. *Sardar Sant Singh : (a) What part did the Sikh guard play in protecting the lives and property of the foreigners in Addis Ababa during the plunder that followed after the Negus left the capital ?

(b) Were any letters of appreciation received by the Legation as to the conduct of the Sikh soldiers ? If so, will Government lay the same on the table of the House ?

(c) In what form have the Government of Great Britain, or the Government of India, appreciated the bravery of the Sikhs in Addis Ababa ?

Mr. G. R. F. Tottenham : (a) The attention of the Honourable Member is invited to the press communiqué issued on September 1st,

a copy of which was laid on the table in reply to question No. 212 on the 9th September, 1936.

(b) Many letters of appreciation were received at the Legation. Copies of those available have been placed in the Library.

(c) Both His Majesty's Government and the Government of India communicated their appreciation by telegram.

Sardar Sant Singh : What steps have Government taken to reward the personnel of the Sikh Guard which had shown such bravery in such a situation ?

Mr. G. R. F. Tottenham : Obviously I cannot make any statement about what may or may not happen in the future in this matter.

Sardar Sant Singh : Are Government considering any steps to reward these people ?

(No answer.)

PROPORTION OF SIKHS IN CERTAIN DEPARTMENTS UNDER THE GOVERNMENT OF INDIA.

436. *Sardar Sant Singh : (a) Will Government be pleased to state if they have received any copies of the resolutions passed by various Sikh institutions, complaining against the arrangement of proportional communal representation in the services under the Government of India in the following departments :

- (i) Railways ;
- (ii) Posts and Telegraphs ;
- (iii) Customs ; and
- (iv) Home ?

(b) What steps do Government propose to take to remedy the defect and to remove the complaint of the Sikh community ?

(c) In case Government propose to take no steps, will they be pleased to lay on the table a statement showing the figures of the proportion of the Sikhs in these departments in the various grades, and state if the proportion in service is even equal to their proportion in population ?

The Honourable Sir Henry Craik : (a) Copies of such resolutions were received by the Home and Railway Departments only.

(b) Government are not prepared at present to fix separate reservations for Sikhs but will watch the annual returns showing the communal composition of the services and the vacancies filled by direct recruitment, to see that the Sikhs get their due share of vacancies.

(c) I lay on the table four statements showing the representation of Sikhs in the Departments mentioned by the Honourable Member. The Sikhs form 1.21 per cent. of the population of India proper, and it will be seen from the statement that their representation is more than this figure in the Railway services, in five out of the nine categories into which the Posts and Telegraphs services have been divided, in the temporary subordinate staff of the Customs Department, and in the Second and Third Divisions of the ministerial staff of the Home Department.

Statement showing the Representation of Sikhs in the Railway Services, on 31st March, 1936.

Statement showing the Representation of Sikhs in the Railway Services, on 31-12-1940.																
Names of Railways, etc.	Gazetted staff.															
	Departments.															
	Agency.		Accounts.		Engineering.		Transporta- tion and Commercial.		Mechanical Engineering.		Stores.		Other De- partments.			
No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%			
1. Assam Bengal Railway	..	..	..	..	1	5.00	..	1	1.92	..	..	..	..	23	0.04	
2. Bengal Nagpur Railway	..	..	..	..	..	..	..	..	..	..	..	..	..	94	0.91	
3. Bengal and North Western Railway	..	..	..	..	..	..	..	..	..	..	..	..	..	14	0.26	
4. Bombay, Baroda and Central India Railway	..	..	..	..	..	..	1	2.50	..	..	..	..	..	104	0.44	
5. Eastern Bengal Railway	..	..	..	..	1	2.86	..	..	..	..	..	..	..	36	0.35	
6. East Indian Railway	..	..	1	12.50	..	..	1	1.27	..	..	1	7.69	1	2.60	141	0.61
7. Great Indian Peninsula Rail- way	..	..	..	..	..	..	..	..	..	..	..	..	..	58	0.36	
8. Madras and Southern Mahratta Railway	..	..	..	..	..	..	2	6.25	..	..	..	..	..	4	0.04	
9. North Western Railway	..	..	..	..	..	..	4	7.41	1	1.79	..	..	1	12.50	1,481	7.20
10. Rohilkund and Kumaon Railway	..	..	..	..	..	..	..	..	..	..	..	..	..	1	0.11	
11. South Indian Railway	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
12. Railway Board and Miscella- neous offices	..	..	..	..	..	..	..	..	..	..	..	..	..	62	2.61	
Total	..	..	3	2.63	6	1.07	9	1.91	1	0.33	1	1.39	2	1.07	2,018	1.48

Total of Sikhs among Gazetted staff : 22/1779, or 1.24%.

Statement showing the figures of the proportion of the Sikhs employed in the Posts and Telegraphs Department in the various grades as on 31st December, 1934, excluding the inferior staff and the staff working in the Burma Circle.

Grade.	Total Number employed.	Number of Sikhs.	%
I. Gazetted Staff	398	8	2.01
II. Engineering Supervisors, General and Telephones and Electrical Supervisors ..	258	2	0.78
III. Wireless Supervisors and Wireless Operators ..	122	2	1.64
IV. Telegraphists and Telegraph Masters ..	2,320	9	0.39
V. Clerical Staff	28,758	458	1.59
VI. Line Staff	3,648	45	1.23
VII. Postmen, Mail Guards, Departmental Branch Postmasters, Overseers, Overseer Postmen, Head Sorting and Reader Postmen ..	26,273	119	0.45
VIII. Other Non-gazetted, Non-clerical, Superior Staff	1,159	30	2.59
IX. Direction (Clerical)	180	2	1.11
Total ..	63,116	675	
	Or 1.07%		

[illegible]

* The figures include those for Burma.
† Including 2 L. C. S. Officers.

Statement showing the representation of Sikhs in Home Department, on the 1st January, 1936.

	No.	%
1. Imperial Secretariat Service, Class I (Assistant Secretary)	..	..
2. Imperial Secretariat Service, Class II (Assistants)	..	..
3. Imperial Secretariat Stenographers' Service	..	..
4. Subordinate Service (Second Division clerks)	2	9.52
5. Subordinate Service (Third Division clerks)—		
(i) Permanent	1	5.26
(ii) Temporary	1	25.00

NOTE.—One of the Sikhs in the Second Division is provisionally permanent in the First Division, and the other is a provisionally permanent stenographer.

Sardar Sant Singh : Is it a fact that the Sikhs are not getting their proportion in services according to their population in the departments in the Punjab ?

The Honourable Sir Henry Craik : Does the Honourable Member mean departments under the Local Government ?

Sardar Sant Singh : I mean departments under the Central Government.

The Honourable Sir Henry Craik : Which particular department ?

Sardar Sant Singh : Railways, Posts and Telegraphs and Home.

The Honourable Sir Henry Craik : I have said that the Sikhs are getting more than their population representation in the Railway services, in five out of the nine categories into which the Posts and Telegraphs services have been divided, in the temporary subordinate staff of the Customs Department, and in the Second and Third Divisions of the ministerial staff of the Home Department. The Home Department has no staff in the Punjab so far as I am aware.

Sardar Sant Singh : Is it not a fact that in the Posts and Telegraphs Department the Sikhs' representation in the Punjab is about 8.3 per cent., while their population is about 14 per cent. ?

The Honourable Sir Henry Craik : I have no separate figures for provinces, I can only give the figures for India as a whole.

Dr. Ziauddin Ahmad : With reference to part (a) of the question, will the Honourable Member add a fifth department, that is, the P. W. D. of Delhi, and afterwards give the figures of the combined departments ?

The Honourable Sir Henry Craik : That was not asked for in the question.

SPEECH DELIVERED BY THE *ex-EMPEROR OF ABYSSINIA* IN THE LEAGUE OF NATIONS.

437. ***Sardar Sant Singh :** Has the attention of Government been drawn to the speech made by the *ex-Emperor of Abyssinia* in the July meeting of the League of Nations ? If so, what steps have been taken by Government, as an independent member of the League, to show their disapproval of the policy of the League in this affair ?

Sir Aubrey Metcalfe : The Government of India have seen the speech referred to and have taken no steps of the kind suggested by the Honourable Member.

Sardar Sant Singh : May I know, having regard to the fact that about Rs. 125 lakhs have been paid by India as a contribution to the League of Nations, is it not the duty of the Government of India to interfere in the working of the League of Nations if they find it against the interests of India as a whole ?

Sir Aubrey Metcalfe : The Honourable Member has asked me for an opinion on a hypothetical question.

SAFEGUARDING OF THE INTERESTS OF EUROPE ALONE BY THE LEAGUE OF NATIONS.

438. ***Sardar Sant Singh :** (a) Has the attention of Government been drawn to the speeches made in the League of Nations' July Session whereby the representatives of the French and other nations stressed the point that the League stands to safeguard the interests of Europe alone ?

(b) In the presence of such utterances in the open Session, do Government propose to give notice of withdrawal from the League ?

The Honourable Sir Nripendra Sircar : (a) The official report of the speeches made on the occasion to which the Honourable Member refers has not reached the Government of India who have no reason to suppose that observations in the sense indicated by the Honourable Member were made.

(b) Does not arise.

Sardar Sant Singh : May I know whether the attention of the Honourable Member was drawn to the report of the speeches made in the League of Nations on that occasion, especially by the French Premier, in which it was stressed that the European interests were the only interests which the League of Nations had to protect ?

The Honourable Sir Nripendra Sircar : We consulted the *Times* of London and there is nothing there in the speech to justify the inference which, according to me, has been wrongly drawn by the Honourable Member.

TERMINATION OF THE OTTAWA TRADE AGREEMENT.

439. ***Seth Haji Abdoola Haroon :** (a) Will Government be pleased to state whether it is a fact that Ottawa Pact has been cancelled ?

(b) If the reply to the above be in the affirmative, are Government prepared to consider to have a fresh agreement with Britain for preferential treatment to Indian goods ?

(c) If so, do Government propose to enter into negotiation for preferential treatment to Indian sugar, so that, in view of prices having declined in India, an encouragement may be found in the United Kingdom ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Six months' notice of termination of the Ottawa Trade Agreement was given on behalf of India on the 13th May, 1936.

(b) and (c). Negotiations with His Majesty's Government in the United Kingdom for a fresh Agreement are in progress, but it is not yet possible to make any statement as to the articles likely to be included in the Agreement.

INCONVENIENCE SUFFERED BY THIRD CLASS PASSENGERS ON THE EAST INDIAN RAILWAY.

440. ***Mr. Sri Prakasa :** (a) Is it a fact that on the East Indian Railway, third class compartments meant for from 40 to 52 passengers, have only one door on either side ?

(b) Are Government aware that at way-side stations, passengers are very often seriously inconvenienced in getting in or out during the short time at their disposal ?

(c) Are Government prepared to insist on railways having not less than one door on each side for 15 to 20 persons at the utmost ?

The Honourable Sir Muhammad Zafrullah Khan : (a) There are compartments with a seating capacity of 40 passengers with one door on each side. In compartments carrying more than 40 passengers, in addition to the door on each side, an additional door for exit and entrance through the adjacent compartment is provided, except in the case of one carriage only in which there is a third class compartment with a seating capacity of 62 passengers which has only one door on either side. The Agent, East Indian Railway, is being asked to arrange for this compartment, when the carriage is next in shops, to be provided with one more door on each side.

(b) Government are not aware that the passenger traffic at way-side stations is sufficient to cause the inconveniences referred to.

(c) No.

Mr. President (The Honourable Sir Abdur Rahim) : I have to inform Honourable Members that Sir Girja Shankar Bajpai will be going to Bombay on Government business and will not return till Monday. I think it will suit the convenience of the House if the questions he has to answer stand over till Monday.

†441*.

MOTIONS FOR ADJOURNMENT.

DISALLOWANCE OF ADJOURNMENT MOTIONS.

Mr. President (The Honourable Sir Abdur Rahim) : I have received notice of two adjournment motions. One is from Mr. Satya Narayan Sinha, who writes :

"I do hereby give a notice that the House do now adjourn to discuss a definite matter of urgent public importance, namely, the disallowance of almost all adjournment motions given notice of by the Honourable Members in this Session on some pretext or other."

† This question was withdrawn by the questioner. * In the original

I want to know from the Honourable Member who disallowed the motions.

Mr. Satya Narayan Sinha (Darbhanga-cum-Saran : Non-Muhammadian) : By the President and the Governor General.

Mr. President (The Honourable Sir Abdur Rahim) : Then, why is it not stated ?

Mr. Satya Narayan Sinha : I thought it was understood.

Mr. President (The Honourable Sir Abdur Rahim) : This motion has been brought in respect of the adjournment motions that have been disallowed. As regards that, I should like to point out to the House that it has been clearly ruled on a previous occasion, and I entirely agree with that ruling, that no adjournment motion can be moved in this House to call in question the exercise of certain functions by the Governor General. I refer to the ruling which is recorded as No. 20 on page 18 of "A Selection from the Decisions of the Chair". The President, Sir Frederick Whyte, ruled thus :

"The Governor General, in the discharge of any of his functions or in the exercise of any of his powers as Governor General, and not as Governor General in Council, cannot be brought into debate in this House."

I should also like to mention that it has been ruled by me on previous occasions, and there are other rulings to this effect, that the rules impose certain duties on the President with respect to the motions for adjournment, and the President deals with such motions. Then, there are other powers which are vested in the Governor General in these matters, for instance, whether a motion can be moved consistently with public interest or whether it refers to a matter which is primarily not the concern of the Governor General in Council. These powers are vested in the Governor General himself and not in the President. I, therefore, rule this motion out of order.

FREEDOM OF INDIVIDUAL MEMBERS OF GOVERNMENT TO EXPRESS PERSONAL OPINIONS.

Mr. President (The Honourable Sir Abdur Rahim) : There is another motion in the name of Mr. Satyamurti. He wants to move the adjournment of the House "to consider a definite matter of urgent public importance, namely, the unsatisfactory attitude of the Government of India in respect of the freedom of individual Members of Government to express personal opinions, out of accord with the accepted policy of the Government, as stated in the answers to my short notice question yesterday on the subject, and the supplementaries thereto". Is there any objection ?

The Honourable Sir Nripendra Sircar (Leader of the House) : I object that this is not within the rules which permit the adjournment of the House to discuss matters of a particular kind. The reason given is that certain answers were given yesterday which are said to be unsatisfactory. I have to blame myself for that, because I was foolish enough to accept short notice. If you will turn to page 13 of the

[Sir Nripendra Sircar.]

Second Part of the Decisions from the Chair you will find that the President, in admitting the motion as a special case, observed :

" It has been in the past the practice in this House to move the adjournment of the House on the unsatisfactory reply given by a Member of Government to a question. The Chair has now to decide whether, in the light of all the circumstances connected with the present case, the motion sought to be moved by the Honourable Member is in order. The Chair must say that the general line of argument adopted by the Honourable the Leader of the House in taking an objection to this motion is valid. There seems to be an impression in the minds of certain Honourable Members at any rate, that the mere fact that the answer to a question is unsatisfactory is in itself a sufficient ground to make a motion for adjournment on that point *ipso facto* in order. The Chair should distinctly rule that by itself the answer to a question is not sufficient ground for moving a motion for the adjournment of the House. In deciding the admissibility of such a motion, the Chair has always to take into consideration the subject-matter with which the question is connected, and, if the subject-matter itself is in violation of the rules and Standing Orders relating to the motion for adjournment, no manner of unsatisfactory answers would make such a motion in order. But, in this particular case, there are other factors to be taken into consideration."

I am omitting the other factors but I would draw your attention to page 14, towards the end of that paragraph :

" The Chair would make it perfectly clear that the ruling of the Chair that in this particular case this motion is in order would not be taken as a precedent, because the Chair wants it to be distinctly understood once again that by itself the answer to a question cannot be sufficient ground for moving the adjournment of the House unless the subject-matter of the question itself conforms to the rules and regulation relating to adjournment motion."

Applying that test, if you will kindly turn to the notice for one moment, in considering the question of the alleged unsatisfactory reply, what is the definite matter of urgent public importance? The unsatisfactory attitude of the Government of India in respect of the freedom of individual Members of Government to express personal opinions. I submit an attitude is not a definite matter of urgent public importance. No complaint was made of the speeches by adjournment motion.

Mr. S. Satyamurti (Madras City : Non-Muhammadan Urban) : Oh, yes.

The Honourable Sir Nripendra Sircar : My friend says, " Oh, yes ". He is not occupying the Chair. The attitude now complained of, as you will find from my reply to part (c) of the short notice question, refers to certain speeches made by my Honourable colleague, the Finance Member. These speeches were made long long ago and they have been repeated several times. I submit that an attitude which has to be gathered from certain events which have happened is not a definite matter of urgent public importance. There has been no recent speech from which an attitude could be gathered.

Mr. President (The Honourable Sir Abdur Rahim) : When was the last speech made?

The Honourable Sir Nripendra Sircar : The last one was made in Bombay a year ago. I submit that this is really an abuse of the special provisions which allow only urgent matters of definite public importance. If my Honourable friend had moved his adjournment motion basing it on a speech which had been recently delivered, then, Sir, one could have seen whether he had come forward promptly enough or not.

If, on the other hand, he is not complaining of one speech but of a series of speeches which show the alleged attitude—even the last one was more than one year old—I submit that this is not the way in which the rules should be abused simply because I agreed to accept short notice. You have discretion to rule it out.

Mr. S. Satyamurti : Sir, I deprecate the use of the word " abuse ". You have not yet given your ruling. So far, I have given notice of a motion, and you have asked for objections.*

Mr. President (The Honourable Sir Abdur Rahim) : Do you want to disallow it on the ground that it is an abuse of the Standing Orders?

The Honourable Sir Nripendra Sircar : That is my submission.

Mr. S. Satyamurti : I desire to say, Sir, that the object of my motion is not, to-day, the unsatisfactory answer of my friend yesterday or of the speeches of the Honourable the Finance Member of a year ago. The point in connection with which I am now seeking your leave for moving the adjournment is the unsatisfactory attitude of the Government in respect of public speeches by Honourable Members of Government out of accord with the accepted policy of the Government. I desire to invite your attention to the answer to clause (a) of my short notice question of yesterday. My question was :

" (a) whether Government have considered or propose to consider the question of Members of Government making public speeches against the accepted policy of Government "

The answer was this :

" (a) I must dissociate myself from any implication which the Honourable Member may seek to convey to the effect that any particular speeches made by Members of the Government are correctly describable as having been made against the accepted policy of Government."

The next sentence is :

" Government have, however, taken the opportunity afforded by the Honourable Member's previous question to review the general position in respect of the freedom of individual Members to express personal opinions out of accord with the accepted policy of Government."

Sir, for the first time myself and this Honourable House and the Government alike have the opportunity of considering this question of the freedom of individual Members of Government to express personal opinions out of accord with the accepted policy of the Government. Then, Sir, clause (b) of my question was :

" (b) what their conclusion on the matter is? "

And the answer was :

" (b) The view of Government is that complete identity of opinion is no more possible among the Members of a Government than among the members of any other associated body. The question of when an avowed divergence of opinion is incompatible with continuance in the Government of the individual Member concerned is a question of degree to be decided by the head of the Government."

Till this answer was given, Sir, I had no information, and I believe you had none, as to what the attitude of the Government was. There is no doubt that Honourable Members of Government were making speeches against the accepted policy of the Government, and I can quote instances. Till this answer was given, I had no information, and you

[Mr. S. Satyamurti.]
 had no information also I submit, and this House had no information, as to what the exact attitude of the Government was. It was only the week before, that I heard, on the floor of the House, that individual Members could express their own personal opinions. When the question of protection *versus* free trade came up, my Honourable friend, the Finance Member, said here on the floor of this House, that he was making this speech in his personal capacity. On that, I gave notice of a short notice question. I took the earliest opportunity, and I am grateful to the Honourable the Leader of the House for accepting a short notice question, and the answer has come : and I have taken the next earliest opportunity to ask your leave and the leave of this House to condemn or censure this attitude of the Government. I am not complaining against the unsatisfactory answer given or against the speeches but against the attitude of the Government....

Mr. President (The Honourable Sir Abdur Rahim) : Is the answer a recent occurrence ? You say that it is recent ?

Mr. S. Satyamurti : Not the answer, but the attitude of the Government. You will notice, Sir, these words of the answer given, and they are important :

" Government have, however, taken the opportunity afforded by the Honourable Member's previous question to review the general position in respect of the freedom of individual Members to express personal opinions out of accord with the accepted policy of Government."

Sir, " review " means " to examine again " ; whatever the attitude previously was, I submit they have taken advantage of my question to review the whole position, and to lay down this new attitude.

Mr. President (The Honourable Sir Abdur Rahim) : What has been the new attitude which you say has been laid down ?

Mr. S. Satyamurti : That, Sir, is in reply to clause (b) of the question :

" (b) The view of Government is that complete identity of opinion is no more possible among the Members of a Government than among the members of any other associated body....."

The question, on which I am now asking your leave and the leave of the House to move this motion of adjournment, is on this point, *viz.* :

" the question of when an avowed divergence of opinion is incompatible with continuance in the Government of the individual Member concerned is a question of degree to be decided by the head of the Government."

Mr. President (The Honourable Sir Abdur Rahim) : Is that a new decision arrived at on this review ?

Mr. S. Satyamurti : Yes, Sir. (Voices from the Official Benches : " Not at all ".) Sir, the words here are " to review ". The decision has been given. I am not concerned with the merits of the question. The simple point, which you have to consider now, Sir, is whether I have not satisfied you, under the Rules and Standing Orders, that it is a definite and urgent matter of public importance. Nobody can deny that it is of public importance, nobody can deny that it is a definite matter, the only thing is whether it is urgent. I submit, Sir, that up to yesterday morning

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when I read the answer, I had no idea what the attitude of the Government was, and the Government themselves said that they have reviewed the whole position, and they have communicated their decision to us for the first time.

Mr. President (The Honourable Sir Abdur Rahim) : You want to discuss the abstract question of the attitude of the Government.

Mr. S. Satyamurti : I want to discuss a concrete question, *viz.*, the review made by the Honourable Member. I am concerned with this—what is the attitude of the Government of India as a corporate body ?

Mr. President (The Honourable Sir Abdur Rahim) : What do you mean by " attitude " ? I want to understand the position.

Mr. S. Satyamurti : My point is that the Government of India is a corporate body. If any Member wants to make a speech against the accepted policy of the Government, he must go to his colleagues and convince them that that is not against the policy of the Government as a whole. You will remember, Sir, that when Sir Samuel Hoare went to Paris in connection with the negotiations over the Italo-Abyssinian question, he had made a speech and he was dismissed by the Prime Minister ; because of this that, while the Prime Minister sympathised with the views expressed in his speech it was against the accepted policy of the Government.

Mr. President (The Honourable Sir Abdur Rahim) : I have nothing to do with that. I am not concerned with the appointment of Members of Government. All I want to know is this—whether a motion for adjournment was or was not moved in Parliament. I want to know whether any motion for adjournment was moved ?

The Honourable Sir Nripendra Sircar : A motion for adjournment was moved on specific speeches,—one by Mr. Neville Chamberlain and another by Sir Austin Chamberlain—which were supposed to be against the accepted policy of the Government.

Mr. S. Satyamurti : I am obliged to my friend, the Honourable the Leader of the House. In that case, the policy of the Government is well understood and well-known. In England, the policy of collective responsibility of the Government has been well laid down in a convention. Here, Sir, we have been in darkness, and only yesterday the light came in.

Mr. President (The Honourable Sir Abdur Rahim) : The policy of the Government is really for the Governor General in Council to decide.

Mr. S. Satyamurti : I submit, Sir, that if a Member expresses opinions against the accepted policy of the Government, that is a definite matter of public importance for one to move an adjournment upon. The simple point now is whether or not it is urgent.

Mr. President (The Honourable Sir Abdur Rahim) : What is the definite matter ?

Mr. S. Satyamurti : The decision, on a review by the Governor General in Council, of their attitude towards Members of Government making public speeches out of accord with the accepted policy of the

[Prof. N. G. Ranga.]

Sir, my object in moving this amendment is that if it is considered to be necessary to make the list available to all members of any particular company of the names, descriptions and addresses of the members of the company and also the number of shares held by them, then I think it is only fair to the ordinary shareholders that that particular list should be printed and copies of it sent to everyone of them so that they may go prepared and make use of it to the extent they are expected to make use of it. That list is not sent but is kept at the office for their inspection. Sir, I move this amendment in the hope that the Honourable the Law Member will find it possible to accept it.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in clause 30 of the Bill, in sub-section (6) of the proposed section 77, after the words 'number of shares held by them respectively' the words 'to be forwarded to all members of the company and' be inserted."

Mr. Susil Chandra Sen (Government of India : Nominated Official) : Sir, I beg to oppose the amendment and my reasons are these. My Honourable friend, Prof. Ranga, in asking for the adoption of his amendment is really imposing an unreasonable burden on the company. If you look at the proposed sub-section (6) of section 77, you will find that it says :

"The directors shall cause a list showing the names, descriptions and addresses of the members of the company, and the number of shares held by them respectively, to be produced at the commencement of the meeting, and to remain open and accessible to any member of the company during the continuance of the meeting."

Sir, we must not forget that this is a provision relating to a statutory meeting which is the first meeting held after the issue of the prospectus and after the company is incorporated. In the prospectus the names and description of the directors are all given. The only further information which this list can possibly give is the number of shares which have been subscribed in the meantime and the names and addresses of these shareholders. As to this first of all there is a share register which is available to every shareholder to find out who the shareholders are. Over and above that, a list is to be placed on the table for the help of the shareholders, but even that is not sufficient for my Honourable friend. He wants the company to print all this information and to circulate it to such of the shareholders as ask for it free. I do not know for what reasons. The reasons given by my Honourable friend are not at all convincing and I beg to oppose the amendment.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in clause 30 of the Bill, in sub-section (6) of the proposed section 77, after the words 'number of shares held by them respectively' the words 'to be forwarded to all members of the company and' be inserted."

The motion was negatived.

Mr. S. Satyamurti (Madras City : Non-Muhammadan Urban) : Sir, I beg to move :

"That in clause 30 of the Bill, in sub-section (10) of the proposed section 77, after the word 'director' the words 'managing agent or officer' be inserted."

Sir, I submit it is a necessary amendment, because, if Honourable Members will read the entire section, they will find it gives several duties of directors, regarding statutory meeting of a company. Knowing the constitution of a company, after all, the directors may not be able to influence the managing agents and officers who have got to carry out the resolutions of the company. I submit this is a necessary amendment. "Officers" are defined in the Act, and they will include all those people who are guilty of default. I may add that we are proposing to put in this Bill a section on the lines of the section in the English Act, giving powers to Courts to give relief in all proper cases, where default was excusable and for *bond fide* reasons. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in clause 30 of the Bill, in sub-section (10) of the proposed section 77, after the word 'director' the words 'managing agent or officer' be inserted."

Sir Cowasji Jehangir (Bombay City : Non-Muhammadan Urban) : Who is an "officer" ?

Mr. S. Satyamurti : My Honourable friend will find in sub-section (11) of section 2 of the Act, "officer" is defined. An officer "includes any director, manager or secretary but, save in sections 235, 236 and 237, does not include an auditor".

Sir Cowasji Jehangir : Which officer is to be guilty ?

Mr. S. Satyamurti : Any director, manager or Secretary.

The Honourable Sir Nripendra Sircar (Law Member) : I oppose the amendment. It may be a very laudable idea to go on putting the words 'managing agent' wherever possible in every section, but it is a complete misfit here. If you will turn to sub-section 2, the primary duty of calling a statutory meeting is that of the directors. "The Directors shall at last 21 days before the day on which the meeting is held, forward a report, etc." It is the primary duty of the director. He cannot take shelter behind the managing agent and say that the other man is responsible and not he. It is a complete misfit to put in the managing agent here. If the primary responsibility is that of the director, I submit there is a penalty for the punishment of the man who is primarily responsible if he makes default. There is absolutely no reason for putting in the words 'managing agent or officer' in this sub-clause. Sir, I oppose.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in clause 30 of the Bill, in sub-section (10) of the proposed section 77, after the word 'director' the words 'managing agent or officer' be inserted."

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That clause 30, as amended, stand part of the Bill."

The motion was adopted.

Clause 30, as amended, was added to the Bill.

Clause 31 was added to the Bill.

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[Mr. S. Satyamurti.]

Government. One speech has been made. Till now I did not know the policy. You will notice, Sir, that I lay great stress on the words "to review". Government themselves did not know their own mind.

Mr. President (The Honourable Sir Abdur Rahim) : If there is a Government like the Government of India, I should think it is assumed that they will act as a body as they always do as the Governor General in Council whatever may be the differences of opinion amongst themselves. But supposing there has been a breach of such convention, then as soon as the breach occurred there may or may not be a question to be raised.

Mr. S. Satyamurti : I submit that, if hereafter a speech is made against the policy as laid down by the Government, it will be open to any Honourable Member of the House to bring it to the notice of the Government or of the House.

Mr. President (The Honourable Sir Abdur Rahim) : So far as I have heard the Leader of the House and your remarks, I must say I do not know what is the definite matter there. Is it the decision of the Government of India?

Mr. S. Satyamurti : I say it is a new matter, and it is a definite matter, and I say that the House ought not to approve of it. Whether it will agree with me or not will be decided only after 4 o'clock, if I secure your permission. At the present moment, the question is whether the matter is new, urgent and definite. I submit all these tests are satisfied.

Mr. President (The Honourable Sir Abdur Rahim) : Do you really mean to say that it is a question for argument that the Governor General is the authority to decide? If it is a question for argument, then you can say that, but does it admit of argument?

Mr. S. Satyamurti : I make two submissions on that. First of all, whether it is an arguable point is a matter for the House to decide. Assuming that you are the sole judge of that, I say there are at least two possible points of view—either the entire Government has to decide this question, or the Governor General alone. My submission to the House will be, if I get a chance of moving it, that the whole Government ought to decide. I will give you one example. A Member of Government talks against the protectionist policy of Government. But my friend, the Commerce Member, may feel hurt all the time that his policy is being torpedoed by his colleague's public speeches. Where will he come in the picture if it is solely for the Governor General to decide the freedom of expression of opinion?

Mr. President (The Honourable Sir Abdur Rahim) : The Governor General is virtually the appointing authority for the Members of the Council.

Mr. S. Satyamurti : Under the Government of India Act of 1919, he has nothing to do with it. He is a cypher so far as that opinion is concerned. The Governor General is practically nobody under the sections of the Government of India Act of 1919. Of course, he acts as the Governor General in Council but in case of difference of opinion, he cannot do anything by himself, except in very exceptional cases. He can write a note of dissent to the Secretary of State.

The Honourable Sir Nripendra Sircar : Are you allowing, Sir, a debate on this question?

Mr. S. Satyamurti : My second submission is that the Honourable the Leader of the House has referred to a very long ruling, but the narrow question there was the unsatisfactory nature of the answers.

Mr. President (The Honourable Sir Abdur Rahim) : That is well understood. The mere unsatisfactory nature of an answer is not sufficient.

Mr. S. Satyamurti : This has nothing to do with it. I am now basing my case, merely on the definite matter which was announced yesterday in the House, with regard to the attitude of Government on receipt of my question, that the Governor General is the sole judge of the degree of freedom to be enjoyed by Members of Government, when expressing publicly their policy. I submit this decision is out of order.

Mr. President (The Honourable Sir Abdur Rahim) : I will consider this matter and give my ruling tomorrow.

I may here mention as regards Sardar Sant Singh's question relating to Addis Ababa that the date he has written in his question is distinctly '17th March, 1931'. He ought not to have imputed the blame to office.

The Honourable Sir Nripendra Sircar : Sir, I wanted to put in a word when my friend was arguing but he asked me to wait till he had finished his remarks. I am not going to make a speech. But if you will kindly look at page 85 of the Standing Orders and Rules of the Assembly Manual you will find that the words are "a specific matter of recent occurrence". If the questions go out, what is the matter of recent occurrence? We have reviewed the whole position.....

Mr. President (The Honourable Sir Abdur Rahim) : Very well; I will consider all these points and give my ruling tomorrow.

THE INDIAN COMPANIES (AMENDMENT) BILL—contd.

Mr. President (The Honourable Sir Abdur Rahim) : The House will now resume consideration of the Bill further to amend the Indian Companies Act, 1913, for certain purposes, as reported by the Select Committee. The motion before the House is :

"That clause 30, as amended, stand part of the Bill."

Prof. N. G. Ranga (Guntur cum Nellore : Non-Muhammadan Rural) : Sir, I move :

"That in clause 30 of the Bill, in sub-section (6) of the proposed section 77, after the words 'number of shares held by them respectively' the words 'to be forwarded to all members of the company and' be inserted."

The original sub-section (6) of clause 30, as amended, will read thus :

"(6) The directors shall cause a list, showing the names, descriptions and addresses of the members of the company, and the number of shares held by them respectively, to be forwarded to all members of the company and to be produced at the commencement of the meeting, and to remain open and accessible to any member of the company during the continuance of the meeting."

Mr. President (The Honourable Sir Abdur Rahim) : The question is—That clause 32 stand part of the Bill.

Mr. L. C. Bunn (Nominated Non-Official) : Sir, I beg to move :

“That in clause 32 of the Bill, in sub-section (1) of the proposed section 79, after the words ‘with respect to meetings of a company’ the words ‘other than a private company not being a subsidiary of a public company’ be inserted.”

Sir, clause 32 of the Bill deals with provisions for notice to be given of meetings, the right to demand a poll and other like matters. The amendment proposes that this clause should not apply to private companies other than those which are subsidiaries of public companies. My submission is that there is no reason to impose all these conditions in the case of other private companies. A number of irksome formalities would have to be complied with and no one will secure any advantage or protection from them. The clause is designed for the preservation of the rights of shareholders and it is not applicable to the case of a private company in which the shareholders are frequently identical with the directors. The principle of exempting private companies from unnecessary restrictions and obligations has been accepted in a number of other clauses of the Bill and I hope I am right in thinking that it will be agreed to here also. The amendment has no other object than to allow a private company which is not the subsidiary of a public company to conduct its affairs in such a manner as it might find most convenient and suitable. I may perhaps be permitted to remind Honourable Members that a private company is defined as one which among other things prohibits any invitation to the public to subscribe to the share if any or debentures of the company. The public is not therefore concerned with the details of such company's affairs. It is on those grounds that I commend this amendment to this House. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

“That in clause 32 of the Bill, in sub-section (1) of the proposed section 79, after the words ‘with respect to meetings of a company’ the words ‘other than a private company not being a subsidiary of a public company’ be inserted.”

Mr. M. Aananthasayanam Ayyangar (Madras ceded Districts and Chittoor : Non-Muhammadan Rural) : Sir, I oppose this amendment. The thin end of the wedge was introduced when some of the restrictions that were imposed or some of the safeguards that were imposed on the working of a public company were taken away with respect to a private company. The private company was exempted from these restrictions. That is now sought to be taken advantage of in pursuing the same exemption and getting it almost with respect to every matter connected with a private company. Sir, after all a private company is not absolutely private. A private company is one which can have members on its rolls to the extent of 50. It is not confined to only three persons. The majority of cases are not cases where there are only three shareholders all of whom are directors. There is ample provision made with respect to that case. If there are three

persons and all of them agree to dispense with notice, in this case the inconvenience contemplated or apprehended does not arise at all. I invite the Honourable Member's attention to that portion of the clause where it is said that if they agree, notice might be dispensed with :

“a meeting of a company other than a meeting for the passing of a special resolution may be called by not less than fourteen days' notice in writing ; but with the consent of all the members entitled to receive notice of some particular meeting that meeting may be convened by such shorter notice and in such manner as those members may think fit ;”

If there are only three or four persons there may not be any notice at all. All of them may agree in writing that on a particular day a meeting may be held. The agenda need not be sent and no further notice need be given. But in a case where there are 50 persons a notice is absolutely necessary. Sir, you will find from the definition of “private company” that not only there may be 50 but there may be more. The definition excludes from the number 50 those persons who might be members of the company who are employed in the company. They may be 20 or 30 or even 50. There may therefore be cases of more than 50 persons or nearly a hundred, in which case it ought not to be open to one or two directors to say that they issued notice and absolutely informally passed resolutions which will affect not only those three or four directors but the general body. This provision is absolutely innocuous. Let it be 20 ; if they agree in writing that these formalities may be dispensed with, there is nothing that stands in the way. Therefore this provision must be there to provide against all abuses that might creep in later on. Therefore there ought to be no objection to the introduction or the standing of this clause. The amendment ought to be stoutly opposed.

Sir, with respect to a private company it may be limited. The liability is limited, unlike a firm where there is unlimited liability of individuals to this extent that if they transfer the business to some other company or carry on business or purchase a large amount of property, it is necessary that the formalities should be strictly observed because day after day they come into contact with other business. In these circumstances I would urge that all the detailed restrictions imposed upon the working of a public company should also be insisted upon in respect of private companies except in cases where unnecessary hardship would arise. In this case no unnecessary hardship would arise. Although two or three persons may form themselves into a private company, the Act provides for a larger number being there. In those circumstances I would say that this amendment is not in the best interests of a company which may consist of 50 or more than 50 persons.

The Honourable Sir Kripendra Sircar : Sir, as regards this amendment I have no objection to it.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“That in clause 32 of the Bill, in sub-section (1) of the proposed section 79, after the words ‘with respect to meetings of a company’ the words ‘other than a private company not being a subsidiary of a public company’ be inserted.”

The motion was adopted.

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LEGISLATIVE ASSEMBLY. [16TH SEPT. 1936.]

Mr. G. E. J. Robertson (Burma : European) : Sir, may I have your permission to move amendments 61 and 62 together : They deal with the same point.

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member cannot move two amendments together.

Mr. G. E. J. Robertson : Sir, I beg to move :

"That in clause 32 of the Bill, in sub-section (1) of the proposed section 79, after the words 'notwithstanding any provision made in the articles of the company in this behalf' the words 'save as expressly permitted by this section' be inserted."

The point that I have to make here is split into two parts, the other part being dealt with by the following amendment. I shall deal with both while talking on this.

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member may refer in his speech to the substance of the next amendment.

Mr. G. E. J. Robertson : If I understand the object of sub-section (1) (a) of section 79 correctly, my amendments do not aim at altering that object but rather at clarifying it. I understand the object of sub-section (1) (a) to be to lay down an adequate minimum period of notice in the interest of shareholders. That being so, I cannot imagine that there can be any objection to a company providing in its articles for a longer minimum period of notice than 14 days.

The Honourable Sir Nripendra Sircar : Sir, will my Honourable friend permit me to point out that he is under some misapprehension ? Amendment No. 61 refers to clause 32 of the Bill and sub-section (1) of the proposed section 79. Sub-section (1) has nothing to do with (a), and I hope before my Honourable friend sits down.....

Mr. President (The Honourable Sir Abdur Rahim) : I think he is simply referring to it because I understand they are both connected.

Mr. G. E. J. Robertson : Yes.

Mr. President (The Honourable Sir Abdur Rahim) : He is not moving No. 62 now.

The Honourable Sir Nripendra Sircar : I am not thinking of No. 62 ; I am thinking of No. 61 which refers to sub-section (1). My Honourable friend in his speech is referring to sub-section (a) which is not the subject matter of the amendment. But be that as it may, before my Honourable friend resumes his seat I hope he will kindly explain to the House why this is necessary and what difference it makes.

Mr. G. E. J. Robertson : I am afraid I cannot make my point on amendment No. 61 without referring to sub-section (a).

Mr. President (The Honourable Sir Abdur Rahim) : Certainly the Honourable Member is at liberty to do that. He can refer to it if it is necessary for his argument.

Mr. G. E. J. Robertson : My point is this, that a company,—and I know of instances,—may very well provide in its articles for a minimum period of notice which may be 30 days or 45 days and I

even know of 60 days. And I cannot imagine that this House will object to a company having such a provision in its articles. The greater includes the less. But if we read section 79 (1) we see the words, "notwithstanding any provision made in the articles of the company in this behalf". I think the word "any" is important ; and I submit that if this clause stands it would have the effect of regularising a meeting called by the management or by the requisite minority of shareholders, by more than 14 days' notice, notwithstanding that the notice given was actually less than that required under the articles of the company. The point of my amendment is to allow a company to provide for a longer minimum period of notice than 14 days, if it thinks fit in the interest of the shareholders some of whom may reside at a long distance from the registered office of the company. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in clause 32 of the Bill, in sub-section (1) of the proposed section 79, after the words 'notwithstanding any provision made in the articles of the company in this behalf' the words 'save as expressly permitted by this section' be inserted."

The Honourable Sir Nripendra Sircar : Sir, I oppose this amendment, because it is unnecessary and unintelligible. My Honourable friend said that certain articles provide for 40 days and 45 days. But 40 is not less than 14 ; and all that we have said is that the notice must not be less than 14 days although the article may provide for three days. I object to this amendment because it is wholly unnecessary.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in clause 32 of the Bill, in sub-section (1) of the proposed section 79, after the words 'notwithstanding any provision made in the articles of the company in this behalf' the words 'save as expressly permitted by this section' be inserted."

The motion was negatived.

Mr. T. Chapman-Mortimer (Bengal : European) : Sir, I move :

"That in clause 32 of the Bill, in sub-section (1) (b) of the proposed section 79, for the words 'with a statement' the words 'specifying the general nature' be substituted."

No question of principle is involved in this amendment and I hope that it will be more fortunate than its immediate predecessor.....

The Honourable Sir Nripendra Sircar : There is no reason why it should be more fortunate.

Mr. T. Chapman-Mortimer : The Select Committee have introduced a novel proposal in the proposed section 79 (1) (b). This is a proposal which may be judged to mean that directors must produce a very elaborate report and it may further mean that anything not mentioned in that elaborate report may be ruled out of order at the meeting of the company concerned. In the present Act there is no existing provision that would provide for the point covered by the Select Committee's amendment. The select committee proposes, if I may just read it to the House,

[Mr. T. Chapman-Mortimer.]

that notice of the meeting of a company with a statement of the business to be transacted at "the meeting shall be served on every member". That is a new provision of an unsatisfactory nature. At present we have in regulation 49, table A, a provision which is very similar to that and I should like, if I may, to read it to the House; I should add it is a very common, almost universal, form of article: it reads:

"Fourteen days' notice at the least (exclusive of the day on which the notice is served or deemed to be served, but inclusive of the day for which notice is given), specifying the place, the day, and the hour of the meeting and, in case of special business, the general nature of that business, shall be given....."

In other words, normally you do not have to give notice of such ordinary business, as for example, the declaration and passing of a dividend, election of directors and so forth; but that if any special business is to be discussed at that meeting you must give notice specifying the general nature of that business. That being the situation today and the Select Committee having proposed that this position should be made statutory and obligatory on all companies for ordinary business, it does seem to me that we should not go further than the general practice today in connection with special business. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim): Amendment moved:

"That in clause 32 of the Bill, in sub-section (1) (b) of the proposed section 79, for the words 'with a statement' the words 'specifying the general nature' be substituted."

Mr. Susil Chandra Sen: Sir, I am sorry I have to oppose my friend Mr. Chapman-Mortimer and I do this for these reasons. My friend referred to Article 9 in table A in support of his argument; but I think if he reads it carefully he will find that the qualification there as to the disclosure is only with regard to any special items in which case you give the general nature. But apart from article 49, I ask my Honourable friend who, I know, has large experience of the working of companies in Bengal at least, as to what he does when an ordinary meeting is called. Does he not along with the notice give an agenda and does he not there specify the business which is to be conducted at the meeting? If that is done, why then have a departure simply because this statute embodies what they ordinarily do? I think there is no sense in asking for this change. If there is any business to be done in a meeting, the notice should contain the agenda specifying the business to be done, so that all persons concerned may have an idea as to what is going to be done. There may be harm in introducing the word 'general' because you may under the guise of 'general nature' not disclose matters which otherwise it would be necessary to disclose. Sir, I oppose.

Mr. President (The Honourable Sir Abdur Rahim): The question is:

"That in clause 32 of the Bill, in sub-section (1) (b) of the proposed section 79, for the words 'with a statement' the words 'specifying the general nature' be substituted."

The motion was negatived.

Pandit Govind Ballabh Pant (Rohilkhand and Kumaon Divisions: Non-Muhammadan Rural): Sir, I move:

"That in clause 32 of the Bill, in sub-section (1) (d) of the proposed section 79, the following proviso be added:

"Provided that no such instrument shall be valid for more than six months from the date of its execution."

Sir, a proxy is issued when a person is not able to attend a meeting himself. There is a practice in some cases, by virtue of which the managing agents obtain proxies for an indefinite period and then on the basis of such proxies always manage to outvote the members who take an intelligent interest in the affairs of the company. Ordinarily every member of a corporation should be expected to be acquainted with the business to be transacted at a meeting before he authorises any other person to act on his behalf. Otherwise his participation in the business is not real. It is illusory; and in some cases misleading. The proper practice would be for proxies to be issued after a person has received notice of the meeting, so that he may before issuing the proxy satisfy himself as to the propriety or expediency of issuing such a proxy. But when such a suggestion was made there was objection from some of my friends that it might cause difficulty in the case of people living abroad or at a considerable distance from the place of the meeting. I saw some force in that objection and so I have suggested that a proxy should not remain in force for more than six months and that after six months from the execution of a proxy it should be treated as exhausted; and after that if a person wants to issue another proxy, he must appoint another person or the same person by issuing a new proxy. I may inform Honourable Members—presumably they are already aware of it—that under the Reserve Bank Act a proxy has to be issued specifically for every meeting. It is laid down there that a person will be allowed to make use of an instrument by which he is appointed a proxy only if that proxy has been issued specifically for that particular meeting. That provision is much more rigid and inelastic than the proposal that I am making. It is only to enable the shareholders to take a more intelligent interest in the affairs of the company than they are supposed to be doing in a number of cases today that I am making this proposal. It will not cause any hardship to anybody, for I have provided a period of six months which should meet all difficulties in the case of people residing abroad or at a distance from the place of the meeting. I may also inform Honourable Members that there are articles of companies which lay down that a proxy will have to be given specifically for every meeting, but I am not insisting on that. The best authority for this will be the Reserve Bank Act. I have gone much further than that, and my provision is much more elastic than that contained in the Reserve Bank Act. I hope the House will be pleased to accept this proposal.

Mr. President (The Honourable Sir Abdur Rahim): Amendment moved:

"That in clause 32 of the Bill, in sub-section (1) (d) of the proposed section 79, the following proviso be added:

"Provided that no such instrument shall be valid for more than six months from the date of its execution."

The Honourable Sir Nripendra Sircar: Sir, I oppose this amendment. For a proxy given for voting at a particular meeting, I think, the stamp charge is two annas; a general proxy of this kind would cost Rs. 10 for stamp.

An Honourable Member (Eight months and Rupees 10.)

The Honourable Sir Nripendra Sircar : A general proxy is in the nature of giving a general power of attorney. If I have faith in somebody, there is nothing to prevent me from giving him a general power of attorney, not only for voting at a particular meeting or meetings, but to attending to all my business, authorising him to sign my name on proxies, and the articles even allow him to sign under a power of attorney, so that he goes on signing my name but every six months he has got to pay Rupees 10. I don't see why we should proceed on the assumption that because I have confidence in a managing agent, I have given him a general power of attorney. What is objectionable in it? How can one person prevent another from having confidence in another and from giving him a general power of attorney? Sir, I object to this amendment.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in clause 32 of the Bill, in sub-section (1) (d) of the proposed section 79, the following proviso be added :

'Provided that no such instrument shall be valid for more than six months from the date of its execution'."

The motion was negatived.

Pandit Sri Krishna Dutta Paliwal (Agra Division : Non-Muhammadan Rural) : I move, Sir :

"That in clause 32 of the Bill, in clause (e) of sub-section (1) of the proposed section 79, the words and figures 'in any company incorporated after the commencement of the Indian Companies (Amendment) Act, 1936' be omitted."

Sir, clause (e) of sub-section (1) of the proposed section 79 in clause 32 of the Bill puts an end to an injustice which some of the companies were doing to the shareholders. Up till now some of the companies used to put a restriction upon the voting rights of the shareholders by inserting a clause in the Articles of Association that no shareholder whose name was not in the register of shareholders of the company for a certain period, usually varying from two to six months, shall have the right to vote at the time of the meeting. This device in the articles of association is an example of the various subterfuges resorted to by the manager and agents to make things convenient for themselves without caring for the injustice done to the shareholders. Naturally this provision has been welcomed by the shareholders, but, Sir, the clause as it stands includes the words which I want to omit. And, Sir, these words deprive the shareholders of companies incorporated before the commencement of this Act of the advantages of this provision. I can't understand why there should be any difference made between the companies incorporated before the commencement of this Act and those incorporated after the commencement of this Act. Sir, is it a crime to be a shareholder of a company which has been incorporated before the commencement of this Act? If not, why should a shareholder be penalised for being a shareholder of a company which was incorporated before the commencement of this Act? Suppose the Act commences on the 1st of January, 1937, and the company was incorporated in December, 1936, the shareholders of this company will not be able to derive the advantage of this provision. That is why I press that this amendment should be accepted.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in clause 32 of the Bill, in clause (e) of sub-section (1) of the proposed section 79, the words and figures 'in any company incorporated after the commencement of the Indian Companies (Amendment) Act, 1936' be omitted."

The Honourable Sir Nripendra Sircar : Sir, I oppose this amendment. Under articles of certain companies, it is very often provided that a person must be on the register, let us say for two weeks, before he can exercise certain rights. That limitation is introduced not by anything which is to be found in the Act, but by the articles, and the shareholders, if they so think fit, they can change those articles if there is great hardship caused by any particular set of provisions. What has been provided for is this, that for future companies we are laying down that there should be no such conditions in the articles. But I fail to see that any case has been made out for giving retrospective effect to companies which exist and which are governed by articles which will be hit by this provision. Generally, I will not agree to give retrospective effect to any measure unless a case of abuse has been proved. Sir, I oppose this amendment.

Mr. S. Satyamurti : It seems to me, Sir, that, if this is good enough, that is to say, any shareholder whose name is entered on the register of shareholders of a company having the same rights and being subject to same liabilities as all other shareholders of the same class, surely there is no vested right which is sought to be adversely affected by my friend's amendment; that is to say, by giving retrospective effect to it, if my Honourable friend, the Law Member, had argued that we are taking away certain vested rights and it will affect.....

The Honourable Sir Nripendra Sircar : You are taking away the vested rights accrued under the articles.

Mr. S. Satyamurti : There can be no such vested rights. With regard to voting rights, there are no past meetings contemplated under this amendment or under clause (e) in the future. This amendment merely carries out the general principle that there should be no discrimination between shareholders of the same class. The whole object of the amendment is that, if there is a shareholder whose name is entered in the register of shareholders, there shall be nothing in the articles of association which would cast certain disabilities which are not common to all other shareholders of the same class. And, after all, the amendment does not seek to confer on any shareholder any rights extra or in addition to the rights of shareholders of the same class. My Honourable friend said generally, "I will not accept any amendment having retrospective effect, unless any abuse is proved". But, surely, it seems to me that there is enough in the evidence before us to show that these differential rights given to different shareholders are likely to give rise to abuse. Therefore, the amendment of my Honourable friend which merely seeks to omit the words "in any company incorporated after the commencement of the Indian Companies (Amendment) Act, 1936" is a simple one, and I support it.

Sir H. P. Mody (Bombay Millowners' Association : Indian Commerce) : My Honourable friend, Mr. Satyamurti, has advanced no reason why the provisions which exist in the articles of practically all companies that a certain time must elapse before a shareholder who is on the register can be allowed to exercise the right of a shareholder at general meetings should be done away with. His only argument is that as we are

[Sir H. P. Mody.]

providing this in the case of new companies, there should be no differentiation. My own feeling is that this facility which is being given to shareholders in new companies is objectionable, but like so many other things, there have been compromises and concessions, and we have not objected to a provision being inserted in the articles of new companies which would enable shareholders, as soon as they acquire shares, to attend and vote at general meetings. But there is no reason for applying this to companies which for all these years have worked on a different basis. And it is a very salutary principle that a man should not become a shareholder merely in order to put forward a certain point of view at a general meeting. He must be a *bona fide* shareholder, a shareholder who is interested in the company, and not merely interested in a general meeting and therefore wanting to come on to the register of the company. For that reason I support the objections of the Honourable the Law Member.

Sir Cowasji Jehangir : This is a very small point in my opinion and does not deserve the waste of a very large amount of the time of the House on it. I do feel that there is a good deal in the argument put forward by the Honourable the Mover of this amendment. If you once admit the principle that it is wrong, that it is unjust to admit the purchaser of a share on the register, and not allow the same man to exercise his rights and privileges for even one day, what could be the reason for not giving it retrospective effect? The Honourable the Law Member's argument, on the other hand, is certainly a sound one. He goes on the general principle, that he will not give retrospective effect to anything unless it be to cure an abuse. He thinks and he believes that it is not an abuse up to now to deprive a shareholder of the right of voting after he has been admitted on the register for a few weeks. He does not think that an abuse; he is correct, though there may be a difference of opinion. But we have admitted in the Select Committee that it is unjust

Sir H. P. Mody : No, we have not.

Some Honourable Members : Yes, we have.

Sir Cowasji Jehangir : The provision in the Bill shows that you have. There is a provision in the Bill that in future no shareholder who is on the register shall be deprived even for one day of his rights and privileges. Having admitted that, then in my humble opinion, I can see no great damage done in giving it retrospective effect. But I do see the Honourable the Law Member's point because he stands on a principle, and the principle is decided by opinion. Is it an abuse or is it not an abuse? In his opinion it is not an abuse. But having put it in the Act itself, it does appear that he must have thought it an abuse; and if not an abuse, he must have thought it unjust or thought it inequitable and therefore it must have retrospective effect. Let us not waste the time of the House over this, but let us follow the principle of calling no division.

Mr. President (The Honourable Sir Abdur Rahim) : The question

"That in clause 32 of the Bill, in clause (c) of sub-section (1) of the proposed section 79, the words and figures 'in any company incorporated after the commencement of the Indian Companies (Amendment) Act, 1936' be omitted."

The Assembly divided :

AYES—53.

Aney, Mr. M. S.
Asaf Ali, Mr. M.
Ayyangar, Mr. M. Ananthasayamam.
Azhar Ali, Mr. Muhammad.
Bajaria, Babu Baijnath.
Bhagchand Soni, Rai Bahadur Seth.
Chakha, Mr. Kuladhar.
Chattopadhyaya, Mr. Amarendra Nath.
Chettiar, Mr. T. S. Avinashilingam.
Chetty, Mr. Sami Venkatachalam.
Das, Mr. B.
Das, Pandit Nilakantha.
Datta, Mr. Akhil Chandra.
Desai, Mr. Bhukabhai J.
Easak Sait, Mr. H. A. Sathar H.
Gadgil, Mr. N. V.
Ghiasuddin, Mr. M.
Giri, Mr. V. V.
Govind Das, Seth.
Hans Raj, Raizada.
Hosmani, Mr. S. K.
Jedhe, Mr. K. M.
Jehangir, Sir Cowasji.
Jinnah, Mr. M. A.
Jogendra Singh, Sardar.
Joshi, Mr. N. M.

Kailash Behari Lal, Babu.
Khan Sahib, Dr.
Maitra, Pandit Lakshmi Kanta.
Malaviya, Pandit Krishna Kant.
Mangal Singh, Sardar.
Mudaliar, Mr. C. N. Muthuranga.
Murtuza Sahib Bahadur, Maulvi Syed.
Nauman, Mr. Muhammad.
Paliwal, Pandit Sri Krishna Dutta.
Pant, Pandit Govind Ballabh.
Parma Nand, Bhai.
Raju, Mr. P. S. Kumaraswami.
Ranga, Prof. N. G.
Saksena, Mr. Mohan Lal.
Sant Singh, Sardar.
Satyamurti, Mr. S.
Sham Lal, Mr.
Shaukat Ali, Maulana.
Siddique Ali Khan, Khan Sahib Nawab.
Singh, Mr. Ram Narayan.
Sinha, Mr. Anugrah Narayan.
Sinha, Mr. Satya Narayan.
Sinha, Mr. Shri Krishna.
Som, Mr. Suryya Kumar.
Sri Prakasa, Mr.
Umar Ali Shah, Mr.
Varma, Mr. B. B.

NOES—43.

Abdul Hamid, Khan Bahadur Sir.
Acott, Mr. A. S. V.
Ahmad Nawaz Khan, Major Nawab Sir.
Ayyar, Diwan Bahadur R. V. Krishnas.
Bajpai, Sir Girja Shankar.
Buss, Mr. L. C.
Chapman-Mortimer, Mr. T.
Chander, Mr. N. C.
Dalal, Dr. R. D.
Das-Gupta, Mr. B. K.
DeSousa, Dr. F. X.
Dey, Mr. R. N.
Grant, Mr. C. F.
Griffiths, Mr. P. J.
Hosack, Mr. W. B.
Hudson, Sir Leslie.
James, Mr. F. E.
Khurshaid Muhammad, Khan Bahadur Shaikh.
Lahiri Chaudhury, Mr. D. K.
Lloyd, Mr. A. E.
Metcalfe, Sir Aubrey.
Milligan, Mr. J. A.
Mody, Sir H. P.

Morgan, Mr. G.
Mudie, Mr. R. F.
Mukherjee, Rai Bahadur Sir Satya Charan.
Murid Hossain Qureshi, Khan Bahadur Nawab Makhdum.
Naydu, Diwan Bahadur B. V. Sri Hari Rao.
Noyce, The Honourable Sir Frank.
Rajah, Rao Bahadur M. C.
Rau, Mr. P. S.
Robertson, Mr. G. E. J.
Scott, Mr. J. Ramsay.
Sen, Mr. Susil Chandra.
Sharma, Mr. D.
Sher Muhammad Khan, Captain Sardar.
Singh, Rai Bahadur Shyam Narayan.
Sircar, The Honourable Sir Nripendra.
Spence, Mr. G. H.
Thorne, Mr. J. A.
Vissanji, Mr. Mathuradas.
Witherington, Mr. C. H.
Yamin Khan, Sir Muhammad.

The motion was adopted.

The Assembly then adjourned for Lunch till Twenty Minutes to Three of the Clock.

The Assembly re-assembled after Lunch at Twenty Minutes to Three of the Clock, Mr. Deputy President (Mr. Akhil Chandra Datta) in the Chair.

Babu Baijnath Bajoria (Marwari Association : Indian Commerce) :
Sir, I move :

"That in clause 32 of the Bill, after clause (e) of sub-section (1) of the proposed section 79, the following be added :

"(f) in any company incorporated after the commencement of the Indian Companies (Amendment) Act, 1936, the voting rights of the different classes of shares (excepting preference shares) shall be strictly in proportion to the capital paid up respectively by each of such classes of shares."

Sometimes, Sir, it is seen that the ordinary shareholders are deprived of their right of control over the affairs of the company by the very ingenious device of issuing deferred shares, founder shares, management shares, and so on, which, though of very small denominations, carry disproportionately high voting rights. Sir, this disproportionate voting right is most inequitable and unjust to the ordinary shareholders who form the bulk of the shareholders of the company and who contribute the major portion of the capital of the company. Sir, a very glaring case came to light in Calcutta in the case of a very big jute mill managed by a very big European concern. In this company there are ordinary shares each of the value of Rs. 375 and there are 23,200 shares, which means that the total amount invested by the ordinary shareholders is Rs. 87 lakhs. Now they have got only 23,200 votes, whereas the managing agents have, by issuing deferred shares of a nominal value of one rupee each, to the number of 30,000 shares of this nature, got 30,000 votes by investing only Rs. 30,000. So what I say is that on the one side there is a capital of Rs. 87 lakhs, and the votes are only 23,200, and on the other side there are Rs. 30,000 only and they have got 30,000 votes, and these thirty thousand shares are held in the company by the nominees of the managing agents, and so the ordinary shareholders get practically no voice in the management of that company. Sir, I understand there are one or two other companies which have issued deferred shares with such disproportionate voting rights; there may be more, I do not know, but I will not tire the House by giving details of all these. Sir, I think that though the deferred shares may be issued in such circumstances that the dividends or other terms which the deferred shareholders may be granted may be quite different to those which the ordinary shareholders have, still as regards the voting rights, I do not see any reason why these deferred shares should have such disproportionately higher voting rights than the ordinary shareholders. Sir, I am supported in this also by the Calcutta Shareholders' Association. I would now like to read a few lines from their letter to the Government of Bengal, dated the 22nd July, 1936 :

"It is not rare to find the capital of a company being divided into various classes of shares with different rights and voting powers. By this policy it often happens that the capital structure is so manipulated as to give undue and disproportionate voting power to the promoters or managing agents, as the case may be. In the interest of the investing public this disproportionate division of voting power is not healthy and fair. In view of this it appears to be desirable that a fresh clause (d) be substituted in place of clause (d) which has been recommended above for deletion, providing that all classes of shareholders should be entitled to vote at meetings of the company in proportion to the capital held by them with a proviso that preference shareholders shall not vote other than in winding up or where specifically provided for by the Act."

In my amendment also I have explicitly excluded preference shareholders. In many companies preference shares do not carry any voting rights, because they do not run any risk; they get their dividends preferentially. Before they get their dividend, the ordinary shares do not get anything. As regards the preference shares of companies, I am leaving it to the articles of association whether they will give opportunities to the preference shares in the matter of voting rights or not, but as regards the ordinary shares and deferred shares or other such shares, I think the voting rights must be proportionate to the capital invested by these classes of shares. Sir, I move.

Mr. Deputy President (Mr. Akhil Chandra Datta) : Amendment moved :

"That in clause 32 of the Bill, after clause (e) of sub-section (1) of the proposed section 79, the following be added :

"(f) in any company incorporated after the commencement of the Indian Companies (Amendment) Act, 1936, the voting rights of the different classes of shares (excepting preference shares) shall be strictly in proportion to the capital paid up respectively by each of such classes of shares."

Mr. T. Chapman-Mortimer : Sir, I wish to oppose this amendment, and I do so with all the more (Voices : "Speak up") regret when I see it supported and sponsored by my Honourable friend, Mr. Bajoria. The chief objection to Mr. Bajoria's proposal is that it cuts right across the accepted principles of company law as we have them here in India today and as they are known in England. As things are at present, a company can make whatsoever arrangements it thinks best in the interests of its shareholders,—to decide what classes are to have votes, and in what proportion. The Honourable the Law Member in his speech the other day made it perfectly clear that there are many occasions when it is necessary for a company to make special provision in regard to some particular director or board of directors. He quoted, for instance, the case of an Indian State which had put up money for a company on condition that it got someone on the board. That is clearly a case which can hardly be provided for if Mr. Bajoria's amendment is carried. Sir, I oppose the amendment.

Mr. M. Ananthasayanam Ayyangar : Sir, I rise to support this amendment, for this reason. Sir, under the Bill, each shareholder member shall have a vote per share. Now, managing agents generally, with a view to continuing or perpetuating their rights or association with the company, divide the shares into what are known as deferred shares. The deferred shares are sometimes of smaller value than the ordinary shares and at times they may be of the same value as the ordinary shares. Sometimes an ordinary shareholder is entitled to have several votes. Sometimes they are entitled to have 3 and sometimes even 5 votes. This is in almost all cases where deferred shares have been provided either in the Articles of Association or in the Memorandum of the company. These deferred shares have always been uniformly taken by the management. This has been used as a weapon in their hands for the purpose of perpetuating their management. Many evils have arisen because of this practice. Under section 49 of the existing Act it is open to the directors of the company to issue any class of shares from time to time and if those shares are not taken, their value may be reduced, and by a later section they may be sub-divided and so on. At the time when these sections were originally incorporated the danger

(Mr. M. Ananthasayanam Ayyangar.)
 of these provisions was not fully appreciated. Since then cases have arisen when, in case the term of the managing agency was about to expire, the managing agents with a view to safeguard their position have issued a number of deferred shares. Therefore, it was not in the interests of adding to the capital money or to make the company properly stand on its own legs that deferred shares were declared but it was only for the purpose of giving more votes to the managing agents or the directors. Honourable Members may be aware that this amendment is only to restrict the voting strength or voting qualification regarding a share. But if a person were to invest his money either in ordinary shares or in deferred shares, there is no provision for it. He may get sufficient dividends when the company is secure; there is absolutely no fear for his capital. But if we want to avoid the cornering of shares for the purpose of getting more votes than they are normally entitled to on the share capital which they have invested, then this amendment is necessary. The Honourable the Mover of the amendment referred to the opinion of the Calcutta Shareholders' Association. The Bombay Shareholders' Association, in the opinions which they have circulated to the Members of this House, have given three or four instances. I wish to refer to one or two of these instances. At page 34 of the yellow book there is a reference to the India Jute Mills, Calcutta where 39,920 were added to the ordinary shares and 30,000 deferred shares of one rupee each were included later on. The deferred shares were taken up by the management and the balance sheet on 31st December, 1935, showed 23,200 ordinary shares and 30,000 deferred shares. The ordinary shareholders subscribed 87 lakhs whereas those persons who took the management and who took 30,000 deferred shares paid only Rs. 30,000. Sir, there is such a lot of difference between 87 lakhs and Rs. 30,000. But the fact remains that persons who subscribed for 30,000 deferred shares got the same voting rights which the other had. The other instance that I wish to mention is in regard to the New Victoria Mills Company, Limited, Cawnpore. In this case the value of a deferred share was Rs. 1-8-0 and only eight annas was called, whereas the value of the ordinary share was Rs. 2-8-0. The value of the deferred share was much less than the value of the ordinary share and yet the deferred share carried with it two votes. Later on, it would be interesting to note that the additional deferred shares were issued in spite of the fact that on 207,666 deferred shares already issued a call of annas eight was due, which fact clearly suggests that the issue of additional deferred shares could not have been made for capital requirements of the company. There is a third case also reported in this book where for 30 lakhs of rupees there were 75,000 ordinary shares and for one lakh of rupees 35,000 deferred shares were issued. Thus, for one-thirtieth of the capital the persons who subscribed for the deferred shares got half the voting strength. Some very important persons were connected with these institutions but once the question of pecuniary interest arises, greatness of man does not count. These great men who were in charge of this company did not hesitate to use these deferred shares for their own purposes. Therefore, it is not desirable to allow deferred shares to be floated for small sums carrying a large number of votes and thus frustrating the combination of ordinary shareholders and making their voice absolutely futile. It is therefore necessary that the voting strength should be adjusted on the amount of share capital subscribed in proportion to the value of the ordinary shares. Sir, I wholeheartedly support this amendment.

The Honourable Sir Nripendra Sircar : Sir, if under the guise of improving this company law, we are going to destroy the whole structure, then let the whole thing go along with the Mitakshara family for which Mr. Bajoria is so anxious. Since the company law has been in existence, it has been the right of the company to issue shares on whatever terms it liked. For the purpose of attracting capital it may be necessary at one time to issue shares different from other classes of shares and it may be necessary to give extra voting power for the purpose of attracting capital. The one answer I hear is : But the Bombay Shareholders Association have said that some dozen rascals have done something which shows that the whole law ought to be changed.

Mr. M. Ananthasayanam Ayyangar : You are referring to the Honourable persons who have associated with these companies.

The Honourable Sir Nripendra Sircar : Will my friend allow me to go on ? I was submitting, Sir, that this is not a small matter like the one which we were discussing before the midday adjournment. This destroys the whole structure of the company law. That is to say, companies in future are not to be allowed to issue shares with different voting rights. Why should it be so ? Because some people have been dishonest. But that ignores the fact that capital has to be attracted for the company. I do not want to take more time than is absolutely necessary but this amendment is of such an important character and it causes such an encroachment on the existing company law that I must oppose it.

Babu Baijnath Bajoria : Sir, in view of what the Honourable the Law Member has said that my amendment will destroy the very structure of this Bill, I do not press it.

The motion was, by leave of the Assembly, withdrawn.

Mr. M. Ananthasayanam Ayyangar : Sir, I beg to move :

"That in clause 32 of the Bill, after clause (c) of sub-section (2) of the proposed section 79, the following be added :—"

Some Honourable Members : What is the number of this amendment ?

Mr. M. Ananthasayanam Ayyangar : It is No. 1 of the last Supplementary List.

Mr. Deputy President (Mr. Akhil Chandra Datta) : The Chair understands that this amendment was received rather late last evening with the result that copies have not been circulated.

The Honourable Sir Nripendra Sircar : When was it received ? When was the notice of the amendment received ?

Mr. Deputy President (Mr. Akhil Chandra Datta) : Last evening.

The Honourable Sir Nripendra Sircar : I would ask you not to suspend the rules. We have got 400 amendments already. I am not taking a technical objection, but I do not know what is being moved and I will ask you not to suspend the rules. I insist on it and I hope you will support me that the two days rule should be followed in this case.

Mr. Deputy President (Mr. Akhil Chandra Datta) : In view of the fact that this amendment raises a technical and complicated matter and nobody can discuss it without previous notice without difficulty, the Chair thinks that this is not a fit case for suspending the rule about notice.

Prof. N. G. Ranga : Sir, I beg to move :

"That in clause 32 of the Bill, to clause (b) of sub-section (2) of the proposed section 79, the words 'for such a meeting and not less than one-twentieth of all the members of a company or those who hold one-twentieth of the shares of the company, provided they are more than fifty in number shall be a quorum for all other meetings of the company' be added at the end."

Sir, the original provision in the Bill reads as follows :

"in the case of a private company, two members, and, in the case of any other company, five members, personally present, shall be a quorum."

Sir, in so many places in this Bill mention is made of special meetings and extraordinary meetings of the company and special resolutions to be passed at such meetings, but yet no provision is made in the Bill for quorum for any such special meetings at all. As it is now in the Bill, this particular quorum is much too small and it does not provide sufficient protection for the shareholders. Any day and on any occasion very easily five people can gather and can enable the Board of Directors to have a meeting and pass any special resolutions they want and empower them to carry on the work and in that way nullify the effect of many of the special resolutions that are passed according to this particular Act. I am quite prepared to amend this amendment of mine to this extent that instead of fifty, I can have twenty, provided the Honourable the Law Member is prepared to accept the amendment. I am told that more than 20 members will never come to a meeting. If they do not come even for special meetings and if they are not going to take any interest whatsoever on occasions when special resolutions have to be passed to implement many of the provisions of this particular Act, then I do not know what exactly the Honourable Member expects the shareholders to do or what exactly he expects the directors to do in order to implement many of the sections of this Act. Personally I think it is very easy indeed to nullify the whole of the protection sought to be afforded to shareholders by this particular Bill as it is only necessary for five people to gather together and thus enable the directors or the managing agent to pass any special resolutions they like. The only safeguard, if my amendment is not accepted, before any special resolution is passed is the notice that has to be given and the agenda that has to be published in regard to any special resolution. I do not think it is enough. I therefore hope that the Honourable the Law Member will see it fit to accept my amendment. If he likes, I am willing to amend this "fifty" into "twenty".

Mr. Deputy President (Mr. Akhil Chandra Datta) : Does the Honourable Member move his amendment as it is in the agenda, because the Chair has to know what to put to the House.

Prof. N. G. Ranga : If the Honourable the Law Member is prepared to accept my amendment, I am prepared to amend it in this way that instead of "fifty", I will put "twenty".

Mr. Deputy President (Mr. Akhil Chandra Datta) : At the present moment the only point is whether the Honourable Member moves the

amendment as it is in the agenda or he does not move it. The Chair has to know what precise amendment to put to the House.

Prof. N. G. Ranga : I move it as it is in the agenda.

Mr. Deputy President (Mr. Akhil Chandra Datta) : Amendment moved :

"That in clause 32 of the Bill, to clause (b) of sub-section (2) of the proposed section 79, the words 'for such a meeting and not less than one-twentieth of all the members of a company or those who hold one-twentieth of the shares of the company, provided they are more than fifty in number shall be a quorum for all other meetings of the company' be added at the end."

The Honourable Sir Nripendra Sircar : Sir, before I deal with my Honourable friend's amendment on its merits, I have got to draw the attention of the House to a matter which has been brought to my notice by my Honourable friend, Sir Cowasji Jehangir, for which I am grateful. This House accepted amendment No. 60 which says :

"That in clause 32 of the Bill, in sub-section (1) of the proposed section 79, after the words 'with respect to meetings of a company' the words 'other than a private company not being a subsidiary of a public company' be inserted."

Therefore, the whole of these different sub-clauses refer to meetings not of all private companies but private companies which are subsidiary of public companies. What I mean to say is that my Honourable friend is quite right in pointing out that as a result of the House having accepted amendment No. 60, a consequential amendment becomes necessary in 2 (b) in the case of a private company and it should now be limited to, 'in the case of a private company being a subsidiary of a public company'. That is the first thing to which I wish to draw the attention of the House.

Sir Cowasji Jehangir : There are many occasions on which private company is mentioned. You will have to do the same thing throughout.

Mr. Bhulebhai J. Desai (Bombay Northern Division : Non-Muhammadan Bural) : That is not quite correct. If you turn to clause 32, the first set of sections in sub-clause (1) relate to what you may call obligatory provisions in that it provides :

"The following provisions shall have effect notwithstanding any provision made in the articles of the company....."

When you turn to sub-clause 2 it belongs to a different kind, to a different class :

"The following provisions shall have effect in so far as the articles of the company do not make other provision in that behalf."

I do not think that the one need follow the other because it is open to any company whether private or public to make provisions in respect of matters otherwise than what is contained in (a), (b) and (c) and the following sub-clauses so that the one does not really follow from the other at all.

The Honourable Sir Nripendra Sircar : I understand my Honourable friend's point is that the amendment which we have accepted is limited to sub-section 1 and not to sub-section 2 and therefore the point does not arise. If I may say so, that seems to be quite correct. Coming back to Prof. Ranga's amendment, I oppose it. What he wants is that for a quorum there should be present not less than one-twentieth of all the members of the company. There is nothing about a special meeting. For

[Sir Nripendra Sircar.]

an ordinary meeting not less than one-twentieth of all the members should be present. But we all know that my friend's very laudable proposition that they should be allowed travelling expenses has been turned down, and I rather suspect it will be very difficult to have meetings if we insist on a quorum of one-twentieth of the shareholders of the company. I surely think this will create difficulties and I am not willing to accept this for that reason only.

Mr. Deputy President (Mr. Akhil Chandra Datta) : The question is :

"That in clause 32 of the Bill, to clause (b) of sub-section (2) of the proposed section 79, the words 'for such a meeting and not less than one-twentieth of all the members of a company or those who hold one-twentieth of the shares of the company, provided they are more than fifty in number shall be a quorum for all other meetings of the company' be added at the end."

The motion was negatived.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions : Muhammadan Rural) : Sir, I beg to move :

"That in clause 32 of the Bill, to clause (g) of sub-section (2) of the proposed section 79, the words 'or the Registrar or the Inspector of the Companies appointed by the Local Government' be added at the end."

The original clause provides that a proxy must be a member of the company, and I propose that the proxy may either be a member of the company or it may be the Registrar or the Inspector. I will lay before the House the difficulties which have led me to move this motion, and I am really representing the viewpoint of the shareholders as a result of my own experience. I had some shares in a company whose name I would not like to mention ; Mr. Ramsay Scott knew it very well. I took some shares in that company and naturally year after year the promoters of the company and the directors sent me a slip asking me to appoint them as proxies. I as an honest shareholder gave my proxy to those people whose honesty I had no reason to doubt at that time. Of course I was being told by some persons that the company was not doing well. But suddenly I discovered that the persons to whom I had given the proxy and who were really the directors and managing agents had greater interest in another subsidiary company, and they took up the administration of this particular company on condition that for the next 130 years all the profits should be given by this company to the other company. So that I have received intimation that no profits whatsoever will be paid to shareholders for the next 130 years, and that was all done by the managing directors. If it had been possible for me to give my proxy to any outside agency, I would have been able to discover the defects of the company much earlier than I did. And the manner in which I discovered it was this. On one occasion I thought I better spend some money and I travelled at my own expense to attend that meeting, and there I discovered the true state of affairs. A small shareholder has not got sufficient interest to travel at his own expense, and so unless things are found out it is very hard for him. I will give another example, also from my own experience. I took some shares in a match factory and as it is a protected industry I never suspected for a single moment that a match factory would ever fail so long as this protection continues to exist. There also I was told that everything is not all right. But here I did not like to travel at my own expense a long distance in order to find out whether things were right or

not. So I gave my proxy to those persons who were really the promoters ; and suddenly on one occasion I discovered that the whole thing was in liquidation and I had absolutely no chance of finding out what was happening. Had I known a little earlier through some outside agency I could have taken some action. I would have travelled at my own expense and would have made some fuss about it and would have given publicity to their maladministration. This is not all. I can quote two other companies where I purchased shares and suffered. I am myself a very great victim of the way in which these companies are administered and when the time comes I will expose the difficulties of the small investors. But I am not the only person who has suffered in this way ; there are large numbers of persons who have suffered likewise. The people who managed the whole thing embezzled all the money. But we have to look after the interest not only of the capitalists and those people who swindle money of the small shareholders but also the interest of these small investors. We have got to create confidence in the minds of the small investors so that they may be able to invest their money safely ; and the only way in which it can be done is to devise some method by which the shareholders can find out whether it is safe or not.

Mr. M. A. Jinnah (Bombay City : Muhammadan Urban) : How will you find out by giving proxy to the Registrar ?

Dr. Ziauddin Ahmad : The Registrar or the Inspector appointed by the Local Government will be able to tell me how matters stand. Publicity is a great safeguard. My whole object in moving this amendment is that the poor shareholders should be able to find out in time whether the administration of these companies is going on properly or not ; and I thought that the only way in which it can be done is to give our proxy to an outside agency, a person who is going to watch on behalf of Government and on behalf of the small taxpayers the affairs of the company. At least when he goes there on my behalf and as my proxy he will be able to tell me how matters stand. Of course if I were able to find out this maladministration a little earlier I might sell the shares and get a certain percentage of the money I had invested, and not lose everything. Therefore, I will leave the interests of the small investors in the hands of the Honourable the Law Member and I appeal to those who have got the interest of the companies at heart that they should try to create some kind of confidence in the minds of small investors. One thing is that there should be some kind of machinery by means of which small investors may be able to find out whether things are moving rightly or not and whether there is a good deal of maladministration. In big towns like Bombay and Calcutta, shareholders can get correct information in time ; but those in the mufassal really do not know the intricate machinery of these companies and find it exceedingly hard to know exactly how things are going on. And for these persons I have suggested a method whereby their interests can be protected : that is, appoint as proxy a person who has got no personal interest in this and who may be able to get correct information.

Another point is that shareholders do not know the names of other shareholders : they only know the names of the directors : and if they give a proxy to the directors, it will be very hard for the directors to give out the true state of affairs. Therefore in the absence of proxies being given to other shareholders whose names we do not know, the only method which strikes me by means of which the interests of the small investors

[Dr. Ziauddin Ahmad.]

can be safeguarded is that we approach the Government Inspector or Registrar who can attend meetings on behalf of a particular shareholder and get to know the true state of affairs, about the internal administration of the company. Sir, I move.

Mr. Deputy President (Mr. Akhil Chandra Datta) : Amendment moved :

"That in clause 32 of the Bill, to clause (g) of sub-section (2) of the proposed section 79, the words 'or the Registrar or the Inspector of the Companies appointed by the Local Government' be added at the end."

The Honourable Sir Nripendra Sircar : Sir, after what I told the House about the business acumen of myself and Dr. Ziauddin Ahmad (Laughter) it is not surprising that out of all the companies in India he chose just the one which for 130 years is not going to give him any dividend. Sir, the obvious proposition is that fools and very learned men cannot be protected. (Laughter.) My Honourable friend's proposition is that the Registrar will be a proxy-General, something like the Solicitor General, that is to say, the Registrar of Bengal will attend meetings simultaneously at Chittagong, Darjeeling and Burdwan. That is the idea. As regards the other gentleman, the Inspector, he does not come into the scene at all unless under certain circumstances mentioned in the Act an investigation is going to take place. So that apart from any other grounds, this is absolutely impracticable and I must oppose it.

Mr. Deputy President (Mr. Akhil Chandra Datta) : The question is :

"That in clause 32 of the Bill, to clause (g) of sub-section (2) of the proposed section 79, the words 'or the Registrar or the Inspector of the Companies appointed by the Local Government' be added at the end."

The motion was negatived.

Mr. Deputy President (Mr. Akhil Chandra Datta) : The question is :

"That clause 32, as amended, stand part of the Bill."

The motion was adopted.

Clause 32, as amended, was added to the Bill.

Mr. Deputy President (Mr. Akhil Chandra Datta) : The question is :

"That clause 33 stand part of the Bill."

Mr. S. Satyamurti : Sir, I move :

"That sub-clause (a) of clause 33 of the Bill be omitted."

Honourable Members will notice that clause 33 seeks to amend section 81 of the Act, and says :

"(a) for sub-section (2) the following sub-section shall be substituted, namely :

"(2) A resolution shall be a special resolution when it has been passed by such a majority as is required for the passing of an extraordinary resolution and at a general meeting of which not less than twenty-one days' notice specifying the intention to propose the resolution as a special resolution has been duly given :

Provided that, if all the members entitled to attend and vote at any such meeting so agree, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one days' notice has been given."

Honourable Members will also notice that section 81 of the Act provides the machinery for the passing of what are called special resolutions. Section 81 (1) deals with extraordinary resolutions, and provides for a majority of not less than three-fourths of such members entitled to vote as are present in person or by proxy at a general meeting of which notice specifying the intention to propose the resolution as an extraordinary resolution has been duly given. Sub-section (2) defines the manner in which a special resolution shall be declared to have been passed. It provides for two stages : first, a resolution shall be a special resolution when it has been :

(a) passed in manner required for the passing of an extraordinary resolution ;

that is to say, that the notice prescribed has been duly given, and a majority of not less than three-fourths of members entitled to vote as are present vote for the same ; and

(b) confirmed by a majority of such members entitled to vote as are present in person or by proxy (where proxies are allowed) at a subsequent general meeting of which notice has been duly given, and held after an interval of not less than fourteen days, nor more than a month from the date of the first meeting.

I will deal only with sub-clause (a) of clause 33, because the others are consequential. (a) by itself merely suggests that, hereafter, the distinction between extraordinary and special resolutions shall be wiped out. Hereafter, there will be no such thing as a special resolution ; provided three-fourths of the majority of those present entitled to vote vote for it, it shall have the sanction of a special resolution.

Now, there is also a proviso on which I should like some light from my Honourable friend, the Leader of the House :

"provided that if all the members entitled to attend and vote at any such meeting so agree, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one days' notice has been given."

Does it mean in the extreme case, that in a meeting of which this prescribed notice has not been given, a resolution may be brought up and if all the members agree, it may be passed as a special resolution ? That is also a new innovation....

Sir H. P. Mody : It is so.

Mr. S. Satyamurti : I am glad to be assured of that. That means this : that there are two important changes being made now. The first change is that there shall be no subsequent meeting to confirm or not to confirm the original resolution : secondly, that even in the case of the first meeting, without the prescribed notice, a resolution may be brought up and passed as a special resolution. That is the proviso.

Now, I submit that there are my other amendments, which are consequential : the vote on this amendment will decide the fate of those subsequent amendments, and the two amendments which have been adjourned for the result of the voting of the House on this amendment. I merely want to say that, in the scheme of the original Act, a special resolution has been given this special requirement, for its being

[Mr. S. Satyamurti.]

declared to be duly passed, because there are other reasons also : under section 12 of the Act it is provided :

" Subject to the provisions of this Act, a company may, by special resolution, alter the provisions of its memorandum so as to change the place, etc., etc."

It has been said, on the floor of the House more than once that the memorandum is the charter of the company, and I think Honourable Members will agree with me that, in order to change the memorandum of a company, you do want something more than the mere machinery of an extraordinary resolution. You want some machinery by which, not only at one meeting but at a subsequent meeting members will have an opportunity of reconsidering their original decision, listening to other points of view, withdrawing their proxies if they so choose, and attending in person and discussing the whole matter and deciding at a subsequent meeting whether to confirm the original resolution or not. It has been said by more than one member that whereas the original meeting contemplates a three-fourths majority, at a subsequent meeting a bare majority will do. It seems to me that it is not too much of an argument against this amendment because when the subsequent meeting takes place, I expect that shareholders who did not have a clear conception of what was going to happen at the extraordinary meeting, may realise after the resolution has been passed, what has happened, and they may withdraw their proxies, attend in person and even a minority in that meeting may be able to convert others to a bare majority against the previous resolution to which they were parties. After all, if you believe in meetings, in discussions, in people reacting on other people, in mind responding to mind, you must agree that in a subsequent meeting there is a bare chance of even those who originally voted, changing their minds in view of fresh facts or arguments which are placed before them. I would want to quote, I regret to say, the Old Testament once more. I am not familiar with the Christian faith, but I think myself that Christians believe the Old Testament as much as they do the New Testament.

The Honourable Sir James Grigg : No. (Laughter.)

Mr. S. Satyamurti : You do not believe either in the Old Testament or in the New Testament. (Laughter.) What is to be done ? It is not a case of the lion devouring the lion, but of the lion taking the lamb by its side.

Sir Leslie Hudson : Inside. (Laughter.)

Mr. S. Satyamurti : I said, by its side. Inside, I tried, but impossible. I am a vegetarian. (Laughter.)

" Special Resolution. A proposal was made by the Associated Chambers of Commerce in 1926 shortly after the recommendations of the Green Committee had been published that the necessity of calling a second confirmatory meeting for special resolutions should be done away with. I regret to say I am unable to recommend acceptance of this suggestion although it has been adopted in the English Act....."

The Honourable Sir Nripendra Sircar : I am very glad I am able to accept that suggestion though Mr. Sen does not accept it.

[At this stage, Mr. President (The Honourable Sir Abdur-Rahim) resumed the Chair.]

Mr. S. Satyamurti : My amendment :

The Honourable Sir Nripendra Sircar : No.

Mr. S. Satyamurti :

" The reasons given by the Associated Chambers were that after the matter has been fully discussed at the first meeting the shareholders generally ceased to take any further interest in the matter, and there is consequently difficulty in procuring a quorum at the second meeting. No specific cases were given to show that difficulties have been, in fact, experienced in bringing off the second meeting."

I would ask the House to note that :

" No specific cases were given to show that difficulties have been, in fact, experienced in bringing off the second meeting."

And so far as my own experience goes, luckily this is not a matter of option, it depends upon facts,—so far as my own experience goes, I have up till now not heard of any such complaint :

" The provision for the holding of a confirmatory meeting is, in my opinion, really in the nature of a safeguard available to the shareholders. It gives them an opportunity of reconsidering the matter if, owing to the discovery of new facts or some other reason, they are desirous of reconsidering the matter. Under the existing provisions they have a chance of undoing a wrong step by voting down the motion for confirmation at the second meeting. They can thus prevent the perpetuation of a wrong step even if they have a bare majority with them at the second meeting. This right in the shareholders of further considering the matter can prejudice nobody and on the contrary is in my view a very useful weapon in the hands of the shareholders. I cannot therefore recommend any modification of the existing provisions in this behalf."

I cannot improve the ideas or the language of the above extract. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

" That sub-clause (a) of clause 33 of the Bill be omitted."

The Honourable Sir Nripendra Sircar : As My Honourable friend has explained, following the English law the Bill does away with what has been called the confirmatory meeting. The arguments in favour of that are these. First of all, these confirmatory meetings for special resolutions are being held for at least the last fifty years. I cannot accept Mr. Sen's argument. I may put forward another argument for the consideration of the House. Tens of thousands of confirmatory meetings have been held. Is it within the experience of anybody that in the confirmatory meeting a different result was arrived at ?

Prof. N. G. Ranga : Additional opportunity.

The Honourable Sir Nripendra Sircar : I say it is an additional calamity for the company for his reason. (Laughter.) It means giving another notice, waiting for another fourteen days, incurring expenses. What for ? If as a matter of fact, we know that in no case—there may be some cases somewhere, but I do not think Mr. Sen from his experience will be able to tell you. I asked him repeatedly, has he ever come across a case where in a confirmatory meeting a different result has been arrived at ? If not, why delay matters ? Why incur expenses of having another meeting after fourteen days ? That is the first argument. Then, about the second argument, I would ask Mr. Satyamurti—his second argument being that you help the shareholders, it will give them time to think over the matter and so on. Some of my Honourable friends have been

[Sir Nripendra Sircar.] proceeding on the assumption that conditions in India are very different, because the shareholders live apart, and do not come together very easily; whereas the managing agent by reason of his dominant position and by reason of his holding a fairly large bloc of shares has got opportunities which the shareholder has not. I do not accept that to the extreme limit for every purpose. Let us assume this that for once somehow or other the shareholders have got together and they have passed a special resolution against the managing agent. It is not the fact that the managing agent has in every case got 51 per cent., as the book which has been so often quoted will show. For instance, in the jute mills in Bengal, the holding of the managing agent is sometimes as low as 19, hardly more than 25 per cent. Supposing that at one time by superhuman exertion, organisation, whipping, canvassing, and so on, the shareholders have succeeded in passing a special resolution against the managing agent. If we have a confirmatory meeting after fourteen days, who is better off by having this confirmatory meeting? That is an argument which I cannot altogether ignore. But my principal argument is the one which I have advanced at first, but which I do not desire to repeat. I think that it is unnecessary—a thing which has been found to be absolutely useless, and that is the reason why the Green Committee has accepted it and it has been embodied in the English statute. Why should that be perpetuated and why should we not follow the more sensible method laid down in the English Act of 1929? Sir, I oppose this amendment.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That sub-clause (a) of clause 33 of the Bill be omitted.”

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That clause 33 stand part of the Bill.”

The motion was adopted.

Clause 33 was added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : It would perhaps be convenient at this stage to take up the amendments left over yesterday. Amendment No. 47. Mr. Sen.

Mr. Susil Chandra Sen : Sir, I move :

“ That after clause 20 of the Bill, the following clause be inserted :

‘ 20A. In section 53 of the said Act,—

(a) in sub-section (1), the words ‘ or in the case of a special resolution the confirmation ’ shall be omitted ;

(b) sub-section (2) shall be re-numbered as sub-section (3), and the following sub-section shall be inserted as sub-section (2), namely :

‘ (2) The notice to be given as aforesaid shall include particulars of the classes of shares affected and the conditions (if any) subject to which the new shares are to be issued.’ ”

As I explained yesterday, sub-clause (a) is merely consequential to the amendment of my friend, Mr. Satyamurti, which has just been

disposed of. The House having agreed to the change indicated in the said clause 53, this is only consequential. But as regards sub-clause (b) that is a new addition. Section 53, as you will find, indicates that notices have got to be given in certain events, and what we want to incorporate by this amendment is that the notices should give certain particulars which will enable those who receive them to follow what are the changes made. It is in the interests of the shareholders, and I think it will be accepted by the House readily. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That after clause 20 of the Bill, the following clause be inserted :

‘ 20A. In section 53 of the said Act,—

(a) in sub-section (1), the words ‘ or in the case of a special resolution the confirmation ’ shall be omitted ;

(b) sub-section (2) shall be re-numbered as sub-section (3), and the following sub-section shall be inserted as sub-section (2), namely :

‘ (2) The notice to be given as aforesaid shall include particulars of the classes of shares affected and the conditions (if any) subject to which the new shares are to be issued.’ ”

The motion was adopted.

Clause 27 was added to the Bill.

Clause 21 was added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That clause 27 stand part of the Bill.”

The motion was adopted.

Clause 27 was added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That clause 34 stand part of the Bill.”

The motion was adopted.

Clause 34 was added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That clause 35 stand part of the Bill.”

Mr. Sri Prakasa (Allahabad and Jhansi Divisions : Non-Muhammadan rural) : Sir, I move :

“ That in clause 35 of the Bill—(this is in Supplementary List No. 2 to the Panchayat Bill)—in the proposed sub-section (4) of section 33, for the words beginning with the words ‘ The books containing ’ and ending with the word and figures ‘ Act, 1936 ’ the following be substituted :

“ The minutes of the proceedings of the general meetings of a company held after the commencement of the Act shall be recorded in books called ‘ General Minute Books ’, within three days of the holding of any such meeting, and all such books.”

Sir, the purpose for which I move this amendment is obvious. According to the Bill itself, you will see that the minutes of the proceedings of general meetings can be inspected by members ; and that the

[Mr. Sri Prakasa:] managers have to provide two hours during which this inspection can take place each day. But there is no provision allowing sufficient time for the recording of these minutes. It is quite possible in the words of the Honourable the Law Member some busybody may come round the very day a meeting is held and ask for the minutes of a particular meeting, before they could possibly have been recorded. We will take it that the business hours are from 10 to 4, and the managers have set aside two hours, namely, 2 to 4 in the afternoon for the inspection of these records. Suppose a general meeting is held from 10 to 12, and some people in order to tease the manager, arrive at 2 and demand to see the minutes of the meeting held the same morning. I think, provisions should be made to obviate such an undesirable possibility; and if the amendment I propose is accepted, all difficulties would be set at rest. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in clause 35 of the Bill—(this is in *Supplementary List No. 2 to the Final List*)—in the proposed sub-section (4) of section 83, for the words beginning with the words 'The books containing' and ending with the word and figures 'Act, 1936' the following be substituted :

'The minutes of the proceedings of the general meetings of a company held after the commencement of the Act shall be recorded in books called 'General Minute Books', within three days of the holding of any such meeting, and all such books'."

Mr. Susil Chandra Sen : Sir, I have listened very carefully to the arguments advanced by my friend, Mr. Sri Prakasa, but I feel that his amendment will not meet what he wants. What he really wants is that some time limit should be imposed before which no inspection can be made in order that the company may not be put to difficulties. As my friend points out, supposing a general meeting is held this morning a man may come round at 12 and ask for inspection of the Minutes, before they are written out and signed. But may I ask my friend to look into the amendment proposed by him and find if that will meet his case. If you will look at sub-clause (4), you will find, Sir, that there is a safeguard in the words within the brackets, namely, 'subject to such reasonable restrictions as the company may by articles impose'. It is the easiest thing for the company in the articles to say that no inspection shall be given say within three or four days from the date of the meeting.

Mr. Sri Prakasa : The company will have to set apart two hours any way. They cannot avoid that. The restrictions the company imposes will not allow the company not to give these 2 hours for the inspection of records; and a demand may be made for inspection before recording had been humanly possible.

Mr. Susil Chandra Sen : So far as I understood my friend, he did not complain of the two hours business. What he said was that a busybody might get into the office and ask for inspection of the records of the meeting at an inopportune time before the minutes are correctly recorded.

Mr. Sri Prakasa : No, Sir, I am sorry I was not able to express myself clearly. The two hours, say from 2 to 4, have been, let us say,

set apart by the company for inspection of records. A general meeting has taken place from 10 to 12, the same morning. A busybody comes at 2 and asks for the minutes of the meeting held only a couple of hours before. I want some provision to be made so that at least three days may be allowed to a company to record particular proceedings during which no demand for inspection could be made.

Mr. Susil Chandra Sen : That is exactly what I was pointing out. My Honourable friend wants some time to be set apart for the minutes to be written up and correctly recorded in the minute books. What I was pointing out was that this amendment will not really have the desired effect because it will only afford three days time to the companies to record the minutes, but will not prevent inspection within the time and therefore will not serve the purpose. On the other hand I was pointing out that the words within the brackets will enable the company by a proper provision in the articles to restrict the right of inspection within three days or any other reasonable time from the date of holding the meeting. Therefore, Sir, I do not think my Honourable friend's amendment will serve the purpose he has in view. Although I am in sympathy with his ideas, I do not think this amendment will, if accepted, carry them out.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in clause 35 of the Bill, in the proposed sub-section (4) of section 83, for the words beginning with the words 'The books containing' and ending with the word and figures 'Act, 1936' the following be substituted :

'The minutes of the proceedings of the general meetings of a company held after the commencement of the Act shall be recorded in books called 'General Minute Books', within three days of the holding of any such meeting, and all such books'."

The motion was negatived.

Prof. N. G. Ranga : Sir, I beg to move :

"That in clause 35 of the Bill, in the proposed sub-section (5) of section 83, the words 'at a charge not exceeding six annas for every hundred words' be omitted."

In clause 35, we find that according to sub-section (4) every shareholder of the company is entitled to go to the office of the company and to inspect the minutes of any general meetings that are held from time to time. It is admitted again and again that it is so very difficult for more than 5 people to attend the meetings of these companies. Even to get 20 is almost impossible on many occasions and therefore most of the shareholders are really absentee shareholders and are not very much interested or do not attend these general meetings. It is to help these people who will not be able to attend general meetings that this particular provision is made for the inspection of these minutes. Not every one can go to the office of the company, especially during the hours that are fixed by that particular company and so it is that this provision has been made that every shareholder who asks for a copy of these minutes must be prepared to pay and the payment that he has to pay is rather very heavy—at the rate of six annas for every 100 words. If it is a fact that most of the shareholders are not able to attend these meetings and if it is also a fact that most of the shareholders are not able to go to the office of these companies and inspect the minutes of these meetings, then it is right to conclude that most

[Prof. N. G. Ranga.]
 of them are really in need of the circulation of the minutes and that need cannot be satisfied unless the proceedings of the company are supplied to them free of charge. I do not maintain that they should be printed and sent to every shareholder without his requesting for it. I only ask for the supply of copies to those who want them. Not every one will ask for the supply. It may be said that so many things will be decided upon that it will be really unnecessary to have to supply a full account of the proceedings of the meetings held from time to time and to avoid that particular difficulty it is already stated here that certain portions of these proceedings need only be supplied. Therefore, Sir, I suggest that the Honourable Member will be doing a service to the shareholders themselves by accepting this amendment.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in clause 35 of the Bill, in the proposed sub-section (5) of section 83, the words 'at a charge not exceeding six annas for every hundred words' be omitted."

Mr. Susil Chandra Sen : I am sorry to oppose this amendment of my friend, Prof. Ranga. I do not find any logic in the arguments which he has advanced. Let us take the case of a general meeting and analyse the various stages it passes before we come to the question of supply of copies of the minutes. In the first place the shareholder who is content to reside at his home and does not take any interest gets a notice of the meeting containing the agenda. He does not attend the meeting. A meeting is held. Under this clause, as a new departure he is allowed the free right of inspection of the minutes if he wants and he does not avail himself of this opportunity and suddenly he comes and wants copies of the minutes to be sent to him free of cost. Why should a company send free of cost to a shareholder who has been dilatory to such an extent that he will not attend and will not avail himself of the facilities of inspection offered. There is no logic in this argument and we will only be placing an unwarranted burden on the company. Sir, I oppose the amendment.

Mr. M. Ananthasayanam Ayyangar : I support the amendment moved by my friend, Prof. Ranga. Mr. Sen is aware that even in Courts certified copies are applied for and got on a charge of 3 annas for every 820 words. I do not know why a company wants to make a profit at the expense of the shareholder.

The Honourable Sir Nripendra Sircar : Three annas is the mofussil rate. It is six annas in Calcutta.

Mr. M. Ananthasayanam Ayyangar : There are companies within the jurisdiction not only of the High Court but in the mufassil also. My Honourable friend, Mr. Susil Chandra Sen, said—"why should there be indulgence shown to this man?" Sir, who is this man who wants this copy? He is the owner who is trying to inter-change places, and he is entitled to know what is exactly happening. Sir, there are persons who take shares who live at a distant place, not always in the place where the head office is located. Such a man wants to know what exactly happens. In the case of municipal corporations and local boards, the minutes of the proceedings are not always printed in the Gazette. Copies of the meetings of proceedings are however sent to all the members of the committee. I would

therefore say that there is absolutely no logic in saying that "you are already aware of the agenda, you do not care to attend". But, Sir there might be many portions of the agenda which might have been left over or adjourned or some might have been torpedoed at the meeting. Therefore it is necessary for the shareholder to safeguard his own interest and to know exactly what happened at the meeting. We are not talking only of companies within the jurisdiction of the High Court : there are thousands of small companies in the mufassil. I would therefore say that even at some expense this should be done ; after all, it is at the expense of the shareholder himself ; the cost is only distributed over all the shareholders. Sir, I support the amendment.

Prof. N. G. Ranga : Sir, if it is agreeable to the Honourable the Law Member, I would like that the six annas be reduced to two annas or three annas.

The Honourable Sir Nripendra Sircar : The Law Member has only one vote ; there are others who have to be consulted.

Prof. N. G. Ranga : If the Law Member agrees, then we shall consult the House.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in clause 35 of the Bill, in the proposed sub-section (5) of section 83, the words 'at a charge not exceeding six annas for every hundred words' be omitted."

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That clause 35 stand part of the Bill."

The motion was adopted.

Clause 35 was added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That clause 36 stand part of the Bill."

Babu Rajinath Bajoria (Marwari Association : Indian Commerce) : Sir, I beg to move :

"That in clause 36 of the Bill, for sub-clause (a), the following be substituted :

'(a) for sub-section (1), the following shall be substituted, namely :

'(1) Every company shall have at least three directors.'"

Sir, if section 83A is amended as proposed in clause 36 of the Bill, it will read thus :

"Every company registered after the commencement of this Act shall have at least two directors, or if registered after the commencement of the Indian Companies (Amendment) Act, 1936, at least three....."

So we shall have three classes of companies : first, those which were registered before 1913—they may not have any director—those which were registered after 1913 and before the passing of this Bill,—they will have at least two directors,—and those registered after the passing of this Bill,—they will have at least three directors. Sir, what I want is that there should be a minimum of at least three directors in every class of company.

Dr. Ziauddin Ahmad : Not private companies ?

Babu Baijnath Bajoria : This section applies only to public companies because sub-section (2) of section 83A says :

" This section shall not apply to private companies."

I am amending only sub-section (1). Sir, if there are two directors, supposing myself and Professor Ranga were the two directors on the company (Laughter), there is every likelihood of our differing in many matters if not in most matters, so we must have a third man, say Dr. Ziauddin, who is to weigh the balance between us. Sir, I do not think there will be any difficulty on the part of present companies in having an additional director in case the number of directors is less than three. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

" That in clause 36 of the Bill, for sub-clause (a), the following be substituted :

' (a) for sub-section (1), the following shall be substituted, namely :

' (1) Every company shall have at least three directors '."

Dr. Ziauddin Ahmad : Sir, I rise to support the motion. (Hear, hear.) I thought the Honourable the Leader of the House would immediately accept this amendment because it tallies with the suggestions which he himself put forward sometime ago before this House. Now my first difficulty is this. Suppose there are two directors. Now the first question is—who should be the chairman of the meeting of those directors, and while each will vote for himself, who will have the casting vote in order to elect the chairman, and supposing they do not disagree about the election of the chairman and one man is elected as chairman ; but whenever there is a difference of opinion, the opinion of one man will prevail, that of the man who is the elected chairman of this meeting because he will have a second and casting vote, and practically that will mean the opinion of one person. This is my second difficulty and I think we should always have at least three persons on the board of directors in order to come to fair conclusion. I do not want to examine today the most sensible proposal that the Honourable the Law Member put forward the other day that the ideal board of directors is a board consisting of himself as chairman and of Professor Ranga and myself. (Hear, hear.) I wanted to have one condition, viz., that he should charge no fees for his professional work, that he should be the legal adviser but he should also agree to work in honorary capacity like other two directors. Then, in that case, it will be an ideal board. Prof. Ranga would be an exceedingly good member on this board of directors, because he will convince all the workers that he lives in the same condition as they do, and that they do not find him riding in Rolls-Royces and living in palatial buildings, and he will convince them that he will see that nothing illegitimately goes into the pockets of the directors. My friend, the Law Member, will be a really ideal chairman provided he takes no fees, but in case he usurps most of the income in the shape of his fees, then practically he will be no better than a managing agent which we are condemning here. So in that case the proposal which has been put forward is to my mind a very sensible proposal and I support it.

The Honourable Sir Nripendra Sircar : Sir, my Honourable friend's amendment is that every company shall have at least three directors. The

definition of " company " is to be found in section 2 of the existing Act : " company " means " a company formed and registered under this Act or an existing company ". " Existing company " is defined thus : " existing company " means " a company formed and registered under the Indian Companies Act, 1866, or under any Act or Acts repealed thereby, or under the Indian Companies Act, 1882 ". Therefore, Sir, if my friend's amendment is carried, all companies, whether they have been constituted under the Act of 1866 or that of 1882, whatever their age, are going to have forced upon them three directors. As a matter of fact there are companies constituted before 1882 which have no directors, if I can give one example of a well-known company, that is, Messrs. Kettlewell Bullen & Co., Ltd., of Calcutta.

Now, Sir, these old companies have been able to carry on their business very well indeed for the last 50 years without being inflicted with any directors. Why should they have three directors forced on them ? I do not see any reason why all these companies should have three directors. There is not much force in the argument that if there are two directors and if they quarrel, then there will be no one to decide between them. As my Honourable friend himself pointed out, one man will have the casting vote. Of course, he will be in perpetual majority if he is in conflict with the other, but such a thing may equally happen if, of the three, two join hands as against the third. That is all I have got to say on the amendment. But I cannot ignore the fling which my Honourable friend had about the fees in that ideal company, but as that ideal company will go into liquidation within a fortnight there will be nothing to get fees from.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

" That in clause 36 of the Bill, for sub-clause (a), the following be substituted :

' (a) for sub-section (1), the following shall be substituted, namely :

' (1) Every company shall have at least three directors '."

The Assembly divided :

AYES—54.

Aney, Mr. M. S.
Asaf Ali, Mr. M.
Ayyangar, Mr. M. Ananthasayanam.
Azhar Ali, Mr. Muhammad.
Bajoria, Babu Baijnath.
Bhagavan Das, Dr.
Bhagchand Soni, Rai Bahadur Seth.
Chaliha, Mr. Kulandhar.
Chattopadhyaya, Mr. Amarendra Nath.
Chettiar, Mr. T. S. Avinashilingam.
Chetty, Mr. Sami Vencatachelam.
Das, Mr. B.
Das, Pandit Nilakantha.
Datta, Mr. Akhil Chandra.
Desai, Mr. Bhulabhai J.
Deshmukh, Dr. G. V.
Gadgil, Mr. N. V.
Giri, Mr. V. V.
Govind Das, Seth.
Hans Raj, Raizada.
Hidayatallah, Sir Ghulam Hussain.

Hosmani, Mr. S. K.
Jogendra Singh, Sirdar.
Joshi, Mr. N. M.
Kailash Behari Lal, Babu.
Khan Sahib, Dr.
Khare, Dr. N. B.
Maitra, Pandit Lakshmi Kanta.
Mangal Singh, Sardar.
Mudaliar, Mr. C. N. Muthuranga.
Murtuza Sahib Bahadur, Maulvi Syed.
Nauman, Mr. Muhammad.
Paliwal, Pandit Sri Krishna Dutta.
Pant, Pandit Govind Ballabh.
Parma Nand, Bhai.
Raghubir Narayan Singh, Choudhri.
Raju, Mr. P. S. Kumaraswami.
Ranga, Prof. N. G.
Saksena, Mr. Mohan Lal.
Satyamurti, Mr. S.
Sham Lal, Mr.
Sheodass Daga, Seth.

AYES—contd.

Singh, Mr. Ram Narayan.
 Sinha, Mr. Anugrah Narayan.
 Sinha, Mr. Satya Narayan.
 Sinha, Mr. Shri Krishna.
 Som, Mr. Surya Kumar.
 Sri Prakasa, Mr.

Thain Maung, Dr.
 Umar Aly Shah, Mr.
 Varma, Mr. B. B.
 Vissanji, Mr. Mathuradas.
 Yakub, Sir Muhammad.
 Ziauddin Ahmad, Dr.

NOES—52.

Abdul Hamid, Khan Bahadur Sir.
 Acott, Mr. A. S. V.
 Ahmad Nawaz Khan, Major Nawab Sir.
 Ahmed, Mr. K.
 Ayyar, Diwan Bahadur B. V. Krishna.
 Bajpai, Sir Girja Shankar.
 Buss, Mr. L. C.
 Chapman-Mortimer, Mr. T.
 Chunder, Mr. N. O.
 Dalal, Dr. B. D.
 Das-Gupta, Mr. S. K.
 DeSouza, Dr. F. X.
 Dey, Mr. B. N.
 Ghiasuddin, Mr. M.
 Grant, Mr. O. F.
 Griffiths, Mr. P. J.
 Grigg, The Honourable Sir James.
 Hudson, Sir Leslie.
 James, Mr. F. E.
 Jehangir, Sir Cowasji.
 Jinnah, Mr. M. A.
 Khurshaid Muhammad, Khan Bahadur
 Shaikh.
 Lahiri Chaudhury, Mr. D. E.
 Lal Chand, Captain Rao Bahadur.
 Chaudhri.
 Laljee, Mr. Huseinbhai Abdullahai.
 Lloyd, Mr. A. H.

Metcalf, Sir Aubrey.
 Milligan, Mr. J. A.
 Mody, Sir H. P.
 Morgan, Mr. G.
 Mudie, Mr. B. F.
 Mukherjee, Rai Bahadur Sir Satya
 Charan.
 Naydu, Diwan Bahadur B. V. Sri Hari
 Rao.
 Noyce, The Honourable Sir Frank.
 Rajah, Rao Bahadur M. C.
 Rau, Mr. P. S.
 Robertson, Mr. G. E. J.
 Roy, Mr. S. N.
 Sant Singh, Sardar.
 Sarma, Sir Srinivasa.
 Scott, Mr. J. Ramsay.
 Sen, Mr. Susil Chandra.
 Sharma, Mr. D.
 Sher Muhammad Khan, Captain Sardar.
 Siddique Ali Khan, Khan Sahib Nawab.
 Singh, Rai Bahadur Shyam Narayan.
 Sircar, The Honourable Sir Nripendra.
 Spence, Mr. G. H.
 Thorne, Mr. J. A.
 Tottenham, Mr. G. R. F.
 Witherington, Mr. C. H.
 Zafrullah Khan, The Honourable Sir
 Muhammad.

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : The next amendment No. 83 is in the name of Mr. Sri Prakasa. As amendment No. 82 has been adopted, the Honourable Member cannot move another amendment.

Mr. Sri Prakasa : In my amendment there is a portion fixing the maximum number of directors.

Mr. President (The Honourable Sir Abdur Rahim) : I do not know how this can come in now. The other amendment has been passed by the House.

Mr. Sri Prakasa : Then, is there no way of fixing the maximum number of directors ?

Mr. President (The Honourable Sir Abdur Rahim) : You can move it as an amendment to the amended sub-clause (a).

Mr. Sri Prakasa : Sir, I beg to move :

"That in sub-clause (a), as amended, of clause 36 of the Bill, after the words 'at least three', the words 'and in any case not more than eleven' be inserted."

Sir, my purpose in moving this amendment is to fix the maximum number of directors that a company can have just as the House has fixed a minimum. I should like the maximum also to be fixed. The worthy successors of the great East India Company, the Governor General in Council are able to carry on their work with only eight members ; and I believe they are quite satisfied with what they do, whatever others may think of their administration. I think eleven directors would be quite enough to manage the biggest of companies. My particular anxiety is that I want politicians, who are usually simple minded persons and are easily taken in, to be protected from designing promoters of companies. What is happening nowadays is this : company promoters first have 11 or 12 businessmen as directors. Then they feel that if they could get hold of a few politicians they could exploit their names. So they approach well-known politicians and invite them to be on their directorates. For instance, rival insurance companies may go to my Honourable friend, Pandit Govind Ballabh Pant, and ask him to serve on the directorates of their companies. He finds persons interested in all these companies are his friends whom he does not like to say 'no', so he agrees to serve on both. If, however, you fix the number of directors, we shall be saved from the attention of company promoters, and commercial companies may also be able to do better without the help of politicians. I therefore hope that the maximum number suggested by me will be accepted by the House.

Mr. President (The Honourable Sir Abdur Rahim) : I have allowed the amendment to be moved in this particular case, because it would cause no inconvenience. But ordinarily if an amendment is moved to an amendment, the original amendment would not have been put to vote. It ought to be moved before it is put to the vote. Amendment moved :

"That in sub-clause (a), as amended, of clause 36 of the Bill, after the words 'at least three', the words 'and in any case not more than eleven' be inserted."

Sir Cowasji Jehangir : Sir, I understand now my Honourable friend's anxiety to limit the number of directors on a Board. He does not want politicians. Since he himself, as a well-known politician, has lately become the Chairman of an Insurance company, I presume he does not want that example to be followed by his Honourable friends on his own side. Greatly as I sympathise with him in his anxiety for not having Honourable Members of his own Party as directors of other insurance companies, there is another aspect of the case which he perhaps does not quite realise. There are some very big companies in existence and likely to come into existence in this country where 11 directors will not be sufficient and I have a case in my mind just now, where it is intended to have 28 directors, and I may assure my Honourable friend that none of them will be put on there simply because they are politicians, nor because they have big names, either, but because they will be interested in the company of which they are directors. Every one of them will represent as far as I understand not only certain sections of the industry but they will be large shareholders themselves.

Mr. K. Ahmed (Rajshahi Division : Muhammadan Rural) : Who is a politician ? Can you define ?

Sir Cowasji Jehangir : You, yourself are a good example.

Mr. K. Ahmed : What about ninety-nine others ? You must define a politician first.

Sir Cowasji Jehangir : The companies I have in mind are merger companies and they are coming into existence and you will not be able to get on with 11 directors. There are other companies with enormous capital where several sections of the shareholders are to be represented ; special interests have to be represented, large block of shareholders whose interests have to be represented on the Board. They all cannot be accommodated in 11, though such companies may be very few. They may be exceptions, but you cannot handicap them in the way my Honourable friend suggests. I do hope that he will withdraw his amendment which will be a restriction on the expansion of trade and industry in this country.

Mr. Sri Prakasa : I ask for leave of the House to withdraw my amendment.

The amendment was, by leave of the Assembly, withdrawn.

Mr. President (The Honourable Sir Abdur Rahim) : The question is—

“ That clause 36, as amended, stand part of the Bill.”

The motion was adopted.

Clause 36, as amended, was added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : The question is—

“ That clause 37 stand part of the Bill.”

Mr. S. Satyamurti : Sir, I move :

“ That in clause 37 of the Bill, for the words ‘ Section 83B of the said Act ’ the following be substituted :

“ In sub-section (ii) of section 83B of the said Act, after the words ‘ in general meeting ’ the words ‘ by election on the principle of proportional representation by the system of the single transferable vote ’ shall be inserted and section 83B as amended.”

Pandit Govind Ballabh Pant : Sir, there are some amendments which affect the present clause and ask for insertion of certain words in the body of the clause. These follow the amendments standing in Mr. Satyamurti's name.

Mr. President (The Honourable Sir Abdur Rahim) : Is there any amendment to Mr. Satyamurti's amendment ?

Pandit Govind Ballabh Pant : There may be some amendments.

Mr. President (The Honourable Sir Abdur Rahim) : If that is carried, these will fall out unless they are moved as amendments to his amendment.

Pandit Govind Ballabh Pant : The text of the present clause is not affected even by Mr. Satyamurti's amendment.

Mr. President (The Honourable Sir Abdur Rahim) : If that is so, the others can be moved. Then this should be disposed of first.

Pandit Govind Ballabh Pant : There is another amendment, for example, No. 100, which stands in my name. There is some little difference between Mr. Satyamurti's amendment and mine ; but supposing his amendment is carried, mine will fail. In case that is not carried I think it will be open to me to move mine.

Mr. President (The Honourable Sir Abdur Rahim) : I think the best procedure in the circumstances would be for Pandit Govind Ballabh Pant to move his amendment also. Then there will be a discussion on both and each one will be put to the vote of the House.

Mr. S. Satyamurti : Sir, clause 37 of the Bill reads like this :

“ Section 83B of the said Act shall be re-numbered as sub-section (1) of that section and to the section as so re-numbered the following sub-section shall be added, namely : ”, etc.

Section 83-B of the Act reads as follows :

“ In default of, and subject to any regulations in the articles of a company other than a private company—

(ii) the directors of the company shall be appointed by the members in general meeting ; ”

Now, Sir, my amendment seeks to add some words, after the words “ in general meeting ” ; and so added, this sub-section (ii) of section 83-B will read as follows :

“ The directors of the company shall be appointed by the members in general meeting by election on the principle of proportional representation by the system of the single transferable vote.”

That is the main point. The question now is whether the House is in favour of what is called a simple majority election, or in favour of the system of proportional representation by the single transferable vote. I merely want to explain in a very few words exactly what this system is. Supposing there are a thousand shareholders, i.e., a thousand voters, and there are four directors to be elected the system works out like this. Four plus one, i.e., five will be the divisor, and the quotient comes to 200. So 200 plus one, i.e., 201 is the quota or the minimum. Whoever gets 201 first votes is declared elected. Each voter has got as many preferences as there are candidates, and he has to mark the votes in favour of the candidates whom he wants to select. In order of preference he will mark against the candidate whom he wants foremost on the directorate, No. 1, the man whom he wants next, No. 2 and then No. 3 and No. 4, and so on. Then, Sir, when the votes are all collected, they are counted and the first votes are taken first, and whoever gets the quota, i.e., 201 votes, is declared automatically elected. Then, at the other end, there is a figure below which, whoever gets a number of votes is eliminated. His votes are transferred in full value to those who are after him in that voting paper. Then, in regard to those who have got more than the quota, the remaining votes are transferred in fractional proportions to those who come second, third and fourth, and so on. At that rate calculation goes on, elimination on the one side and

[Mr. S. Satyamurti.]

transfer on the other, until four men who have got the quota are declared elected. Now, Sir, the arguments in favour of this are simple. My Honourable friend, Mr. Sen, argued the other day that democracy means rule by a majority, and the minority must not complain if the majority rules. I entirely agree; but there is also another and perhaps equally vital principle of democracy, namely, that the minority accepts the rule of the majority, because the minority lives and works in the hope and the faith that it can convert itself into a majority. Otherwise, there will be anarchy and tyranny. The real reason of majority rule is that the majority is not supposed to be permanent. As the opinions of the voters change, as political currents and cross-currents act and react, the minority expects it will one day take the place of the majority. That is the solvent, that is the oil, which makes the working of democracy easy. On the other hand, if the majority becomes a permanent majority, democracy becomes a mere masque for tyranny. Now, in the companies with which we are dealing, it is, I think, common ground that in many cases—I will not attempt to state the proportion or the number—the managing agents often command a majority of shares. And, if a managing agent has 51 per cent. of the shares, it simply means that, at no time, can the 49 per cent. ever hope to gain the majority. The result is that continually the majority goes on: whereas, in the other system which I suggest by this amendment, the majority will undoubtedly get a proportion of directors proportionate to the voting strength, but the minority will not be unrepresented.....

Mr. K. Ahmed: You want communal representation?

Mr. S. Satyamurti: My friend seems past all hope: he can neither understand, nor let others understand. I am not talking of communal representation. There is a limit even to his jokes: I suggest he keeps them for himself: sometimes, they are not even jokes. I think we must go on with a business proposition like this: let him keep it for question hour. I suggest that, according to this system, there is no question of the majority being deprived of its right to govern the institution. It will get that, if it wisely uses its power; but, on the other hand, the real merit of this system is that the minority will not be unrepresented, they will get the number of directors proportionate to their strength. (Interruption from Mr. K. Ahmed.) Please shut up. Therefore, what happens is that while the majority will be there, the minority will have an opportunity of representing its point of view and placing this point of view before the entire directorate.

I want to urge only one thing more.....

Dr. Ziauddin Ahmad: May I ask one question before he develops his argument further, just to understand him? Does the Honourable Member want that one man should have only one vote, no matter whether he holds 100 shares or one share, because in the Reserve Bank Bill, we have already passed this principle, one man one vote, irrespective of the number of shares he may have.

Pandit Govind Ballabh Pant: That is wrong. A man can have more than one vote, subject to a certain limit.

Mr. S. Satyamurti: I personally believe in the doctrine, one man one vote; but I want to tell my friend that the problems we are facing are big enough, and that any more suggestions will only complicate matters further. Irrespective of voting strength, which depends on other sections of the Act, I am merely pleading that we must provide that the minority must be represented. I do not know what the arguments are which my Honourable friend, the Law Member, if he chooses to oppose it, is going to advance. I am still hoping that he may see his way to accept it.....

The Honourable Sir Nripendra Sircar: What are the grounds for your hope?

Mr. S. Satyamurti: First, hope springs eternal in the human breast: second, I still believe in human nature, even the Law Member's human nature.....

The Honourable Sir Nripendra Sircar: Human nature is opposed to such a violent suggestion.

Mr. S. Satyamurti: I am glad to hear that testimony. I put it to my friend, how he supports the Government of India Act, 1935, under which the successor of this Honourable House will be filled, to the extent of British Indian representatives, thereon by provincial lower houses, electing their representatives in communal compartments on the principle of the proportional representation by the single transferable vote. Is that not human nature? Is that British human nature? Does my friend support that Act or has he fought it?

The Honourable Sir Nripendra Sircar: Human nature depends on circumstances.

Mr. S. Satyamurti: I know: when I am on that side, human nature is on my side: when I am on this side, human nature is not on my side. If that is the change of circumstances, I wish him joy of it: but I want to put it to my Honourable friends especially on that side, those who accept the Government of India Act and look to it as the herald of a new democracy, a new heaven and a new earth for this country, how they can reconcile themselves to opposing this modest proposal in the Companies Act, when they have swallowed the big camel of proportional representation in the Government of India Act: we here represent tens of thousands of voters: but our successors will be people who have pocket and therefore rotten boroughs, with five or six or seven people as their electors.....

Mr. K. Ahmed: Address the Chair, please.

Mr. S. Satyamurti: Sir, I am glad that I get some opportunity of recovering my breath.

I want to conclude on the merits. I want to put it to my Honourable friends who believe in democracy that this democracy is doomed to failure, unless you provide ample opportunities for minorities to make themselves felt and convert themselves into majorities. You cannot tolerate any system of democracy, where a perpetual majority will always rule. I, therefore, believe I am right in saying that, as against a tyranny which is not a mere theoretical tyranny but quite

[Mr. S. Satyamurti.]

a practical tyranny in the case of companies where managing agents control the bare majority of shares, we must give a chance to the minorities to get their representatives properly elected; and I want to conclude by saying it is not against the smooth, or the harmonious, or the efficient working of companies, because even bare majority will get under my system adequate representation on the board. It will ensure harmonious working; it will ensure representation to minorities; and I think, on the whole, it is consistent with the most advanced notions of democracy in the world today. I, therefore, beg to commend my amendment to the acceptance of this Honourable House. I move.

Mr. K. Ahmed : I shall vote with you if you apply the principle on the other matters as well, such as communal award and public services.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in clause 37 of the Bill, for the words 'Section 83B of the said Act' the following be substituted :

"In sub-section (4) of section 83B of the said Act, after the words 'in general meeting' the words 'by election on the principle of proportional representation by the system of the single transferable vote' shall be inserted and section 83B as amended."

Pandit Govind Ballabh Pant : Sir, may I just move it now and speak later?

Mr. President (The Honourable Sir Abdur Rahim) : Just as you like.

Pandit Govind Ballabh Pant : I move it now and shall speak later. I move :

"That in clause 37 of the Bill, after the proposed sub-section (2) of section 83B, the following new sub-section be added :

"(3) The election of directors shall be held on the principle of proportional representation by means of single non-transferable vote according to rules framed for the purpose under sub-section (4) of section 151 of this Act."

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in clause 37 of the Bill, after the proposed sub-section (2) of section 83B, the following new sub-section be added :

"(3) The election of directors shall be held on the principle of proportional representation by means of single non-transferable vote according to rules framed for the purpose under sub-section (4) of section 151 of this Act."

Babu Baijnath Bajoria : I have got an amendment, Sir, which is an amendment to Mr. Satyamurti's amendment: it is No. 87. I want the words "Every three years" to be inserted in this amendment.

Mr. President (The Honourable Sir Abdur Rahim) : Very well: you can move that.

Babu Baijnath Bajoria : I will move it, Sir, and make my remarks later. I move :

"That in clause 37 of the Bill, for the words 'Section 83B of the said Act' the following be substituted :

"In sub-section (4) of section 83B of the said Act, after the word 'appointed' the words 'every three years', and after the words 'in general meeting' the words 'by the system of proportional representation by means of single transferable vote' shall be inserted, respectively, and section 83B as amended."

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in clause 37 of the Bill, for the words 'Section 83B of the said Act' the following be substituted :

"In sub-section (4) of section 83B of the said Act, after the word 'appointed' the words 'every three years', and after the words 'in general meeting' the words 'by the system of proportional representation by means of single transferable vote' shall be inserted, respectively, and section 83B as amended."

Mr. N. C. Chunder (Calcutta : Non-Muhammadan Urban) : Sir, I had no desire to take part in this debate.....

Mr. President (The Honourable Sir Abdur Rahim) : All the three amendments are now under discussion.

Mr. N. C. Chunder : As I was saying, Sir, I had no wish to take part in this debate, because I belong to a profession where I have to deal with company law, and I have been keeping myself aloof from the discussion that has been taking place, as I did not want my views to be coloured by what is happening here, so that in future if anybody came to me for advice I may not be misled into giving him wrong advice. But, Sir, what pains me most is to find that the principles which are found to be useful in determining the question of proportional representation in politics are sought to be introduced in business management or business organization in the name of Democracy. When I find that principle is being applied to business, when it is sought to make the Board of Directors Act like a group of Kilkenny cats fighting amongst themselves, I feel that I must intervene in the debate. It is all very well to say that when there is a deliberative body, the minority can get properly represented in that body by the principle of single transferable vote, but when you come to a business body, a body which has got to work, an executive body, not even in the Indian National Congress, do you accept this principle....

Mr. S. Satyamurti : Oh, yes, it is there.

Mr. M. S. Aney (Berar Representative) : It was there, but it is not there now.

Mr. N. C. Chunder : It was there but it was found unworkable. Even now when we elect our working committees in the Congress we leave it to the President to choose the Committee, because we know that committee has to work. If the Directorate is to be a working body, if the directors are to exercise control over the affairs of the company, then they must be a body of one mind, they must be able to move together, they must trust each other. It is not a question of proportional representation when it comes to executive action. When you have to form an army council, when you have to form a cabinet, you do not constitute it by

[Mr. N. C. Chunder.] single transferable vote. After all, what is a Board of Directors in a company but its army council in its struggle for existence when it is fighting through difficult times? What is a Board of Directors but a Cabinet of workers? A Board of Directors is not a deliberative body or a deliberative assembly like the Legislative Assembly where things are decided on mere votes. I think, Sir, in the name of democracy we will be committing a great folly if we support Mr. Satyamurti's amendment.

Mr. P. J. Griffiths (Bengal : Nominated Official) : Mr. President, it was not my intention to take part in this debate on a very technical subject regarding which I cannot claim much personal experience. But I cannot refrain from attempting to refute the serious and even dangerous fallacy which appears to me to underlie the present proposition. The amendment before the House at present rests on two foundations, both of which appear to me unsound. It rests first on the belief that in a Board of Directors representation of minorities is desirable; and secondly on the belief that either a single transferable vote or, according to my friend, Pandit Pant, a single non-transferable vote, is the best way of securing such all round representation. I propose briefly to contest both these propositions. I take first the belief that representation of minorities on a Board of Directors is desirable. This belief, Sir, appears to me to proceed from an entirely confused and incorrect analogy with political elections. I am confirmed in this view which I have long held by the extremely clever speech of my friend, Mr. Satyamurti, in which he endeavoured to drag into the discussion his much vaunted principles of democracy. This amendment entirely overlooks the fact that the purpose of a political election is fundamentally different from the purpose of an election of a Board of Directors.

Some Honourable Members : No.

Mr. P. J. Griffiths : What is the purpose of a political election? According to my friends opposite, the purpose of a political election is to secure adequate representation of the views of the various classes of the community. Whatever may be the contention of idealists, the fact remains that within a community the interests of the different classes do conflict, and it follows, therefore, that no democratic Government can have any real stability unless it in itself represents those conflicting interests. But when we turn to the question of the election of a Board of Directors, surely the position is entirely different. What are the conflicting interests of the shareholders of a company? The interests of each and every *bona fide* shareholder are one and the same. (Some Honourable Members : "No, no. Question.") What does a shareholder want from his company? I am speaking now of the ordinary hard-headed shareholder, and not of the shareholder whose views are coloured by political theory. All that is required by the ordinary shareholder from his company is the payment of good dividends, the maintenance of the value of his shares, and the running of the company on sound business-like lines....

Mr. M. A. Jinnah : So that they may get dividends.

Mr. P. J. Griffiths : Efficiency is the sole criterion which he will apply in considering whether a Board of Directors is good or bad.

Mr. N. M. Joshi (Nominated Non-Official) : Is that necessary in politics?

Mr. P. J. Griffiths : No, Sir, I will answer that question now. In the sphere of Government, efficiency is not the sole criterion. It may frequently happen—(Interruptions from Opposition Benches)—if my friends will refrain from interrupting me, I will try to explain to them the position,—it may frequently happen that a Government is efficient and manages the affairs of the State on sound businesslike lines, but if that Government does not represent the different classes of the community, as my friend, Professor Ranga, has so often told us, there will be bitterness and anarchy smouldering within the State. Efficiency within the State is not the sole criterion; in a Board of Directors efficiency and nothing else is what we aim at. Do not let us confuse the issue by dragging the principles of politics into business management. The principles of politics are admirable in their own place, and I say with all respect that the methods of this Assembly are admirable in this place, but they would be far from admirable in the management of the business of a company. ("Hear, hear" from the Opposition Benches.) We are all aware of the methods followed in the sphere of the Assembly; a great deal of time is taken in settling any one particular question. Could such a procedure, would such dilatory tactics, however necessary here, be suitable in the administration of the business of a company? We must safeguard ourselves against this fundamental danger of political methods being introduced into business administration.

My second point is that the very words of this amendment betray its unsoundness—the very use of the term "proportional representation". Representation of what? Of parties, of groups, of factions? (An Honourable Member : "Shareholders.") Who wants parties and groups and factions amongst shareholders in the administration of a business? There is another point in this connection which is worth serious consideration. Any system which will enable a minority to secure representation on a board of directors is playing directly into the hands of the disgruntled few. It is playing into the hands of rival companies which may think it worth their while to purchase a few shares in order to obtain some voice in the control of the company concerned. Nothing could be more dangerous than to place power in the hands of a small section of the shareholders to exercise control over the administration of the company.

I pass on from this fundamentally false assumption to the second assumption which I conceive to be equally false. I refer to the belief that either the single transferable vote or the single non-transferable vote is a suitable means of obtaining all round representation. I can best explain this by taking a concrete case, and I must say that in the presence of Dr. Ziauddin I have much hesitation in committing myself to an exposition of figures and letters which must, however, necessarily play some part in this discussion. Let us take a concrete case of a company consisting of 1,500 shares, in which 5 directors are to be elected and there are 7 probable candidates. Let us call them, for the sake of convenience, A, B, C, D, E, F, and G. My Honourable friends opposite will contend that if by chance 751 of the shareholders vote for a single group of directors and 749 vote for another group of directors, the 749 will go unrepresented. This particular concrete case which I have chosen will expose the fallacy of that argument. Suppose 751 vote for A, B, C, D and E, and suppose 749 vote for C, D, E, F, and G. Under the present system A, B, C, D, and E will be elected. The 749 who also voted for

[Mr. P. J. Griffiths.]

F and G, have all voted for 3 out of the 5 members who have been elected. Under your present system even the minority of 749 has voted for 3 out of the 5 elected directors. In other words,—I shall ask my Honourable friend Dr. Ziauddin to check my calculations later on,—in other words, even the minority among the shareholders has a majority representation on the board of directors. Let us turn now to the various proposals before the House. First we have the proposal of the non-transferable vote. Let us again take the same illustration, the same candidates, the same 1,500 shareholders, the same 5 directors to be elected. Let us suppose that of these 7 candidates two, namely, D and E are outstanding. Of the two, suppose that D is slightly better than E because he is more experienced, but both are men who would be wanted by every reasonable member of the company. Let us assume then that 1,400 *bona fide* shareholders choose D and E. It may so happen that, if the election is not manipulated, 1,380 vote for D and 10 for E. If that is the case the remaining 100 votes will carry the day and put in their own three candidates against the claims of E. The main objection to the non-transferable system is that the second best man might easily be left out unless the election is manipulated. I am perfectly well aware that any intelligent man in command of 1,400 votes can so organise his votes as to secure the return of candidates wanted by him. I am fully aware of that. That is the case under the present system, and it will be the case under any new system that may be devised. (*An Honourable Member* : “A misconception.”) If it is a misconception, my Honourable friend will demonstrate it arithmetically. But, as I see the situation, any person having 1,400 votes under the present system or the non-transferable system, by giving 300 votes to each of four candidates and 200 to a fifth candidate can very well secure the return of those particular candidates whom he wants. If that is the case,—I shall await the fallacy being demonstrated by my Honourable friend, Pandit Govind Ballabh Pant,—what is the advantage of this new cumbrous system over the system which is at present in force? Then, to take another proposal, I take the case of the single transferable vote. I could take many preliminary objections to this proposal. I could take the fundamental objection that this amendment as it stands now means nothing. There are at least three or four different systems of election in force throughout the world known by the name of single transferable vote. I have no doubt that my Honourable friend, Mr. Satyamurti, has in his mind a very clear conception of the particular system which he wishes to apply to the administration of a company, but I very much doubt whether the Court in interpreting the statute will necessarily be aware of what particular interpretation was in the mind of my Honourable friend, Mr. Satyamurti, on the 16th September, 1936. If my Honourable friends wish to introduce a provision of this sort they should have at least set forth in their amendments the exact mechanism or at any rate the principles of the mechanism which they wish to function. To take two simple cases, the commonest example of the single transferable vote is the system under which the second preference—only one preference—can be transferred. On the other hand, there is the system to which Mr. Satyamurti referred, under which all preferences can be transferred. It is most vital that in his amendment the Mover should state which of those particular systems he wishes to follow. Let me assume for the moment that he wishes to follow the system of transfer of second preferences only. Let me turn back briefly to my case of 1,500 shareholders. 1,400 would

prefer D, E, A, B, C. 100 would prefer E, D, F, G and C. I assume that the election is not manipulated and that each shareholder votes according to his conviction. 1,400 give first preference to D and their second preference is given to E. In that case 300 votes would go to D and 1,100 would be transferred to E. E will also have received 100 first preferences from the minority group. E therefore gets altogether 1,200 votes. Of those 1,200, 900 are to be transferred to somebody else. Which 900 will you transfer? Will you transfer the 900 including 100 votes from the minority group? Or will you transfer only the second preferences in the majority group? If you adopt the first alternative the next preference will go partly to A and partly to F. If you adopt the second alternative the next preference will go wholly to A. (*Interruption.*) I am perfectly prepared to demonstrate this proposition mathematically at any time in the lobby to Mr. Satyamurti or to Pandit Govind Ballabh Pant. At this stage I merely wish to draw the attention of the House to the fact that the Movers are asking us to embark on an elaborate system which will be exceedingly cumbrous to work and which will not secure the object they have in view.

Pandit Govind Ballabh Pant : Why do you want us in the lobby?

Mr. P. J. Griffiths : Because I think that some of the Members present may not be able to follow the calculations. You are embarking on a system which depends upon the existence of parties. Where you have parties and where the election is between party and party, there I agree that the proportional representation system has much to commend it but where no such parties exist the system is meaningless and even dangerous. On all these grounds, Sir, I ask the House to reject this amendment—firstly on the ground that it misunderstands the purpose of the election, secondly on the ground that it would introduce into business management the element of faction and thirdly that from the arithmetical point of view it would fail to achieve the objects which its Mover has in mind.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 17th September, 1936.

LEGISLATIVE ASSEMBLY.

Thursday, 17th September, 1936.

The Assembly met in the Assembly Chamber at Eleven of the Clock, Mr. President (The Honourable Sir Abdur Rahim) in the Chair.

MEMBER SWORN.

Major-General Sir Cuthbert Allan Sprawson, Kt., C.I.E., K.H.P.,
M.L.A. (Government of India : Nominated Official).

QUESTIONS AND ANSWERS.

INSUFFICIENCY OF LATRINES IN THIRD CLASS COMPARTMENTS ON THE EAST
INDIAN RAILWAY.

442. *Mr. Sri Prakasa : (a) Is it a fact that on the East Indian Railway only one lavatory is provided in third class compartments meant to carry from 40 to 52 passengers ?

(b) Are Government aware that this is inadequate ?

(c) Are Government prepared to insist on Railway Administrations supplying at least one lavatory for not more than 15 passengers ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes, in a number of the older coaches. The accommodation provided in all third class carriages built since 1930 is as follows :

One compartment to seat 52 with one latrine.

One compartment to seat 30 with one latrine.

One compartment to seat 20 with one latrine.

One compartment to seat 12 with one latrine.

(b) The adequacy depends on the services on which the carriages are utilised.

(c) No.

Mr. Sri Prakasa : Do Government intend to take any steps to put in additional latrines on the older type of coaches still in use ?

The Honourable Sir Muhammad Zafrullah Khan : I will send down the suggestion to the Agent of the East Indian Railway for his consideration.

(1207)

RULES PERTAINING TO THE NUMBER OF LETTERS TO BE SENT IN THE
SAME COVER.

443. *Mr. Sri Prakasa : (a) Is it a fact that, according to the post-office rules, letters addressed to different individuals cannot be sent in the same cover ?

(b) If so, does the rule also apply to letters addressed to different members of the same family by a friend or relative ?

(c) Can more than one letter pertaining to different subjects, be addressed to the same individual in the same cover by a single person, and can a number of persons enclose their separate letters addressed to the same individual in one cover ?

(d) What is the process adopted by Government to see that the rules pertaining to the number of letters in the same cover are fulfilled ?

(e) Is it common for Government to open letters to make sure ? If so, under what rule do Government open such letters ?

(f) What is the sanction in case of any violation of the rules ? Have any sanctions been so far applied ?

(g) Is it true that some Government Departments have been caught sending a number of letters meant for different individuals in the same cover, and thus attempting to defraud the post-office ? If so, what, if any, action has been taken against them ?

The Honourable Sir Frank Noyce : (a) Under section 4 of the Indian Post Office Act, the Governor General in Council has the exclusive privilege of conveying by post, from one place to another, all letters, with certain exceptions, and has also the exclusive privilege of performing all the incidental services of receiving, collecting, sending, despatching and delivering all letters. As the sending in one cover of a number of letters intended for persons living at different addresses must involve distribution and delivery at the place of destination such a practice is illegal under the Act.

(b) Yes, but not if the members of the family are living with the addressee. It is immaterial whether the sender is a friend, relative or a stranger.

(c) The reply to the first part is in the affirmative. The reply to the second part is in the negative if a collection of letters from different addresses is involved.

(d) Postal employees have instructions to be on the watch to prevent all illegal practices.

(e) The reply to the first part is in the negative. The second part does not arise.

(f) I do not understand what exactly the Honourable Member means by the word "sanctions" but I may inform him that any breach of the provisions of section 4 of the Indian Post Office Act is punishable under section 58 of that Act.

(g) Certain practices adopted in some Government offices which came to the notice of the Postal Department appeared to violate the provisions of the Indian Post Office Act ; but there was no intention

defraud the Post Office. The offices were asked to discontinue the practices.

Mr. Sri Prakasa : With reference to the reply to clause (b), may I take it that letters to different members of the same family living at the same address cannot be enclosed in the same envelope ? I could not exactly catch the Honourable Member's reply.

The Honourable Sir Frank Noyce : The answer to clause (b) was : " Yes, but not if the members of the family are living with the addressee. It is immaterial whether the sender is a friend, relative or a stranger."

Mr. T. S. Avinashilingam Chettiar : With reference to the answer to clause (d), what is the process adopted ?

The Honourable Sir Frank Noyce : The only process adopted at present is that if the packet looks suspicious, the post master asks for it to be opened.

Mr. T. S. Avinashilingam Chettiar : Or he can open it himself ?

The Honourable Sir Frank Noyce : He can open it himself, but I understand that is seldom if ever done.

Mr. Sri Prakasa : With reference to the answer to clause (g), if it was not the intention of the particular Government Departments concerned to defraud the Post Office when they sent out letters addressed to different individuals in the same cover, what other intention could they possibly have had ?

The Honourable Sir Frank Noyce : To save money. (Laughter.)

Mr. Sri Prakasa : Then, would the laudable desire to save money exempt us, private individuals, also from the penal sections of the Post Office Act, or only a Government Department ?

The Honourable Sir Frank Noyce : I imagine private individuals have also the same laudable desire to save money and that the Post Office is equally justified in trying to defeat it if they can. (Laughter.)

CATCHES SUPPLIED IN RAILWAY COMPARTMENTS FOR "LIFT-UP" WINDOW
SHUTTERS.

444. *Mr. Sri Prakasa : (a) Are Government aware that insufficient catches, or such catches as are not easily adjustable, supplied in railway compartments for "lift-up" window shutters, have been responsible for many serious hurts to fingers of passengers, specially children ?

(b) Are Government prepared either to insist on railways supplying proper and strong catches, or have only "let-down" window shutters ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Government are aware that there have been accidents caused by the manipulation of window shutters, but these are in most cases due to want of sufficient care on the part of the passengers.

(b) Government are considering the adoption of improved designs of window catches which it is hoped will afford further protection to passengers against accidents.

Mr. Sri Prakasa : Is my Honourable friend really sure that accidents are due to carelessness on the part of passengers ? Are they

not due to the inadequacy of the catches as well? I have had some experience of that.

The Honourable Sir Muhammad Zafrullah Khan : I think they are sometimes due to the latter, but very often to the former.

Mr. Sri Prakasa : What may be the ratio? Fifty-fifty?

(No answer.)

TRADE AGREEMENT BETWEEN INDIA AND CEYLON.

445. ***Mr. S. Satyamurti :** Will Government be pleased to state :

- (a) whether any steps are being taken for a comprehensive trade agreement between India and Ceylon ;
- (b) whether they have received any communication from the Ceylon Government on this matter ; and
- (c) whether the question of introducing new trade relations between Ceylon and India is being considered in view of the repudiation of the Ottawa Pact?

The Honourable Sir Muhammad Zafrullah Khan : (a) to (c). The Honourable Member's attention is invited to the replies given by me to his previous questions Nos. 124 and 175 in the current Session.

Mr. S. Satyamurti : May I take it that until this question of replacing the Ottawa Pact is settled one way or the other, the question of separate trade negotiations between Ceylon and India will not be taken up?

The Honourable Sir Muhammad Zafrullah Khan : That is the position.

ENQUIRY INTO THE CONDITION OF RAILWAY FINANCES.

446. ***Mr. S. Satyamurti :** Will Government be pleased to state :

- (a) whether it is a fact that Lord Ashfield has been approached in connection with the enquiry into the conditions of Railway finances in India ;
- (b) whether they have come to any conclusion with regard to the appointment of an expert ; and
- (c) whether they have exhausted all available Indian talent in the matter before proceeding to import foreign experts?

The Honourable Sir Muhammad Zafrullah Khan : I would refer the Honourable Member to the reply I gave to Mr. Ananthasayanam Ayyangar's question No. 84 on the 2nd September, 1936.

Mr. S. Satyamurti : What is the answer to clause (c) of the question? So far as I remember, that has not been answered so far.

The Honourable Sir Muhammad Zafrullah Khan : The reply I have given to this part of the question is that the whole matter is under consideration.

Mr. S. Satyamurti : May I take it, therefore, that "the whole matter" includes the examination of all available Indian talent and the exhaustion thereof, before proceeding to import others?

The Honourable Sir Muhammad Zafrullah Khan : "The whole matter" means getting a suitable man with the necessary experience to look into this question.

Mr. S. Satyamurti : Even if he is an Indian?

The Honourable Sir Muhammad Zafrullah Khan : If an Indian, so much the better.

Mr. T. S. Avinashilingam Chettiar : Am I to understand that it has been decided to call for an expert, or only the question of the man that has to be got is under consideration,—or the very question of calling for an expert is under consideration?

The Honourable Sir Muhammad Zafrullah Khan : It has been decided that there must be an inquiry into this matter.

†447*.

APPLICATIONS FOR NOMINATIONS TO THE INDIAN CIVIL SERVICE IN ENGLAND.

448. ***Mr. S. Satyamurti :** Will Government be pleased to state :

- (a) whether their attention has been drawn to the fact that 100 applications have been received in England from British young men for nomination to the Indian Civil Service ; and
- (b) whether they have ascertained or will ascertain the educational qualifications of these applicants?

The Honourable Sir Henry Craik : (a) The number of candidates who applied for appointment to the Indian Civil Service by selection was about 260.

(b) As I have already explained, candidates for selection must have qualified by examination for a good Honours Degree in a Final Honours School of an approved University.

Mr. S. Satyamurti : May I know how many of those, who ought to be selected, have been selected, this year?

The Honourable Sir Henry Craik : I think not less than one-tenth of those who applied.

Mr. S. Satyamurti : May I take it that the tests for them are over, or are they going to be held afterwards, such as, *viva voce*, etc.?

The Honourable Sir Henry Craik : The tests have been conducted.

Mr. S. Satyamurti : Has the selection been made?

The Honourable Sir Henry Craik : Yes, provisional selection has been made in some cases. They still await the result of their University examinations.

† This question will be put and answered later.

Mr. T. S. Avinashilingam Chettiar : May I know whether this selection is to cover the excess of Indians that have been selected in previous years ?

The Honourable Sir Henry Craik : I do not follow that question.

Mr. T. S. Avinashilingam Chettiar : Is this selection of the British element to the Indian Civil Service made to make up for the excess of Indians that have been recruited in the previous years ?

The Honourable Sir Henry Craik : There is no question of an excess of Indians but of a shortage of British candidates.

†449*.

†450*.

FISCAL REFORM, STATE HELP FOR INDUSTRIES AND DEVELOPMENT OF THE RESOURCES OF THE COUNTRY.

451. ***Mr. S. Satyamurti :** Will Government be pleased to state :

(a) whether they propose to take any steps in the direction of fiscal reform, State help for industries, and development of the resources of the country ; and

(b) whether they propose to take a comprehensive view of this question and come to far-reaching decisions thereon ?

The Honourable Sir James Grigg : (a) and (b). This is not a subject which can be dealt with adequately in reply to a question. In so far as it concerns the Central Government the occupants of these Benches, and particularly those in charge of the Finance and Commerce Departments, have dealt with it fully on more than one occasion in the course of debates in this House.

TEMPORARY TRADE ARRANGEMENTS BETWEEN INDIA AND GREAT BRITAIN.

452. ***Mr. S. Satyamurti :** Will Government be pleased to state :

(a) whether they are examining, or are considering, any suggestion for temporary trade arrangements between India and Britain, after the termination of the Ottawa Agreement in the middle of November ;

(b) whether they are aware that the United Kingdom offers to make separate agreements with each Dominion ;

(c) whether they are taking steps to sound the opinion of Chambers of Commerce and Provincial Governments on the nature of agreements to be entered into ;

(d) whether they propose to take at every stage of the negotiations non-official, commercial and industrial opinions ; and

(e) if not, why not ?

† This question will be put and answered later.

The Honourable Sir Muhammad Zafrullah Khan : (a) to (d). Yes, Sir.

(e) Does not arise.

Mr. S. Satyamurti : May I ask for some elucidation of the answer "Yes" to clause (a) of the question ? Are Government considering any temporary arrangements between India and Britain, after the termination of the Ottawa Agreement, at the end of the notice period which is about the middle of November ?

The Honourable Sir Muhammad Zafrullah Khan : Yes, Government are considering such an arrangement. The position is that, as the Honourable Member is aware, the Ottawa Trade Agreement would come to an end on the 13th November. As the Honourable Member is further aware, there are negotiations afoot between the United Kingdom and India for the conclusion of a fresh trade agreement. While those negotiations are in progress and till it becomes apparent either that there can be no fresh agreement or a fresh trade agreement is actually concluded, Government feel that it would lead to unnecessary dislocation of trade and uncertainty in the two countries if the present arrangements were not continued as a sort of *modus vivendi*.

Mr. S. Satyamurti : May I take it, therefore, that Ottawa Agreement will be continued more or less in its entirety, till either of the contingencies to which my Honourable friend has referred becomes a fact ? That is to say, till the conclusion of the agreement or the decision on the part of both the Governments that no agreement is possible, Ottawa Agreement will continue.

The Honourable Sir Muhammad Zafrullah Khan : That is the present intention.

Mr. S. Satyamurti : May I know what is the maximum amount of time, according to the Government's calculation, beyond the middle of November up to which this arrangement will continue ?

The Honourable Sir Muhammad Zafrullah Khan : I am afraid it is impossible to calculate at the present moment the maximum amount of time that may be required.

Mr. S. Satyamurti : May I know whether Government propose to approach this Honourable House, before the end of the Session, with a proposal which is in the mind of my Honourable friend now, asking the approval of the House for the continuance of this *ad interim* arrangement, till some conclusion is arrived at ?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir.

Mr. S. Satyamurti : May I know the reason why, when the House is in session and my Honourable friend has already made up his mind that, for the present the old agreement should continue as an *ad interim* arrangement, the Government do not propose to ask the opinion of this House on this matter ?

The Honourable Sir Muhammad Zafrullah Khan : For the reason that the Government think that that is the only reasonable course to take.

Mr. S. Satyamurti : May I know whether the Government has examined any other alternatives ?

The Honourable Sir Muhammad Zafrullah Khan : Every other alternative would lead to very undesirable consequences.

Mr. S. Satyamurti : May I know whether the Government have consulted the relevant interests such as industrial, commercial, and trade opinion with regard to the continuation of this agreement ?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir. But Government have no reason to feel that there would be any difference of opinion on this matter at all.

Mr. S. Satyamurti : Will Government feel the same way, if they were to take the vote of this House on this arrangement ?

The Honourable Sir Muhammad Zafrullah Khan : I am unable to say that. It is a hypothetical question.

Mr. S. Satyamurti : What is the answer to clause (c) of my question ?

The Honourable Sir Muhammad Zafrullah Khan : I said " Yes ".

Mr. S. Satyamurti : Have Government received the opinions ?

The Honourable Sir Muhammad Zafrullah Khan : Yes, Sir, from various interests.

Mr. S. Satyamurti : Have Government also received opinions from all the Provincial Governments ?

The Honourable Sir Muhammad Zafrullah Khan : I believe so.

Mr. S. Satyamurti : Will they place the opinions of the Provincial Governments on the table of the House at some suitable time ?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir.

Mr. S. Satyamurti : With regard to the answer to clause (d) of the question, may I know when this non-official committee, which, I believe, has been appointed, is going to meet ?

The Honourable Sir Muhammad Zafrullah Khan : The non-official advisers had been asked to meet at a date which has already passed, but some of them represented that the date did not suit them and therefore Government were compelled to postpone their first meeting for a few days.

Mr. S. Satyamurti : May I know what will be the procedure of this delegation ? Are Government going to put their proposals before them and ask their opinions, or are they going to be given materials and asked to give their advice to Government ?

The Honourable Sir Muhammad Zafrullah Khan : I cannot say exactly what the procedure will be but they will be consulted on all aspects of the question.

Mr. S. Satyamurti : Will this delegation be sent to England, to negotiate with any delegation or Government there ?

The Honourable Sir Muhammad Zafrullah Khan : If the stage of oral negotiations arrives, I believe they will be invited to go to England.

Mr. S. Satyamurti : May I know whether their advice will be accepted by the Government, or whether it is merely a kind of advisory council, whose views Government may accept or reject ?

The Honourable Sir Muhammad Zafrullah Khan : Their advice will be advice. I do not think I can go further than that.

Prof. N. G. Ranga : May I know whether the non-official advisers were selected in their individual capacity or because of the Parties to which they belonged ?

The Honourable Sir Muhammad Zafrullah Khan : I am not aware that any of them belongs to any particular Party.

Prof. N. G. Ranga : May I know whether they were selected after consulting the various interests concerned such as industrial, commercial and agricultural ?

The Honourable Sir Muhammad Zafrullah Khan : No, but they represent various interests.

Prof. N. G. Ranga : On what basis were they selected ?

The Honourable Sir Muhammad Zafrullah Khan : As I have already said, they have been selected on the basis that they represent certain interests.

Prof. N. G. Ranga : Will the Government take care to see that these non-official advisers have taken the permission of the political parties to which they belong or the industrial associations to which they belong ?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir. I am not aware that any one of them belongs to any particular political party.

POST OF ECONOMIC ADVISER TO THE GOVERNMENT OF INDIA.

453. **Mr. S. Satyamurti :** Will Government be pleased to state :

(a) whether they propose to offer the post of Economic Adviser to the Government of India to an American ; and

(b) whether they have exhausted all available Indian talent in this matter ?

The Honourable Sir Muhammad Zafrullah Khan : (a) and (b). The matter is still under the consideration of the Government of India.

Mr. T. S. Avinashilingam Chettiar : May I know when do they hope to select this economic adviser ?

The Honourable Sir Muhammad Zafrullah Khan : As soon as a suitable individual is available.

Mr. S. Satyamurti : May I know what is under consideration ? The creation of a post of an Economic Adviser to the Government of India, or the offer thereof to an American ?

The Honourable Sir Muhammad Zafrullah Khan : The question under consideration is as to who should be appointed to this post.

Mr. S. Satyamurti : May I know if there is any American name which is being considered ?

The Honourable Sir Muhammad Zafrullah Khan : So far as I am aware, No.

Mr. T. S. Avinashilingam Chettiar : Are any names being considered ?

The Honourable Sir Muhammad Zafrullah Khan : Yes, Sir.

Mr. T. S. Avinashilingam Chettiar : Are there any Indians in that list of people ?

The Honourable Sir Muhammad Zafrullah Khan : The whole question is under consideration. I am afraid I am unable to disclose any further information with regard to this matter.

Mr. T. S. Avinashilingam Chettiar : May I know whether any names of Indians in the list of persons are being considered ?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir, the Honourable Member may not know.

Pandit Lakshmi Kanta Maitra : What is the pay attached to this post ?

The Honourable Sir Muhammad Zafrullah Khan : That matter also is still under consideration. It has not yet been finally settled.

Mr. T. S. Avinashilingam Chettiar : Does it mean that there are no Indians on that list ?

The Honourable Sir Muhammad Zafrullah Khan : I have already answered that.

Mr. S. Satyamurti : What are the functions of this Economic Adviser ?

The Honourable Sir Muhammad Zafrullah Khan : To advise the different Departments of Government on economic questions.

Pandit Lakshmi Kanta Maitra : Is it a new post or is it an old post ?

The Honourable Sir Muhammad Zafrullah Khan : If the Honourable Member is aware of any Economic Adviser under the present arrangements, then it is not a new post, otherwise it is.

+454*.

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ABOLITION OF THE TARIFF BOARD.

456. ***Mr. S. Satyamurti :** Will Government be pleased to state :

(a) the reasons why they have decided to dispense with the Tariff Board ;

† This question will be put and answered later.

(b) in how many cases the decisions of the Tariff Board have not been accepted, and the reasons why ;

(c) the data and the reasons on which they came to the conclusion that they did not expect any inquiry to be instituted for several months ;

(d) whether they have considered the need for increased protection to silk and handloom cloth in India ;

(e) whether they have considered the question of constituting a permanent Tariff Board or *ad hoc* Boards from time to time, from the point of view of getting the best independent opinion ;

(f) whether they propose to make enquiries in connection with the sugar industry sometime next year ; and

(g) whether the abolition of the Tariff Board is due to any change of policy of the Government in respect of discriminating protection ?

The Honourable Sir Muhammad Zafrullah Khan : (a) and (g). The Honourable Member is referred to my speech on his Adjournment Motion in this connection on the 1st September, 1936.

(b) I would refer the Honourable Member to the statements laid on the table of the House in reply to part (b) of question No. 721 by Pandit Govind Ballabh Pant on the 26th September, 1935, and to part (a) of question No. 406 by Mr. Akhil Chandra Datta on the 13th February, 1936. Government's decisions on the recommendations of the Tariff Board together with their reasons will be found in the Resolutions or speeches on the Bills relating to each enquiry. Copies of these are in the Library of the House.

(c) The Honourable Member is referred to the reply given by me to part (ii) of Mr. Akhil Chandra Datta's question No. 403 on the 13th February, 1936.

(d) and (e). Yes.

(f) Yes. Section 3 of the Sugar Industry (Protection) Act, 1932, provides that Government's proposals with regard to the industry should be placed before the Legislature not later than 31st March, 1938, and in view of the large volume of evidence with which the Tariff Board will probably be faced, it will be desirable to embark on this enquiry in good time.

Mr. S. Satyamurti : With reference to the answer to part (c), may I know the specific answer to the question, "the data and the reasons on which they came to the conclusion that they did not expect any enquiry to be instituted for several months, except in the case of sugar" ?

The Honourable Sir Muhammad Zafrullah Khan : There may be an enquiry in between. I cannot say there will not be.

Mr. S. Satyamurti : One of the reasons why the Government decided—I will not use the word 'abolish'—to disband the Tariff Board was that they did not expect any enquiry for several months. I

am asking, apart from sugar, with regard to for example, silk and handloom cloth mentioned in part (d), are there any petitions or requests before the Government, asking for an enquiry as to the need for protection to these industries?

The Honourable Sir Muhammad Zafrullah Khan : There are some applications pending. With regard to this subject, there is a question later on. I have not taken up the attitude anywhere that there will not be an enquiry for several months. There might be an enquiry next month and as soon as the Government are in a position to remit an enquiry to a Tariff Board, they will set up a Tariff Board.

Mr. S. Satyamurti : Earlier than the sugar enquiry, do Government contemplate any enquiry?

The Honourable Sir Muhammad Zafrullah Khan : I cannot say definitely whether Government contemplate any enquiry or not; it is possible an enquiry may have to be made.

Mr. T. S. Avinashilingam Chettiar : What is the reply to the first portion of part (e) of the question?

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member ought to have listened when the answer was read out.

Mr. T. S. Avinashilingam Chettiar : The answer was read out so fast that I could not follow.

The Honourable Sir Muhammad Zafrullah Khan : I said, 'yes'; surely that answer could be easily followed.

Mr. T. S. Avinashilingam Chettiar : Are the Government considering the creation of a permanent Tariff Board?

The Honourable Sir Muhammad Zafrullah Khan : With regard to that I have already answered several questions.

Mr. T. S. Avinashilingam Chettiar : Then, what is the meaning of 'yes' in answer to part (e) of the question?

The Honourable Sir Muhammad Zafrullah Khan : The meaning of 'yes' is that Government have considered the question.

QUESTION AND ANSWER IN THE HOUSE OF COMMONS REGARDING REVISION OF THE OTTAWA TRADE AGREEMENT.

457. ***Mr. S. Satyamurti :** Will Government be pleased to state :

- (a) whether their attention has been drawn to a question and answer in the House of Commons on the 17th June, regarding revision of Ottawa Agreement;
- (b) whether the President of the Board of Trade announced that preliminary discussions with a view to revising the Ottawa Agreement with Canada would begin shortly;
- (c) whether any such discussions have been started between Great Britain and India;

d) whether they are aware that the Board of Trade had invited the Association of British Chambers of Commerce, the Federation of British Industries, and the National Union of

Manufacturers, as well as bodies representing particular industries, to furnish observations to them;

(e) whether they propose to invite similar organizations in India to advise them on this matter; and

(f) if not, why not?

The Honourable Sir Muhammad Zafrullah Khan : (a) to (d). The Honourable Member is presumably referring to the question and answer in the House of Commons on the 16th and not on the 17th June. If so, the reply to parts (a) to (d) is in the affirmative.

(e) The Government of India have already addressed representative commercial bodies in India for their opinions in the matter.

(f) Does not arise.

INDIANISATION OF THE GOVERNMENT OF INDIA SECRETARIAT.

458. ***Mr. S. Satyamurti :** Will Government be pleased to state :

- (a) whether they are considering now the question of Indianisation of the Secretariat, Central Government;
- (b) whether it is a fact that while 42 of 84 such officers are Indians, a great majority of these 42 are Superintendents;
- (c) whether the Indian Members of the Executive Council are giving their attention to this matter;
- (d) if so, what the results are;
- (e) whether it is a fact that in the Army Headquarters there is no Indian beyond the rank of a Superintendent; and
- (f) whether it is proposed, in view of the Wheeler Committee's Report, to overhaul the existing system of Indianisation, and lessen its extent or pace?

The Honourable Sir Henry Craik : (a), (c) and (d). The policy of Government in regard to the appointment of officers to superior posts in the Government of India Secretariat has already been explained in a statement made in connection with the Resolutions by the Honourable Rai Bahadur Lala Jagdish Prasad and the Honourable Mr. Jagdish Chandra Banerjee regarding Indianisation of the Indian Civil Service in the Council of State on the 10th February, 1934.

(b) No.

(e) No. At present there are four Indian Officer Supervisors at Army Headquarters.

(f) No.

Mr. S. Satyamurti : With reference to part (b), may I know the exact figures, as to how many are Superintendents and how many others?

The Honourable Sir Henry Craik : None of them is a Superintendent. All the 42 officers are holding superior appointments to Superintendents.

RENEWAL OF THE INDO-JAPANESE TRADE AGREEMENT.

459. *Mr. S. Satyamurti : Will Government be pleased to state :

- (a) whether it is a fact that three technical experts are coming from Japan early in July to advise and assist the Japanese Consul General in India in connection with the proposed discussions on the renewal of the Indo-Japanese Trade Agreement;
- (b) whether they propose to get the assistance of technical experts; and
- (c) if not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes.

(b) Government have obtained the advice of non-official advisers connected with the various interests concerned.

(c) Does not arise.

Mr. S. Satyamurti : Have the Government of India invited any technical experts, just as the Japanese delegation have done, to help them—I mean technical in the sense that they understand the technical secrets of trade ?

The Honourable Sir Muhammad Zafrullah Khan : Well, Sir, I believe the non-official advisers whom the Government have brought into consultation do understand the technical secrets of trade.

Mr. T. S. Avinashalingam Chettiar : Do the Government presume that Dr. Subbaroyan whom they are consulting knows the technical secrets of trade ?

The Honourable Sir Muhammad Zafrullah Khan : Dr. Subbaroyan was not one of the persons consulted on this matter.

Mr. S. Satyamurti : I do not ask part (a) of question No. 460, because it is past history.

LIFTING OF THE SANCTIONS AGAINST ITALY.

460. *Mr. S. Satyamurti : Will Government be pleased to state :

- (a) whether she consulted the Dominions in this matter ;
- (c) if so, what answer the Dominions gave ;
- (d) whether the Government of India were consulted, and whether they communicated the wishes of this Assembly and of the people of India, that sanctions ought not be lifted ; and
- (e) if not, why not ?

Sir Aubrey Metcalfe : (b) and (c). The Government of India have no information.

(d) and (e). I would refer the Honourable Member to the replies to parts (b), (c) and (d) of question No. 149 asked by him on the 7th September, 1936.

(a) whether Great Britain has made up her mind to recommend to the League of Nations the lifting of the sanctions against Italy ;

ABOLITION OF THE TARIFF BOARD.

461. *Mr. S. Satyamurti : Will Government be pleased to state :

- (a) whether their attention has been drawn to the statement of Mr. Manu Subedar, President of the Small Industries' Association, published in the *Hindu* of the 21st June, 1936, regarding the abolition of the Tariff Board ;
- (b) whether they have noticed his statement that he regarded the proposed abolition of the Tariff Board as a very retrograde step as a result of the 'anti-industry' attitude dominating the Government of India more and more ;
- (c) what are the industries which have applied to Government for protection, but whose representations have not been attended to ;
- (d) whether they are aware that there are many other industries which also applied for protection ;
- (e) whether the abolition of the Tariff Board means that decisions on application for protection would rest with the Government of India, or whether they would appoint an *ad hoc* committee from time to time ; and
- (f) whether they have considered that commercial and industrial opinion in the country is strongly in favour of the continuation of the Tariff Board ?

The Honourable Sir Muhammad Zafrullah Khan : (a) and (b). Yes.

(c) and (d). The Government of India have at present under consideration applications for protection or enhanced protection in respect of the following industries, namely, silk, pottery, playing cards, apple growing, vegetable products and the manufacture of rubber cloth.

(e) and (f). The Honourable Member is referred to my speech on his Adjournment Motion in this connection on the 1st September, 1936.

Prof. N. G. Ranga : Have the Government of India received any representation from the handloom weavers during the last four or five months ?

The Honourable Sir Muhammad Zafrullah Khan : I believe there is a question with regard to that later on.

Mr. S. Satyamurti : With reference to all these various industries, whose names my Honourable friend mentioned and from whom applications for protection are pending, may I know how long roughly these applications have been pending with the Government ?

The Honourable Sir Muhammad Zafrullah Khan : I am afraid I cannot say without notice.

Mr. S. Satyamurti : Why have the Government not disposed of these applications earlier ?

The Honourable Sir Muhammad Zafrullah Khan : Because they could not dispose of them earlier.

Mr. S. Satyamurti : May I know what are the reasons why Government take such a long time in disposing of applications for protection from industries, which are anxious to get it, as early as they can ?

The Honourable Sir Muhammad Zafrullah Khan : I may assure the Honourable Member that there is no avoidable delay in disposing of these matters. Various enquiries have to be made ; information has to be called for sometimes from the very people who have made applications and so on. Government cannot always make up their mind solely upon information which may be sent up in the first instance and which may be incomplete.

Pandit Lakshmi Kanta Maitra : Did Government receive any application from the celluloid industry for protection ?

The Honourable Sir Muhammad Zafrullah Khan : I would require notice of that question.

RECOMMENDATIONS OF THE INDO-BURMA FINANCIAL TRIBUNAL.

462. ***Mr. S. Satyamurti :** Will Government be pleased to state :

(a) whether it is a fact that the report of the Application Committee, set up by the Secretary of State to go into the details of the recommendations of the Indo-Burma Financial Tribunal report will not be available for discussion in the Legislatures either in India or Burma before the introduction of Reforms ; and

(b) whether they propose to take steps to see that it is discussed in the Legislative Assembly ?

The Honourable Sir James Grigg : (a) and (b). The purpose of the Application Committee is not to consider the recommendations of the report of the Indo-Burma Financial Tribunal, which have already been accepted by His Majesty's Government, but almost exclusively to work out the resultant account on the lines illustrated in the appendix to the Tribunal's report.

A provisional and preliminary account will be submitted for the budget purposes of the year 1937-38 but the final account will certainly not be ready before the end of 1938.

The Committee's duties being of this restricted nature, no useful purpose could be served by a discussion in this House.

†463*.

NEGOTIATIONS REGARDING THE CESSION OF THE FRENCH POSSESSION IN INDIA.

464. ***Mr. S. Satyamurti :** Will Government be pleased to state :

(a) whether there is any truth in the report that the French Government are negotiating with the British Government for the cession of the French possession in India ;

† This question will be put and answered later.

(b) whether the British and French Governments are examining certain interpretations of their rights over small areas, situated outside the main French Colonial possessions in India ;

(c) if so, what they are ; and

(d) whether they propose to take any steps in this matter ?

Sir Aubrey Metcalfe : (a) No.

(b) Yes.

(c) and (d). It is not in the public interest to reveal, at the present stage, the result of the examination of their rights by the Government of India or the nature of the steps under contemplation.

ENROLMENT OF QUALIFIED VOTERS BY THE SYSTEM IN OPERATION IN GREAT BRITAIN.

465. ***Mr. S. Satyamurti :** Will Government be pleased to state :

(a) whether their attention has been drawn to a statement made by the Under Secretary of State in the House of Commons on the 22nd June, 1936, in answer to a question, to the effect that the adopting of the suggestion that qualified voters should be enrolled by a system similar to that in operation in Britain, instead of would-be voters being required to take the initiative, would involve an amendment to the India Act and could not be effected by a provision in the electoral rules ;

(b) whether their attention is drawn to the fact that while application is prescribed by the Act, it is not said that applications should be made in person and not by proxy ;

(c) what was the explanation received from the Provincial Governments for insisting on personal presentation of applications ;

(d) whether there are administrative difficulties ; and

(e) if so, what they are ?

The Honourable Sir Nripendra Sircar : (a) Yes.

(b) The position, as I understand, is that under the new Act it is left to the rule-making authority to decide the manner in which application is to be made.

(c) The Government of India are content generally to leave the matter in the hands of Local Governments.

(d) and (e). Do not arise.

Mr. S. Satyamurti : In view of my Honourable friend's answer to part (b) with which, if I may say so respectfully, I agree, may I know if the Government have examined the statement of the Under-Secretary of State made in the House of Commons, that to ask that these voters should be enrolled without presenting applications in person would involve an amendment of the Government of India Act ?

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The Honourable Sir Nripendra Sircar : If you allow me to make a short statement, I can explain it. On account of the agitation in the Press in Madras which drew the attention of Government of India to this matter, the Government of India took certain steps to enquire and the result of that was that certain difficulties were represented to exist by the Local Government. Although I am not willing to place the whole of that document on the table—it contains various other matters—I can give the purport of the main objection to the proposal. What was pointed out was that there was difficulty in that Province of Madras particularly in connection with literacy qualifications. And unlike other provinces, in Madras there is no form of certificate of literacy below the S. S. L. C., which means the Secondary School Leaving Certificate and the Local Government considered that the only safeguard against bogus voters was to insist on personal application. An exception was made for women having scruples to appear in public in whose case provision has been made in the Madras rules for presentation by their husbands or other relatives. The Local Government have made every endeavour to facilitate registration; for instance, by empowering officers to receive applications, by having centres in each electoral area and instructing officers to tour the areas adequately to receive applications. Having considered all the representations made by the Local Government, the Government of India decided not to interfere in this matter with their discretion.

Mr. S. Satyamurti : May I know if Government had any report from the Local Government that dispensing with applications in person would swell the number of electors to such a large extent, that it will give rise to administrative difficulties?

The Honourable Sir Nripendra Sircar : No, Sir.

Mr. S. Satyamurti : May I know if Government considered, from the point of view of the Government of India Act, the question that insistence on personal application was inconsistent with the provision of the Act, and the electoral rules as framed by the Government of India?

The Honourable Sir Nripendra Sircar : That is a matter of opinion and unfortunately we do not agree that it is inconsistent, and I have explained the situation as to the difficulties which are presented and why the Government of India did not interfere further in the matter.

Mr. M. Ananthasayanam Ayyangar : Have not the Government of India received reports of resolutions passed in various meetings in various parts of the Madras Presidency that the touring is not enough, because if only one day in a month is fixed for going to an important village, that is not enough, and therefore the village officers must be authorised to receive applications?

The Honourable Sir Nripendra Sircar : On the materials before me I cannot answer that question. If my friend will put down a question I can answer it.

Mr. M. Ananthasayanam Ayyangar : Will the Honourable Member kindly accept short notice?

The Honourable Sir Nripendra Sircar : Yes, certainly, provided you do not ask for adjournment on that reply (laughter). (An Honourable

Member : "He will ask for adjournment.") Then I will not accept short notice.

Mr. S. Satyamurti : Sir, I may point out that short notice is accepted on the merits, and cannot be the subject of a bargain. If the Honourable Member accepts it, he does so because he thinks it is right, and it is for me to move an adjournment on it if I choose.

The Honourable Sir Nripendra Sircar : That is certainly the correct legal position.

PLANNING OF PUBLIC WORKS.

466. **Mr. S. Satyamurti :** Will Government be pleased to state :

- (a) whether their attention has been drawn to the statement of Sir Bhupendranath Mitra, denying that the Government of India had neglected the planning of public works, and also denying that the situation was not improving; and
- (b) what are the public works for which the Government of India have spent money with a view to relieve un-employment during the last five years, and what is the extent and nature of them?

The Honourable Sir Frank Noyce : (a) The Honourable Member is no doubt referring to Sir Bhupendra Nath Mitra's speech at Geneva on the 15th June, 1936, during the twentieth session of the International Labour Conference. The trend of that speech, which I have read, is generally that understood by the Honourable Member.

(b) As the Honourable Member is no doubt aware, the very numerous public works, which are planned with a view to the relief of rural un-employment, are scattered all over India. They are planned and executed by the Provincial Governments and I have no list either of works planned or of works executed. So far as the Government of India are concerned, the reopening of the New Delhi Capital Programme, on which the expenditure so far sanctioned amounts to about Rs. 136 lakhs, was decided on partly with a view to providing employment. I would add, however, that Sir Bhupendra Nath Mitra's statement did not relate to public works expressly designed to combat unemployment, but to large public works generally. A statement prepared in 1935 for the League of Nations limited to public works each costing at least 50 lakhs showed that the works started or completed after the 1st January, 1929, involved an aggregate estimated expenditure of Rs. 148 crores. That, I should explain, is for the whole of India and not only for works under the Central Government. I would also refer to certain figures quoted by the Honourable the Finance Member in the debate on the Indian Finance Bill, 1935, to be found on page 2707 of Volume III of the Legislative Assembly Debates of that Session.

Mr. S. Satyamurti : Of the 148 crores spent since 1929, may I know how many of these works were started for the express purpose, wholly or partially, of relieving unemployment?

The Honourable Sir Frank Noyce : I have explained, Sir, that the reopening of the New Delhi Capital Programme was decided on partly with a view to providing employment. I have said that the statement referred to in the question did not relate to public works expressly designed to combat unemployment, but to large public works generally.

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Prof. N. G. Ranga : Is it not a fact that the expenditure on construction works on the railways was the lowest during the last year since 1929 and that this expenditure has been going down seriously since 1929 and also that retrenchment of 160,000 people has been effected since 1929, and all this has intensified the unemployment problem in this country ?

The Honourable Sir Muhammad Zafrullah Khan : This does not arise out of the previous question.

Prof. N. G. Ranga : It does arise in view of the fact that Sir Bhupendra Nath Mitra is reported to have denied that the Government of India had neglected the planning of public works and also denied that the situation was not improving, and the Honourable Member in charge of the department has himself said that the Government of India have done as much as they can possibly be expected to do in order to relieve unemployment. I submit my question certainly arises out of this question.

Mr. President (The Honourable Sir Abdur Rahim) : This question relates to a specific case and I think it would be better for the Honourable Member to give notice.

Mr. S. Satyamurti : May I know if my Honourable friend is aware that this speech of Sir Bhupendra Nath Mitra was made in connection with unemployment ?

The Honourable Sir Frank Noyce : That may be.

Mr. S. Satyamurti : May I know what is the relevancy of the answer when out of 148 crores, which is a staggering figure, only 1½ crores was spent on the reopening of the capital programme at Delhi, for the express purpose of relieving unemployment ?

The Honourable Sir Frank Noyce : Does my Honourable friend dispute the fact that if you spend 148 crores on public works, that does diminish unemployment ?

Mr. S. Satyamurti : It depends on where it goes, and whether the greater part of it goes into the pockets of contractors and officers.

Mr. T. S. Avinashilingam Chettiar : May I know over how many years this sum of 148 crores was distributed ?

Mr. President (The Honourable Sir Abdur Rahim) : That is a very big question.

Mr. Huseinbhai Abdullabhai Laljee : May I know whether Government supplied these particulars to Sir Bhupendra Nath Mitra before he made this statement ?

Mr. President (The Honourable Sir Abdur Rahim) : Next question.

†467*.

† This question will be put and answered later.

TERMINATION OF THE OTTAWA TRADE AGREEMENT.

468. ***Mr. S. Satyamurti :** Will Government be pleased to state :

(a) whether they propose to enter into a " stop-gap arrangement " between India and the United Kingdom to cover the period between the termination of the Ottawa Agreement and the execution of a fresh one ; and

(b) whether the programme of the Government of India is first to negotiate an Indo-Japanese cotton agreement, and then to take up the conclusion of agreements to take the place of Ottawa Agreement, and, if so, why ?

The Honourable Sir Muhammad Zafrullah Khan (a) The Honourable Member is referred to my reply to part (a) of his starred question No. 452 in the current Session.

(b) No, Sir. Negotiations with both Japan and the United Kingdom are being conducted simultaneously.

Mr. S. Satyamurti : May I know, if there is any connecting brain between these two negotiations, so that one may not impinge on the other adversely, or are they conducted independently of each other ?

The Honourable Sir Muhammad Zafrullah Khan : Both the negotiations are in charge of the Commerce Department.

Mr. S. Satyamurti : Are they in charge of the Commerce Member ? May I know if he is keeping his finger on these two negotiations, so that they may develop into a harmonious thing ?

The Honourable Sir Muhammad Zafrullah Khan : The Commerce Department is in charge of the Commerce Member, and not only the Commerce Member but the whole Government of India are keeping their eye on it.

Mr. S. Satyamurti : That is the trouble ; we want you only to keep your eye on it.

The Honourable Sir Muhammad Zafrullah Khan : I am in charge, but so far as keeping an eye is concerned, the whole of the Government of India are keeping their eyes on it.

†469*.

COMMITTEES AND COMMISSIONS APPOINTED DURING THE LAST TEN YEARS.

470. ***Mr. S. Satyamurti :** Will Government be pleased to state :

(a) the number of Committees and Commissions appointed by them, or by the Secretary of State for India, during the last ten years ;

(b) the actual expenses incurred thereon ; and

(c) the recommendations of these Committees and Commissions which have been given effect to ?

† This question will be put and answered later.

The Honourable Sir Henry Craik : (a) and (b). I would refer the Honourable Member to the answer I gave to Mr. A. N. Sinha's starred question No. 1582 on the 14th April, 1936. The information for the period from 1932 up to date has since been placed in the Library.

(c) I am afraid the labour and time involved in collecting the information will hardly be commensurate with the results obtained. The reports of some of the Committees, and information of the effect given to their recommendations, have been published.

Mr. S. Satyamurti : Cannot my friend give an answer to clause (b), which relates to expenses incurred on these committees and commissions since 1932 ?

The Honourable Sir Henry Craik : The Honourable Member will find that in the information that has been laid on the table since the last Session.

PROPOSAL TO INCREASE FREIGHT ON COFFEE, TEA AND RUBBER.

471. ***Mr. S. Satyamurti :** Will Government be pleased to state :

(a) whether the General Secretary, Indian Railway Conference Association, Delhi, has received a letter from the Secretary, United Planters' Association of South India, Connoor, protesting against the proposal to increase freight on coffee, tea and rubber ;

(b) whether they have examined the contents of the letter ; and

(c) whether they propose to make the increase in spite of these protests ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Government have no information.

(b) Government have examined the contents of the extract sent by the Honourable Member.

(c) Government have no proposal under consideration at present for an enhancement in the freight rates for these commodities.

APPOINTMENT OF A TRADE COMMISSIONER FOR CEYLON IN INDIA.

472. ***Mr. S. Satyamurti :** Will Government be pleased to state :

(a) whether they are aware of the appointment of a Trade Commissioner for Ceylon in India, a motion for which was passed by the Ceylon State Council ; and

(b) whether they propose to appoint a separate Trade Commissioner for India in Ceylon ?

The Honourable Sir Muhammad Zafrullah Khan : (a) The Government of India have seen press reports regarding the proposed appointment of a Trade Commissioner for Ceylon in India but they have not so far received any official communication from the Ceylon Government on the subject.

(b) No such appointment is at present contemplated.

INDIANISATION OF THE INDIAN ARMY VETERINARY CORPS.

473. ***Mr. S. Satyamurti :** Will Government be pleased to state :

(a) whether they propose to take any steps to Indianise the Indian Army Veterinary Corps as early as possible ;

(b) whether they propose to raise the standards of veterinary education in India ;

(c) if so, when ; and

(d) if not, why not ?

Mr. G. R. F. Tottenham : (a) I would refer the Honourable Member to the Army Department letter No. 31799/1/Q.11, dated the 28th June, 1935, and the Press Note of the 4th June, 1935, on the subject. A copy of the former was laid on the table of the House on the 10th February, 1936.

(b), (c) and (d). Education is a Provincial 'transferred' subject, and therefore the Government of India cannot themselves take steps to raise the standard of veterinary education in this country ; but they have addressed Local Governments in the matter.

TERMINATION OF THE OTTAWA TRADE AGREEMENT.

474. ***Mr. S. Satyamurti :** Will Government be pleased to state :

(a) whether their attention has been drawn to the reply of the President of the Board of Trade to the Lancashire Indian Cotton Committee deputation's query concerning the Government of India notice to terminate the Ottawa Agreement in November, and to his statement that until November the Committee should pursue its aims and objects as done before ;

(b) the results of the work of that Committee so far ; and

(c) what the latest figures of the consumption of cotton by Lancashire this year are ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes.

(b) and (c). The Honourable Member is referred to the First and Second Annual reports of the Lancashire Indian Cotton Committee, copies of which are in the Library. An important result of the Committee's work is that there has been a striking increase in the imports of Indian cotton into the United Kingdom, the quantity imported during the season August, 1935—July, 1936 being 546,654 bales, as against 230,000 bales in the corresponding season of 1932-33.

Mr. S. Satyamurti : May I know whether Government have included the price factor in the consideration of this increase consumption of Indian cotton in the English market ?

The Honourable Sir Muhammad Zafrullah Khan : I am afraid I am unable to follow the question.

Mr. S. Satyamurti : Is the increased consumption due wholly or partially, and if so to what extent, to the cheapness of Indian cotton, compared with cotton of similar qualities, which Britain might have bought elsewhere ?

The Honourable Sir Muhammad Zafrullah Khan : I believe this increased consumption is due largely to the activities of the Lancashire Indian Cotton Committee.

Mr. S. Satyamurti : I am asking for some enlightenment on the matter : may I know whether the British cotton consumer has bought Indian cotton at a price higher than he would have paid, had he purchased similar cotton elsewhere ?

The Honourable Sir Muhammad Zafrullah Khan : I am afraid I am unable to answer that without notice.

Mr. S. Satyamurti : Has he not bought this Indian cotton, simply because it is cheaper than other cotton ? Was it not due largely to the law of supply and demand, where the price factor plays the most important part ?

The Honourable Sir Muhammad Zafrullah Khan : No : I understand that before the Lancashire Indian Cotton Committee started its activities in the direction of research and bringing to the notice of cotton spinners the qualities of Indian cotton, Indian cotton was not so largely used because it was not found useful for the purposes for which cotton was required and though it might be that other factors, such as the price factor, have entered into the question, I have no doubt that the greater part of the larger consumption of Indian cotton is due to the activities of the Cotton Committee in the direction of research and bringing to the notice of cotton spinners the uses to which Indian cotton might be put.

Mr. M. Ananthasayanam Ayyangar : May I know if most of this Indian cotton is long staple cotton ?

The Honourable Sir Muhammad Zafrullah Khan : No : not the greater part of it.

SUPPORT OF CANADA TO THE CESSATION OF SANCTIONS AGAINST ITALY.

475. ***Mr. S. Satyamurti :** Will Government be pleased to state :

(a) whether their attention has been drawn to a statement from Ottawa, dated the 19th June, 1936, to the effect that the Government of Canada will support the cessation of sanctions and will instruct their League delegates accordingly ;

(b) whether they have issued any such instructions to their League delegates ;

(c) if so, what they are ; and

(d) if not, why not ?

Sir Aubrey Metcalfe : (a) Yes.

(b) and (c). The Secretary of State was requested to instruct the delegates of India to express their agreement with the view taken by His Majesty's Government, viz., that there was no advantage in continuing to impose sanctions which had definitely failed to achieve their purpose.

(d) Does not arise.

Mr. S. Satyamurti : Were the instructions given by the Government of India after they knew of His Majesty's Government's views, and had

they considered it on its own merits, and come to their own conclusion independently, that it was the correct view in the circumstances ?

Sir Aubrey Metcalfe : When the Government of India were consulted, they were certainly informed by His Majesty's Government of the position which they proposed to take.

Mr. S. Satyamurti : Did the Government of India bring to bear, on the consideration of that question, the expressed Indian feeling on the subject, and did they, in spite of that, agree with His Majesty's Government's conclusion, because they thought it was the best in the circumstances ?

Sir Aubrey Metcalfe : They brought to bear on the consideration of the matter, all the relevant points which they could think of and came to their conclusion accordingly.

Mr. S. Satyamurti : Did the Government of India have the freedom to differ from His Majesty's Government, and did they exercise that freedom, and decide not to exercise that freedom, on the merits of the case ?

Sir Aubrey Metcalfe : The Government of India certainly had freedom to express an opinion to His Majesty's Government on the subject.

Mr. S. Satyamurti : Different from that of His Majesty's Government ?

Sir Aubrey Metcalfe : If they had chosen to differ from His Majesty's Government they could have expressed an opinion different from theirs.

Mr. S. Satyamurti : May I know what are the reasons then, why, in spite of universal Indian feeling in the matter, the Government of India chose to ignore that feeling, and agree with His Majesty's Government ?

Sir Aubrey Metcalfe : The Honourable Member makes an assumption which I am not prepared to admit.

Mr. S. Satyamurti : May I know what in the judgment of the Government of India was the opinion of the people of India in respect of these sanctions ?

Sir Aubrey Metcalfe : I am not prepared to express any opinion on that and I do not think I am called upon by the rules to do so.

Mr. S. Satyamurti : I am asking for the impression of the Government of India with regard to public opinion in this country. I am not asking their opinion : I am simply asking what the Government's appreciation of the opinion of the public of this country was on this question ?

Sir Aubrey Metcalfe : I can see no essential difference between an opinion and an impression or appreciation.

Mr. S. Satyamurti : May I appeal to you, Sir ? I am not asking the opinion of the Government of India at all.

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member regards the question as requiring him to express an opinion, and he is not prepared to do so.

Mr. S. Satyamurti : It is for you to rule, Sir.

Mr. President (The Honourable Sir Abdur Rahim) : He understands it like that.

Mr. S. Satyamurti : He misunderstands it !

Pandit Krishna Kant Malaviya : Is the Honourable Member aware of the opinion of the majority of members in this House regarding this matter ? The question has been discussed so many times in this House.

Sir Aubrey Metcalfe : There has been no formal expression of opinion so far as I know and there certainly has been no division on the subject.

Mr. S. Satyamurti : Did the Government of India have any information—and if so what—about public opinion in this country, on the question of sanctions or lifting of them against Italy ?

Sir Aubrey Metcalfe : They had seen a certain number of press articles, if that represents public opinion.

Mr. S. Satyamurti : What were those press articles ?

Sir Aubrey Metcalfe : It is quite impossible to give these details.

CORONATION DURBAR IN INDIA.

476. ***Mr. S. Satyamurti** : Will Government be pleased to state :

- (a) whether they are considering the date of the Coronation Durbar in India ;
- (b) whether they are sounding the leaders of the Indian opinion in this matter ;
- (c) if so, whom ; and
- (d) whether the Coronation is proposed to be held in 1937 or 1938 ?

The Honourable Sir Henry Craik : (a). No decision has yet been reached in regard to the holding of a Coronation Durbar in India.

(b), (c) and (d). Do not arise.

Seth Govind Das : Will Government take into consideration, when deciding this question, the present economic condition of this country ?

The Honourable Sir Henry Craik : The decision does not rest with the Government of India.

Mr. S. Satyamurti : May I take it that the Government are not considering the question at all ? I think my Honourable friend said, no decision has been taken.

The Honourable Sir Henry Craik : Yes : it is possibly being considered, but I have no information.

Mr. S. Satyamurti : I want to know whether the Government of India are considering it.

The Honourable Sir Henry Craik : No.

CHECKS APPLIED TO VERIFY THE EVIDENCE AGAINST THE DETENUS.

477. ***Mr. Mohan Lal Saksena** : Are Government aware of the judgment delivered by Justices Cunliff and Henderson in two appeals from Midnapore in connection with the Bengal Suppression of the Terrorist Outrages Act, in which the two accused had been prosecuted on the same evidence as had already been rejected as insufficient and unreliable by the High Court, and sentenced to six years' and seven years' rigorous imprisonment by a Special Magistrate ? If so, has the Honourable the Home Member read the judgment and revised his opinion regarding the effectiveness of checks and cross checks applied to verify the evidence against the detenus ?

The Honourable Sir Henry Craik : I have seen the judgment. I have no reason to revise my opinion and it is opposed to public interest to criticise the judgment.

EXAMINATION OF THE WORKING OF THE REPRESSIVE LAWS WITH A VIEW TO THEIR REVISION.

478. ***Mr. S. Satyamurti** : Will Government be pleased to state :

- (a) whether their attention has been drawn to the remarks of two learned judges of the Calcutta High Court in a recent case published in the newspapers, especially to the following sentences :

" This Court has now been asked to uphold the conviction of the present accused practically on the evidence which was abandoned or discredited before a Full Bench in another case in which one of these was accused " ;

- (b) whether their attention has been drawn to another case :

" Their Lordship's opining that it was of no benefit to anybody that in administering this necessary though ' unpopular ' legislation Magistrates and Judges should be wanting in ordinary common sense " ;

- (c) whether they propose to examine the working of the repressive laws in the light of these judgments, with a view to revising them as early as possible ; and

- (d) if not, why not ?

The Honourable Sir Henry Craik : (a) and (b). I have seen the judgments referred to.

- (c) No.

(d) I would like to point out that the High Court judgment extracted in part (b) itself confirms the necessity of such legislation. I cannot make any further statement as it is opposed to public interests to criticise judgments of Courts.

Mr. S. Satyamurti : May I know whether Government, from time to time, examine the working of these repressive laws, in view of the judgments of their Lordships of the High Courts, in cases which are being tried under those Acts ?

The Honourable Sir Henry Craik : Well, Sir, if the Statutes or the working of the Statutes are to be reviewed because one magistrate or

two magistrates committed an error of judgment, the whole of the ordinary law will have to be constantly under review ; for instance, the law as to theft and murder is not constantly under review because occasionally courts make mistakes or because occasionally the decisions of the lower courts are set aside by High Courts on appeal.

Mr. S. Satyamurti : I am simply asking whether, in the light of such remarks that the High Courts in this country or the Privy Council may make with regard to the working of certain repressive laws passed by the Governor General in Council or any exceptional laws, Government take those observations into consideration, with a view, if necessary, to amend those laws in the light of those observations ?

The Honourable Sir Henry Craik : That is rather a long question, but I should say the answer is yes, Government always reads with attention those observations.

Mr. S. Satyamurti : What is the machinery which deals with such matters ? Is it the Honourable Member's Department or the Law Department ? Does not the Law Department deal with all matters requiring legislation ?

The Honourable Sir Henry Craik : In the case of the criminal law, it would be the task of my Department, but no doubt it would consult the Legislative Department, especially if the question arose of making any change in a statute.

Pandit Lakshmi Kanta Maitra : May I know, Sir, in view of the fact that the Honourable the Home Member controls the administration of justice in this land, having regard to these two cases, whether he sent down any note to the Government of Bengal to review the cases ?

The Honourable Sir Henry Craik : No.

Pandit Lakshmi Kanta Maitra : Did it not strike the Honourable Member that there has been gross miscarriage of justice, and did the Honourable Member take any steps to check these abuses in future ?

The Honourable Sir Henry Craik : I don't think there has been a gross miscarriage of justice. In one case the people were wrongly convicted, and the High Court acquitted them. What else has to be done ?

Pandit Lakshmi Kanta Maitra : By gross miscarriage of justice, I mean that in the lower courts these people had been sentenced to long terms of imprisonment, and but for the interference of the High Court, they would have unnecessarily suffered, and I was asking the Honourable Member to tell me what specific action he has taken to check such abuses in the future ?

The Honourable Sir Henry Craik : The persons convicted have a right of appeal and have exercised their right of appeal, and in the administration of criminal law as a whole there is practically a universal right of appeal against any sentence.

Pandit Lakshmi Kanta Maitra : I am afraid the Honourable Member has not caught my point. I wanted to point out that these magistrates abuse their powers in this manner, and but for the interference of the High Court, these people would have suffered, and I want to know what specific action or what specific steps did he take to inform the Bengal

Government to see to it that these extraordinary powers are not abused in future. It would have resulted in gross miscarriage of justice but for the intervention of the High Court in this particular instance ?

The Honourable Sir Henry Craik : The High Court is there to prevent such miscarriage of justice, and because a miscarriage of justice happened in one case, there is no ground for drawing any inference that such miscarriage of justice is frequent ; there are innumerable instances in which the accused had a right of appeal and their conviction has been upheld by the Appellate Court.

COMMERCIAL RELATIONS BETWEEN INDIA AND JAPAN.

479. ***Mr. S. Satyamurti** : Will Government be pleased to state :

- whether they have heard from the Committee of the Bengal Chamber appointed to advise them whether the commercial relations between India and Japan are to be revised or renewed ;
- whether they are considering the question of evasions and of providing against smuggling of Japanese goods into India from Indian States, Afghanistan, and Nepal ; and
- whether they are examining the suggestions that piece-goods quota should be based on the balance of trade between India and Japan and not necessarily, as on the previous occasion, on the export of raw cotton to Japan ?

The Honourable Sir Muhammad Zafrullah Khan : (a) to (c). Yes, Sir. All these matters are under the consideration of the Government.

Mr. S. Satyamurti : With reference to the answer to clause (c) of the question, may I know specifically, because there is great public anxiety on the matter, whether this particular suggestion that the piece-goods quota should be based on the balance of trade between India and Japan, and not necessarily, as on the previous occasion, on the export of raw cotton to Japan, is being borne in mind ?

The Honourable Sir Muhammad Zafrullah Khan : That is one of the numerous matters that is being borne in mind by the Government of India in this connection.

LETTER FROM THE SOUTH INDIA CHAMBER OF COMMERCE TO THE INDIAN RAILWAY CONFERENCE ASSOCIATION.

480. ***Mr. S. Satyamurti** : Will Government be pleased to state :

- whether the General Secretary, Indian Railway Conference Association, has received a letter from the Honorary Secretary, South Indian Chamber of Commerce, regarding the extreme uncertainty introduced in trade and commerce by such sudden and frequent alterations in transport charges, published in the *Indian Express*, dated the 10th June, 1936 ; and
- whether they have examined the letter carefully ; if so, what their conclusions are ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes.

(b) Yes. On the main point to which reference is made in the letter, i.e., an enhancement in the classification for various commodities, Government will await the views of the Conference Association before arriving at any conclusions.

POSSIBILITY OF IMPROVING THE QUALITY OF CANDIDATES FOR THE INDIAN MILITARY ACADEMY.

481. *Mr. S. Satyamurti : Will Government be pleased to state :

(a) whether there has been further talk between the Commander-in-Chief and certain Members of the Legislature regarding the possibility of improving the quality of candidates for the Indian Military Academy at Dehra Dun ; and

(b) if so, whether their conclusions will be placed before the Assembly ?

Mr. G. R. F. Tottenham : (a) Yes.

(b) The discussions are still in progress, but the Honourable Member may rest assured that his suggestion will be borne in mind.

Sardar Mangal Singh : May I know whether His Excellency the Commander-in-Chief would himself be present at the meeting which is going to be convened ?

Mr. G. R. F. Tottenham : It depends on when the meeting takes place. I am sure, His Excellency the Commander-in-Chief will be very glad to attend if he can.

ARTICLE ENTITLED "PROVINCIAL AUTONOMY AND THE CENTRE" PUBLISHED IN THE *Hindu*.

482. *Mr. S. Satyamurti : Will Government be pleased to state :

(a) whether their attention has been drawn to a leading article, entitled "Provincial Autonomy and the Centre", in the *Hindu* of the 8th June, 1936 ;

(b) whether they have examined the criticisms contained in the article ;

(c) if so, what their conclusions are ; and

(d) whether they propose to take steps on the lines suggested in the article, and if not, why not ?

The Honourable Sir Nripendra Sircar : (a) Yes.

(b) to (d). The Government are fully seized of the desirability of shortening, as far as may be practicable, the period intervening between the initiation of Provincial Autonomy and the advent of the Federation and they are therefore concerned to do all in their power to contribute towards rendering this period as short as possible.

†483*.

† This question will be put and answered later.

GIVING EFFECT TO THE RECOMMENDATIONS OF THE TARIFF BOARD ON THE COTTON TEXTILE INDUSTRY.

484. *Mr. S. Satyamurti : Will Government be pleased to state :

(a) the reasons why they took action under the Tariff Act in order to give effect to the recommendations of the Special Textile Tariff Board ; and

(b) why the Assembly was not consulted in the matter ?

The Honourable Sir Muhammad Zafrullah Khan : (a) and (b). The Honourable Member's attention is invited to my speech on the 2nd September on Mr. Avinashilingam Chettiar's Adjournment Motion.

GRANT OF A PREFERENCE TO INDIAN COFFEE.

485. *Mr. S. Satyamurti : Will Government be pleased to state :

(a) whether they have heard from the Indian Coffee Cess Committee urging that in any new trade agreement between the Government of India and the United Kingdom, a preference of 3d. per pound should be granted to Indian coffee ;

(b) if so, whether they propose to take steps in that direction ; and

(c) if not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes, Sir.

(b) and (c). The suggestion is being considered along with others received in response to the Government of India's invitation to Local Governments, Chambers of Commerce and Trades Associations for suggestions as to the lines on which it is considered desirable to conclude a new Agreement with His Majesty's Government in the United Kingdom.

APPOINTMENT OF SIR CHARLES INNES AND SIR FREDERICK WHYTE AS COMMISSIONERS TO ASSIST THE COMMERCIAL RELATIONS AND TREATIES DEPARTMENT OF THE BOARD OF TRADE NEGOTIATIONS.

486. *Mr. S. Satyamurti : Will Government be pleased to state :

(a) whether their attention has been drawn to the fact that Sir Charles Innes and Sir Frederick Whyte have been appointed Commissioners temporarily to assist the Commercial Relations and Treaties Department of the Board of Trade Negotiations ; and

(b) whether they propose to examine the feasibility of appointing similar experts here also ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Government have seen Press reports to that effect.

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(b) The necessity for making similar appointments in India has not so far arisen.

Mr. S. Satyamurti : May I know, Sir, whether my Honourable friend has, independent of this question, ever examined whether the Government of India,—I am not asking him personally,—ever examined the question of the usefulness or otherwise of having such Commissioners, to assist in the consideration of the various matters which come up for negotiation, between this Government and other Governments?

The Honourable Sir Muhammad Zafrullah Khan : For negotiations particularly, the Government of India have not felt the necessity of the appointment of any such Commissioners, but on economic questions generally, was there not a question this morning with regard to an Economic Adviser?

WITHDRAWAL OF ITALIAN CONSUL FROM BOMBAY.

487. ***Mr. S. Satyamurti** : Will Government be pleased to state :

(a) whether the Italian Consul has been withdrawn from Bombay ;

(b) whether they know the reasons for the same ;

(c) whether they are aware that anti-British, anti-Ethiopian and pro-Italian propaganda are largely made by the Italian Consul in Calcutta ;

(d) whether they have examined the question whether a Consulate can do such propaganda ; and

(e) whether they propose to take steps to stop Indian Post Offices being used by the Consulate for this purpose ?

Sir Aubrey Metcalfe : (a) There is no appointment of Italian Consul at Bombay, but the Italian Consul General at that post was recalled in July last.

(b) No.

(c) and (d). Yes.

(e) The Honourable Member's attention is invited to the answer given to his question No. 141.

Mr. S. Satyamurti : What is the answer to clause (d) of the question ?

Sir Aubrey Metcalfe : Yes.

Mr. S. Satyamurti : What is the result of the examination ?

Sir Aubrey Metcalfe : The result of the examination is that they are inclined to agree with the Honourable Member that such propaganda is illegitimate.

BRITISH INDIAN SUBJECTS IN ADDIS ABABA.

488. ***Mr. S. Satyamurti** : Will Government be pleased to state :

(a) whether they have made enquiries from Addis Ababa about the number of British Indian subjects still there, and what they are engaged in and whether any Indian refugees are still there ; and

(b) whether they will place the results of the enquiries on the table of the House ?

Sir Aubrey Metcalfe : (a) and (b). The approximate number of British Indians remaining in Addis Ababa is 300. Most of them are engaged in trade.

Mr. S. Satyamurti : Are Government satisfied that these 300 Indian traders have adequate protection for their lives and property in Addis Ababa ?

Sir Aubrey Metcalfe : Yes, as far as anybody has adequate protection there at present. They have done their best to satisfy themselves on that subject.

INDIAN SOLDIERS IN ADDIS ABABA.

489. ***Mr. S. Satyamurti** : Will Government be pleased to state :

(a) whether any Indian soldiers are still at Addis Ababa ;

(b) if so, what their duties are ; and

(c) when they will be withdrawn from there ?

Mr. G. R. F. Tottenham : (a), (b) and (c). The attention of the Honourable Member is invited to the Press Communiqué issued on September 1st, a copy of which was laid on the table in reply to question No. 212 on the 9th September, 1936.

REVISION OF THE INDO-JAPANESE TRADE AGREEMENT.

490. ***Mr. S. Satyamurti** : Will Government be pleased to state :

(a) whether the Commerce Secretary is going to consult prominent business men in respect of the revision of the Indo-Japanese Agreement ;

(b) whether they have any technical advisers ; and

(c) if so, who they are ?

The Honourable Sir Muhammad Zafrullah Khan : (a) to (c). I lay on the table a statement showing the names of representatives of the various interests in India who have acted as un-official Advisers to the Government of India in connection with the Indo-Japanese Trade Negotiations now in progress.

List of un-official Advisers to the Representative of the Government of India in connection with the Trade Negotiations with Japan.

Sir Chunilal Mehta, K.C.S.I.	..	..	} Bombay Millowners' Association.
Mr. T. Maloney	..	..	
Mr. Kasturbhai Lalbhai	..	..	} Ahmedabad Millowners' Association.
Mr. Sakarlal Balabhai	..	..	
Mr. P. B. Advani	..	..	Government of Bombay.
Sardar Rao Bahadur Bhimbhai Naik	..	..	} Indian Central Cotton Committee.
Mr. M. P. Kolhe	..	..	
Mr. Haridas Madhavdas	..	..	} East India Cotton Association.
Mr. R. G. Saraiya	..	..	
Mr. D. P. Khaitan	..	..	} Federation of Indian Chambers of Commerce and Industry.
Lala Shri Ram	..	..	
Sir Rahimtoola Chinoy	..	..	} Associated Chambers of Commerce of India.
Mr. R. A. F. Kidson	..	..	
Mr. Robert Scotson	..	..	} Government of Madras.
Mr. A. L. Carnegie	..	..	
Diwan Bahadur Ramalingham Chettiar	..	..	} Punjab Cotton Growers.
Mr. F. L. Silva	..	..	
Colonel E. H. Cole	..	..	

†491. *

GOVERNMENT'S ACTION ON THE REPORT OF THE TARIFF BOARD ON THE COTTON TEXTILE INDUSTRY.

492. *Mr. S. Satyamurti : Will Government be pleased to state :

- (a) whether their attention has been drawn to the statements of Sir R. M. Chinoy, Mr. Manu Subedar, and Mr. V. N. Chandavarkar, on the report of the Special Tariff Board and the Government's action thereon published in the *Madras Mail*, of the 27th June, 1936 ;
- (b) whether their attention has been drawn particularly to the statement of Mr. Manu Subedar that " there was not much direct competition between products of the handloom industry and imports of the United Kingdom was absolutely wrong with respect to that portion of the handloom industry which was engaged on fine counts " ;
- (c) whether their attention has also been drawn to his statement that " a large loop-hole had been left by the Board's inability or unwillingness to deal with the protection required against

† This question will be put and answered later.

the United Kingdom's imports of not only artificial silk, but mixed fabrics, cotton and artificial silk " ;

- (d) whether their attention has been particularly drawn to his statement, that " the Tariff Board report had not added any valuable principles for elucidation of the question of protection to the textile industry which would continue to recur so long as the purchasing power of the farmer was low and the industry was exposed to onslaughts not merely from Japan but, under the new lower duties from the United Kingdom " ;
- (e) whether they propose to examine the whole question from the point of view of the criticisms ;
- (f) if not, why not ;
- (g) whether their attention has been drawn to a statement by Mr. V. N. Chandavarkar, on the same subject published in the *Madras Mail* of the 27th June, 1936, particularly to his reference to the undertaking given by Sir Joseph Bhore in the Assembly in January, 1935, to the following effect :
 " If the substantive level of protection granted by the legislature is reduced, it is the legislature that will reduce the level of protection " ;
 and
- (h) the reasons why they have given lower protection as against the British Textile goods without consulting the Assembly ?

The Honourable Sir Muhammad Zafrullah Khan : (a), (b), (c) and (d). Yes, Sir.

(e) and (f). The relevant factors were given careful consideration before Government arrived at their conclusions which were published in the Commerce Department Resolution No. 341-T. (10)36, dated the 25th June, 1936, on the Report of the Special Tariff Board.

(g) Yes, Sir. The statement of Sir Joseph Bhore has, however, been quoted without its context. If the Honourable Member will study that context he will find that the matter under discussion when the statement was made was Article 4 of the Agreement, dated the 9th January, 1935, between His Majesty's Government in the United Kingdom and the Government of India, i.e., the Article which deals with " radical changes in the conditions affecting protected industries ". The Special Tariff Board presided over by Sir Alexander Murray was not constituted on account of any such radical change, but in fulfilment of the undertaking of the Government of India contained in Sir B. N. Mitra's letter to the Right Honourable W. Runciman, M.P., appended to the agreement.

(h) The attention of the Honourable Member is invited to my speech during the debate on the Adjournment Motion on the 2nd September, 1936.

Mr. S. Satyamurti : With reference to clause (e) of the question, may I know, Sir, whether these criticisms or the subjects of these criticisms were in possession of the Government before they passed their orders on the Report of the Special Textile Tariff Board ?

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The Honourable Sir Muhammad Zafrullah Khan : The report and the material on which it was based were before the Government and all these considerations entered into the matter. The Board had given their findings on these matters.

Mr. S. Satyamurti : With reference to the answer to clause (g) of the question, may I know whether, in this particular case, the substantive level of protection granted to the Indian textile industry was not reduced, by reducing the duties on certain classes of British textiles ?

The Honourable Sir Muhammad Zafrullah Khan : The degree of protection has been reduced but it was found by the Board specifically that to that extent protection had become more than adequate for the purpose.

Mr. S. Satyamurti : May I know whether, apart from the necessity or otherwise, the Honourable Member differs from his predecessor's commitment that, "If the substantive level of protection granted by the legislature is reduced, it is the legislature that will reduce the level of protection" ?

The Honourable Sir Muhammad Zafrullah Khan : This was one specific matter which resulted from a specific undertaking given to examine the whole question. It was not a part of a radical reduction in the level of protection to Indian industries.

Mr. S. Satyamurti : May I know if Government examined this question from this point of view, and came to the conclusion that this promise of my Honourable friend's predecessor was not binding on them, as they came to the conclusion that the level of protection was not reduced ?

The Honourable Sir Muhammad Zafrullah Khan : Apart altogether from this promise, under certain conditions Government were themselves prepared, as I explained in the course of my speech on the Adjournment Motion, to place the matter before the legislature, but certain other factors arose, one of them, the time factor, which made it clear that it would not be possible to submit these proposals to the legislature. I tried to explain, in my speech the other day on the Adjournment Motion that when the Honourable Member put the question to me in the last Session whether proposals would be submitted to the legislature,—I said, "No, unless legislation is involved."

Mr. S. Satyamurti : Will Government place them now before the House ?

The Honourable Sir Muhammad Zafrullah Khan : No.

Mr. S. Satyamurti : Why not ?

The Honourable Sir Muhammad Zafrullah Khan : They have been given effect to already.

Mr. S. Satyamurti : Just to see if the House agrees with the Government or not ?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir, Government do not intend to take up the time of the House merely to give themselves the intellectual pleasure of finding out which way the voting might go.

MOTIONS FOR ADJOURNMENT.

ALLEGED FRIVOLOUS NATURE OF MOTIONS OF ADJOURNMENT.

Mr. President (The Honourable Sir Abdur Rahim) : Order, order. I have received notice of a motion for adjourning the business of the House from Sir Muhammad Yakub, which reads to this effect :

"I beg leave to move a motion for the adjournment of the business of the House for the purpose of discussing a definite matter of urgent public importance, namely, the inaction of the Government of India in not stopping the criminal waste of public time and money and the offence afforded to the dignity and prestige of the House, and also to Provincial Governments, legislatures and electorates, by the repeated frivolous and wasteful efforts of the Opposition in this House to move motions of adjournment on subjects that are primarily the concern of Provincial Governments, legislatures and electorates, not of this House or the Government of India, such as the externment of Mr. Masani by the Punjab Government, strict neutrality on the part of Local Governments in respect of provincial elections, election of the Provincial Legislature in Bihar and others like that."

I want to know exactly what is the object of the adjournment motion. Is it to stop the giving of notices of motions or to see that such motions are not allowed ? So far as allowance or disallowance of motions of adjournment is concerned, the President, in exercise of his judgment according to the Rules and Standing Orders, allows or disallows them when he finds that they are or are not in accordance with the Rules and Standing Orders. As regards matters that do not come within his purview, for instance, whether the question is one primarily for the concern of the Government of India or whether it is against public interest or not, with which the President, as I have repeatedly pointed out, has nothing to do, it is the Governor General that exercises those powers. In the exercise of those powers he passes his orders. I should like to know whether this motion is directed against notice of motions being given ?

Sir Muhammad Yakub (Rohilkund and Kumaon Divisions : Muhammadan Rural) : The motion is directed to discuss a definite and urgent matter of public importance. As laid down in the rules, it cannot be denied that the criminal waste of time of this Honourable House by the moving of frivolous motions of adjournment is a matter of very urgent and public importance. (Interruption.) It is also a matter of not only recent occurrence, but of recurring occurrence every day. Then, we find that the prestige of this Honourable House suffers greatly on account of the frivolous nature of the motions which are moved here. There are certain very eminent lawyers on the opposite benches and they must know very well that such motions, according to the rules of the Assembly, cannot be tabled. But still they are moved every day and the time of the House is wasted. It also gives an opportunity to the communalist papers, like the *Hindustan Times*, to give, in bold headlines, a misleading notion that there is a great deal of divergence of opinion between the Honourable the President and the Governor General. These mischiefs are created by motions like those mentioned in my motion. I hope that the House will give its best attention to this motion of mine. Nothing can be more important than the discussion of this motion of mine, and I hope that the Honourable Members of the Opposition who are always so anxious to censure Government will come and help in censuring the Government on this occasion. (Laughter.)

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member has not answered the question that I put to him. The difficulty in my mind is this. So long as these Rules and Standing Orders are there, can the Government of India or anybody else prevent any Member of this House from giving notice of a motion? May be it may or it may not be found to be in accordance with the rules, but is there anything to prevent any such notice being given?

Sir Muhammad Yakub : But Members here are not Jews who cannot be turned out of Palestine. Here in India the Government can do what they like. (Laughter.)

Mr. President (The Honourable Sir Abdur Rahim) : So long as these Rules and Standing Orders remain, I do not see how it can be prevented. If it is the Honourable Member's desire that the Rules and Standing Orders in this connection should be changed, then that is not a matter for a motion of adjournment of the House. The Honourable Member can, if he so chooses, table motions to that effect, to alter the Rules and Standing Orders.

Sir Muhammad Yakub : I bow to your decision, Sir.

Mr. President (The Honourable Sir Abdur Rahim) : I rule the motion as being out of order.

RESTRICTIONS BY THE UNITED PROVINCES GOVERNMENT ON THE MOVEMENTS OF THE GENERAL PUBLIC AT LUCKNOW.

Mr. President (The Honourable Sir Abdur Rahim) : There is another motion for adjournment of the House, of which notice has been given by Mr. Azhar Ali. It reads as follows :

" I shall move the following adjournment motion of the House to discuss a definite and urgent matter of public importance, today, namely :

' The administrative oversight of the Local Government of the United Provinces in allowing the Executive in Lucknow to impose indiscriminate and unfair restrictions on the movements of the general public and recital of Koranic passages '."

As the notice stands, I should like to know what is meant by " administrative oversight ", and was there any order passed recently against which the Honourable Member has a complaint?

Mr. Muhammad Azhar Ali (Lucknow and Fyzabad Divisions : Muhammadan Rural) : Sir, I have brought the notice which forms the subject-matter of my adjournment motion.

Mr. President (The Honourable Sir Abdur Rahim) : I want to know what the notice is and the date of the notice.

Mr. Muhammad Azhar Ali : The notice is under section 144 of the Criminal Procedure Code. It runs as follows :

Hukm Zer Dafá 144 Zabtai Faujdari Har gah hal men jomey ke roz us julus ko jo ke Teelay ki masjid se ahkam ke khilaf nikala jata hai dekhney ke liay majma masjid ke bahar hota hai. Hargah mujhey yakeen karney ke kafi wooiooh hain ke masjid ke nazdik in majmon ke moujoodgi se andesha naqzey aman am ka hair lehaza main, A. Monro,

District Magistrate, mundarejai zail hukm zer dafa 144 zabtai foujilari jari karta hun :-

Koi majma panch admion se ziyada ka kisi mokam par jo ke Teela ki masjid se adh meel key andar ho masjid key bahar baroz juma tarikh 11th September 1936 ko aikhtta na hoga.

Choonkey maokah iska nahin hai ke notice ki taameel ashkhas mutaalika par bar wakt ho sakey, lehaza yeh hukm yaktarfa jari kia jata hai—

Yeh hukm, jumla bashindagan Lucknow par ayed kia jata hai aur 11th September 1936 ko nafiz rahaiga.

*Dashkhat (A. MONRO, C.I.E., I.C.S.),
District Magistrate.*

Mr. President (The Honourable Sir Abdur Rahim) : What is the date of the notice?

Mr. Muhammad Azhar Ali : No date is mentioned, but it relates to the 11th September, 1936. It is of a general description.

Mr. President (The Honourable Sir Abdur Rahim) : I want to know when this order was passed. It must be of recent occurrence.

Mr. Muhammad Azhar Ali : In the notice, the date 11th September is given, and it is likely that tomorrow, the 18th, another notice like that will be issued in Lucknow for that very purpose. It is not only a question of a religious movement. It is also an order to prevent the public from going within half a mile from a place which is situated just on the riverside. If our Hindu friends want to take their corpses to the river, they will be stopped from doing so, and, in the same way, if a Mussalman wants to take his dead body to the riverside for bathing. It is also impossible for them to go to the Teela Mosque for the Friday prayers even where the congregation is very great.

Mr. President (The Honourable Sir Abdur Rahim) : Is there any objection?

The Honourable Sir Nripendra Sircar : Yes, Sir. This order may have been published on the 11th September, but, speaking subject to correction, I understand that the order was passed sometime in August.

The Honourable Sir Muhammad Zafrullah Khan : It was to continue in force till the 11th September, but it has expired now.

The Honourable Sir Nripendra Sircar : Even if it was published on the 11th September, I cannot see why the Honourable Member should come up with this subject on the 17th September and not earlier. This order, whenever it was passed, expired on the 11th September.

Mr. Muhammad Azhar Ali : No, it continues.

The Honourable Sir Nripendra Sircar : There is no order in force now, and, after all, it is an order issued by a judicial officer under the Criminal Procedure Code.

Mr. President (The Honourable Sir Abdur Rahim) : (after reading the Order in Urdu) : The Honourable Member who comes from the United Provinces ought to know if the order has or has not expired.

Mr. Muhammad Azhar Ali : Therefore, it is an oversight on the part of the Local Government. They do not take notice of these things.

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Mr. President (The Honourable Sir Abdur Rahim) : I understand that the order on which this adjournment motion is based expired on the 11th September. I rule this motion out, as it is no longer a matter of urgent public importance.

PRESENTATION OF THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE.

The Honourable Sir James Grigg (Finance Member) : Sir, I lay on the table the Report of the Public Accounts Committee, Parts I and II, on the Accounts of 1934-35.

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE ACCOUNTS OF 1934-35 OTHER THAN RAILWAYS.

PART I—CIVIL, MILITARY AND POSTS AND TELEGRAPHS.

I.—Excess Votes.

1. *General Summary.*—The following table compares the total grants voted by the Legislative Assembly with the total expenditure against those grants :—

	Original grant.	Supplementary grant.	Final grant.	Actual Expenditure.
(In lakhs of rupees.)				
Expenditure charged to revenue	25.53	3.42	28.95	30.14
Expenditure charged to capital	1.50	17	1.67	1.48
Disbursement of loans and advances	27.03	3.59	30.62	31.62
	8.98	6	9.04	4.59
	36.01	3.65	39.66	36.21

2. The following table compares the non-voted appropriations sanctioned by the Government of India with the total expenditure against such appropriations :—

	Original grant.	Final grant.	Actual expenditure.
Expenditure charged to revenue	75.59	79	76.38
Expenditure charged to capital	25	25	27
	75.84	79	76.63
			76.66

3. The position regarding total expenditure voted and non-voted is as follows :—

	Original grant.	Final grant.	Actual expenditure.
Expenditure charged to revenue	1,01.12	1,05.33	1,06.53
Expenditure charged to capital	17.5	1.92	1.75
Disbursement of loans and advances	1,02.87	1,07.25	1,08.28
	8.98	9.04	4.59
	1,11.85	1,16.29	1,12.87

4. *Savings.*—There was a saving of Rs. 3.42 lakhs or 2.9 per cent. of the final grant. The percentage compares as follows with the results of previous years :—

	1930-31.	1931-32.	1932-33.	1933-34.	1934-35.
Expenditure charged to revenue	3	3.2	1.9	1.0	—1.1
Expenditure charged to capital	15.9	11.4	8.3	15.2	8.9
Disbursements of loans and advances	—20.3	10.8	37.1	23.3	49.2
Combined percentage	—7	4.3	5.9	2.7	2.9

PRESENTATION OF THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE. 1247

5. The following table compares the percentage of savings under voted Grants for expenditure proper (i.e., exclusive of disbursements of loans and advances) with those of savings under non-voted appropriations :—

	Percentage of savings	
	Voted.	Non-voted.
1930-31	3.9	—2
1931-32	9.6	1.0
1932-33	7.0	.2
1933-34	2.8	.7
1934-35	—3.3	.04

6. *Excesses.*—In the following cases the actual expenditure exceeded the voted grants and an excess vote of the Assembly is accordingly required :—

Item No.	No. and name of grant.	Amount voted by the Assembly.	Actual expenditure.	Excess.
1.	19-A. Excise	4,68,000	4,70,350	2,350
2.	20. Stamps	17,01,000	17,07,987	6,987
3.	25. Interest on Ordinary Debt, etc. ..	23,92,000	24,62,542	70,542
4.	26. Interest on Miscellaneous Obligations ..	62,47,000	63,78,097	1,31,097
5.	28. Executive Council	73,000	82,955	9,955
6.	29. Council of State	1,41,000	1,44,790	3,790
7.	30. Legislative Assembly, etc.	7,68,000	7,69,114	1,114
8.	32. Home Department	5,84,000	5,88,798	4,798
9.	42. Payments to Provincial Governments, etc. ..	1,50,000	1,51,583	1,583
10.	44. Administration of Justice	53,000	53,250	250
11.	47. Lighthouses and Lightships	9,13,000	9,56,469	43,460
12.	56. Geological Survey	1,91,000	1,91,247	247
13.	53. Archaeology	9,48,000	9,58,837	10,837
14.	58. Public Health	6,84,000	7,09,329	25,329
15.	63. Aviation	13,90,000	13,90,561	561
16.	65. Census	3,000	3,130	130
17.	67. Emigration	1,84,000	1,91,390	7,390
18.	72. Mint	19,43,000	19,63,408	20,408
19.	75. Stationery and Printing	33,43,000	34,20,074	77,074
20.	76A. Expenditure on Retrenched personnel, etc. ..	2,19,000	2,19,632	632
21.	76D. Transfer to Fund for Economic Development, etc.	1,13,00,000	2,81,60,409	1,68,60,409
22.	77. Refunds	1,16,40,000	1,18,71,836	2,31,836
23.	85. Hyderabad	45,000	45,614	614
24.	96. Commuted Value of Pensions	29,11,000	31,73,724	2,62,724
25.	98. Interest-free Advances	70,98,000	71,06,632	7,632

7. A brief explanation of the more important excesses is given below :—

Item 2.—The excess was due to stores, freight charges and labour required to meet a sudden increase in the demand for the products of the Security Printing Press.

Item 3.—The excess was occasioned by heavy dealings by the public in India Stocks and Debentures in the latter part of the financial year.

Item 4.—The voted charges under the grant represent mainly payments to the Posts and Telegraphs Department for savings bank and cash certificates work. The excess was caused by adjustments in respect of closure of dead savings bank accounts made after the close of the year.

Item 5.—The tour expenses were more than anticipated.

Item 11.—The excess was mainly due to the omission in the revised estimates of receipts from light dues accrued at Aden but actually payable at Bombay and to a smaller extent on account of the adjustment of a portion of the surplus relating to 1933-34.

Item 13.—The departmental charges under annual maintenance and upkeep of monuments and attached gardens were more than anticipated.

Item 14.—The excess was due to the non-payment by the Calcutta Port, Commissioners of their share of the cost of the Port Health establishment Calcutta, pending the final decision of the Government of India regarding the share of the cost payable by them.

Item 17.—Increased expenditure on travelling allowance in the South African agency and non-recovery of the share of charges for medical establishment in Bengal for internal emigration owing to its abolition from the 1st of June 1934 accounted for the excess.

Item 18.—The expected recovery of silver from the dross of the coinage was not affected during the year.

Item 19.—The printing work and the demands for stationery from the Military and Posts and Telegraphs Departments proved to be less than anticipated.

Item 21.—The revenue surplus for 1934-35 was anticipated to be Rs. 1,13 lakhs, and it was decided to transfer the entire surplus to the fund for the economic development and improvement of rural areas. The actual revenue surplus, however, amounted to Rs. 2,81,60,409.

Item 22.—The excess was caused by larger payments of refunds on account of rebate of duty on tobacco stocks stripped in bond, grant of *suo moto* refunds in certain cases on account of wrong calculation of duties and refunds of excise duty on motor spirit and kerosene oil.

Item 24.—The excess was due mainly to heavy expenditure during the closing months of the year and also to the introduction during the year of a revised table allowing increased commutation values, which was not foreseen when the estimates were prepared.

8. We recommend that the Assembly assent to the excess grants detailed above which the Governor General in Council will place before them in due course.

9. Rule 52 (2) of the Indian Legislative Rules requires that we should bring to the notice of the Assembly every reappropriation from one grant to another, every reappropriation within a grant which is not made in accordance

with such rules as may be prescribed by the Finance Department and all expenditure which the Finance Department have requested should be brought to the notice of the Assembly. There was only one case of irregular reappropriation in the year under review. The Administrative Officer in charge of the Vizagapatam Harbour transferred under a misapprehension a sum of *minus* Rs. 36,000 from the voted grant to the non-voted appropriation.

There were no particular items of expenditure which the Finance Department have requested us to bring to the notice of the Assembly.

II. Important comments on matters arising out of the accounts for 1934-35.

10. *Accuracy of budgeting, control over expenditure, etc.*—In our detailed examination of the Appropriation Accounts we were struck by the very large number of variations between the estimates and actuals. There were savings in 62 out of 91 voted grants and 58 out of 81 non-voted appropriations. There were also excesses over voted grants in 25 cases. Apart from the variations under the totals of the Grants, there were considerable divergences in the individual sub-heads. We regard this as extremely unsatisfactory and deprecate once again such defective estimating. We noticed also several cases in which excesses resulted from unanticipated debits adjusted late in the year and savings accrued from the non-adjustment of debits that were expected. This could have been avoided if spending authorities had combined a knowledge of outstanding liabilities with definite information as to the intentions of creditors in respect of the presentation of their claims. We should like specific attention drawn to this point. In some accounts we noticed that reappropriations were sanctioned under individual sub-heads in the wrong direction thereby enhancing still further the savings or excesses. This is a defect which can be mitigated by intelligent supervision.

We have seen the instructions issued by the Finance Department in October 1935 to stiffen up the control of expenditure and modify the procedure for obtaining supplementary grants. We are satisfied that these instructions would remedy a good many of the defects noticed above. For example the seven cases of unnecessary supplementary grants in 1934-35 which the Accountant-General, Central Revenues, brought to our notice would not have been placed before the Assembly under the revised procedure.

In the course of our examination we were often told that the Finance Department reduced the departmental estimates in 1935-36 and 1936-37 in cases where persistent overestimating had manifested itself. We cordially approve of this useful and necessary corrective applied by the Finance Department, but this by itself is clearly not a satisfactory remedy for defective budgeting on the part of departments. They must themselves aim at closer estimating, paying the utmost regard to the trend of past actuals.

11. *Special funds created from revenue surpluses.*—In dealing with the Fund for Earthquake damage in Bihar, we noticed that, though the entire surplus of 1933-34 was earmarked for the Fund, a sum of Rs. 62 lakhs was withdrawn from the Fund during 1934-35 as being surplus to the requirements of the Fund and utilised towards the avoidance of debt. We do not question the right of the Government to judge the sufficiency or otherwise of a particular Fund and the utilisation of funds adjudged to be redundant for debt avoidance,

but we have considerable doubts about the Assembly voting towards a Fund a sum which purports to represent the whole of the surplus of a year. We recommend that Government should consider whether when funds are set up in future from revenue surpluses they should not be constituted by a vote for a specific amount.

12. *Changes in policy affecting Budget estimates.*—During the course of our examination of the Stationery and Printing Grant we noticed a saving under customs duty on stores which was reappropriated for some other purpose and we were informed that the saving was occasioned by a change of policy during the year regarding stores purchases. While we welcome the policy of increasing purchases in India, we desire to stress that in preparing their estimates departments should take into account the trends of prices and the possible changes in policy during the year. It is essential that the assumptions in the estimates should approximate to facts as far as possible.

13. *Unauthorised excluded funds in North-West Frontier Province.*—In our report last year we commented on certain irregular funds in North-West Frontier Province. We are gratified to learn that the Motor Lorry Depreciation Funds have been closed. As regards Khassadar Funds, it appears that, notwithstanding the orders issued in May 1935 to close the Funds, the matter is still under the consideration of the Local Administration. We regret that there should be so much delay in enforcing the orders and we recommend that immediate orders should be given to close these irregular funds within two months. Of the twenty six other irregular funds, we were told that seven had ceased to exist and that the disposal of their balances was still being considered either by the Government of India or the Local Administration. We regard the slow rate of progress in this matter as most unsatisfactory and unhesitatingly urge that prompt action should be taken to ensure their being closed down within three months.

14. *Contribution to general reserve fund of Lighthouses and Lightships.*—We were struck by the very large variation between the final appropriation and the actual expenditure under this head. We were given to understand that the procedure was to transfer at the end of the year the excess of receipts over expenditure to the reserve fund by a vote. It seems to us that it would be very difficult to make an approximately accurate estimate of such a surplus as the amount available for transfer depended very largely on trade and the amount of light dues realisable. We consider the existing procedure unsatisfactory and would like the question to be examined in consultation with the Auditor-General.

15. *Road Fund.*—In examining the Appropriation Accounts of the central expenditure on road development met from the Road Development Fund we noticed considerable variations from the original budget. We were told that the Road Committee sanctioned schemes twice a year, in September and in March, which led to a certain amount of redistribution during the year. Indeed the whole process of accounting for this expenditure seems to be illogical and confusing. We understand that the Auditor-General has already under consideration the question of revising it and no doubt the result of his investigations will be made available to us next year.

16. *Financial position of the Indian Posts and Telegraphs Department.*—We have perused the memorandum furnished by the Director-General, Posts and Telegraphs, on the commercial results of the department and examined him orally at some length. We are gratified to note that the actuals of 1934-35, however, so satisfactory, as at best it was only expected to produce a balance. The restoration of the emergency deduction from pay costing over Rs. 26 lakhs and the provision for normal increment to staff costing about Rs. 15 lakhs were said to account for the increased expenditure in 1935-36. In 1936-37 the Department anticipate a surplus of one lakh after providing Rs. 25 lakhs for renewals and replacements. We are given to understand that a Renewals and Replacements Fund has been substituted for the Depreciation Fund with effect from the 1st of April 1936 and that an annual contribution of Rs. 25 lakhs will be made thereto for the next five years, at the end of which the position will be re-examined. While we do not under-rate the improvement so far effected in the financial position, we wish to add an exhortation that the department should strive to do still better.

As regards budgeting and control of expenditure, we noticed a repetition of the faults on which we commented adversely in our last report. It was explained to us that the lack of effective control over expenditure in the past was due to a lack of machinery to provide the controlling authorities with the latest figures of actual expenditure. The whole procedure dealing with the system of stores accounting and other matters of technical detail is said to be under revision in consultation with the Auditor-General. We trust that the measures now being devised will result in an appreciable improvement in the control of expenditure and in budgeting in future.

17. *Grant for Refunds.*—In the accounts of the Government of India refunds of revenue have always been accounted for in reduction of receipts and the correctness of this procedure has never been questioned. But in the Demands for Grants and in the Appropriation Accounts they have been treated as expenditure. The Auditor-General has stated that this latter practice is, in his opinion, not constitutionally correct and is certainly not in accordance with the British practice. He therefore recommends that the practice of including them as "expenditure" be discontinued. A former Public Accounts Committee were also inclined to this view. We have also on several occasions observed the difficulty in estimating and controlling these more or less inevitable disbursements. It is evident that all disbursements by Government of money which have entered the public account are not expenditure items, or savings bank withdrawals would fall into this class. We therefore recommend that the Government of India should accept the view of the Auditor-General and introduce the change from 1st April 1937.

18. *Report of the Military Accounts Committee.*—We append the Report submitted by the Military Accounts Committee (Annexure A) constituted to make a preliminary examination of the Military Appropriation Accounts and

connected documents. The recommendations and observations of the Committee, both in its report and the proceedings of its meetings, meet with our cordial approval.

III. *Miscellaneous observations.*

19. We append to our report, as usual, the minutes of our proceedings which we desire to be treated as part of the report. We believe that in accordance with the established practice such action as may be necessary will be taken by Departments on the observations and recommendations contained in these proceedings.

20. We owe a debt of gratitude to the Auditor-General for his assistance to us throughout the proceedings. We should also like to express our appreciation of the work of our Secretaries, Mr. K. Sanjiva Row and Mr. N. Sundaresan.

P. J. GRIGG.

B. DAS.

S. SATYAMURTI.

N. G. RANGA.

THEIN MAUNG.

MD. YAKUB.

J. RAMSAY SOOTT.

SHER MD. KHAN.

BHAI PARMANAND.

R. D. DALAL

S. C. MUKHERJEE

FAZL-I-HAQ PIRACHA.

K. SANJIVA ROW.

N. SUNDARESAN.

Secretaries.

5th September, 1936.

ANNEXURE A.

Report of the Military Accounts Committee.

We were constituted in pursuance of the recommendations of the Public Accounts Committee of the year 1931-32 to make a preliminary examination of the Appropriation Accounts of the Defence Services and connected documents. In this task we have been assisted by the Auditor-General, the Financial Adviser, Military Finance, and the Defence Secretary, to all of whom our thanks are due. We agree with the Auditor-General in his observation that the presentation of the material for the Committee as now carried out in the Appropriation Accounts, the Financial Adviser's review and his auxiliary statistical statements has attained a high pitch of efficiency and usefulness. The results of our examination are, as usual, embodied in the proceedings of our meetings (Annexure I), which we desire to be treated as a part of our report. We propose to refer here only to the more important points.

2. *Military Engineer Services expenditure.*—In recent years, both the Auditor-General and the Military Accounts Committee have laid great stress on the importance of defining with reasonable exactitude the scope of the original demand for expenditure and conforming more closely to the scope of the demand as so defined. We are gratified to note that the results of the year under review show that as far as the control of expenditure in bulk is concerned there is no ground for criticism. As regards the conformity of expenditure to the original programme as specified in the budget we are, however, constrained to endorse the comments of the Financial Adviser, Military Finance, who observes that "after making due allowance for cases where lapses occurred for reasons beyond the control of those administering the grant or as a result of revised administrative requirements, it is difficult to avoid the impression, on perusal of some of the instances that more careful budgeting is possible and that on occasions funds were allotted before the necessary preliminaries to the commencement of work were complete".

The Financial Adviser has drawn special attention to the fact that the expenditure in March was "about double that in any other of the months which in the plains constitute the normal working season". It is of great importance that in administering public funds the risk of loss through hasty or inadequately justified payments in the closing days of the financial year should be rigorously avoided. The Auditor-General has in this connection referred to paragraphs 27 and 28 of Volume I of the Report of the Public Accounts Committee on the Accounts of 1930-31 and expressed his satisfaction at the noticeable improvement that has occurred in the civil works expenditure as a result of those recommendations. We consider that the Financial Adviser should, in consultation with the Auditor-General, examine this matter and report the result to the Committee next year. If the device of a specific provision in the reserve for the re-grant of lapses, as on the civil side, is likely to mitigate this evil, we should be quite prepared to commend it to Government for consideration.

3. *Revision of Army Regulations.*—We are impressed by the magnitude of the task and the manner in which it is being tackled but we cannot

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refrain from pressing on the attention of Government the importance of speeding up the work of revision. The possibility of having to wait for another two or three years for its completion we cannot regard with equanimity and if expedition were retarded only by want of adequate staff, we should have no hesitation in recommending to Government sympathetic consideration of proposals for a reasonable augmentation. We trust that all possible steps will be taken to bring this task, which was first adumbrated in 1930-31, to an early conclusion. We see no reason why the major part of it should not be finished by the end of the current financial year.

4. Transfer of savings in the budget to the Defence Reserve Fund.—

The Auditor-General has drawn attention to the transfer of a saving of Rs. 33 lakhs in 1934-35 arising out of a fall in prices of food grains to the Defence Reserve Fund. The saving was due to the allowance made in the budget for a moderate rise in prices which did not materialise. We understand that, in order to avoid a repetition of this result, it has been decided to reduce the safety margin and that the Finance Department have agreed to consider an additional grant, if the prices of food grains rise above the level adopted for the budget estimates. The Auditor-General has remarked that this would be an equitable arrangement if it was agreed at the same time that savings due to a material fall in prices should be surrendered to general revenues. We think that the point raised by the Auditor-General has a wider application than to food grains only and indeed that it touches on the very essence of the existing arrangement for the Defence Budget under which savings normally lapse to the Defence Reserve Fund and are available for measures of re-equipment. We understand that the consent of the financial authorities is required before any sums are transferred to the Fund and *a fortiori* before any expenditure is incurred out of it. But this does not entirely dispose of the matter and we are constrained to make clear what seem to us to be the fundamental conditions which must underlie any such arrangement.

In the first place it is an essential part of the arrangement that there should be nothing in the nature of over-estimating. The object of it is clearly to make available to the Defence authorities the immediate fruits of genuine measures of economy or casual windfalls and not to provide a more or less regular and considerable reserve available for measures not included in the budget. Similarly it should be made clear that the consent of the financial authorities to transfers to the Reserve Fund should not be regarded as a mere formality. We recognise that the present arrangement does entitle the Army authorities to presume that, in the absence of special circumstances, savings on the Budget will be made available to them but this cannot in our view override the indefeasible right of the Finance Member, in cases of real necessity, to request that savings should be diverted either to emergency items of expenditure or to preventing a deficit on the general budget. We are informed that His Excellency the Commander-in-Chief accepts this view and indeed we are aware that the cost of the Mohmand operations of 1933 and 1935, as well as a large part of the initial measures of relief involved by the Quetta earthquake have been found in this manner. Nevertheless we think it well that our understanding of the nature of the arrangement should definitely be placed on record.

In this connection the Auditor-General has raised the question whether the budget should not give full details of the transfers to and from the Defence Reserve Fund. We entirely agree with him that such details should be given as they will be useful for the proper scrutiny of the budget by the Finance Department as well as for audit purposes.

5. *Changes in the Appropriation Accounts.*—We consider the retention of Appendix A to the Financial Adviser's Appropriation Accounts as redundant because the machinery for watching the action taken on our recommendations is provided for in the quarterly statement issued by the Finance Department. We also accept the Auditor-General's statement that Appendix F has no more practical value. We accordingly recommend the discontinuance of both these Appendices in future.

6. *Financial irregularities.*—We are pleased to note that the Director of Audit has fewer cases of financial irregularities to report this year and those which he has thought it necessary to mention are less serious in character than in any recent year. We trust this improvement will be maintained in future years.

7. *Authorised War reserves of stores.*—The Quartermaster-General and the Master-General of Ordnance have furnished the necessary certificates in regard to the existence in stock of the authorised reserve of stores on the 31st March 1936 (Annexures IV and V). Copies of these certificates are attached to our proceedings.

P. J. GRIGG.

J. C. NIXON.

S. SATYAMURTI.

MOHAMMAD YAKUB.

SHER MD. KHAN.

K. SANJIVA ROW.

N. SUNDARESAN.

Secretaries.

5th September 1936.

ANNEXURE I.

Proceedings of the first meeting of the Military Accounts Committee, held on Wednesday, the 15th July 1936 at 2-30 P.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., Finance Member,
Chairman.

Mr. J. C. NIXON, C.S.I., C.I.E., I.C.S., Finance
Secretary.

Mr. S. SATYAMURTI, M.L.A.

Sir MOHAMMAD YAKUB, Kt., M.L.A.

Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E.,
M.L.A.

Members.

Sir ERNEST BURDON, K.C.L.E., O.S.I., I.C.S.,
Auditor-General.

Mr. K. R. S. RAU, Director of Audit, Defence
Services.

Were also
present.

Mr. G. R. F. TOTTENHAM, C.S.I., C.I.E., I.C.S.

Major-General G. H. ADDISON, C.B., C.M.G.,
D.S.O., Financial Adviser, Military Finance.

Mr. J. C. BROMMAGE, M.B.E., Deputy Financial
Adviser.

Witnesses.

Lt.-Colonel R. PRINCE, O.B.E., Military Account-
ant-General.

1. The Committee took up the examination of the items dealing with Military in the Quarterly Statement ending July 1936 showing action taken or proposed to be taken on the recommendations, etc., made by the Public Accounts Committee. The explanation given or the action taken in regard to the cases mentioned in that statement was accepted subject to the following remarks.

2. *Item 15—Revision of Army Regulations.*—The Defence Secretary explained to the Committee that owing to stress of circumstances a slight departure had to be made in the programme contemplated when he undertook last year to do his best to have the "Regulations for the Army in India" and the "Pay and Allowances Regulations" in a revised form when the Committee met this year. All matter bearing on leave rules was extracted from the existing regulations in force and compiled into a book of regulations about military leave rules which has been sent for the approval of the Secretary of State. A revised draft of "Regulations for the Army in India" was ready and was expected to be sent to the press in the course of a day or two. The mass of rules now in force had been divided in the new book into two portions, one dealing with matters requiring the sanction of the Government of India and the other dealing with departmental instructions issued under the authority of the Commander-in-Chief. As regards the "Regulations relating to Pay and Allowances", the "Pay volume" was under revision and was unlikely to be completed before six months, but the first draft of the "Allowances" part was practically complete. The revision of the third main book of Regulation, etc., "Passage Regulations" had yet to be started as it had to await the completion of the more important work of the other Regulations referred to above. The Defence Secretary thought that it would be necessary to continue the special staff employed on the work for another two or three years to complete the work. In view of the long time already taken, the Committee was prepared to recommend to Government the employment of additional staff, if considered necessary, to expedite the work.

3. *Item 19—Departmental inquiry in case of frauds pending decision of criminal trial.*—In explaining the procedure, the Defence Secretary said that if departmental inquiry showed that the person involved was unfit to be kept in service he would not be retained on duty pending the completion of legal proceedings against some other person implicated. The Committee was satisfied.

4. The Committee next considered Appendix A to the Appropriation Accounts of the Defence Services prepared by the Financial Adviser, Military Finance. The action taken or proposed to be taken was approved subject to the observations below.

5. *Item 1.*—The manner in which the Auditor-General's recommendations were given effect to was considered, and it was thought that the items shown in Appendices M and N of the Financial Adviser's Report were susceptible of considerable curtailment. The Financial Adviser suggested that the items could advantageously be divided into (i) works completed in the year, and (ii) works in progress. It was decided that the matter should be left for further consideration by the Financial Adviser and the Auditor-General. The Committee discussed at some length the need for a reserve for works expenditure and on the Auditor-General expressing the view that he was satisfied that as a matter of practical financial administration a reserve was justified, the Committee passed on to consider the suitability of the lists included in the Financial Adviser's Report. The Auditor-General advocated that the list should be restricted only to cases illustrating points of principle and should include only cases where inaccurate estimating was apparent or which betrayed very large discrepancies from the original estimates.

6. At the instance of the Auditor-General, the Committee agreed that it was no longer necessary to have Appendix A in the Financial Adviser's Review because the purpose in view was fully served by the Quarterly Statement showing the action taken on the Committee's recommendations.

7. The Committee then took up the consideration of paragraph 3 (a) of the Auditor-General's letter, dealing with the transfer to the Defence Reserve Fund of a saving of Rs. 33 lakhs arising out of the unexpected material fall in the prices of food grains. The Chairman explained to the Committee the policy underlying the appropriation by the Defence Department of savings accruing either from special economies or by fall in prices. In dealing with paragraph 3 (b) of the Auditor-General's letter the Chairman explained to the Committee the arrangement whereby the Commander-in-Chief was to have any savings that he effected for his re-equipment programme unless the Finance Member decided to intercept them for any financial exigencies. In the course of the discussion it was pointed out that the motive underlying the original contract grant budget was to give the Commander-in-Chief an incentive to keep up the pressure for economy and to equalise expenditure by preventing large variations between year and year in the calls on the central budget. The Committee wished to know if it could not be arranged that any savings hereafter in Defence expenditure should revert to general revenues. The Auditor-General stated that he understood the position to be that when the question of the utilisation of savings arises the Finance Member satisfies himself on the one hand that there is military necessity to which the amount must be devoted and on the other hand that there is no other overriding claim on the part of the general budget for such savings.

8. As regards paragraph 3 (c) of the Auditor-General's letter the Committee after considering the explanation given by the Financial Adviser, Military Finance, desired an exhortation to be made for closer estimating.

9. *Paragraph 4 of the Auditor-General's letter—Review of Military Engineer Services expenditure.*—The Committee considered this paragraph

of the Auditor-General's letter together with the relevant paragraphs of the Financial Adviser's Review. The position regarding the Hastings military land scheme was discussed at considerable length. The Committee drew attention to the variations between the original estimate and the completed cost of the case noticed in paragraph 140 of the Financial Adviser's Review. The Financial Adviser informed the Committee that steps had been taken to see that all estimates were revised in the light of the latest information available as to labour and materials with the help of the new staff employed for the purpose. The Auditor-General observed that he had begun to see good results of this new system and that the Director of Audit will review the progress in future reports.

10. *Paragraph 143 of the Financial Adviser's Report.*—The Committee considered the question of heavy expenditure in March. The Military Accountant-General explained that one of the reasons for the heavy expenditure in March was climatic conditions. Final bills were ordinarily submitted in March for work started in October and completed by February. He explained to the Committee that the Military Accounts Department were now trying to get over that problem largely by a system of spreading the work over the end of one year and the beginning of the next. At the instance of the Chairman the Committee adopted the recommendation that the Financial Adviser and the Auditor-General should discuss this matter further and that the Committee should be apprised of the results of their investigation next year in the Financial Adviser's Report. They would also investigate whether a specific provision in the reserve for the re-grant of lapses would not lessen the rush of expenditure in the last quarter of the year.

The Committee then adjourned till 11 A.M. on the 16th July 1936.

Proceedings of the second meeting of the Military Accounts Committee held on Thursday, the 16th July 1936, at 11 A.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., Finance Member,
Chairman.

Mr. J. C. NIXON, C.S.I., C.I.E., I.C.S., Finance
Secretary.

Mr. S. SATYAMURTI, M.L.A.

Captain SHEER MOHAMMAD KHAN, C.I.E.,
M.B.E., M.L.A.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,
Auditor-General.

Mr. K. R. S. RAU, Director of Audit, Defence
Services.

Members.

*Were also
present.*

Mr. G. R. F. TOTTENHAM, C.S.I., C.I.E., I.C.S.
Major-General G. H. ADDISON, C.B., C.M.G.,
D.S.O., Financial Adviser, Military
Finance.

Mr. J. C. BROMMAGE, M.B.E., Deputy
Financial Adviser.

Lt. Col. R. PRINCE, O.B.E., Military
Accountant-General.

Witnesses.

11. *Review of Military Engineer Services expenditure.*—The Committee took up for consideration the Auditor-General's comment on the position of the Military Engineering stock on the 31st March 1935 in paragraph 4 of his letter and discussed the position regarding surplus stores. The Auditor-General explained to the Committee that there was generally a stock limit laid down by Government with reference to which one could judge whether a surplus was excessive or not. The Financial Adviser elucidated the circumstances in which surplus stores result, e.g., replacements occasioned by new inventions or return of material after a military operation. The Committee was given to understand that the process of replacing was gradual and in that process a certain amount of overlapping was inevitable. The Chairman suggested and the Committee agreed that the question might be pursued in connection with paragraph 5 of the Auditor-General's letter.

12. *Stores transactions.*—Paragraph 5 of the Auditor-General's letter was next taken up and at the instance of the Chairman, the Auditor-General supplemented the observations in his letter by a note which he read to the Committee (Annexure I). He explained that audit would see whether the proposals in the note go far enough and whether the figures produced were reliable enough and that until he was satisfied that the figures produced were reliable enough he would not advocate their inclusion in Appendix E. to the Financial Adviser's report. In that connection he said that it was not proposed to include in the statement any war-like stores. The Committee on the valuation of Navy, Army and Air Force stocks in England expressed the opinion that the valuation of war-like stores was neither possible nor desirable. The recommendations of that Committee were accepted by the Treasury. It was proposed to follow a similar practice in India.

13. The Auditor-General was then requested to deal with paragraph 5 (b) of his letter dealing with the question of the preparation and exhibition of a valued statement of surplus and obsolete stores written off. He explained the inutility of showing the value of such stores. For one thing it is difficult to say what is the correct valuation of surplus stores and for another if the original cost is shown it would convey a misleading impression. As however he recognised that it was essential that both the Audit Department and the Public Accounts Committee should have some information regarding the disposal of surplus and obsolete stores, he was considering the question of the preparation of some useful statistics. His provisional view was that the Military Finance Branch should carry out their present detailed scrutiny of each item of surplus or obsolete stores put up for disposal and prepare a consolidated statement showing the value of stores declared surplus or obsolete quarterly and submit for the information of the Auditor-General through the Director of Audit, Defence Services. The statement is to be supplemented as may be necessary by

explanatory remarks and comments on points of financial importance revealed by scrutiny. At suitable intervals an audit review would be conducted and a report included by the Director of Audit, Defence Services, in his annual report, rash purchases and hasty discardings being noticed therein. The Committee was assured that surplus stocks would be taken into account when placing fresh orders for stores. The Auditor-General explained that as the annual provision in the budget for expenditure on stores was based on very elaborate calculations which took into account the balances in hand including surplus stocks, there was an automatic check on reckless purchases.

14. Paragraph 34 of the Report of the Director of Audit, Defence Services, regarding the difference in practice in the system of stock verification, next engaged the attention of the Committee. The Auditor-General explained that he drew attention to the precautionary double check prevalent in certain departments because he considered it a matter of considerable importance from the point of view of financial control and procedure and if it was affirmed as good it was desirable to have it on record. The Committee agreed.

15. The Committee then discussed the variations under certain items in Appendix E to the Financial Adviser's Report and passed on to paragraph 25 of the Appropriation Accounts dealing with the qualifications to the audit certificate. The Military Accountant-General explained that the first proviso was due to the equipment regulations and tables not having been revised. He hoped that they would be complete by next year when that qualification would disappear. The second qualification was likewise due to the extremely complicated nature of some of the orders. He instanced the case of issues of oil to soldiers which depended on a variety of circumstances. It was hoped to prepare a uniform standard in the near future. Since signing his last certificate, the Military Accountant-General explained that orders regarding the third proviso had issued. The Auditor-General invited the attention of the Committee to a note prepared by the Military Finance Branch on the subject (Annexure II).

16. The Committee thereafter took up paragraph 9 of the Audit Report dealing with the overdrawal of certain passage accounts. The Committee was satisfied that the matter need not be pursued further. Paragraphs 17, 18 and 21 were next considered.

The Committee adjourned till 2-30 P.M.

Proceedings of the third meeting of the Military Accounts Committee held on Thursday, the 16th July 1936, at 2-30 P.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., Finance Member,
Chairman.

Mr. J. C. NIXON, C.S.I., C.I.E., I.C.S.,
Finance Secretary.

Mr. S. SATYAMURTI, M.L.A.

Sir MOHAMMAD YAKUB, Kt., M.L.A.

Captain SHER MOHAMMAD KHAN, C.I.E.,
M.B.E., M.L.A.

Members.

PRESENTATION OF THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE. 1261

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,
Auditor-General.

Mr. K. R. S. RAU, Director of Audit, Defence
Services.

Mr. G. R. F. TOTTENHAM, C.S.I., C.I.E.,
I.C.S.

Major-General G. H. ADDISON, C.B., C.M.G.,
D.S.O., Financial Adviser, Military
Finance.

Mr. J. C. BROMMAGE, M.B.E., Deputy Finan-
cial Adviser.

Lt.-Col. R. PRINCE, O.B.E., Military Account-
ant-General.

Were also present.

Witnesses.

18. The Committee considered the note (Annexure II) prepared by the Military Finance Branch on matters connected with the provisioning of R. A. F. stores in India to which the Auditor-General invited attention in the earlier meeting (para. 15). They desired to have a further report next year.

19. The Committee then touched on paragraphs 66 and 67 of the Audit Report for 1933-34 regarding the overstocking of Mechanical Transport spares and desired that the matter should be investigated and a report submitted next year.

20. Paragraph 21 of the Audit Report.—The non-recovery or short recovery of rent, water and electrical charges dealt with in paragraph 21 of the Audit Report was discussed. The Auditor-General pointed out that in the management of vast properties a certain amount of non-recovery or short recovery was almost inevitable. He considered that the lack of system which was noticed two or three years ago had been remedied by suitable measures. The Committee desired that the Director of Audit should pay special attention to the matter from the point of the adequacy of the new measures. They suggested that in the light of the present discussions he should report on the question rather more specifically next year.

21. Paragraph 23 of the Audit Report—Compensation for inferior accommodation.—The Committee desired to know if the payment of lodging allowance was obligatory. The Defence Secretary in explaining the position stated that officers had a legal right to be provided with a certain type of accommodation. The Committee desired that this matter should be further investigated and a report submitted next year.

22. Paragraph 26 of the Audit Report—Overpayments of pensions.—It was explained to the Committee that these overpayments which related mostly to Indian personnel dated back to 1922 when Government ordered a revision of war pensions to be carried out very expeditiously in order to afford immediate relief to the recipients. The Auditor-General explained that he had examined the question recently with the Defence Secretary and the Military Accounts Department and was satisfied that the expenditure on the special staff required to examine the cases would not be justified, having regard to the fact that many of the pensions were disability and family pensions which would expire by efflux of time within the next few years. The Committee agreed.

[17TH SEPT. 1936.]

23. Paragraph 8 of the Auditor-General's letter—Improvement in control of expenditure.—The Committee then took up paragraph 8 of the Auditor-General's letter. The Auditor-General expressed his satisfaction with the measure of financial control and the Committee wished to associate themselves with the Auditor-General's opinion.

24. In considering the M. T. Equalisation Fund, the Committee at the instance of the Auditor-General desired that in the budget and appropriation accounts each individual item of transfer to and from the Defence Reserve Fund should be shown separately to facilitate appropriation audit.

25. Appendix F to the Financial Adviser's Appropriation Report.—On the Auditor-General explaining the inutility of this Appendix, the Committee agreed that it may be omitted in future.

26. After considering the Home Auditor's comments, the Committee adjourned.

ANNEXURE II.

The Public Accounts Committee agreed to the abolition of priced stores ledgers in Arsenals and other storage depots on the understanding that the British practice of exhibiting in the Appropriation Accounts the values of stocks for certain important categories of stores would be followed. (Paragraph 32 of the Public Accounts Committee's Report on the Accounts for 1929-30).

In pursuance of the above undertaking the Financial Adviser, Military Finance, showed in Appendix E. to his Appropriation Accounts for 1931-32 the values of provisions, forage (grain and salt), fuel, and light, petrol and lubricants and clothing.

In June 1934, the Director of Army Audit (now Director of Audit, Defence Services) suggested the desirability of including in Appendix E. the value, etc. of all or any of the following additional stores :

- (i) M. T. Stores.
- (ii) R. A. F. Stores.
- (iii) R. I. N. Stores.

In Appendix E. to the Appropriation Accounts for 1934-35 the value, etc., of M. T. and R. I. N. Stores has been shown for the first time. As regards the R. A. F. Stores the position is as follows :—

In the Home Air Services Appropriation Accounts values of the following categories of R. A. F. Stores are given :

- (i) Clothing.
- (ii) M. T. Commercial type vehicles held in reserve.
- (iii) Spare part of Commercial type M. T. vehicles held on store charge at Store Depots.
- (iv) Fuel and Light held on Store Charge at Units.
- (v) Provisions : stocks held at Supply Depots.
- (vi) Petrol : working stocks on store charge, stored in bulk storage tanks.

The Financial Adviser, Military Finance, has agreed to show in future in Appendix E. to the Appropriation Accounts of the Defence Services the values of the following categories of R. A. F. stores :

- (1) Blue clothing.
- (2) Commercial type M. T. vehicles held in reserve.
- (3) Spare parts of commercial type M. T. vehicles held on charge by R. A. F. main supply Units in India.

As regards the other categories, the values of which are given in the Home Air Services Appropriation Accounts, the Aircraft Park and Aircraft Depot obtain these stores from the Army supply sources for their own requirements and not for issue to R. A. F. Squadrons.

Since Appendix E. to the Appropriation Accounts of the Defence Services show only values of stores held by Store and Supply Depots for issues to consuming Units and not of those held by consuming Units themselves, it does not seem necessary to show in the Appendix the value of stores drawn by the R. A. F. Park and Depot for their own use and not for issue to other units.

A footnote should, however, be inserted in future in the Appendix E. to indicate that the figures of closing balances shown against the following categories of stores include also stores required for the R. A. F. Similar note is inserted, where necessary, in the Home Appropriation Accounts :

R. I. A. S. C.

- (i) Provisions.
- (ii) Fuel and Light.
- (iii) Petrol and Lubricants.

I. A. O. C.

- (iv) Clothing.

The question of formally including the values of R. A. F. Stores in Appendix E. will, however, be decided after the figures produced by the Financial Adviser, Military Finance, have been scrutinised in Audit.

ANNEXURE III.

Note on matters connected with the provisioning of R. A. F. stores in India.

Last year, the Military Accounts Committee were informed that the A. O. C. would apply for formal sanction to cover the stocks normally held by the R. A. F. in India and to regularise the issue of the Equipment Tables for the R. A. F. consuming units. This has been done and the necessary orders on the subject have been issued. The audit certificate will not in future be qualified in this respect.

2. The present position has thus been regularised and definite improvements have been made in the provisioning system as for example :—

- (i) Lack of continuity of service in this important branch of the R. A. F. had, in the past, been one of the difficulties in the way of economical stockholding. This has been

overcome by the special retention of an experienced officer for an extended period instead of for the normal short tour of duty in India, and by the substitution of continuous Indian service personnel of the Indian Army Corps of Clerks on the clerical work involved in detailed provisioning.

- (ii) Much thought has been given to the review of actual stocks held by R. A. F. supply and consuming formations, and recently a comprehensive set of instructions has been issued for the guidance of all concerned. Every item of stock must now be reviewed most carefully at least once a year, and all surplus and obsolete stocks have to be reported to H. Q. R. A. F. for action.
- (iii) Arrangements have been made to forecast requirements earlier than in the past and so allow a more reasonable time for the D. G., I. S. D., to despatch stores so as to arrive at the time they are actually required in.
- (iv) More information will, in future, be provided in support of demands prepared by stores depots; this allows greater control to be exercised by H. Q. R. A. F. and this information will also be made available to the Military Finance Branch.

3. Apart from this, a comprehensive review of the whole machinery of supply and stockholding has been initiated and considerable progress made. This comprises reconsideration of the present stock limits; the revision of the Equipment Tables; the revision of the Stores Regulations for the R. A. F. in India; and the preparation of a self-contained set of instructions on the subject of provisioning in the R. A. F. To deal with these important matters, an officer and a clerk were employed from the 18th November 1935 to the 15th June 1936, but from that date, in order to expedite disposal of the work, a Revision Section was formed. It consists of a Squadron Leader, a Flying Officer, a Flight Sergeant, and a clerk, and is assisted by the D. F. A., R. A. F.

4. The following is a resume of the work dealt with to date :—

- (i) *Equipment Tables*.—A revised lay out of the Tables has been prepared and a scheme for the introduction of it is well on the way. Generally speaking, the revised Tables will be on the lines of similar Tables in use in the Army and will show, *inter alia*, the scales of articles of equipment, &c., authorised for use by the various units.
- (ii) *Provision Instructions*.—These are in the process of compilation and several sections have been prepared in draft form. The instructions cannot be completed until decisions have been reached in the light of the review of the present stock limits.
- (iii) *Revision of Stores Regulations for the R. A. F. in India*.—This work has been started and an important chapter on disposals procedure has been re-written and referred to other Branches for remarks. Other points have been dealt with and care is being taken to ensure that the revised book will key in with the rules in Financial Regulations, Stores Accounting Instructions, &c.

- (iv) *Review of stock limits*.—This item covers a large field. The first step necessary is a reconsideration of store requirements in the light of recent appreciations of India's accepted defence commitments. This work is well in hand and has necessitated a reference to the Air Ministry in regard to certain aspects of supply particularly during emergencies. It will be appreciated that all aircraft and connected equipment and spares have to be procured through the Air Ministry who have the manufacturers at their elbow. India has no test and experimental establishments for R. A. F. equipment and stores and all supplies to India are subjected to Air Ministry tests and inspection.

5. Owing to the varying factors which affect the different types of R. A. F. equipment the review of the stock limits is being carried out under separate headings, and the progress made is briefly described below :—

- (1) *General stores*.—This includes airframe and engine spares, connected equipment, W.T. sets, photographic gear and materials, paints, dopes, varnishes and other materials used in repair, overhaul and maintenance of aircraft, aerodrome and workshop equipment, clothing, &c. A review of stock holdings of general stores was undertaken some time ago and proposals were submitted to the Military Finance Branch. In the light of their comments, it was necessary to refer certain points to the Air Ministry (whose reply is awaited). In the meanwhile the proposals have been recast in skeleton form.
- (2) *Airframes and engines*.—All existing Government sanctions have been examined and consolidated in the shape of scales, but requirements have yet to be re-assessed after consideration has been given to the general questions referred to in paragraph 4 (iv) above.
- (3) *Mechanical Transport*.—Before proceeding with the review of stock holdings necessary, consideration is being given to the various types of M. T. in use by the R. A. F. at Home and in India and to the question of supply in peace and war. When this has been fully explored, the stock limits will be reviewed in the light of the decision reached.
- (4) *Explosives*.—A good deal of ground work on this has been done, but the stock-holding proposals cannot be completed until certain information has been received from the Air Ministry in regard to supply in times of peace and of emergency.
- (5) *Petrol, oil and lubricants*.—These are ordinarily procured from the R. I. A. S. C. who are the stock-holders, but the R. A. F. have to assess the probable requirements. The review of the present stock holdings is complicated by questions of bulk storage, feasibility of supply by the Companies to landing grounds on air routes, &c., which are now under consideration.

ANNEXURE IV.**Indian Certificate.**

I certify that, on 31st March 1936, the War Reserves of stores authorised by the Government of India to be held at that date for the mobilization of the Army in India and detailed in the published War Equipment Tables, or provided for under specific sanctions, for the provision and maintenance of which I am responsible, were complete to the extent to which the quantities required have been calculated, with the exception of fluctuations normal to the maintenance of such reserves, or to shortage and deficiencies due to sanctioned alterations in such reserves, the adjustment of which is in hand, and with the exceptions shewn in the attached Annexure.

W. H. M. MOENS,

Lieut.-General,

Q. M. G.

The 28th May 1936.

Annexure to certificate, dated 28th May 1936.

Deficiencies in the authorised numbers of M. T. vehicles to be held in mobilization reserve :—

(i) Motor cycles, solo	55
4th Cav. Bde. Signal Troops	4
2 L. T. Coys.	4
4th Fd. Bde. R. A.	14
C. A. Us. and D. A. Us.	33
	55

Orders for the deficiencies will be placed as soon as the type of replacement machine is decided.

(ii) Motor cycles, combination 6
(1st, 2nd and 3rd Indian Divisional Signals).

The deficiencies will be made good by the purchase of class "D" cars : necessary orders to complete the deficiencies have been placed.

(iii) Motor cars, class "D" 2*
(Divl. Ammn. Units).

Orders for the 2 cars will be placed during 1936-37.

*This excludes 16 required for medical units, vide mob. situation review ; no authority for these vehicles has been received.

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(iv) Workshop lorries	5
Store lorries	14
Breakdown lorries	11

The authorised war reserve figures of technical vehicles are under revision under the R. I. A. S. C. (M. T.) re-organization. Consequently no action has been taken to complete the deficiencies.

(v) Foden disinfectant lorries 4

According to the latest policy the deficiencies will not be made good.

ANNEXURE V.

Annual Certificate by the Master-General of the Ordnance in India.

I certify that on 31st March 1936 :—

1. The mobilization equipment and clothing authorized to be held for the mobilization of the Army in India and detailed in published War Equipment Tables was complete to the extent to which the quantities have been provided with the exception of fluctuations normal to the maintenance of such equipment. Deficiencies have been calculated from War Equipment Tables as and when these are published and funds have been obtained (under Item 14 of the "Re-equipment Programme, 1933") to make good deficiencies as calculated.

2. War Maintenance Reserves detailed in published W. M. R. Statements, and which have been provided, were complete with the exception of fluctuations normal to the manufacture of such reserves and with the exceptions detailed hereafter. Deficiencies have been calculated in accordance with the rules approved by the Secretary of State and are revised over a regular programme. Steps have been taken to obtain funds (under Item 14 of the "Re-equipment Programme, 1933") to make good certain deficiencies and the estimated sum required to complete the remaining deficiencies is included in Item 14 of the "Re-equipment Programme, 1933".

The exceptions were :—

- In a total of 251 items the war maintenance reserves had to be drawn on to carry out peace time maintenance. 49 of these items were in connection with 'Mohforce' operations, 79 were in connection with the Baluchistan earthquake and 123 were caused by shortage of peace time working stocks. Orders were placed for the supply at an early date of all items withdrawn from W. M. R.
- No ammunition is held for Royal Horse Artillery batteries as their old equipment has been called in and approval has not yet been given to the proposals for re-equipping them. The General Staff has accepted that no additional provision is to be made of ammunition for the 18 pdr. Q. F. equipments which have been issued to these units as a temporary measure.
- A shortage in reserve of 640 miles of D 8 Single Cable has not been made up pending decision as to if and when the issue of wireless sets which may reduce requirements is likely to materialize.

3. Materials and semi or fully manufactured articles, which have been set aside in Ordnance Factories, or provided for them from specially allotted funds, as reserves to enable expansion after mobilization to be carried out according to programme, were complete with the exception of fluctuations normal to the maintenance of such materials and stores.

The calculation of deficiencies continues. Funds have been obtained (under Item 14 of the "Re-equipment Programme, 1933") to make good certain deficiencies and the estimated sum required to complete the remaining deficiencies is included in Item 14 of the "Re-equipment Programme, 1933".

R. K. HEZLET,
Major-General,
Offg. M. G. O. in India.

The 6th May 1936.

IV.—Proceedings of the first meeting of the Public Accounts Committee held on Friday, the 17th July 1936, at 11 A.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., Finance Member,
Chairman.

Mr. S. SATYAMURTI, M.L.A.

Dr. THEIN MAUNG, M.L.A.

Mr. J. RAMSAY SCOTT, M.L.A.

Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.

Bhai PARMA NAND, M.L.A.

Dr. R. D. DALAL, C.I.E., M.L.A.

Rai Bahadur Sir SATYACHARAN MUKHERJEE,
Kt., C.B.E., M.L.A.

Khan Bahadur, Shaikh FAZL-I-HAQ PIRACHA,
M.L.A.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,
Auditor-General.

Mr. T. K. RAJAGOPALAN, Accountant General,
Central Revenues.

Mr. J. C. NIXON, C.S.I., C.I.E., I.C.S., Finance
Secretary.

Members

Were also
present.

Witness.

The Committee first took up the question of the control over supplementary grants. The Chairman drew attention to the circular (Appendix VIII) issued by the Finance Department in October 1935 and explained that the procedure indicated therein would not become fully operative till autumn. The Committee then desired to know what action had been taken on the revision of codes discussed last year at the first meeting of the Committee. The Auditor-General and the Finance Secretary explained that there was no necessity to undertake a wholesale revision as the codes were being amended with reference to circumstances that come to light through daily experience.

2. The Committee then took up for consideration the key statement attached to the Auditor-General's letter, and in the course of their consideration discussed the following important points :—

(1) *The position as regards the Vizagapatam Harbour.*—The consideration of this was reserved to a later date.

(2) *The need for retaining the statistics shown in paragraph 52 of the Appropriation Report of the Accountant-General, Central Revenues.*—The Auditor-General observed that the result of budgeting for establishment were now satisfactory and as the compilation meant a certain amount of unnecessary work, he recommended its discontinuance. He assured the Committee that it could be revived if the results in future years warranted such a course. The Committee agreed.

3. The Committee also discussed the withdrawal of a sum of Rs. 62 lakhs from the revenue surplus of 1933-34 for debt redemption. They felt considerable doubt in connection with such funds about voting an indefinite sum which purported to represent the whole of the surplus of a year and recommended that in future when special funds are set up they should be constituted by a vote for a specific amount.

The Committee adjourned till 2-45 P.M.

Proceedings of the second meeting of the Public Accounts Committee held on Friday, the 17th July 1936, at 2-45 P.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., Finance Member,
Chairman.

Mr. S. SATYAMURTI, M.L.A.

Dr. THEIN MAUNG, M.L.A.

Mr. J. RAMSAY SCOTT, M.L.A.

Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.

Bhai PARMA NAND, M.L.A.

Dr. R. D. DALAL, C.I.E., M.L.A.

Rai Bahadur Sir SATYACHARAN MUKHERJEE,
Kt., C.B.E., M.L.A.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA,
M.L.A.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,
Auditor-General.

Mr. T. K. RAJAGOPALAN, Accountant General,
Central Revenues.

Mr. J. C. NIXON, C.S.I., C.I.E., I.C.S., Finance
Secretary.

Members.

Were also
present.

Witness.

4. The Committee took up the consideration of the various appropriation accounts relating to the Finance Department together with the relevant portions of the Home Auditor's comments.

5. They dealt with items (2) to (21) in the Auditor-General's key statement and after discussion recommended that assent should be accorded to the excess grants brought to their notice.

6. The following important points were specifically noticed by the Committee :—

(i) *Grant No. 25—Interest on Ordinary Debt.*—The Committee thought that it was somewhat confusing to have the two sub-heads A1 (1) Interest on Permanent Debt and A1 (2) Reserve provision for service of new loan. They desired that Finance Department should consider the question of amalgamating the two heads in future.

(ii) *Paragraph 68 of the Appropriation Report—Grants-in-aid to the New Delhi Municipality.*—The Auditor General suggested and the Committee agreed that Government should consider the possibility of defining the functions of the financial representative on the Committee. They desired that he should have access to all records and should have the right to report to Government through the Chief Commissioner. The Finance Secretary undertook to consider the recommendation and to report to the Committee in due course.

(iii) *Grant No. 76-D—Transfer to the Fund for Economic Development and Improvement of Rural areas.*—The Committee desired to know if the accounts were being audited. The Auditor General informed the Committee that the whole of the expenditure was being audited in the usual way and a certificate given that the money had been applied to purposes approved by the Government of India.

(iv) *Grant No. 77—Refunds.*—The Chairman explained that refunds should strictly be treated as deductions from revenue instead of as expenditure and that the question was being considered by the Finance Department.

The Committee then adjourned till 11 A.M. on Monday, the 20th July 1936.

Proceedings of the eighth* meeting of the Public Accounts Committee held on Thursday, the 23rd July 1936, at 2.30 P.M.

PRESENT :

Mr. S. SATYAMURTI, M.L.A., *Chairman.*

Mr. B. DAS, M.L.A.

Professor N. G. RANGA, M.L.A.

Dr. THEIN MAUNG, M.L.A.

Mr. J. RAMSAY SCOTT, M.L.A.

Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E., M.L.A.

Bhai PARMA NAND, M.L.A.

Dr. R. D. DALAL, C.I.E., M.L.A.

Rai Bahadur Sir SATYACHAMAN MUKHERJEE, Kt., C.B.E., M.L.A.

Khan Bahadur Shaikh FAZI-I-HAQ PIRACHA, M.L.A.

Members.

*3rd. to 7th meetings were for Railways.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor-General.

Mr. T. K. RAJAGOPALAN, Accountant-General, Central Revenues.

} Were also present.

Sir GIRJA SHANKAR BAJPAI, K.B.E., C.I.E., I.C.S., Secretary, Education, Health and Lands Department.

Mr. M. S. A. HYDARI, C.I.E., I.C.S., Joint, Secretary, Education, Health and Lands Department.

} Witnesses.

7. The Committee took up the examination of the appropriation accounts and the connected documents relating to the Department of Education, Health and Lands.

8. *Grant No. 60—Imperial Council of Agricultural Research Department.*—The Committee took up the examination of the appropriation accounts pertaining to the Imperial Council of Agricultural Research. They desired to know if the expenditure on the schemes sanctioned from the Government of India grant was audited and whether the accounts were published in the Provincial Appropriation Accounts. The Auditor-General explained that the expenditure from grants made to the provinces was audited in the usual way and appeared in the Provincial Appropriation Accounts.

9. *Item No. 6 of the Quarterly statement ; Grants to New Delhi Municipality.*—The attention of the Committee was next focussed on the grants made to the New Delhi Municipality. The Finance Secretary stated that the Finance Department in consultation with the Auditor-General and the Education, Health and Lands Department had decided to post to the Municipality a qualified resident accountant subordinate to the Accountant-General, Central Revenues, who will conduct a continuous audit. The experiment will be tried for 3 years in the first instance. As explained to the Committee in an earlier meeting the question of giving certain powers to the financial representative on the Committee will be considered. The grants to the Municipality will not be made on the estimates of the Municipality but with reference to the audited actuals, the grant in any particular year being only made on a provisional basis subject to readjustments later in the light of actuals. Moreover, the Municipality was being instructed to maintain proper accounts of its capital undertakings. A scheme for providing depreciation to cover replacements of plant, etc., was also being introduced. The Committee took note of the Auditor-General's assurance that proper steps were being taken to set the house in order.

10. *Grant No. 48—Survey of India.*—The variations between estimates and actuals in this Grant were commented on by the Committee. The departmental representatives explained the peculiar circumstances attendant on the budgeting of the grant. The Committee commented adversely on the supplementary grants obtained in 1934-35. In the light of the estimates for 1935-36 and 1936-37, the Committee were satisfied with the financial control exercised by the Finance Department.

[17TH SEPT. 1936.]

The Committee discussed the position of the Mathematical Instruments Office. The Education Secretary explained the reasons why Government decided to treat it as a service department. The bulk of the work done at the Mathematical Instruments Office was for the Survey of India. There was no organisation elsewhere in India to cope with this special work and it was certainly cheaper to have it done in India than in England. The Mathematical Instruments Office reconditions old apparatus which has no market value and by adaptations and improvements lengthens the useful life of condemned articles. It was explained to the Committee that since they last met, a further reduction of Rs. 18,000 had been made in the establishment charges of that office. Government was also exploring the possibility of charging a proportion of the cost of the Mathematical Instruments Office to Survey parties and recovering a part of the expenditure from Local Governments to whom the Survey of India renders service. The extent to which the Indian Stores Department could use the Mathematical Instruments Office was also going to be discussed with the Chief Controller of Stores on his return from leave.

The Committee adjourned till 11-30 A.M. on Friday, the 24th July 1936.

Proceedings of the ninth meeting of the Public Accounts Committee held on Friday, the 24th July 1936, at 11 A.M.

PRESENT :

Mr. J. RAMSAY SCOTT, M.L.A., *Chairman.*

Mr. B. DAS, M.L.A.

Mr. S. SATYAMURTI, M.L.A.

Professor N. G. RANGA, M.L.A.

Dr. THEIN MAUNG, M.L.A.

Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.

Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E., M.L.A.

Bhai PARMA NAND, M.L.A.

Dr. R. D. DALAL, C.I.E., M.L.A.

Rai Bahadur Sir SATYACHARAN MUKHERJEE, Kt., C.B.E., M.L.A.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA, M.L.A.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor-General.

Mr. T. K. RAJAGOPALAN, Accountant-General, Central Revenues.

Members.

Were also present.

Sir GIRJA SHANKAR BAJPAI, K.B.E., C.I.E., I.C.S., Secretary, Education, Health and Lands Department.

Mr. M. S. A. HYDARI, C.I.E., I.C.S., Joint Secretary, Education, Health and Lands Department.

Witnesses.

11. The Committee continued the examination of the unfinished portion of the appropriation accounts of the Department of Education, Health and Lands.

12. *Grant No. 50—Agriculture.*—They took up first Grant No. 59 for consideration. They discussed the variations occasioned by the transfer of the Agricultural Institute, Pusa. In that connection it was explained to the Committee that the budget estimates for the year 1934-35 were framed long before the earthquake occurred. If at a subsequent stage major alterations occurred every effort was made to adjust the estimates accordingly but as a rule it was not considered necessary or even practicable to make minor alterations. The expenditure on the agricultural engineering schemes in Sind next attracted the attention of the Committee. The Committee were told that the expenditure was in connection with the Lloyd Barrage scheme regarding which the Government of Bombay could not be expected to evince much interest in view of the impending separation of Sind from Bombay. On the other hand, it was stated that the Government of India were vitally interested in measures designed to reduce the subvention to Sind. It was accordingly decided to meet the expenditure from central revenues, the services of the Bombay Government being utilised only as agents of the Government of India.

13. In discussing the accounts of the Karnal Farm, the Committee desired that Government should examine the possibility of increasing income and decreasing expenditure in respect of this concern. As regards the decision to re-start the Creamery at Anand, the Education Secretary explained that at present India imported about Rs. 50 lakhs worth of milk products from abroad and it was considered desirable that a certain amount of technological work should be conducted at some central place where experiments in skimmed milk, condensed milk, etc., might be conducted with a view to better utilisation of the surplus milk which at the present moment was sold at a figure which was not remunerative to the cultivator. The Committee were satisfied that the decision of Government to reopen Anand was justified. They thought that there was still some extravagance in the working of the Wellington Milk Depot and saw no reason for the reduction in sale prices below the cost of production.

14. *Grant No. 61—Imperial Veterinary Serum Institute, Izatnagar.*—The Committee desired to know if the Government of India had considered the possibility of Local Governments starting their own institutes under the new dispensation. The Education Secretary explained that the Government of India had no power to prevent any Local Government from doing so. Indeed one Local Government had actually done it. To prevent loss of custom the rates on the various kinds of sera had been reduced in 1933 with gratifying results. The Director at Muktesar was in very close touch with the Directors in the provinces, and there was no doubt that he would recommend to the Government of India suitable steps in the event of their losing the present custom to competing concerns.

The Committee adjourned till 11 A.M. on Monday, the 27th July, 1936.

Proceedings of the tenth meeting of the Public Accounts Committee held on Monday, the 27th July 1936, at 11 A.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., Finance Member,
Chairman.

Mr. B. DAS, M.L.A.

Mr. S. SATYAMURTI, M.L.A.

Professor N. G. RANGA, M.L.A.

Dr. THEIN MAUNG, M.L.A.

Mr. J. RAMSAY SCOTT, M.L.A.

Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.

Captain SHER MOHAMMAD KHAN, C.I.E.,
M.B.E., M.L.A.

Bhai PARMA NAND, M.L.A.

Dr. R. D. DALAL, C.I.E., M.L.A.

Rai Bahadur Sir SATYACHARAN MUKHERJEE,
Kt., C.B.E., M.L.A.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA,
M.L.A.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,
Auditor-General.

Mr. T. K. RAJAGOPALAN, Accountant-General,
Central Revenues.

Mr. A. G. CLOW, C.S.I., C.I.E., I.C.S.,
Secretary, Industries and Labour
Department.

Mr. N. M. AYYAR, I.C.S., Additional Deputy
Secretary, Industries and Labour Depart-
ment.

Mr. G. L. GANDY, Officiating Director of Civil
Aviation.

Members

Were also
present.

Witnesses.

15. The Committee took up the examination of the appropriation accounts and the connected documents relating to the Department of Industries and Labour.

16. *Grant No. 40—Department of Industries and Labour* was first taken up for consideration. The large saving under 'Establishment' evoked the attention of the Committee. The Chairman explained that steadily increasing lump cuts were being made by the Finance Department. He added that the Committee would be at perfect liberty to comment adversely and abjure the Finance Department to make further cuts if the trend of actuals in the future indicated the necessity of such a course. The Committee generally agreed.

17. In discussing Grant No. 75—Stationery and Printing the Committee commented on the reappropriation of Rs. 13,200 under customs duty on stores. They desired to know why there was a change of policy during the course of the year to purchase stores in India though the budget estimates assumed purchase of stores in England. The Committee observed that in future departments ought to take into account the trends of prices and the possible changes in policy during the year. It was explained to the Committee that the large variations under the Government of India Press, New Delhi, were due to the transfer of some of the activities of the Calcutta Press to Delhi, which was not foreseen at the time of preparing the estimates. The Committee emphasised the importance of adequate staff for dealing with estimates and asked the Finance Department to see that effective arrangements were made to this end.

18. The Committee discussed the commercial accounts of the Government of India Presses. They desired to know why there was an increase in indirect charges in the Calcutta Press. Mr. Clow explained that while reducing the staff and the size of the Press it was not possible to reduce the overhead charges proportionately. Government were, however, thinking of abolishing the Hastings Street Press and transferring its work to Dhurrumtollah. The Committee asked for a report on this next year.

19. *Central Publication Branch.*—The Committee referred to their recommendation last year and asked what the latest position was. It was explained to them that the matter had been examined by audit. As regards publications proper the progressive stocktaking and the internal posting of ledgers was expected to be completed in August or September. Additional staff had been sanctioned to cope with the work of verification and weeding of the publications.

20. *Ecclesiastical.*—The Committee observed that the question of the allocation of Ecclesiastical expenditure had been outstanding for a long time. The Industries Secretary explained that a committee was sitting now and had almost settled a draft allocation.

The Committee adjourned till 2-45 P.M.

Proceedings of the eleventh meeting of the Public Accounts Committee held on Monday, the 27th July 1936, at 2-45 P.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., Finance Member,
Chairman.

Mr. B. DAS, M.L.A.
Mr. S. SATYAMURTI, M.L.A.
Professor N. G. RANGA, M.L.A.
Dr. THEIN MAUNG, M.L.A.
Mr. J. RAMSAY SCOTT, M.L.A.
Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.
Captain SHER MOHAMMAD KHAN, C.I.E.,
M.B.E., M.L.A.
Bhai PARMA NAND, M.L.A.
Dr. R. D. DALAL, C.I.E., M.L.A.
Rai Bahadur Sir SATYACHARAN MUKHERJEE,
Kt., C.B.E., M.L.A.
Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA,
M.L.A.
Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,
Auditor-General.
Mr. T. K. RAJAGOPALAN, Accountant-General,
Central Revenues.
Mr. ISWAR DAYAL, Audit Officer, Indian
Stores Department.
Mr. N. M. AYYAR, I.C.S., Additional Deputy
Secretary, Industries and Labour Depart-
ment.
Mr. G. L. GANDY, Officiating Director of Civil
Aviation.
Mr. R. W. TARGETT, Officiating Chief Con-
troller, Indian Stores Department.
Mr. F. T. JONES, C.I.E., M.V.O., V.D., Offici-
ating Chief Engineer, Central Public
Works Department.

Members.

Were also
present.

Witnesses.

21. The Committee resumed the examination of the remaining grants with which the Department of Industries and Labour were concerned.

22. The Committee took up the consideration of Grant No. 49 dealing with Meteorology. They thought that the department ought to budget more closely in future. They next dealt with Grant No. 63—Civil Aviation. In this connection they asked the Civil Aviation Department to consider the desirability of scrapping Avro X if there was to be no increase in the use of that machine for Government purposes.

23. *Grant No. 70—Indian Stores Department.*—The Committee were promised a report on the amalgamation of the London Stores Department and the Indian Stores Department as soon as possible after Sir James Pitkeathly's return. The Committee dealt with the variations in the grant. They also discussed the possibility of increasing the activities of the Department by getting the railways and the Defence Department to make further use of the Department in the purchase of stores. The Chief Controller of Stores was satisfied with the progress which had been made in this direction, and until the department was more fully equipped he would not himself welcome an expansion of their activities. He was also not inclined to take up the purchase of foodstuffs for the Army who had their own highly developed organisation for this purpose. The Auditor-General reminded the Committee that in recent years the matter had been considered by the Military Retrenchment Committee. The Committee were glad that the policy of purchasing through the Indian Stores Department was progressing and hoped that that policy would be pressed on as rapidly as circumstances permitted.

24. *Grant No. 73—Civil Works.*—The Committee felt that new works were being too readily sanctioned in the course for a year though not provided for in the original budget. This was obviously undesirable and they recommended that the Finance Department should sanction new projects in the course of a year only on real grounds of urgency or because they produced economy.

The Committee adjourned till 11 A.M. on Tuesday, the 28th July 1936.

Proceedings of the twelfth meeting of the Public Accounts Committee held on Tuesday, the 28th July 1936, at 11 A.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., Finance Member,
Chairman.

Mr. B. DAS, M.L.A.
Mr. S. SATYAMURTI, M.L.A.
Professor N. G. RANGA, M.L.A.
Dr. THEIN MAUNG, M.L.A.
Mr. J. RAMSAY SCOTT, M.L.A.
Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.,
Captain SHER MOHAMMAD KHAN, C.I.E.,
M.B.E., M.L.A.
Bhai PARMA NAND, M.L.A.
Dr. R. D. DALAL, C.I.E., M.L.A.
Rai Bahadur Sir SATYACHARAN MUKHERJEE,
Kt., C.B.E., M.L.A.
Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA,
M.L.A.

Members.

[17TH SEPT. 1936.]

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,
Auditor-General.

Mr. T. K. RAJAGOPALAN, Accountant-General,
Central Revenues.

Sir AUBREY METCALFE, K.C.I.E., C.S.I.,
M.V.O., Foreign Secretary.

Mr. V. NARAHARI RAO, Additional Deputy
Secretary, Foreign and Political Department.

Mr. G. K. S. SARMA, Under Secretary,
Foreign and Political Department.

Rai Bahadur CHUNI LAL, Finance Secretary,
North-West Frontier Province.

Mr. SUKH DAYAL, Financial Assistant,
Baluchistan.

Were also
present.

Witnesses.

25. The Committee took up the examination of the appropriation accounts and connected documents relating to the Foreign and Political Department.

26. The Committee first discussed the position of the unauthorised excluded funds in the North-West Frontier Province touched on in paragraph 16 of their report last year. Sir Aubrey Metcalfe explained that they had received certain proposals as regards these funds but they were not ripe yet for final orders. As regards the Khassadar funds, the Committee regretted the delay that had occurred in giving effect to their recommendation and desired that orders should be issued immediately to close these irregular funds within two months. The Auditor-General added that the funds should be closed under proper audit. The Committee noted with satisfaction that the Motor Lorry Depreciation Funds had been closed. As regards the other irregular excluded funds they desired that their closing down should be completed within three months.

27. *Item 10 in the Quarterly Statement.*—The Committee were told that the question of the incidence of the Persian Gulf expenditure had already been considered by the Foreign and Political Department but that there was little hope of any change producing a saving to India. The matter was, however, receiving the consideration of the Finance Department.

28. *Grant No. 79—Baluchistan.*—The Committee commented adversely on the fact that an unnecessary supplementary grant had been obtained.

29. *Grant No. 85-A.—Aden.*—As regards the change of classification from voted to non-voted of the police expenditure in Aden, the Committee

desired that in future where changes in the classification were introduced during the course of the year a full explanation should be given.

30. The Committee discussed at length the non-voted appropriations under 'Political' and under 'Frontier Watch and Ward' and other Grants with which the Foreign and Political Department was concerned.

The Committee adjourned till 2.45 P.M.

Proceedings of the thirteenth meeting of the Public Accounts Committee
held on Tuesday, the 28th July 1936, at 2.45 P.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., Finance Member,
Chairman.

Mr. B. DAS, M.L.A.

Mr. S. SATYAMURTI, M.L.A.

Professor N. G. RANGA, M.L.A.

Dr. THEIN MAUNG, M.L.A.

Mr. J. RAMSAY SCOTT, M.L.A.

Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.

Captain SHER MOHAMMAD KHAN, C.I.E.,
M.B.E., M.L.A.

Members.

Bhai PARMA NAND, M.L.A.

Dr. R. D. DALAL, C.I.E., M.L.A.

Rai Bahadur Sir SATYACHARAN MUKHERJEE,
Kt., C.B.E., M.L.A.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA,
M.L.A.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,
Auditor-General.

Were also
present.

Mr. T. K. RAJAGOPALAN, Accountant-General,
Central Revenues.

[17TH SEPT. 1936.]

Mr. H. Dow, C.I.E., I.C.S., Additional Secretary, Commerce Department.

Mr. M. SLADE, I.C.S., Joint Secretary, Commerce Department.

Mr. J. A. THORNE, C.I.E., I.C.S., Joint Secretary, Home Department.

Mr. A. S. HANDS, C.I.E., M.C., I.C.S., Deputy Secretary, Home Department.

Witnesses.

31. The Committee took up for consideration the appropriation accounts and other connected documents with which the Commerce and the Home Departments were concerned.

32. Grants Nos. 38, 46, 47, 64 and 68 with their connected documents were considered. As in other cases the Committee commented adversely on the inaccurate estimates. As regards the excess expenditure noticed under Lighthouses and Lightships it was explained to the Committee that the present procedure was to transfer at the end of the year the excess of receipts over expenditure to the reserve fund by a vote. Thus in any particular year if there was an unexpected high level of light dues there would be an excess. This appeared to the Committee to be an odd procedure and they desired that the question should be re-examined.

33. *Vizagapatam Harbour*.—The Committee discussed at some length the position of Vizagapatam Harbour. It was explained that the Harbour was not in a position to balance its accounts even though interest on capital outlay was not being charged. In fact grants-in-aid had been required of Rs. 50,000 in 1935-36 and Rs. 2½ lakhs in the current year. The Committee were given to understand that the Auditor-General was going to visit Vizagapatam shortly to put in order the accounting arrangements. His proposal was that though Vizagapatam was not actually a port trust he would in view of the Vizagapatam Port Act of 1931 treat it to a certain extent as a separate fund. There would be a combined accounts and audit officer in charge, working not under the Director of Railway Audit as at present but under the Accountant-General, Madras, who will have the accounts audited in the same way as he audits the accounts of the Madras Port Trust or a municipality. The Commerce Department undertook to take up the question after receipt of the Auditor-General's proposals.

34. The Committee then took up the examination of the appropriation accounts relating to the Home Department. The variations in the budget estimates in Grant No. 82-Andaman and Nicobar Islands were commented on adversely. The Committee were informed by the Auditor-General that the Government of India had recently sent an Assistant Accounts Officer to act as Financial Adviser to the Chief Commissioner and he hoped to see better results in future. The commercial accounts of the Andamans administration were next examined. The Committee expressed their satisfaction on the working of the Commissariat Department.

The Committee adjourned till 11 A.M. on Wednesday, the 29th July 1936.

Proceedings of the fourteenth meeting of the Public Accounts Committee held on Wednesday, the 29th July 1936, at 11 A.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., Finance Member, Chairman.

Mr. B. DAS, M.L.A.

Mr. S. SATYAMURTI, M.L.A.

Professor N. G. RANGA, M.L.A.

Dr. THEIN MAUNG, M.L.A.

Mr. J. RAMSAY SCOTT, M.L.A.

Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.

Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E., M.L.A.

Members.

Bhai PARMA NAND, M.L.A.

Dr. R. D. DALAL, C.I.E., M.L.A.

Rai Bahadur Sir SATYACHARAN MUKHERJEE, Kt., C.B.E., M.L.A.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA, M.L.A.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor-General.

Were also present.

Mr. T. K. RAJAGOPALAN, Accountant-General, Central Revenues.

Mr. J. A. MACKEOWN, I.C.S., Deputy Secretary, Industries and Labour Department.

Witnesses.

Mr. F. T. JONES, C.I.E., M.V.O., V.D., Offg. Chief Engineer, Central Public Works Department.

35. The Committee resumed the consideration of the unfinished grants with which the Department of Industries and Labour was concerned.

36. The Committee discussed at great length the rules governing works expenditure and the financial powers enjoyed by the various authorities. The Committee commented adversely on the wide departures from the original programme of the civil works grant. They thought that the demand should be precisely stated and in the actual expenditure there should be a reasonable conformity with the demand. They felt that as regards the schemes sanctioned by the Road Committee it was worth while considering a change of procedure whereby a complete programme could be settled at the beginning of a year instead of having it in two instalments as at present. They were also doubtful of the manner in which the reserve in the Civil Works grant was being used. They desired that it should be limited only to throwforwards of expenditure on uncompleted projects of the previous year and for genuinely unforeseen minor works.

[17TH SEPT. 1936.]

The Auditor-General explained the position. The Committee endorsed the observations contained in one of their earlier reports that budget provision should be restricted to the actual expenditure reasonably expected to be incurred in the course of a year. The manner in which the expenditure from the Road Fund account was exhibited at present seemed somewhat confusing, and the Auditor-General informed the Committee that he himself was considering whether any change was desirable.

37. *Grant No. 97—New Delhi Capital Outlay.*—The Committee next considered Grant No. 97. With reference to the important comments made by the Accountant-General, Central Revenues, Mr. Mackeown told the Committee that the Audit officer's comments were carefully considered by a departmental meeting where the Auditor-General and the Accountant-General, Central Revenues, were present. It was admitted that the irregularities were due to undue haste in pushing on with the works. On the Auditor-General's assurance that the procedure adopted did not result in any financial loss to the tax-payer though it undoubtedly exposed Government to a risk of loss, the matter was not further pursued. The Committee were told that steps had been taken to obviate the recurrence of such an irregular procedure in future.

The Committee adjourned till 2-45 P.M.

Proceedings of the fifteenth meeting of the Public Accounts Committee held on Wednesday, the 29th July 1936, at 2-30 P.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., Finance Member,
Chairman.

Mr. B. DAS, M.L.A.

Mr. S. SATYAMURTI, M.L.A.

Professor N. G. RANGA, M.L.A.

Dr. THEIN MAUNG, M.L.A.

Mr. J. RAMSAY SCOTT, M.L.A.

Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.

Captain SHER MOHAMMAD KHAN, C.I.E.,
M.B.E., M.L.A.

Bhai PARMA NAND, M.L.A.

Dr. R. D. DALAL, C.I.E., M.L.A.

Rai Bahadur Sir SATYACHARAN MUKHERJEE,
Kt., C.B.E., M.L.A.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA,
M.L.A.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,
Auditor-General.

Mr. T. K. RAJAGOPALAN, Accountant-General,
Central Revenues.

Members.

Were also present.

Mr. A. H. LLOYD, C.S.I., C.I.E., I.C.S.,
Member, Central Board of Revenue.

Mr. W. W. NIND, C.I.E., Member, Central
Board of Revenue.

Witnesses.

38. The Committee took up the examination of the appropriation accounts and connected documents relating to the Central Board of Revenue.

39. *Grant No. 16—Customs.*—The Committee were informed that the revised system of audit of the customs revenue mentioned in the reports of the earlier years has been made permanent.

The Committee adjourned till 11 A.M. on Thursday, the 30th July 1936.

Proceedings of the sixteenth meeting of the Public Accounts Committee held on Thursday, the 30th July 1936, at 11 A.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., Finance Member,
Chairman.

Mr. B. DAS, M.L.A.

Mr. S. SATYAMURTI, M.L.A.

Professor N. G. RANGA, M.L.A.

Dr. THEIN MAUNG, M.L.A.

Mr. J. RAMSAY SCOTT, M.L.A.

Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.

Captain SHER MOHAMMAD KHAN, C.I.E.,
M.B.E., M.L.A.

Bhai PARMA NAND, M.L.A.

Dr. R. D. DALAL, C.I.E., M.L.A.

Rai Bahadur Sir SATYACHARAN MUKHERJEE,
Kt., C.B.E., M.L.A.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA,
M.L.A.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,
Auditor-General.

Mr. B. NEHRU, Accountant-General, Posts and
Telegraphs.

Mr. GHULAM MOHAMMED, Finance Officer,
Posts and Telegraphs.

Mr. G. V. BEWOOR, C.I.E., I.C.S., Director-
General, Posts and Telegraphs.

Mr. R. S. PURSELL, C.I.E., O.B.E., Chief
Engineer, Posts and Telegraphs.

Mr. P. N. RAJAGOPALA, Deputy Director-
General (Finance), Posts and Telegraphs.

Members.

Were also present.

Witnesses.

40. The Committee took up the examination of the appropriation accounts and connected documents relating to the Posts and Telegraphs Department.

41. They referred to the observation in paragraph 17 of their last year's report regarding the ability of the department to produce a balanced budget in the near future and desired to know what the present position was. The Director-General, Posts and Telegraphs, explained that the actuals for 1934-35 disclosed a profit of nearly Rs. 38 lakhs while the latest actuals for 1935-36 pointed to a loss of Rs. 3 lakhs which he hoped would disappear in the final actuals thus producing a balance. The restoration of the emergency deduction from pay costing over Rs. 26 lakhs and the provision for normal increments to staff costing about Rs. 15 lakhs were responsible for the increased expenditure in 1935-36. The estimates for 1936-37 provided for Rs. 11,74 lakhs receipts and an expenditure of Rs. 11,73 lakhs. The Director-General further informed the Committee that with effect from the 1st of April 1936 a Renewals and Replacements Fund was substituted for the depreciation fund, the annual contribution to which was fixed at Rs. 25 lakhs for a period of 5 years whereafter the position would be re-examined. This change was calculated to result in a saving of a little over Rs. 2½ lakhs to the contribution to the fund as compared with the previous year. The Committee questioned the propriety of charging revenue with an amount in excess of the actual requirements for renewals and replacements during a year. It was explained to them that it would be imprudent to charge only the cost of current renewals to the budget without providing for full charges, as the essential feature of the fund was that it should be a reserve fund to meet the growth in renewals. The Committee wished to know the result of the operation of the new scales of pay. The Director-General informed the Committee that the wages bill had not gone up appreciably since 1933-34. Seeing that the annual increments cost about Rs. 15 lakhs, the stationary character of the pay charges reflected the savings accruing from abolition of certain posts. It was hoped that at the end of 30 years, if the rates of pay remained the same without further revision, the saving would approximate Rs. 1¼ crores. The Committee then discussed the feasibility of levelling the scales of pay on the postal and telegraph branches of the department. The Director-General explained that due to technical skill the operatives on the telegraph side had to be paid a little more than on the postal side. The attention of the Director-General was drawn to the comment in the appropriation report regarding the free use by the department of telegraph and telephone services. The Committee were assured that such free service telegrams were restricted to the actual service requirements of the department. The Committee appreciated that charging the department for services rendered would have no financial effect, but they stressed the imperative need of restricting such service telegrams to the absolute minimum. The Accountant-General, Posts and Telegraphs, stated that he drew the attention of the Committee to this point in order to give the Committee an opportunity of discussing the matter. He was himself satisfied with the explanation given by the Director-General, Posts and Telegraphs.

42. The Committee next discussed the reaction on traffic of decrease or increase of rates. It was explained that the reduction of rates though it may lead to increased traffic would not necessarily result in increased

revenue unless such traffic increased to a percentage considerably higher than the reduction in the rates. Thus if the price of the post card is reduced to half an anna it was expected that the increase in traffic would be about 10 per cent. while the net loss in revenue would amount to nearly Rs. 50 lakhs.

43. *Paragraph 4 of the Auditor-General's letter.*—The Director-General explained that the lack of effective control over expenditure in the past was due to a lack of machinery to provide the controlling authorities with the latest figures of actual expenditure incurred. The highly centralised system of stores accounting which was in vogue militated against accurate estimating, while the complicated rules of allocation, the system of payment of freight by credit notes and various other smaller incidental complications rendered control very difficult and ineffective. The Committee were told that the whole procedure was being revised by decentralising work as much as possible and by the addition of trained accountants to assist the heads of Circles in budgeting and controlling. The revised procedure would be brought into force after obtaining the Auditor-General's approval probably as from the 1st April 1937.

The Committee adjourned till 3 P.M.

Proceedings of the seventeenth meeting of the Public Accounts Committee held on Thursday, the 30th July 1936, at 3 P.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., Finance Member,
Chairman.

Mr. B. DAS, M.L.A.,

Mr. S. SATYAMURTI, M.L.A.

Professor N. G. RANGA, M.L.A.

Dr. THEIN MAUNG, M.L.A.

Mt. J. RAMSAY SCOTT, M.L.A.

Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.

Captain SHER MOHAMMAD KHAN, C.I.E.,
M.B.E., M.L.A.

Bhai PARMA NAND, M.L.A.

Dr. R. D. DALAL, C.I.E., M.L.A.

Rai Bahadur Sir SATYACHARAN MUKHERJEE,
Kt., C.B.E., M.L.A.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA,
M.L.A.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,
Auditor-General.

Mr. T. K. RAJAGOPALAN, Accountant General,
Central Revenues.

Members.

Were also present.

Mr. J. C. NIXON, C.S.I., C.I.E., I.C.S., Secretary, Finance Department.

Witness.

44. The Committee resumed the examination of the remaining appropriation accounts and connected papers with which the Finance Department was concerned.

45. In an earlier meeting the Committee had desired the Finance Secretary to look into the circumstances concerning the variations commented on in paragraph 61 of the Accountant-General, Central Revenue's appropriation report dealing with the control over expenditure. The Finance Secretary gave a detailed explanation and satisfied the Committee that there was no real deterioration in the year under review as compared with previous years.

46. As regards the disciplinary action taken on the officer of the Currency Department in respect of the irregularity noticed in paragraph 6 of the Important Comments of the Accountant-General, Central Revenues, under Grant No. 71—Currency, the Chairman told the Committee that on reconsideration Government felt that the senior officer concerned had been left off rather lightly but that instructions would be given to prevent a recurrence of over-lenient treatment.

47. The Committee desired that the Government of India should consider the whole policy of giving house-building, motor car and other advances to Government servants.

The Committee adjourned till 11 A.M. on Friday, the 31st July 1936.

Proceedings of the eighteenth meeting of the Public Accounts Committee held on Friday, the 31st July 1936, at 11 A.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., Finance Member,
Chairman.

Mr. B. DAS, M.L.A.

Mr. S. SATYAMURTI, M.L.A.

Professor N. G. RANGA, M.L.A.

Dr. THEIN MAUNG, M.L.A.

J. RAMSAY SCOTT, M.L.A.

Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.

Captain SHEER MOHAMMAD KHAN, C.I.E.,
M.B.E., M.L.A.

Bhai PARMA NAND, M.L.A.,

Dr. R. D. DALAL, C.I.E., M.L.A.,

Raj Bahadur Sir SATYACHARAN MUKHERJEE,
Kt., C.B.E., M.L.A.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA,
M.L.A.

Members.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,
Auditor-General.

Mr. B. NEHRU, Accountant-General, Posts and
Telegraphs.

Mr. GHULAM MOHAMMED, Finance Officer,
Posts and Telegraphs.

Mr. G. V. BEWOOR, C.I.E., I.C.S., Director-
General, Posts and Telegraphs.

Mr. R. S. RUSSELL, C.I.E., O.B.E., Chief
Engineer, Posts and Telegraphs.

Mr. P. N. RAJAGOPALA, Deputy Director-
General, (Finance), Posts and Telegraphs.

Were also
present.

Witnesses.

48. The Committee resumed the consideration of the appropriation accounts of the Posts and Telegraphs Department.

49. The Committee examined in detail Grant No. 23. The Committee asked why a lump sum was given for temporary establishment in the audit charges. The Auditor-General explained that in the Posts and Telegraphs Audit Department there was considerable statistical work. When there was an increase in the accounts in Savings Bank more men were employed according to a scale worked out on the basis of many years' experience. Similarly when Savings Bank Accounts and Money Order transactions went down the establishment was reduced. There was a quarterly review of the position, and with reference to the work at the time the establishment was adjusted upwards or downwards according to the requirements. This was found to be more satisfactory than the keeping of too few or of too many at a time. The variations occasioned by the system of stores accounting again formed the subject of some lengthy discussion, and it was hoped that with the new measures already initiated or proposed there would be an appreciable improvement in the position. In the course of the discussion it emerged that a certain amount of building work for the Posts and Telegraphs Department was being done by Provincial Public Works Departments. The Committee desired Government to look into the general question whether in point of fact the Government of India used the Provincial Public Works Department excessively not only for the Posts and Telegraphs Department but for other departments as well and whether it would not be advisable to use the Central Public Works Department more freely. The Committee desired to know the sources of leakage of revenue and what steps the Posts and Telegraphs Department were taking to stop them. The Director-General explained at great length the steps taken to prevent the sending of heavier letters without proper postage, detection of parcels containing more than one communication, piracy by buses, etc.

50. The Committee noticed the large saving under XV—Posts and Telegraphs Deduct—working expenses in respect of stationery and printing. While accepting the explanation of the department that the throwing forward of the expenditure to next year was conducive to economy, they desired to know why there was lack of co-ordination between the Postal and Printing Departments in effecting corresponding adjustments. They recommended that the question should be investigated.

51. The Committee placed on record their thanks to the Auditor-General for his help and guidance.

The Committee then adjourned.
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V.—APPEN APPEN

Statement showing action taken or proposed to be taken on recommendations, etc.,
disposed

PART I.—Civil, Military and [Quarter ending

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations or suggestions.
1	1933-34	12 R	<i>Civil (Auditor-General).</i> .. That progressive accounts of expenditure from funds like those for the reconstruction of Earthquake damage in Bihar, the development of Civil Aviation, Broadcasting, etc., should be included in the future Appropriation Accounts.
2	1933-34	11 R	<i>Civil (Finance).</i> .. That the Finance Department should consider whether, when they go for a Supplementary Grant to the Assembly for a portion of the amount required for a scheme as a whole, the balance being met by re-appropriation from savings elsewhere, the particular sub-heads under which the savings are available should not, in the case of large savings at least, be shown in the supplementary demands presented to the Assembly.
3	1933-34	13 P	.. That instructions should be issued to the Mint Masters that the verification of stores should be done every year.
4	1933-34	13 P	.. That the question of writing down the value of obsolete stores in the Mints should be considered.
5	1933-34	13 R	<i>Civil (Central Board of Revenue).</i> .. That the revised system of concurrent audit of Customs Revenue which was introduced on a temporary basis 3 years ago should be made permanent.
6	1933-34	31 P	<i>Civil (Education, Health and Lands).</i> .. That the Government of India should consider whether, as suggested by the Auditor General, the standard of audit of the accounts of the New Delhi Municipality should be higher than that applicable to other municipalities.
7	1933-34	15 R	.. That in view of the large drop in the receipts from the Army Department drastic reductions should be made in the Mathematical Instrument Office, Calcutta, and if it is found that the office is not even then able to pay its way the question of closing it down should be taken up.
8	1933-34	19 P	.. That a report should be made to the Committee next year on the question of new rules proposed for the accounting of works expenditure in the Archaeological Department.
9	1933-34	20 P	.. That necessary instructions should be issued to the Director of the Agricultural Research Institute, Pusa, that valued stores accounts should be maintained.

DICES. DIX I.

so far made by the Central Public Accounts Committee which have not been finally of.

Posts and Telegraphs.
July, 1936.]

Action taken or proposed to be taken.
The recommendation has been noted for necessary action.
Necessary instructions have been issued to the Departments of the Government of India and other authorities concerned.
The action recommended by the Committee has been taken.
There are no obsolete stores at the Calcutta Mint, and those at the Bombay Mint are being consumed. It is, therefore, not necessary to write down their value.
This has been done.
The matter is under consideration in the Finance Department.
The matter is under consideration.
A draft of rules has been prepared and is under consideration.
Instructions have been issued to the Director.

[17TH SEPT. 1936.]

Statement showing action taken or proposed to be taken on recommendations, etc.,
disposed

PART I.—Civil, Military and
[Quarter ending

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations or suggestions.
			<i>Civil (Foreign and Political).</i>
10	1929-30	114 P ..	That the question of incidence of expenditure on the Persian Legation should be considered in connection with the constitutional changes.
11	1932-33 1933-34	14 R .. 16 R ..	That certain unauthorised excluded funds in the North-West Frontier Province should be abolished immediately and that a list of all excluded funds maintained in the Province should be obtained as quickly as possible and an examination should be made to see whether all, or any of them, should not be abolished.
			<i>Civil (Industries and Labour).</i>
12	1926-27 1928-29 1929-30 1933-34	25 R .. 91 P .. 118 P .. 36 P ..	That the Government of India should consider the question of allocation of Ecclesiastical expenditure between Civil and Defence Departments.
13	1932-33 1933-34	31 P .. 14 R ..	That in view of the large drop in the value of stores purchased from the Indian Stores Department, London, the question of amalgamating it with the Indian Stores Department should be considered.
14	1933-34	35 P ..	That special steps should be taken to have an actual verification of stock of the Central Publication Branch, Delhi, and to open new registers with the actual stock-in-hand.
			<i>Military.</i>
15	1930-31 1931-32 1932-33 1933-34	1 R Military 3 R Accounts 2 P Commit- 4 R tee.	The revision of the Army Regulations should be completed as soon as possible.
16	1932-33 1933-34	33 P Military 11 P Accounts Committee.	That a report be made to the Committee after two years as to the success or otherwise of the scheme under which trained Public Works Department accountants are taken for the Military Engineer Services.
17	1933-34	12 P Military Accounts Committee.	That in the memorandum of the Financial Adviser regarding stores transactions, figures for the amount of stores purchased in India and outside India should be given separately.
18	1933-34	17 P Military Accounts Committee.	That an investigation should be conducted to see whether there was any defect in the system of accounts which facilitated frauds in the hospital.

PRESENTATION OF THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE. 1291

so far made by the Central Public Accounts Committee which have not been finally
of—contd.

Posts and Telegraphs—contd.

July, 1936.]

Action taken or proposed to be taken.
The matter is under consideration.
The North-West Frontier Province Government have forwarded a list of the funds in question, and detailed proposals in some cases which are under consideration. In others, their proposals which are being formulated in consultation with local authorities are awaited.
The Government of India have appointed an inter-departmental Committee for the purpose of framing, after a review of the ecclesiastical expenditure, an estimate of the extent to which that expenditure is attributable to the needs of the civil, the defence and the railway services respectively.
The Government of India have deputed Sir James Pitkeathly, Chief Controller of Stores, Indian Stores Department, to make a detailed examination of the London Stores Department and to submit a scheme for the amalgamation of the two Departments.
A special temporary staff has been employed for a period of six months from February 1936, for the purpose of weeding of surplus publications and for the actual verification of stock.
The further progress will be reported to the Committee when it meets next.
Noted.
The recommendation has been given effect to in the Appropriation Accounts, 1934-35.
At the time the irregularity in question occurred there was no arrangement for the audit of diet sheets in hospitals or for the comparison of the figures of consumption of expendable stores for consecutive years. Instructions have since been issued prescribing a percentage check of diet sheets by the Local Audit Staff and a comparison of the figures of consumption of stores of all units and formations.

[17TH SEPT. 1936.]

Statement showing action taken or proposed to be taken on recommendations, etc.,
disposed

PART I.—Civil, Military and
[Quarter ending

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations or suggestions.
19	1933-34	21 P Military Accounts Committee.	That instructions should be issued to the effect that departmental enquiries in the case of frauds should not be delayed pending decision of criminal cases.
20	1933-34	54 P ..	<i>Posts and Telegraphs.</i> That instead of a Depreciation Reserve Fund calculated on pseudo-scientific basis, the department should constitute a Renewals and Replacement Reserve Fund on the basis of what is actually required year after year to cover renewals and replacements with a small margin, the contribution to such fund being subject to periodical review.
21	1933-34	57 P ..	That the Stores and Workshops Suspense Accounts should be shown separately in future Appropriation Accounts.

so far made by the Central Public Accounts Committee which have not been finally of—concl'd.

Posts and Telegraphs—concl'd.

July, 1936.]

Action taken or proposed to be taken.
The Government of India after careful consideration, have decided that no action is necessary on the suggestion, which appears to be based on a misapprehension. It is the invariable practice in the Army to complete the proceedings of a court of enquiry, regardless of proceedings in a civil court, and court martial proceedings do not take place until the court of enquiry has been finished. It may sometimes happen that administrative orders on the proceedings of a court of enquiry (so far as they affect persons who are not put up for trial as a result of the enquiry) have to be postponed pending the result of a trial, but that is a matter with regard to which full discretion must naturally rest with the authority who is competent to pass such orders. The recommendations of the Committee have been mainly accepted and are being given effect to from the current financial year. The action recommended by the Committee has been taken in the Appropriation Accounts for 1934-35.

APPENDIX II.

Statement comparing expenditure with grants for 1934-35.

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL.				
A.—EXPENDITURE CHARGED TO REVENUE.				
16. Customs:				
Voted	75,36,000	74,87,368	48,637	..
Non-voted	34,48,000	34,37,244	10,756	..
17. Taxes on Income:				
Voted	82,85,000	82,33,296	51,704	..
Non-voted	1,92,680	1,90,060	2,620	..
18. Salt:				
Voted	71,35,000	70,60,681	74,369	..
Non-voted	44,70,487	44,64,266	6,221	..
19. Opium:				
Voted	40,78,000	33,20,319	7,57,681	..
Non-voted	1,78,700	1,68,224	10,476	..
19-A.—Excise:				
Voted	4,68,000	4,70,350	..	2,350
Non-voted	2,17,000	2,09,348	7,652	..
20. Stamps:				
Voted	17,01,000	17,07,987	..	6,987
Non-voted	44,900	44,168	732	..
21. Forest:				
Voted	5,14,000	5,05,870	8,130	..
Non-voted	1,30,710	1,29,681	1,029	..
22. Irrigation, etc.—Charged to Revenue:				
Voted	4,51,000	4,33,933	17,067	..
Non-voted	2,97,000	2,88,966	8,034	..
25. Interest on Ordinary Debt, etc.:				
Voted	23,92,000	24,62,542	..	70,542
Non-voted	2,48,08,000	2,56,07,026	..	7,99,026
26. Interest on Miscellaneous Obligations:				
Voted	62,47,000	63,78,097	..	1,31,097
Non-voted	10,01,07,650	9,80,63,033	20,44,617	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—contd.				
A.—EXPENDITURE CHARGED TO REVENUE—contd.				
27. Staff, Household and Allowances of the Governor General:				
Voted	4,31,000	4,30,319	681	..
Non-voted	10,89,206	10,50,788	38,418	..
28. Executive Council:				
Voted	73,000	82,955	..	9,955
Non-voted	4,55,505	4,56,343	..	838
29. Council of State:				
Voted	1,41,000	1,44,790	..	3,790
Non-voted	7,000	6,257	743	..
30. Legislative Assembly and Legislative Department:				
Voted	7,68,000	7,69,114	..	1,114
Non-voted	86,400	78,919	7,481	..
31. Foreign and Political Department:				
Voted	8,01,000	7,92,685	8,315	..
Non-voted	2,36,750	2,32,718	4,032	..
32. Home Department:				
Voted	5,84,000	5,88,798	..	4,798
Non-voted	9,68,918	9,66,484	2,434	..
33. Public Service Commission:				
Voted	1,62,000	1,61,218	782	..
Non-voted	1,99,160	1,97,170	1,990	..
34. Legislative Department:				
Voted	3,08,000	3,08,686	2,314	..
Non-voted	1,60,100	1,59,600	500	..
35. Department of Education, Health and Lands:				
Voted	5,77,000	5,67,151	9,849	..
Non-voted	1,37,800	1,37,168	632	..
36. Finance Department:				
Voted	9,38,000	9,33,459	4,541	..
Non-voted	3,14,479	3,15,816	..	1,337
38. Commerce Department:				
Voted	3,85,000	3,64,201	799	..
Non-voted	1,12,670	1,12,445	225	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—contd.				
A.—EXPENDITURE CHARGED TO REVENUE—contd.				
39. Army Department :				
Voted	4,17,000	3,93,493	23,507	..
Non-voted	95,340	95,038	302	..
40. Department of Industries and Labour :				
Voted	4,77,000	4,55,879	21,321	..
Non-voted	1,20,120	1,20,300	..	180
41. Central Board of Revenue :				
Voted	1,95,000	1,94,149	851	..
Non-voted	1,12,200	1,09,938	2,264	..
42. Payments to Provincial Governments, etc. :				
Voted	1,50,000	1,51,583	..	1,583
Non-voted	63,400	63,496	..	96
43. Audit :				
Voted	90,89,000	90,17,776	71,224	..
Non-voted	7,93,000	7,99,674	..	6,674
44. Administration of Justice :				
Voted	53,000	53,250	..	250
45. Police :				
Voted	1,90,000	1,83,983	6,017	..
Non-voted	93,000	81,116	11,884	..
46. Ports and Pilotage :				
Voted	11,42,000	11,25,798	16,202	..
Non-voted	8,54,858	8,47,635	7,223	..
47. Lighthouses and Lightships :				
Voted	9,18,000	9,56,460	..	43,460
Non-voted	20,216	20,216	..	..
48. Survey of India :				
Voted	19,18,000	18,31,831	86,169	..
Non-voted	5,25,000	5,14,349	10,651	..
49. Meteorology :				
Voted	19,29,000	19,16,445	12,555	..
Non-voted	87,000	80,869	6,131	..
50. Geological Survey :				
Voted	1,91,000	1,91,247	..	247
Non-voted	2,16,500	2,16,372	..	372
51. Botanical Survey :				
Voted	1,47,000	1,30,019	16,981	..
Non-voted	32,828	34,174	..	1,346

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—contd.				
A.—EXPENDITURE CHARGED TO REVENUE—contd.				
52. Zoological Survey :				
Voted	87,000	84,739	2,261	..
Non-voted	44,000	43,998	2	..
53. Archaeology :				
Voted	9,48,000	9,58,837	..	10,837
Non-voted	1,03,617	1,01,269	2,348	..
54. Mines :				
Voted	1,20,000	1,12,106	7,894	..
Non-voted	1,08,106	1,09,196	..	1,090
55. Other Scientific Departments :				
Voted	2,50,000	2,49,802	198	..
56. Education :				
Voted	5,88,000	5,83,448	2,552	..
Non-voted	30,819	29,659	1,160	..
57. Medical Services :				
Voted	6,22,000	6,09,300	12,700	..
Non-voted	2,10,052	2,10,865	..	813
58. Public Health :				
Voted	6,84,000	7,09,329	..	25,329
Non-voted	1,35,800	1,36,975	..	1,175
59. Agriculture :				
Voted	10,77,000	10,17,267	59,733	..
Non-voted	1,07,738	1,06,949	789	..
60. Imperial Council of Agricultural Research Department :				
Voted	9,44,000	9,35,109	8,891	..
Non-voted	75,758	74,693	1,065	..
60-A. Scheme for the Improvement of Agricultural Marketing in India.				
Voted	57,000	54,009	2,991	..
61. Civil Veterinary Services :				
Voted	6,79,000	6,55,645	23,355	..
Non-voted	59,900	59,696	204	..

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Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—contd.				
A.—EXPENDITURE CHARGED TO REVENUE—contd.				
62. Industries :				
Voted	3,33,000	3,30,564	2,436	..
Non-voted	1,900	1,799	101	..
63. Aviation :				
Voted	13,90,000	13,90,561	..	561
Non-voted	3,000	2,534	466	..
63-A. Transfer to the Fund for the Development of Civil Aviation :				
Voted	92,57,000	92,57,000	..	..
63-B. Expenditure on the Development of Civil Aviation met from the Fund :				
Voted	..	..	..	..
Non-voted	..	..	..	..
64. Commercial Intelligence and Statistics :				
Voted	5,02,000	4,77,290	24,710	..
Non-voted	64,106	63,773	333	..
65. Census :				
Voted	3,000	3,130	..	130
Non-voted	1,000	304	696	..
66. Emigration—Internal :				
Voted	25,000	17,724	7,276	..
Non-voted	2,560	2,490	60	..
67. Emigration—External :				
Voted	1,84,000	1,91,300	7,300	..
Non-voted	50,541	49,204	1,338	..
68. Joint Stock Companies :				
Voted	1,15,000	1,08,728	6,272	..
Non-voted	25,275	22,596	2,679	..
69. Miscellaneous Departments :				
Voted	6,65,000	6,18,132	46,868	..
Non-voted	43,582	41,569	2,013	..
69-A. Transfer to the Fund for the Development of Broadcasting :				
Voted	20,00,000	20,00,000	..	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—contd.				
A.—EXPENDITURE CHARGED TO REVENUE—contd.				
70. Indian Stores Department :				
Voted	6,16,000	5,95,430	20,570	..
Non-voted	1,02,000	1,02,030	..	30
71. Currency :				
Voted	53,51,000	51,56,965	1,94,035	..
Non-voted	1,19,900	1,18,899	1,001	..
72. Mint :				
Voted	19,43,000	19,63,408	..	20,408
Non-voted	69,800	68,402	1,398	..
73. Civil Works :				
Voted	1,94,55,000	1,90,03,777	4,51,223	..
Non-voted	12,72,300	12,29,469	42,831	..
73-A. Transfer to the Road Development Fund Reserve :				
Voted	40,00,000	40,00,000	..	..
74. Superannuation Allowances and Pensions :				
Voted	1,03,94,000	1,03,47,180	46,820	..
Non-voted	2,09,43,000	2,03,11,343	1,31,657	..
75. Stationery and Printing :				
Voted	33,43,000	34,20,074	..	77,074
Non-voted	71,000	70,989	11	..
76. Miscellaneous :				
Voted	6,38,000	6,29,927	8,073	..
Non-voted	26,67,479	26,81,751	..	14,272
76-A. Expenditure on Retrenched personnel charged to Revenue :				
Voted	2,19,000	2,19,632	..	632
Non-voted	1,10,200	1,09,518	682	..
76-B. Miscellaneous Adjustments between the Central and Provincial Governments.				
Voted	2,14,14,000	1,97,48,343	16,65,657	..
Non-voted	1,01,30,000	1,01,29,777	223	..

[17TH SEPT. 1936.]

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—contd.				
A.—EXPENDITURE CHARGED TO REVENUE—contd.				
76-D Transfer to Fund for Economic Development and Improvement of Rural Areas :				
Voted	1,13,00,000	2,81,60,409	..	1,68,60,409
77. Refunds :				
Voted	1,16,40,000	1,18,71,836	..	2,31,836
Non-voted	2,91,24,998	2,93,47,017	..	2,22,019
79. Baluchistan :				
Voted	27,10,000	26,67,955	42,045	..
Non-voted	42,77,375	42,67,762	9,613	..
80. Delhi :				
Voted	44,13,000	43,98,456	14,544	..
Non-voted	2,58,030	2,53,203	2,827	..
81. Ajmer-Merwara :				
Voted	13,84,000	13,79,794	4,206	..
Non-voted	1,36,370	1,37,034	..	664
82. Andaman and Nicobar Islands :				
Voted	29,07,000	27,01,275	2,05,725	..
Non-voted	2,46,332	2,44,464	1,918	..
83. Rajputana :				
Voted	4,15,000	4,13,521	1,479	..
Non-voted	7,52,710	7,51,063	1,647	..
84. Central India :				
Voted	3,41,000	3,28,092	12,908	..
Non-voted	5,93,969	5,90,007	3,963	..
85. Hyderabad :				
Voted	45,000	45,614	..	614
Non-voted	5,31,877	5,38,792	..	6,915
86. A. Aden :				
Voted	6,70,000	5,46,525	1,23,475	..
Non-voted	3,38,057	3,39,118	..	1,061
87. Expenditure in England under the control of the Secretary of State :				
Voted	21,87,000	20,50,548	1,36,452	..
Non-voted	17,12,000	16,99,309	12,691	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—contd.				
A.—EXPENDITURE CHARGED TO REVENUE—concl'd.				
87. Expenditure in England under the control of the High Commissioner :				
Voted	24,80,000	22,83,858	1,96,142	..
Non-voted	32,44,000	32,12,225	31,775	..
Ecclesiastical :				
Non-voted	27,75,324	27,26,182	49,142	..
Political :				
Non-voted	1,31,56,246	1,31,24,167	32,079	..
Frontier Watch and Ward :				
Non-voted	1,85,12,938	1,85,85,292	..	72,354
Territorial and Political Pensions :				
Non-voted	30,25,000	30,62,069	..	37,069
Bangalore :				
Non-voted	15,39,803	15,36,455	3,348	..
Western India States Agency :				
Non-voted	17,44,450	17,49,652	..	5,202
Total { Voted	18,91,57,000	20,21,07,206	45,61,187	1,75,11,393
Non-voted	25,91,97,260	25,78,40,895	25,26,897	11,70,533
B.—EXPENDITURE CHARGED TO CAPITAL.				
88. Capital Outlay on Security Printing :—				
Voted	1,000	—1,11,908	1,12,908	..
89. Forest Capital Outlay :				
Voted	1,000	..	1,000	..
Non-voted	..	..	..	..
90. Irrigation Works—not charged to Revenue :				
Voted	1,000	..	1,000	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
PART I.—CIVIL—contd.	Rs.	Rs.	Rs.	Rs.
B.—EXPENDITURE CHARGED TO CAPITAL—concl'd.				
92-A. Capital Outlay on Schemes of Agricultural Improvement and Research :				
Voted .	7,00,000	78,422	6,21,578	
93. Capital Outlay on Currency Note Press :				
Voted .	1,000	—50,619	51,619	
94. Capital Outlay on Vizagapatam Harbour :				
Voted .	18,43,000	14,69,462	3,73,538	
Non-voted .	3,000	1,992	1,008	
95. Capital Outlay on Lighthouses and Lightships (Not charged to Revenue) :				
Voted .	1,000	..	1,000	
95-A. Civil Works not charged to Revenue :				
Voted .	..	—1,76,613	1,76,613	
Non-voted .	..	—699	699	
96. Commuted Value of Pensions :				
Voted .	29,11,000	31,73,724	..	2,62,734
Non-voted .	25,41,800	27,64,067	..	2,22,467
96-A. Expenditure on Retrenched personnel charged to Capital—				
Voted .	1,000	—68,257	69,257	
Non-voted .	—39,000	—40,197	1,197	
97. Delhi Capital Outlay :				
Voted .	72,59,000	72,13,108	45,897	
Total { Voted .	1,27,19,000	1,15,27,314	14,54,410	2,62,734
Non-voted .	25,05,800	27,25,973	2,994	2,22,467

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—concl'd.				
C.—DISBURSEMENTS OF LOANS AND ADVANCES.				
98. Interest Free Advances :				
Voted .	70,98,000	71,05,632	..	7,632
99. Loans and Advances bearing interest :				
Voted .	8,33,03,000	3,87,82,133	4,45,20,867	..
Total—Voted .	9,04,01,000	4,58,97,765	4,45,20,867	7,632
Total—Civil .	55,39,79,860	52,00,88,253	5,30,66,355	1,91,74,748
Voted .	29,22,77,000	25,95,22,285	5,05,36,464	1,77,81,749
Non-voted .	26,17,02,860	26,05,65,968	25,29,391	13,92,999
PART II.—POSTS AND TELEGRAPHS.				
A.—EXPENDITURE CHARGED TO REVENUE.				
23. Indian Posts and Telegraphs Department :				
Voted .	10,03,16,000	9,92,93,798	10,22,202	..
Non-voted .	96,93,000	96,73,026	19,974	..
B.—EXPENDITURE CHARGED TO CAPITAL.				
91. Capital Outlay on Indian Posts and Telegraphs Department—(Not charged to Revenue) :				
Voted .	39,68,000	32,74,190	6,93,810	..
Non-voted .	2,000	13,304	..	11,304
Total Posts and Telegraphs .	11,39,79,000	11,22,54,318	17,35,986	11,304
Total { Voted .	10,42,84,000	10,25,67,988	17,16,012	..
Non-voted .	96,95,000	96,86,330	19,974	11,304

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART III.—RAILWAYS.				
A.—EXPENDITURE CHARGED TO REVENUE.				
1. Revenue—Railway Board:				
Voted	8,45,000	8,13,960	31,040	..
Non-voted	3,73,000	3,70,359	2,641	..
2. Revenue—Audit:				
Voted	13,75,000	13,76,113	..	1,113
Non-voted	3,28,000	3,33,906	..	5,906
3. Revenue—Miscellaneous Expenditure:				
Voted	10,60,000	9,62,651	97,349	..
Non-voted	12,51,000	12,78,456	..	27,456
4. Revenue—Refunds:				
Voted	12,00,000	12,38,914	..	38,914
5. Revenue—Payments to Indian States and Companies:				
Voted	3,37,00,000	3,43,54,609	..	6,54,609
6.A. Revenue—Working Expenses—Maintenance of Structural Works:				
Voted	8,57,25,000	8,57,00,045	24,955	..
Non-voted	32,00,000	32,47,139	..	47,139
6.B. Revenue—Working Expenses—Maintenance and Supply of Locomotive Power:				
Voted	16,61,50,000	16,72,74,912	..	11,24,912
Non-voted	14,69,000	14,59,685	9,315	..
6.C. Revenue—Working Expenses—Maintenance of Carriage and Wagon Stock:				
Voted	5,81,75,000	5,89,92,265	..	8,17,265
Non-voted	8,15,000	8,07,338	7,662	..
6.D. Revenue—Working Expenses—Maintenance of Ferry Steamers and Harbours:				
Voted	31,35,000	31,14,872	20,128	..
Non-voted	24,000	27,208	..	3,208

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART III.—RAILWAYS—<i>contd.</i>				
A.—EXPENDITURE CHARGED TO REVENUE—<i>contd.</i>				
6.E. Revenue—Working Expenses—Expenses of Traffic Department:				
Voted	10,43,60,000	10,46,45,458	..	2,85,458
Non-voted	16,56,000	16,40,531	15,469	..
6.F. Revenue—Working Expenses—Expenses of General Departments:				
Voted	4,58,50,000	4,50,55,357	7,94,643	..
Non-voted	24,73,000	24,48,310	24,690	..
6.G. Revenue—Working Expenses—Miscellaneous Expenses:				
Voted	4,23,20,000	4,15,16,219	8,03,781	..
Non-voted	14,80,000	14,74,218	5,782	..
6.H. Revenue—Working Expenses—Electric Service Department:				
Voted	1,19,65,000	1,18,48,569	1,16,431	..
Non-voted	1,04,000	1,02,786	1,214	..
7. Revenue—Appropriation to Depreciation Fund:				
Voted	13,73,00,000	13,71,76,961	1,23,039	..
8. Revenue—Interest Charges:				
Voted	2,83,000	2,80,149	2,851	..
Non-voted	31,81,41,000	31,77,25,621	4,15,379	..
9. Temporary withdrawals from Depreciation Fund:				
Voted	5,33,22,000	5,06,25,426	26,96,574	..
Total .. { Voted	74,67,65,000	74,49,76,480	47,10,791	29,22,271
Non-voted	33,13,14,000	33,09,15,557	4,82,152	83,709
B.—EXPENDITURE CHARGED TO CAPITAL.				
11. Capital—New Constructions:				
Voted	26,00,000	17,12,854	8,87,146	..
Non-voted	1,16,000	1,13,082	2,918	..
12. Open Line Works:				
Voted	13,22,01,000	8,74,15,617	4,47,85,383	..
Non-voted	2,73,000	2,44,459	28,541	..

[17TH SEPT. 1936.]

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
PART III.—RAILWAYS— concl'd.	Rs.	Rs.	Rs.	Rs.
B.—EXPENDITURE CHARGED TO CAPITAL—concl'd.				
<i>Discharge of Debentures :</i>				
<i>Non-voted</i>	39,93,000	39,86,158	6,842	..
<i>Total</i> { <i>Voted</i>	13,48,01,000	8,91,28,471	4,56,72,529	..
<i>Non-voted</i>	43,82,000	43,43,699	38,301	..
<i>Total Railways</i>	1,21,72,62,000	1,16,93,64,207	5,09,03,773	30,05,980
<i>Voted</i>	88,15,66,000	83,41,04,951	5,03,83,320	29,22,271
<i>Non-voted</i>	33,56,96,000	33,52,59,256	5,20,453	83,709
PART IV.—DEFENCE SERVICES*.				
A.—EXPENDITURE CHARGED TO REVENUE.				
<i>Defence Services—Effective— India—Non-voted</i>	34,20,89,000	34,23,92,000	..	3,03,000
<i>Defence Services—Effective— England—Non-voted</i>	6,11,18,000	6,04,44,000	6,74,000	..
<i>Defence Services—Non-effective— India—Non-voted</i>	3,66,25,000	3,65,63,000	62,000	..
<i>Defence Services—Non-effective— England—Non-voted</i>	5,00,70,000	5,01,36,000	..	66,000
<i>Defence Reserve Fund—Non-voted</i>	50,26,000	68,93,000	..	18,67,000
<i>Total Defence Services—Non-voted</i>	49,49,28,000	49,64,28,000	7,36,000	22,36,000
<i>Grand Total</i>	2,38,01,48,860	2,29,81,34,778	10,64,42,114	2,44,28,032
<i>Voted</i>	1,27,81,27,000	1,19,61,95,224†	10,26,35,796	2,07,04,020
<i>Non-voted</i>	1,10,20,21,860	1,10,19,39,554‡	38,06,318	37,24,012

* The figures are gross.

† This amount is less than that given in Account No. 12 of the Finance and Revenue Accounts of the Government of India for the year 1934-35 by Rs. 1 which is due to rounding.

‡ This amount is greater than that given in Account No. 12 of the Finance and Revenue Accounts of the Government of India for the year 1934-35 by Rs. 21 which is due to rounding.

APPENDIX III.

LETTER FROM SIR ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF INDIA, FINANCE DEPARTMENT, NO. 118-REP./125/35, DATED THE 27TH MAY 1936.

SUBJECT :—*Appropriation Accounts (Civil) 1934-35 and the Audit Report 1936.*

In accordance with the provisions of rule 15 (1) of the Auditor General's Rules framed under Section 96D (1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Accounts of the Central Government (Civil) for the year 1934-35 and the Audit Report, 1936, together with two copies of the Commercial Appendix to these documents, prepared by the Accountant General, Central Revenues, for submission to the Public Accounts Committee and for necessary action by the Government of India.

2. Two copies of the accounts of receipts and disbursements of the Secretary of State and the High Commissioner for India, on behalf of the Central Government, under the heads other than those relating to Military Services, for the year 1934-35, together with two copies of the relevant Appropriation Accounts, and the reports thereon, prepared by the Auditor of Indian Home Accounts, are also forwarded.

3. I append as usual the following subsidiary statements :—

Statement A*—giving particulars of all Central Voted Grants and Non-voted Appropriations for the year 1934-35, the expenditure incurred against them and variations between the two.

Statement B—showing the excesses over voted grants which require the vote of the Legislative Assembly.

Statement C—showing excesses over Non-voted Appropriations which require the sanction of the Government of India, Finance Department.

4. The Appropriation Accounts and the Audit Report of the Accountant General, Central Revenues, together with the Appendix containing Commercial Accounts, have, as usual, been examined in detail under my instructions and I find them generally to be in order. I have no supplementary comments of my own to add at this stage.

5. In accordance with precedent I have added a "Key" statement (Statement D) in which I have brought together—

(a) Firstly, a reference to each of the Appropriation Accounts of grants and appropriations for which each of the several departments of Government is responsible, and

(b) Secondly, linked with the references to the Appropriation Accounts of each grant, etc., enumerated as in (a) preceding, all points of importance arising out of each account which the Accountant General has brought to notice either in his general analysis or elsewhere.

* See Appendix II.

[17TH SEPT. 1936.]

The purpose of the "Key" statement is to give practical assistance to the departments of Government and the members of the Public Accounts Committee in carrying out the examination of the accounts and the report which now devolves upon them.

6. The last enclosure to this letter, Statement E, gives particulars of the overdrafts on current account taken by the provincial Governments at the expense of the Central Government during the year under report. A comparison of the figures with the corresponding figures of 1933-34 indicates that some improvement has again been effected. The highest *net* overdraft was Rs. 160 lakhs in the month of December 1934. As on previous occasions the province most heavily and most continuously overdrawn was Burma, Bihar and Orissa follows closely after, and the Central Provinces, Bengal and Assam also had to incur considerable overdrafts for the purpose of financing their current account.

STATEMENT B (Paragraph 3).

(1934-35.)

Statement showing the excesses over Voted Grants which require the vote of the Legislature.

Item No.	Name of Grant.	Final Grant. Rs.	Actual Expenditure. Rs.	Excess requiring the vote of the Legislature. Rs.
1	19-A.—Excise	4,68,000	4,70,350	2,350
2	20.—Stamps	17,01,000	17,07,987	6,987
3	25.—Interest on Ordinary Debt, etc.	23,92,000	24,62,542	70,542
4	26.—Interest on Miscellaneous Obligations	62,47,000	63,78,097	1,31,097
5	28.—Executive Council	73,000	82,955	9,955
6	29.—Council of State	1,41,000	1,44,790	3,790
7	30.—Legislative Assembly and Legislative Assembly Department	7,68,000	7,69,114	1,114
8	32.—Home Department	5,84,000	5,88,798	4,798
9	42.—Payments to Provincial Governments, etc.	1,50,000	1,51,583	1,583
10	44.—Administration of Justice	53,000	53,250	250
11	47.—Lighthouses and Lightships	9,13,000	9,56,480	43,480
12	50.—Geological Survey	1,91,000	1,91,247	247
13	53.—Archaeology	9,48,000	9,58,837	10,837
14	58.—Public Health	6,84,000	7,09,329	25,329
15	63.—Aviation	13,90,000	13,90,561	561
16	65.—Census	3,000	3,130	130
17	67.—Emigration—External	1,84,000	1,91,390	7,390
18	72.—Mint	19,43,000	19,63,408	24,408
19	75.—Stationery and Printing	33,43,000	34,20,074	77,074
20	76-A.—Expenditure on Retrenched personnel charged to Revenue	2,19,000	2,19,632	632
21	76-D.—Transfer to the Fund for Economic Developments and Improvements of Rural Areas	1,13,00,000	2,81,60,409	1,68,60,409
22	77.—Refunds	1,61,40,000	1,18,71,836	2,31,836
23	85.—Hyderabad	45,000	45,614	614
24	96.—Commuted Value of Pensions	29,11,000	31,73,724	2,62,724
25	98.—Interest Free Advances	70,98,000	71,06,882	7,632
26	2.—Revenue—Audit	13,75,000	13,76,113	1,113
27	4.—Revenue—Refunds	12,00,000	12,38,914	38,914

Item No.	Name of Grant.	Final Grant. Rs.	Actual expenditure. Rs.	Excess requiring the vote of the Legislature. Rs.
28	5.—Revenue—Payments to Indian States and Companies	3,37,00,000	3,43,54,609	6,54,609
29	6-B.—Revenue—Working Expenses—Maintenance and Supply of Locomotive Power	16,61,50,000	16,72,74,912	11,24,912
30	6-C.—Revenue—Working Expenses—Maintenance of Carriage and Wagon Stock	5,81,75,000	5,89,92,265	8,17,265
31	6-E.—Revenue—Working Expenses—Expenses of Traffic Department	10,43,60,000	10,46,45,458	2,58,458

STATEMENT C (Paragraph 3).

(1934-35.)

Statement showing excesses over Non-voted Appropriations which require the sanction of the Government of India, Finance Department.

Item No.	Name of Appropriation.	Final Appropriation Rs.	Actual Expenditure. Rs.	Excess requiring the sanction of the Government of India. Rs.
1	25.—Interest on Ordinary Debt, etc.	2,48,08,000	2,56,07,026	7,99,026
2	28.—Executive Council	4,55,505	4,56,343	838
3	36.—Finance Department	3,14,479	3,15,816	1,337
4	40.—Department of Industries and Labour	1,20,120	1,20,300	180
5	42.—Payments to Provincial Governments, etc.	63,400	63,495	95
6	43.—Audit	7,93,000	7,99,674	6,674
7	50.—Geological Survey	2,16,500	2,16,872	372
8	51.—Botanical Survey	32,828	34,174	1,346
9	54.—Mines	1,08,106	1,08,196	1,090
10	57.—Medical Services	2,10,052	2,10,865	813
11	58.—Public Health	1,35,800	1,36,975	1,175
12	70.—Indian Stores Department	1,02,000	1,02,030	30
13	76.—Miscellaneous	26,67,479	26,81,751	14,272
14	77.—Refunds	2,19,24,998	2,93,47,017	2,22,019
15	81.—Ajmer-Merwara	1,36,370	1,37,034	664
16	85.—Hyderabad	5,31,877	5,36,792	4,915
17	85-A.—Aden	3,38,057	3,39,118	1,061
18	Frontier Watch and Ward	1,85,12,938	1,85,85,292	72,354
19	Territorial and Political Pensions	30,25,000	30,62,069	37,069
20	Western Indian States Agency	17,44,450	17,49,652	5,202
21	96.—Commuted Value of Pensions	25,41,600	27,64,067	2,22,467
22	91.—Capital Outlay on Indian Posts and Telegraphs Department (Not charged to Revenue)	2,000	13,304	11,304
23	2.—Revenue—Audit	3,28,000	3,33,906	5,906
24	3.—Revenue—Miscellaneous Expenditure	12,51,000	12,78,456	27,456
25	6-A.—Revenue—Working Expenses—Maintenance of Structural Works	32,00,000	32,47,139	47,139
26	6-D.—Revenue—Working Expenses—Maintenance of Ferry Steamers and Harbours	24,000	27,208	3,208

STATEMENT D (paragraph 5.)

'Key' statement to the Government of India Appropriation Accounts (Civil) 1934-35 and the Audit Report 1936, Commercial Appendix, Home Auditor's Reports on the Accounts of the Secretary of State and the High Commissioner for India for 1934-35 and the latest Quarterly Statement (Part I) of outstanding recommendations of the Public Accounts Committee showing in conjunction particulars of Appropriation Accounts of grants and appropriations for which each of the several departments of the Government of India is responsible and all matters and comments of importance connected with these accounts.

R. = Government of India Appropriation Accounts (Civil) and Audit Report.

C. A. = Commercial Appendix to the above.

S. S. = Home Auditors' Report on the Accounts of the Secretary of State in Council of India (Section I—Civil portion).

H. C. = Home Auditor's Report on the Accounts of the High Commissioner for India (Section I—Civil portion).

Q. S. = Quarterly statement (Part I—Civil portion) of outstanding recommendations of the Public Accounts Committee (Quarter ending January 1936).

FINANCE DEPARTMENT.

(1) General—

- (i) Changes in the form and structure of Accounts . . . Paragraphs 2—4R, paragraph 6 H. C. and paragraph 18 S. S.
- (ii) Important Accounts changes . . . Paragraphs 5—23 R.
- (iii) Financial results (Revenue Account, expenditure outside the revenue Account and debt position) . . . Paragraphs 24—26 R.
- (iv) Review of demands for grants, reductions made by the Legislature, Restoration by His Excellency the Governor General, Supplementary grants, general results of appropriation audit, savings and on excesses over voted grants and non-voted appropriations, accuracy of budgeting, control of expenditure, etc. . . Paragraphs 38—61 R.
- (v) Standard adopted in explaining variations between modified grants and actuals . . . Note 3 on page 45 R.
- (vi) Public Accounts Committee's suggestion to include in future Appropriation Accounts the progressive accounts of expenditure from funds like those for the reconstruction of earthquake damage in Bihar, the Development of Civil Aviation, Broadcasting, etc. . . Serial No. 1 Q. S. and last sub-paragraph of paragraph 2 R.
- (vii) Public Accounts Committee's suggestion that when the Finance Department go to the Assembly for a supplementary grant for a portion of the amount required for a scheme as a whole the particular sub-heads under which savings are available should be indicated in the supplementary demands . . . Serial No. 2 Q. S.
- (viii) Progressive Account of the Fund for dealing with earthquake damages (Bihar) . . . Paragraph 65 item (3) R.
- (ix) Fund for dealing with earthquake damage (Bihar)—Genesis of . . . Paragraph 64 item (iii) R.
- (x) Maximum rate of leave salary during special disability leave . . . Paragraph 15 S. S.
- (xi) Compensatory allowance of officers on deputation in the United Kingdom . . . Paragraph 16 S. S.
- (xii) Reserved rights in respect of reduction of rates of pay . . . Paragraph 17 S. S.

FINANCE DEPARTMENT—*contd.*

- (2) Grant No. 20—*Stamps*—
 - Appropriation Account . . . Pages 75—76 R.
 - Supplementary grant . . . Paragraph 42 item (1) R.
 - Excess over voted grant . . . Paragraph 48 item (2) R.
 - Commercial Accounts and review, etc., of the Security Printing, India, including Central Stamp Store, Nasik Road . . . Paragraphs 28—51 C. A.
 - Comparative statement of profits and losses and turn-over . . . Paragraphs 18 (i) and 19 C. A.
 - General review and important comments—Security Printing, India . . . Paragraph 22 (i) C. A.
 - Stores transactions . . . Paragraph 24 (i) C. A.
- (3) Grant No. 25.—*Interest Ordinary Debt, etc.*—
 - Appropriation Account . . . Pages 84—86 R.
 - Notes on Appropriation Account . . . Page 86 R.
 - Reduction or avoidance of Debt . . . Paragraph 27 R.
 - Supplementary grant . . . Paragraph 42 item (2) R.
 - Excess over voted grant . . . Paragraph 48 item (3) R.
 - Excess over non-voted appropriation . . . Paragraphs 49 item (1) and 51 R.
 - Interest on liability assumed in respect of British Government War Loan . . . Paragraph 2 S. S.
 - Bank's charges for the management of "enfaced" rupee debt in London . . . Paragraph 3 S. S.
 - Voted Excess in English portion of the Expenditure . . . Paragraph 18 S. S.
- (4) Grant No. 26.—*Interest on Miscellaneous Obligations*—
 - Appropriation Account . . . Pages 87—89 R.
 - Supplementary grant . . . Paragraph 42 item (3) R.
 - Saving on non-voted appropriation . . . Paragraph 47 R.
 - Excess over voted grant . . . Paragraphs 48 item (4) and 51 R.
- (5) Grant No. 27.—*Staff, Household and Allowances of the Governor General*—
 - Appropriation Account . . . Pages 90-91 R.
 - Notes on Appropriation Account . . . Page 91 R.
- (6) Grant No. 36.—*Finance Department*—
 - Appropriation Account . . . Pages 102-103 R.
 - Excess over non-voted appropriation . . . Paragraph 49 R.
- (7) Grant No. 42.—*Payments to Provincial Governments, etc.*—
 - Appropriation Account . . . Page 108 R.
 - Excess over voted grant . . . Paragraph 48 Item (9) R.
 - Excess over non-voted appropriation . . . Paragraph 49 R.
- (8) Grant No. 43.—*Audit*—
 - Appropriation Account . . . Pages 109-110 R.
 - Audit of Secret Service Expenditure . . . Paragraph 63 R.
 - Results of outside Audits . . . Paragraphs 66—67 R.
 - Audit of Customs Revenue . . . Paragraphs 69 and 75 R.
 - Excess over Non-voted Appropriations . . . Paragraph 49 item (2) R.
 - Proposal for a continuous audit of the accounts of New Delhi Municipal Committee . . . Paragraph 68 R.
- (9) Grant No. 63-A.—*Transfer to the Fund for the Development of Civil Aviation*—
 - Appropriation Account . . . Page 179 R.
 - Supplementary Grant . . . Paragraph 42 item (7) R.
 - Fund for the Development of Civil Aviation, genesis of . . . Paragraph 64 item (i) R.
 - Progressive Account of the Fund for the Development of Civil Aviation . . . Paragraph 65 item 1 R.
- (10) Grant No. 69-A.—*Transfer to the Fund for the Development of Broadcasting*—
 - Appropriation Account . . . Page 195 R.
 - Fund for the Development of Broadcasting, genesis of . . . Paragraph 64 item (ii) R.
 - Progressive Account of the Fund for the Development of Broadcasting . . . Paragraph 65 item 2 R.
 - Supplementary grant . . . Paragraph 42 item (8) R.

FINANCE DEPARTMENT—*contd.*

- (11) *Grant No. 71.—Currency—*
Appropriation Account Pages 203—206 R.
Note on Appropriation Account Page 206 R.
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Comparative statement of profits and losses and turn-over Paragraphs 18 (ii) and 19 C. A.
Stores transactions Paragraphs 24 (ii), 25 and 27 (a) C. A.
General review and important comments Paragraph 22 (ii) C. A.
- (12) *Grant No. 72.—Mint—*
Appropriation Account Pages 209—210 R.
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Stores Accounts and reviews Paragraphs 70 and 73 and pages 211—213 R.
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Excess over voted grant Paragraph 48 item (18) R.
Public Accounts Committee's suggestion concerning the instructions to the Mint Masters for the verification of stores to be done every year Serial No. 3. Q. S.
Public Accounts Committee's suggestion for considering the question of writing down the value of obsolete stores in the Mints Serial No. 4 Q. S.
Saving of provision voted to cover stores purchased by the High Commissioner under this grant Paragraph 10 H. C.
- (13) *Grant No. 73-A.—Transfer to the Road Development Fund Reserve—*
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Supplementary grant Paragraph 42 item (12) R.
- (14) *Grant No. 74.—Superannuation Allowances and Pensions—*
Appropriation Account Pages 238—241 R.
Supplementary grant Paragraph 42 item (13) R.
Savings on non-voted appropriation Paragraph 47 R.
- (15) *Grant No. 76.—Miscellaneous A.—Allowances; E.—Compensations; F.—Rents, Rates and Taxes on Central Buildings; K. 11.—Other items; M.—Other charges (partly); N.—Payments arising out of the Military Land Scheme—*
Appropriation Account. Pages 254—257 R.
Excess over non-voted appropriation Paragraph 49 item (6) R.
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Unnecessary Supplementary Grant Paragraph 58 R.
- (16) *Grant No. 76-A.—Expenditure on retrenched personnel charged to Revenue—*
Appropriation Account Page 259 R.
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- (17) *Grant No. 76-B.—Miscellaneous adjustments between the Central and Provincial Governments—*
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- (18) *Grant No. 76-D.—Transfer to the Fund for Economic Development and Improvement of Rural Areas—*
Appropriation Account Page 261 R.
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Excess over voted grant Paragraphs 48 item (21), 51 and 54 R.
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Fund for the Development and Improvement of Rural Areas—genesis of Paragraph 64 item (iv) R.

FINANCE DEPARTMENT—*contd.*

- (19) *Grant No. 77.—Refunds; E.—Currency; F.—Receipts-in-aid of Superannuation; G.—Miscellaneous Revenue (partly); H. 7.—Interest; H. 19 (1).—Mint; H. 22.—Miscellaneous (partly)—*
Appropriation Account Pages 262—265 R.
Excess over voted grant Paragraphs 48 item (22) and 51 R.
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- (20) *Grant No. 86.—Expenditure in England under the control of the Secretary of State—*
Appropriation Account Pages 343—346 R.
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Contribution by His Majesty's Government in respect of the Administrative expenses of the India Office Paragraph 4 S. S.
Reparation receipts Paragraph 8 S. S.
Secret Service Paragraph 7 S. S.
- (21) *Grant No. 87.—Expenditure in England under the control of the High Commissioner—*
Appropriation Account Pages 347—352 R.
Gross net cost of the High Commissioner's establishment Paragraph 1 H. C.
Rectification of cadre Paragraph 2 H. C.
Voted savings Paragraph 9 H. C.
- (22) *Non-voted Appropriation—Territorial and Political Pensions—*
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- (23) *Grant No. 88.—Capital Outlay on Security Printing—*
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Commercial Accounts [as under item (2), 20.—Stamps] Paragraphs 28—51 C. A.
Comparative statement of profits and losses and turn over Paragraphs 18 (i) and 19 C. A.
Stores transactions Paragraph 24 (i) C. A.
General review and important comments Paragraph 22 (i) C. A.
- (24) *Grant No. 93.—Capital Outlay on Currency Note Press—*
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Commercial Accounts [as under item (11), 71.—Currency] Paragraphs 52—69 C. A.
Comparative statement of profits and losses and turn over Paragraphs 18 (ii) and 19 C. A.
Stores transactions Paragraphs 24 (ii), 25 and 27 (a) C. A.
General review and important comments Paragraph 22 (ii) C. A.
- (25) *Grant No. 96.—Commuted Value of Pensions—*
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Supplementary grant Paragraph 42 item (17) R.
Excess over voted grant Paragraphs 48 item (24) and 51 R.
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- (26) *Grant No. 96-A.—Expenditure on retrenched personnel charged to Capital—*
Appropriation Account Page 403 R.
- (27) *Grant No. 98.—Interest Free Advances—*
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FINANCE DEPARTMENT—*concl'd.*

- (28) *Grant No. 99.—Loans and Advances bearing interest—*
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 Review of Loans and Advances by the Central Government Paragraph 28 R.
 Advances to Provincial Loans Fund Paragraph 29 R.
 Loans to Indian States, Public Bodies and persons, etc. Paragraph 30 R.
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 Recoveries from the Saudi Government on account of debt Paragraph 13 S. S.
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- (1) *Grant No. 16.—Customs—*
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 Restoration by His Excellency the Governor General Paragraph 40 R.
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 (2) *Grant No. 17.—Taxes on Income—*
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 (3) *Grant No. 18.—Salt—*
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 Note on the Appropriation Account Note 1 on page 66 R.
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 Remission of Revenue Note 4 on page 66 R.
 Commercial Accounts and review, etc., of Northern India Salt Revenue Department Paragraphs 70—98, C. A.
 Comparative statement of profits and losses and turnover of the Northern India Salt Revenue Department Paragraphs 18 (iii) and 20 C. A.
 Stores transactions of the Northern India Salt Revenue Department Paragraphs 24 (iii), 25 and 26 C. A.
 General review and important comments of the Northern India Salt Revenue Department Paragraph 22 (iii) C. A.
 Commercial Accounts and review, etc., of the Pritchard Salt Works and Main Salt Stores, Kharaghoda Paragraphs 99—117 C. A.
 Comparative statement of profits and losses and turnover of the Pritchard Salt Works and the Main Salt Stores, Kharaghoda Paragraphs 18 (iv) and 20 C. A.
 Stores transactions of the Pritchard Salt Works and the Main Salt Stores, Kharaghoda Paragraphs 24 (iv), 25 and 26 C. A.
 General review and important comments of the Pritchard Salt Works and the Main Salt Stores, Kharaghoda Paragraph 22 (iv) C. A.

CENTRAL BOARD OF REVENUE—*concl'd.*

- (4) *Grant No. 10.—Opium—*
 Appropriation Account Pages 70—72 R.
 Account of payments to States in Malwa Page 72 R.
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 Saving on voted grant Paragraph 44 R.
 Commercial Accounts and review, etc., of the Opium Factory, Ghazipur Paragraphs 118—134 C. A.
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 Non-inclusion of the Stores transactions Paragraphs 17 and 27 (b) C. A.
 General review and important comments Paragraph 22 (v) C. A.
 (5) *Grant No. 19. A.—Excise—*
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 (6) *Grant No. 20.—Stamps—*
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 (7) *Grant No. 41.—Central Board of Revenue—*
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 (8) *Grant No. 77.—Refunds—A.—Customs; B.—Taxes on Income; C.—Salt; D.—Stamps (partly); H. 1.—Opium; H. 3.—Excise (partly)—*
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- (1) *Grant No. 28.—Executive Council—*
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 (2) *Grant No. 32.—Home Department—*
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 (3) *Grant No. 33.—Public Service Commission—*
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 (4) *Grant No. 44.—Administration of Justice—*
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 (5) *Grant No. 45.—Police—*
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 (6) *Grant No. 65.—Census—*
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 (7) *Grant No. 76.—Miscellaneous—B. 1.—Subscriptions to News Agencies for supply of Telegrams; C.—Donations for charitable purposes, etc. (Voted) (partly); D. 3.—Other Commissions and Committees—(i) Indian delegations to the Joint Select Committee, (ii) Orissa Committee, (iii) Sind Administrative Committee; G.—Grants-in-aid (Voted) (partly); K. 13.—Expenditure in connection with the Silver Jubilee—*
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 (8) *Grant No. 77.—Refunds—D.—Stamps (partly); H. 2.—Land Revenue (partly); H. 5.—Registration (partly); H. 8.—Administration of Justice (partly); H. 9.—Jails and Convict Settlement (partly); H. 10.—Police (partly); H. 18.—Miscellaneous Departments (partly) and H. 22.—Miscellaneous (partly)—*
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DEPARTMENT OF INDUSTRIES AND LABOUR—*contd.*

- (4) *Grant No. 50.—Geological Survey—*
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- (5) *Grant No. 51.—Mines—*
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- (6) *Grant No. 62.—Industries—*
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- (7) *Grant No. 63.—Aviation—*
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- (8) *Grant No. 63-B.—Expenditure on the Development of Civil Aviation met from the Fund—*
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- (9) *Grant No. 66.—Emigration—Internal—*
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- (10) *Grant No. 69.—Miscellaneous Departments (partly)—*
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- (11) *Grant No. 70.—Indian Stores Department—*
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- (12) *Grant No. 73.—Civil Works—*
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- (13) *Grant No. 75.—Stationery and Printing—*
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- (14) *Grant No. 76.—Miscellaneous—B. 1. Subscriptions to news agencies for supply of telegrams (partly); G. Grants-in-aid voted (partly); K. 2. International Labour Conference; K. 3. Indo-European Telegraph Department—*
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- (15) *Grant No. 77.—Refunds—*
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- (16) *Non-voted Appropriation—Ecclesiastical—*
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- (17) *Non-voted Appropriation—Frontier Watch and Ward—*
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- (20) *Grant No. 97.—Delhi Capital Outlay—*
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- (1) *General*—
 Public Accounts Committee's suggestion to consider whether the standard of audit of the accounts of the New Delhi Municipality should be higher than that applicable to other Municipalities Serial No. 6 Q. S.
- (2) *Grant No. 21.—Forest*—
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- (3) *Grant No. 35.—Department of Education, Health and Lands*—
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- (4) *Grant No. 48.—Survey of India*—
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- (5) *Grant No. 51.—Botanical Survey*—
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- (6) *Grant No. 52.—Zoological Survey*—
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- (7) *Grant No. 53.—Archaeology*—
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- (8) *Grant No. 55.—Other Scientific Departments*—
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- (9) *Grant No. 56.—Education (partly)*—
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- (10) *Grant No. 57.—Medical Services*—
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 Notes on the Appropriation Account Page 155 R.
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- (11) *Grant No. 58.—Public Health*—
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- (12) *Grant No. 59.—Agriculture*—
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- (13) *Grant No. 61.—Civil Veterinary Services*—
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- (14) *Grant No. 67.—Emigration-External*—
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 Note 1 on Appropriation Account Page 187 R.
 Note 2 about receipts realised Page 187 R.
 Excess over voted grant Paragraph 48 item (17) R.
- (15) *Grant No. 59.—Miscellaneous Departments (partly)*—
 Appropriation Account Page 189 R.

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- (16) *Grant No. 76.—Miscellaneous B. 2.—Other Charges ; C.—Donations for charitable purposes (partly) J.—Kidderpore Orphananj Market—K. 12.—Deputation to Zanzibar—O. Works—*
 Appropriation Account Pages 254—257 R.
- (17) *Grant No. 77.—Refunds—H. 4.—Forset ; H. 13.—Education ; H. 14.—Medical ; H. 15.—Public Health ; H. 16.—Agriculture ; H. 18.—Miscellaneous Departments (partly)—*
 Appropriation Account Pages 262—265 R.
- (18) *Grant No. 80.—Delhi—*
 Expenditure from Grant-in-aid Paragraph 68 R.
- (19) *Grant No. 82.—Andaman and Nicobar Islands—Account II.—Forests—*
 Appropriation Account Pages 313—315 R.
 Commercial Accounts and review, etc., of the Forest Department, Andamans Paragraphs 179—196 C. A.
 Comparative statement of profits and losses and turnover Paragraphs 18 (ix) and 19 C. A.
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- (20) *Grant No. 89.—Forest Capital Outlay—*
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- (21) *Grant No. 92.—A.—Capital Outlay on Schemes of Agricultural Improvement and Research—*
 Appropriation Account Page 392 R.
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COMMERCE DEPARTMENT.

- (1) *Grant No. 38.—Commerce Department—*
 Appropriation Account Page 104 R.
- (2) *Grant No. 46.—Ports and Pilotage—*
 Appropriation Account Pages 114—122 R.
 Commercial Accounts and review, etc., of the Bengal Pilot Service Paragraphs 197—205 C. A.
 Comparative statement of profits and losses and turnover Paragraphs 18 (x) and 19 C. A.
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 General review and important comments Paragraph 22 (x) C. A.
- (3) *Grant No. 47.—Lighthouses and Lightships—*
 Appropriation Account Pages 123—128 R.
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 Excess over voted grant Paragraph 48 item (11) R.
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COMMERCE DEPARTMENT—*cont'd.*

- (4) *Grant No. 64.—Commercial Intelligence and Statistics—*
 Appropriation Account Pages 182—183 R.
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- (5) *Grant No. 68.—Joint Stock Companies—*
 Appropriation Account Page 188 R.
 Note 1 about fees realised Page 188 R.
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- (6) *Grant No. 69.—Miscellaneous Departments. E.—Actuary to the Government of India ; J.—Registration of Accountants—*
 Appropriation Account Pages 190—191 R.
 Income and Expenditure account of the scheme for the registration of accountants and audit comments on them Pages 193—194 R.
- (7) *Grant No. 76.—Miscellaneous Departments.—C.—Donations for charitable purposes (partly) ; D.—I.—Tariff Board ; M. Other Charges (partly)—*
 Appropriation Account Pages 254 and 257 R.
- (8) *Grant No. 77.—Refunds.—H. 11.—Ports and Pilotage ; H. 12.—Lighthouses and Lightships—*
 Appropriation Account Page 264 R.
- (9) *Grant No. 95.—Capital Outlay on Lighthouses and Lightships not charged to Revenue—*
 Appropriation Account Page 398 R.
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 Commercial Accounts and review, etc., of the Indian Lighthouse Department Paragraphs 206—216 C. A.
 Comparative statement of profits and losses and turnover Paragraphs 18 (xi) and 19 C. A.
 Stores transactions Paragraphs 24 (x) and 26 C. A.
 General review and important comments Paragraph 22 (xi) C. A.
 Excess in English portion of the expenditure Paragraph 11 H. C.

LEGISLATIVE DEPARTMENT.

- (1) *Grant No. 29.—Council of State—*
 Appropriation Account Page 93 R.
 Note on Appropriation Account Page 93 R.
 Excess over voted grant Paragraph 48 item (6) R.
- (2) *Grant No. 34.—Legislative Department—*
 Appropriation Accounts Page 100 R.
- (3) *Grant No. 76.—Miscellaneous—K. Indian delegation to the League of Nations—*
 Appropriation Account Page 256 R.

LEGISLATIVE ASSEMBLY DEPARTMENT.

- (1) *Grant No. 30.—Legislative Assembly and Legislative Assembly Department—*
 Appropriation Account Page 94 R.
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 Excess over voted grant Paragraph 48 item (7) R.
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- (2) *Grant No. 76.—Miscellaneous—G.—Grants-in-aid Voted (partly)—*
 Appropriation Account Page 255 R.

RAILWAY DEPARTMENT.

- (1) *Grant No. 94.—Capital Outlay on Vizagapatam Harbour—*
 Appropriation Account Pages 394—396 R.
 Notes on Appropriation Account Page 396 R.
 Stores Account Paragraph 70 and page 397 R.
 Statement of Expenditure on Important New Works Page 397 R.
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 Comparative statement of profits and losses and turnover Paragraphs 18 (xvi) and 20 C. A.
 Stores transactions Paragraph 24 (xviii) C. A.
 General review and important comments Paragraph 22 (xvi) C. A.

DEFENCE DEPARTMENT.

- (1) *Grant No. 39.—Army Department—*
 Appropriation Account Page 105 R.
- (2) *Grant No. 76.—Miscellaneous—I.—Indian Soldiers' Board—*
 Appropriation Account Pages 255—256 R.

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- (1) *Grant No. 36.—Finance Department —B.—Military Finance—*
 Appropriation Account Page 102 R.

IMPERIAL COUNCIL OF AGRICULTURAL RESEARCH DEPARTMENT.

- (1) *Grant No. 60.—Imperial Council of Agricultural Research Department—*
 Appropriation Account Page 171 R.
 Supplementary Grant Paragraph 42 item (5) R.
- (2) *Grant No. 60-A.—Scheme for the Improvement of Agricultural Marketing in India—*
 Appropriation Account Page 172 R.

STATEMENT E. (Paragraph 6).

Statement showing the monthly balances of the various Provincial Governments.

(In thousands of rupees. Figures with a minus sign before them represent overdraft.)

	Madras.	Bombay.	Bengal.	United Provinces.	Punjab.	Burma.	Bihar and Orissa.	Central Provinces.	North-West Frontier Province.	Assam.	Total.
1934-35.											
1. April	3,82,53	46,42	20,96	8,37	69,00	35,26	24,22	-1,76	36,27	3,17	6,24,44
2. May	3,98,33	78,21	22,81	5,35	19,00	39,40	-10,39	-3,84	27,06	4,73	5,80,66
3. June	3,80,29	95,47	38,95	1,11,75	35,00	22,55	-29,04	4,48	12,57	84	6,72,86
4. July	3,38,65	1,30,60	68	1,61,92	1,88,00	-13,41	-54,36	3,90	34,18	-3,93	7,86,23
5. August	2,79,95	1,10,59	-21,04	1,61,71	2,86,01	-45,22	-84,88	-5,93	27,28	-9,98	6,98,48
6. September	2,56,96	88,07	-3,04	1,29,06	2,49,00	-80,12	-80,34	-20,70	17,40	-15,86	5,09,43
7. October	1,68,51	46,27	-35,93	96,93	1,85,00	-1,16,95	-1,05,54	-42,66	34,39	-18,75	2,11,27
8. November	1,00,96	21,07	-38,47	45,82	1,33,00	-1,45,05	-1,12,32	-60,37	24,33	-21,29	-52,32
9. December	57,59	41,97	-52,00	52,48	1,19,00	-1,66,49	-1,23,41	-74,92	14,58	-29,22	-1,60,42
10. January	1,35,27	87,67	-3,12	1,44,72	1,91,00	-1,42,04	-90,16	-70,28	37,43	-34,50	2,55,99
11. February	2,72,49	1,60,75	-16,78	1,75,36	2,96,00	-1,00,95	-90,82	-86	29,09	-30,95	6,93,33
12. March	2,86,02	81,43	17,70	12,10	1,73,78	37,61	28,67	1	13,32	31	6,50,95

APPENDIX IV.

LETTER FROM THE AUDITOR GENERAL, TO THE FINANCE DEPARTMENT, GOVERNMENT OF INDIA, No. T. 145-REP./6/36, DATED THE 18TH MAY 1936.

SUBJECT :—*Appropriation Accounts (Posts and Telegraphs Department) 1934-35 and the Audit Report, 1936.*

With reference to rule 15 (1) of the Auditor General's Rules framed under Section 96 D (1) of the Government of India Act, I have the honour to transmit herewith, for submission to the Committee on Public Accounts, and for necessary action by the Government of India, two copies of the Appropriation Accounts of the Posts and Telegraphs Department for the year 1934-35 and the Audit Report, 1936, issued by the Accountant General, Posts and Telegraphs.

2. The Accounts and the Report have, as usual, been subjected to a detailed examination in my office. I have satisfied myself that the Accounts are in order and that the Report contains, substantially, all the information necessary for the purposes of the Public Accounts Committee.

3. *Financial Position.*—Attention is invited to Chapter II of the Accountant General's Report in general and to paragraphs 10—13, 20 and 52—54 *ibid* in particular which contain a general review of the financial position of the Posts and Telegraphs Department. To this I have nothing of substance to add. I would merely observe that in considering the financial results of the working of the Department—which are better than they have been for some years past—the following important features of the accounts have to be kept carefully in mind :—

(a) With a few exceptions, *e.g.*, the writing down of the value of surplus and obsolete stores, and the revision of the system of payment of pensions to the pensioners of the Posts and Telegraphs Department, the effect of which will be included in the accounts for 1935-36, the accounts for the year under report incorporate the results of the main recommendations of the Posts and Telegraphs Accounts Enquiry Committee which the Government of India have so far adopted, with the concurrence of the Auditor General, and which have been given effect either in the accounts of some previous year or during the year under report.

(b) While the accounts for 1935-36 and future years will include a charge of Rs. 25 lakhs for renewals and replacements, the accounts for 1934-35 include only a specially reduced charge of Rs. 9.37 lakhs against an actual withdrawal of about Rs. 13.49 lakhs from the Depreciation Fund. When the special arrangements for 1934-35 were being discussed, it was thought sufficient to limit the contribution for depreciation to the extent of actual expenditure on renewals and replacements and proposals were made accordingly to the Secretary of State and accepted by him. At that time the fact that there is generally a debit on account of abandoned assets also was overlooked and the contribution fixed for 1934-35 did not include provision for this. The result

was that during the year withdrawals far exceeded contribution to the Depreciation Reserve, with a corresponding increase in the profits of the Department. Attention is also invited to the first part of paragraph 49 of the Report. It will be seen that although the revenue deficit originally anticipated was in the end converted into a considerable surplus the Government of India also decided not to make good to the Depreciation Fund this further short credit. But there is a large balance in the Reserve Fund : and the short credits here mentioned are not of immediate practical importance.

(c) With reference to paragraph 54 of the Accountant General's Report, I observe that the accounts for the year 1934-35 include for the last time a charge for payment of pensions to the pensioners of the Posts and Telegraphs Department calculated on a liability basis (7.5 per cent. of the total salary and leave allowances of pensionable establishment of the department excluding any allowances which do not count for pension). From 1935-36 the revenues of the Department will have to bear the actual cost of pensions paid to ex-employees of the Posts and Telegraphs Department, subject to certain general arrangements adopted for the sake of simplicity and applicable to pensions sanctioned before the new scheme was introduced. When this arrangement was finally approved it was thought that the results would be beneficial to the Posts and Telegraphs Department. But the figures for 1935-36 so far known show that there was a serious miscalculation of the effect on the finances of the Department as the actual charge will be much greater than the charge on a liability basis. However much the Departmental authorities may deplore this result, the fact is that the change has led to a readjustment which must be accepted as correct and proper since it would be unjustifiable for general revenues to continue to pay Posts and Telegraphs Department pensions on an inadequate contribution.

4. *Budgeting and control.*—The unsatisfactory results of previous years are well known and paragraphs 78—82 and 83—87 of the Accountant General's Report present a picture which shows that little, if any, improvement has been realised. Overbudgeting in Grant No. 91 which was last year described as chronic continued in the year now under report. Measures to improve budgeting and control introduced during the year were not expected to effect immediate improvement and have not done so. It must be acknowledged that after a system of centralised control decentralisation cannot be expected to produce miraculous results at once and doubtless much further effort is required. It will be interesting to know what impressions the responsible departmental authorities have now gained of the effectiveness of these measures and what further steps they consider necessary.

5. Mention of a serious mistake in budgeting under stores suspense is made in paragraph 79 of the Report and some particulars of the mistake appear on page 116. Detailed information as to how the mistake occurred in the

budget and as to the causes of variation between the final appropriation and the actuals have not been given in the Report. The Director General, Posts and Telegraphs, will no doubt be able to give full information to the Public Accounts Committee on the subject.

6. Finally I invite attention to the topic discussed in paragraph 90 of the Report and to the account of the stores position given in paragraph 57 *et seq* of the Report.

APPENDIX V-A.

LETTER FROM THE AUDITOR GENERAL, TO THE FINANCE DEPARTMENT, GOVERNMENT OF INDIA, No. T. 225/REP./5/36, DATED THE 29TH MAY 1936.

SUBJECT :—*Appropriation Accounts (Defence Services) 1934-35 and the Audit Report, 1936.*

I have the honour to forward herewith for necessary action two copies of the Appropriation Accounts of the Defence Services for the year 1934-35 prepared by the Financial Adviser, Military Finance, together with two copies of the Audit Report, 1936, prepared by the Director of Audit, Defence Services.

I also transmit herewith two copies of the accounts of receipts and disbursements of the Secretary of State and the High Commissioner for India on account of the Central Government in respect of Defence Services for the year 1934-35, together with two copies of the relevant Appropriation Accounts, and the Reports thereon prepared by the Auditor of Indian Home Accounts.

It is understood that these documents will, as usual be subjected to a preliminary examination by the Military Accounts Committee before being presented to the Public Accounts Committee.

2. *Outstanding questions.*—I presume that the Military Accounts Committee will, as usual, first go through the list of questions outstanding from previous discussions—(Appropriation Accounts—Appendix A).

3. *Appropriation Audit.*—(a) In the financial regulations for the Defence Department it is specifically laid down that large savings due to unexpected and material fall in prices of food or forage are to be regarded as reverting to the Government of India with whom it rests to decide whether the money be reappropriated to other Defence expenditure or not and that the special sanction of the Government of India in the Finance Department is required to such reappropriation. In the year under report a fall in the prices of food grains caused a saving of Rs. 33 lakhs which was transferred to the Defence Reserve Fund—this in a year when the Defence Reserve Fund opened with a balance of Rs. 2½ crores and the total budget allotment of the Defence Services was under-spent by Rs. 85 lakhs. (The saving of Rs. 14.5 lakhs mentioned in paragraph 5 of the Financial Adviser's general review is as much an under-spending as the other items selected by the Financial Adviser which aggregated Rs. 70 lakhs.) The Financial Adviser has not stated the grounds on which the special sanction of the Government of India in the Finance Department was accorded on this occasion, and I presume the Public Accounts Committee will desire to have further information on this point.

(b) The Financial Adviser reports that the Hon'ble Finance Member has given an assurance that if in future the prices of food grains rise above the level taken as the basis for the budget estimates he will be prepared to consider an additional grant. This seems to be equitable as an arrangement complementary to that described in (a) preceding under which savings due to material fall in prices would ordinarily be surrendered to general revenues, but not otherwise.

(c) Attention is invited to paragraphs 5 to 9 of the Financial Advisers review. On the basis of the figures there given, I doubt if it can be claimed that the estimation of expenditure in respect of the year under report was sufficiently accurate. On the other hand I agree that the standard of current control of expenditure continued to be satisfactory as in the past.

4. *Review of Military Engineering Services expenditure.*—I next invite attention to the Financial Adviser's careful and interesting review of Military Engineering Services expenditure given in paragraphs 130 to 158 of the Appropriation Accounts and to the new Appendices M and N which add further relevant information. In view of the large variations mentioned by the Financial Adviser in paragraph 135 of his Review I cannot myself agree that the scope of the original demand was determined with reasonable exactitude and I gather from his remarks in paragraphs 137-38 that the Financial Adviser himself acknowledges that in the actual expenditure, apart from the bulk results, there was not sufficient conformity to the original programme as specified in the budget estimates.

As regards correspondence between the estimated cost of individual works and actual expenditure, attention is invited to paragraphs 140 to 142 of the Financial Adviser's Review and paragraph 29 of the Audit Report.

Paragraphs 143 and 144 of the Financial Adviser's Review draw attention to the disproportionately large volume of expenditure occurring in the month of March. In this connection I think it will be relevant to consider whether the present practice admits not only of work being hurriedly carried out, but also of accounting and pre-check being hurriedly carried out, in order to enable disbursement to be made before the 31st of March. There is of course a danger in either process being unduly hastened. I should also like to draw the attention of the Defence Department to the recommendations of the Public Accounts Committee contained in paragraphs 27 and 28 of the Report of the Central Public Accounts Committee on the accounts of 1930-31—Part 1—copy attached for facility of reference. I think it may safely be said that the measures there suggested have improved the regulation of the Public Works expenditure of the Civil Administration, and I would in particular suggest that the Defence Department might consider whether the use of the Reserve should not be extended so as to provide definitely for a re-grant of lapsed allotments in order that the temptation to accelerate unduly expenditure in March may be lessened.

The position of the Military Engineering stock on the 31st of March 1935 is given below, paragraph 158 of the Financial Adviser's Review. It appears that a considerable quantity of stores surplus to requirements was still in hand on that date.

5. *Stores transactions.*—There are still certain questions outstanding connected with the statistical information given in Appendix E., namely,—

- (a) The question whether similar information should be given in respect of Royal Air Force Stores
- (b) the question of the preparation and exhibition of a valued statement of surplus and obsolete stores written off.

In the same connection I think the Military Accounts Committee will find it convenient to discuss the points arising out of the qualifications to the audit certificate of the Military Accountant General given in paragraph 25 of the Appropriation Accounts. Another topic on which I myself should like to be further informed is that of the differences in the system of stock verification as brought out in paragraph 34 of the Audit Report.

6. *Defence Reserve Fund Account for the year 1934-35.*—The Military Accounts Committee will presumably desire to have up-to-date information on the points mentioned in paragraphs 38 and 39 of the Audit Report.

7. *Financial Irregularities.*—It is satisfactory to find that the Director of Audit has fewer cases of financial irregularity to report this year, and that those which he has thought it necessary to mention are less serious in character than in any recent year. The more important cases appear to me to be those discussed in paragraphs 9, 13, 16, 17, 18, 21, 23 and 26 of the Audit Report.

8. *Conclusion.*—In conclusion I wish to observe that the presentation of the material for the Public Accounts Committee as now carried out in the Appropriation Accounts, the Financial Adviser's Review and his auxiliary statistical statements has, in my opinion, attained a high pitch of efficiency and usefulness. There is indeed little lacking to make the body of information available to the Public Accounts Committee entirely comprehensive.

Extract of paragraphs 27 and 28 of the Report of the Central Public Accounts Committee on the Accounts of 1930-31, Volume I, Part I.

27. *Budgeting and control of works expenditure.*—We devoted considerable time and attention to the examination of the system of budgeting and control of works expenditure, both in the Public Works Department and the Posts and Telegraphs Department. We found a number of cases where there were large variations between the estimates and the actual expenditure. It was explained by the Chief Engineer that such cases related to works under the administrative control of the Foreign and Political Department and that the Department of Industries and Labour merely act in this matter as a compiling agency for the former Department for the purpose of making the necessary provision in the budget. It seems to us that some improvement in the existing system of budgetary control is necessary in order to ensure that no provision is included in the budget for any work in regard to which the preliminary arrangements are not so far advanced as to afford a reasonable prospect of the provision being fully utilized. One result of neglecting this essential condition is to place funds at the disposal of spending authorities which may be diverted to works outside the scope of the original demand, and increase the commitments of the following years.

28. We also discussed in this connection the question of the purposes to which the Reserve provision in the Civil Works budget should be confined. This provision was actually used in the year 1930-31 for a number of works, some of which might have been foreseen and provided for in the estimates presented to the legislature and some of which did not seem to be of such particular urgency as to justify their being financed from the Reserve. We agree with the Auditor General that it should be a recognized principle that, so far as possible, allotments for original works should be made in the estimates presented to the legislature and consider that the Reserve should be confined to two purposes : to meet throw-forwards from the previous year and to meet really unforeseen and emergent demands. We should like to add that in estimating the provision required for the first of the two purposes mentioned, namely, to meet throw-forwards from the previous year, due regard should be paid to the fact that at the present time when works expenditure is being drastically curtailed, the provision for throw-forwards need not be as large as usual.

APPENDIX V-B.

LETTER FROM THE AUDITOR GENERAL, TO THE FINANCE DEPARTMENT,
GOVERNMENT OF INDIA, No. R-425-Rep./5/36, DATED THE 24TH JUNE 1936.

SUBJECT :—*Appropriation Accounts (Defence Services) 1934-35 and the Audit Report, 1936.*

In continuation of my letter No. T-225-Rep./5/36, dated the 29th May 1936, forwarding copies of the Accounts and Report mentioned above, I have the honour to forward herewith for necessary action two copies of the Commercial Appendix to the Appropriation Accounts of the Defence Services for the year 1934-35 and the Report of the Director of Audit, Defence Services, thereon.

2. This year, for the first time the commercial accounts, the Financial Adviser's review, and the Audit Report of the Director of Audit, Defence Services, have been printed in one volume, an arrangement the adoption of which I foreshadowed in paragraph 3 of my letter forwarding the Commercial Appendix last year. Another change effected in the form of the Commercial Appendix this year is the discontinuance of the printing of separate reviews which, in the past, used to be appended to each individual commercial account : these reviews have now been replaced by the consolidated review of the Financial Adviser. I consider this a great improvement as the material the Public Accounts Committee requires is arranged in a concentrated form and attention is focussed on essential points.

There is nothing in the Financial Adviser's review or in the report of the Director of Audit, Defence Services, which I desire to qualify ; and the results of the examination of these commercial accounts may be regarded as satisfactory.

APPENDIX VI.

Memorandum on the Financial position of the Indian Posts and Telegraphs Department.

(Figures unless otherwise stated are in thousands of rupees.)

The accounts for the year 1933-34 closed with a loss of 51,93 since expenditure charged to revenue amounted to 11,24,55, while the revenue was only 10,72,62. During the year, the 5 % emergency deduction from salaries was in force.

Accounts of 1934-35.

The following statement compares the actual results of 1934-35 with the anticipations for that year :—

	Budget Estimates 1934-35.	Revised Estimates 1934-35.	Actuals 1934-35.
Revenue	10,71,26	11,05,35	11,19,87
Expenditure	10,85,73	10,91,54	10,81,93
Profit (+) or Loss (—)	—14,47	+13,81	+37,94

The year 1934-35 witnessed a distinct turn in the fortunes of the Department. The trend of receipts towards the close of 1933-34 justified the hope that the trough of depression had been reached and passed. The budget for 1934-35 was framed on that basis. The unified stamps were abolished except in Burma and important changes in postal and telephone rates and telegraph tariff involving an estimated reduction of revenue of over 29 lakhs in the year were introduced. After allowing for these factors, the revenue estimate for 1934-35 was placed at 10,71,26 or 448 less than the revised estimate for 1933-34 and 136 less than the actuals for the same year. The continued improvement in trade conditions justified the revised estimates being raised to 11,05,35 or 34,09 more than the budget estimates. The actuals for the year exceeded the revised estimates and amounted to 11,19,87 or 14,52 more than the revised estimates and 48,61 more than the budget estimates. The trade conditions proved to be more favourable than anticipated at the time the revised estimate was fixed and the sale of stamps and the telephone receipts during the closing months of the year largely contributed to the increase over the revised estimates.

2. The actual expenditure during the year was 10,81,93 or 3,80 less than the budget estimate and 9,61 less than the revised estimate. The revised estimates involved a small supplementary grant but the actual expenditure fell below the original estimates. This has been due to certain unforeseeable events occurring in other Departments of Government, defects in the accounting machinery of the Department in regard to 'stores' and adjustments made by audit after the close of the year. This decrease in expenditure by Rs. 42,62 as compared with the actuals of 1933-34 is mainly due to the contribution to the Depreciation Fund of the Department being restricted during the year

to the actual expenditure on renewals and replacements. In the ordinary course a contribution of Rs. 37 lakhs should have been made to the Depreciation Fund, but actually a contribution of Rs. 9,37 was made, the Department being relieved to the extent of 27,63. Even if the full contribution had been made, the expenditure would have shown a net decrease of Rs. 14,99 lakhs, which amount was the net saving effected in expenditure after meeting increases in expenditure such as increments in pay and charges for interest. The reduction in expenditure was due to the cumulative effect of the measures of economy and retrenchment adopted by the Department since 1931-32. Although the year closed with a profit of 37,94 this amount cannot be regarded as representing a real profit, as the salaries of the staff during the year continued to be subject to the temporary emergency deduction of 5%. If allowance is made for this factor as well as for the reduced contribution to the Depreciation Fund, the year's working would have resulted in a loss of about 20 lakhs.

Experience of 1935-36.

3. The sanctioned budget for 1935-36 compares as follows with R. E. and the approximate actuals for the year :—

	B. E. 1935-36.	R. E. 1935-36.	Actuals up to March Final.
Revenue	11,32,57	11,49,74	11,47,00
Expenditure	11,45,58	11,43,95	11,50,13
Profit (+) or Loss (—)	—13,01	+5,79	—313

The improvement in the revenue of the Department during 1934-35 constituted a definite promise for the future. The estimates for 1935-36 therefore assumed that the improvement in trade and economic conditions would generally continue. Revenue was therefore estimated at 11,32,57 allowing for an increase of 27,22 over the R. E. for 1934-35 and 12,70 over the actuals for that year.

The expenditure for the year was estimated at 11,45,58 which was about 54 lakhs more than the R. E. 1934-35 and 63,65 more than the actuals for that year. It was expected on the budget estimates that the year would close with a loss of 13 lakhs. The main causes for the large increase in expenditure over the R. E. 1934-35 were :—

- (1) the restoration of the emergency deduction from pay costing over 27 lakhs ;
- (2) provision for normal increments to staff costing about 15 lakhs ;
- (3) pending further investigation an increase over last year's figure was effected in the contribution for depreciation of wasting assets, which in 1934-35 was limited to actual expenditure on renewals and replacements about 19 lakhs ; and
- (4) minor increases on account of the extension of air mail services, rise in traffic and expansion of postal facilities in rural areas 3 lakhs.

4. The actuals for the first eight months of 1935-36 however showed that the revival in trade was more marked during this period than was originally expected and indicated that a further rise in revenue could safely be anticipated. The revenue was therefore estimated at 11,49,74 in the R. E., being over 17 lakhs more than the original budget figure. The actuals up to March final only are available at present and assuming that the adjustments in March supplementary will equal the preceding year's adjustments, the anticipated actual revenue is likely to be 11,47,64 or 210 less than the R. E. Thus the revenue estimates are likely to be closely realised, the variation being .18%. The small fall is mainly due to the receipts from telegraph charges realised in cash and telephone call fees not coming up to expectations during the closing months of the year. It may be mentioned that this figure of revenue is inclusive of 15,35 on account of interest on the depreciation fund balance. Even allowing for this the revenue expected during 1935-36 will be 11,32,29 which is 280 higher than the highest revenue ever earned by the Department.

5. The expenditure on the other hand was fixed at 11,43,95 in the R. E. showing a decrease of 163 over the sanctioned budget. During the year the Department took over the actual payment of pensions for which hitherto a contribution equal to 7.5% of the pay charges of the pensionable staff of the Department was being paid to General Revenues which paid the pensions. On the basis of the information available at the time it was assumed that the provision on the actual basis would be to the benefit of the Department by about 5 lakhs. But in consequence of the policy of retrenchment followed by the Department an unusually large number of employees retired, as shown in the statement below, during the last four years :—

Year.	Number of staff retired	
	Gazetted officers.	Other employees.
1927-28 to 1930-31	113	3,684
1931-32 to 1934-35	155	12,294
Increase	42	8,610
Percentage of increase	37%	234%

The pension bill of the Department has therefore increased heavily and it is estimated to amount to about 26 lakhs more than the budget estimate. The expenditure on leave allowances paid to retrenched personnel also increased. These increases have, however, been met from the following savings :—

- (1) 4 lakhs on account of reduction in the interest charges of the Department due to the reduction in the rate of interest, and the writing down of the accumulated loss of the Department by 42,67 on account of the writing off and writing down of the value of unserviceable and obsolete stores since commercialisation ;
- (2) the claim of railways for increased haulage charges not having matured .. 7 lakhs ;
- (3) the provision for depreciation in the absence of detailed calculations having been overestimated by 1 lakh ;

- (4) savings caused by the rebate on the cost of manufacture of stamps and postcards and the reduction in the manufacturing cost of postal stationery .. 1,87 ; and
- (5) The balance of 12,13 was met out of savings resulting from the introduction of new rates of pay, conversion of posts and continued efforts at economy.

6. It was anticipated in the revised budget that the loss of 13 lakhs provided for in the Budget Estimates would be converted into a profit of 579. The actuals up to March 1936 final only are available at present. The expenditure so far booked amounts to 11,50,13 which is 455 more than the Budget Estimate. This increase is due entirely to under-absorption of ' indirect charges ' and ' freight charges ' under ' Engineering Expenses ' and less credits on account of share of revenue establishments debitable to capital then estimated. Further adjustments of these charges are, however, likely which would involve a reduction of expenditure under working expenses by debit to capital. Full details are not so far available but on the basis of information available at present it is likely that further adjustments on this account to the extent of 3 or 4 lakhs may be effected before the accounts of the year are closed. Assuming further debits under expenditure in March Supplementary to equal the amount adjusted in the previous year, it is likely that the budget will be a balanced one or show a slight profit.

Prospects in 1936-37.

7. The estimates for 1936-37 have assumed that the improvement in trade and economic conditions will generally continue and the revenue has been placed at 11,74,15 or an increase of 24,41 over the R. E. for 1934-35. This increase has been assumed after allowing for some decrease in revenue due to the lowering of certain postal rates estimated to cost about 13,74. The expenditure for the year is estimated at 11,72,86 which is about 29 lakhs more than the R. E. of the previous year. This increase is mainly due to—

- (a) increase in pay charges on account of annual increments .. 12,00 ;
- (b) increased provision of 295 for revision of establishments and development of postal facilities in rural areas ;
- (c) increase of 900 in the pensionary bill of the Department due to a large number of retrenched employees exchanging leave salary for pension during the year ; and
- (d) increase of 254 due to the restoration of emergency deduction from salary.

It may also be mentioned that with effect from the 1st April, 1936 a Renewals and Reserve Fund has been substituted in place of the Depreciation Fund and the annual contributions to it has been fixed at Rs. 25 lakhs for a period of five years, whereafter the position will be re-examined. This has resulted in a saving of 267 in the contribution to the Fund as compared with the R. E. of 1935-36.

The estimated revenue for 1936-37 is higher (by about 44,66) than the highest revenue earned during the past few years, viz., in 1929-30. But if allowance is made for the interest on depreciation fund balance (which is credited to revenues since 1933-34), the revenue expected in 1936-37 will be

more than the highest figure reached in 1929-30 by 28,79. The expenditure (even after the restoration of the salary cut), viz., 11,72,86 is, however, less than the highest expenditure which was in 1930-31 by 38,49 and the gain in the year's working is estimated at over one and a quarter lakhs.

8. On the receipt side the possibility of securing more traffic by stopping the sources of leakages of revenue and by creating more traffic by publicity and offer of facilities is receiving constant attention. The postage rates have been overhauled and new productive works calculated to bring in more revenue have been undertaken. The effect of reductions in the postage and telegram and telephone rates is being carefully watched.

9. The expenditure of the Department, it has to be remembered, depends mainly on the volume of traffic which it has to handle and no appreciable reduction in expenditure is possible without a reduction in the volume of traffic handled. If the improvement in trade continues, expenditure is bound to rise to enable the Department to cope with the increase in traffic. The expenditure of the Department is, therefore, speaking generally, compressible only to the extent to which traffic is reduced. One other feature that has to be borne in mind is that no further economies on a large scale can be expected in the near future. Small economies will accrue during the current and the next few years as a result of the acceptance of some of the recommendations of the Telegraph Establishment Enquiry Committee. The Postal Enquiry Committee mainly dealt with the internal organisation of the Department and its recommendations were not expected to result in any substantial economies. It was essentially an efficiency committee and not a retrenchment committee. The special expenditure on retrenched personnel will no doubt be considerably reduced. But it will assume a different shape and will be reflected in an increased pension bill. Abnormal retirements during the retrenchment campaign will keep the pension bill high and stability will not be reached for some years. The revised scales of pay introduced in the last year will appreciably reduce the pay bill of the Department, though its immediate effect will not be so marked. On the whole, therefore, if the improvement in trade conditions, which commenced in 1933-34, continues, the Department should be able to make the small profit estimated.

APPENDIX VII.

Imperial Council of Agricultural Research—Accounts and Audit of the Research Fund.

The Imperial Council of Agricultural Research is registered as a society and under Rule 63 of the Rules and Regulations (as embodied in the Memorandum of Association) its accounts are audited by the Auditor-General in India. The rule reads as follows :—

“ The Accounts of the Society shall be subject to the audit of the Auditor-General in India. The nature of audit to be applied and the detailed arrangements to be made in regard to the form of accounts and their maintenance and the presentation of the accounts for audit shall be prescribed by Bye-laws to be framed by the Governing Body and approved by the Governor-General in Council with the concurrence of the Auditor-General.”

The principal bye-laws relating to accounts are reproduced below. These have all been made with the previous approval of the Governor-General in Council and with the concurrence of the Auditor-General.

Bye-law 22.—The accounts of the Society will be maintained by the Secretary in the manner and in the forms prescribed in these bye-laws. He will be assisted by an accountant who will be a member of the Subordinate Accounts Service of the Indian Audit Department on the cadre of the Accountant-General, Central Revenues, provided that the Council may, with the previous concurrence of the Accountant-General, Central Revenues, appoint as its Accountant a person from the staff of the Accountant-General, Central Revenues, having a lesser professional qualification than that of a member of the Subordinate Accounts Service of the Indian Audit Department. The Accountant will be subordinate for the purposes of discipline, promotion, leave and transfer, etc., to the Accountant-General, Central Revenues, but administratively will be directly subordinate to the Secretary. The Accountant will advise the Secretary on all matters concerning audit and accounts and any Government rules which may be made applicable to the Society. He will be directly responsible to the Secretary for the accuracy and completeness of the accounts of the Society. His pay and allowances and leave and pension contributions will be debitable to the Society's grant for Research.

Bye-law 24.—The functions of Audit Officer of the Society will be exercised by the Accountant-General, Central Revenues, under the general superintendence and control of the Auditor-General in India. It will be the duty of the Audit Officer to object to any expenditure from the Funds of the Society incurred in contravention of Article 4 of the Memorandum of Association, or of the Rules and Regulations, or of these Bye-laws.

Bye-law 25.—Where expenditure from the Funds of the Society is in the nature of a grant-in-aid the audit of such expenditure shall be conducted according to the principles laid down in Chapter 11-A, of the Audit Code of the Auditor-General in India.

Bye-law 26 (without Appendix).—The Accountant will apply a check, of the nature of pre-audit, to all payments from the funds of the Society, and will maintain registers in the following forms as set out in the Appendix :

Form 12.—Establishment Audit Register.

Form 12-A.—Audit Register of Gazetted Government Servants' Pay and Allowances.

Form 13.—Travelling Allowances Audit Register.

Form 14.—Contingent Audit Register.

Form 15.—Audit Register of Special Charges.

Form 16.—Objection Book relating to Irregular Payments.

Form 16-A.—Objection Book relating to Technical Objections.

Form 16-B.—Adjustment Register (of 16-A).

Form 16-C.—Abstract Register (of 16-A and 16-B).

Form 17.—Audit Register of Financial Orders, Delegations, etc.

Form 18.—(Deleted).

Bye-law 32.—If expenditure from the Funds of the Society consists of a grant to any authority or individual under the audit of any other audit officer of Government, the Accountant-General, Central Revenues, will satisfy himself that the purpose of the grant is within the scope of Article 4 of the Memorandum of Association and will call for and accept a certificate of the audit of that other audit Officer of expenditure from the grant itself.

Bye-law 33.—As soon as is practicable after his accounts for a year are closed, the Secretary will cause to be compiled the Annual Accounts of the preceding year of the funds of the Society referred to in Rule and Regulation 61 in the form prescribed in Bye-law 23 and will send an intimation to the Accountant-General, Central Revenues, as soon as the work is completed. The Accountant-General, Central Revenues, will thereupon depute an officer who will test-audit these accounts of the Society, and re-audit in detail the accounts of at least three months to be selected by the Accountant-General, Central Revenues. He will record his certificate of audit at the foot of the Annual Accounts and will forward these with his Report to the Accountant-General, Central Revenues. The cost of this test-audit will be a charge against the Research funds of the Society.

Bye-law 34.—(1) The Accountant-General, Central Revenues, under Rule and Regulation 64 will then prepare for submission through the Auditor-General in India to the Governing Body of the Society and to the Government of India an Annual Report on the accounts of the Society which will contain such comments, general or special, as he may desire to make on the general financial position of the Society and on the results of his audit for the year. The audited accounts of the Society referred to in Bye-law 33 will form an enclosure to his Report.

(2) All arrangements for the audit of the Imperial Council of Agricultural Research accounts are approved by the Auditor-General.

The actual audit of expenditure at headquarters (*i.e.*, on schemes directly administered by the Council, *e.g.*, Locust Research, Sugar Technology and Agricultural Statistics) is conducted by the Accountant-General, Central Revenues, as is the audit of the grants made to Central Institutes. Grants made to Provincial Governments are all audited by the Provincial Accountant-General concerned as also are all grants made to Indian Universities. Grants to outside institutions in British India are also audited by the appropriate Accountant-General. The grants made to contributing Indian States are audited by their Accountants-General. In every case, a certificate is furnished showing that the grants have been expended in accordance with the conditions attached to it and that the money has been properly appropriated to approved sub-heads.

(3) The attached abstract statements shows the total amounts of the various schemes sanctioned from the inception of the Council upto March 1936 (and to which funds have been allotted) and the method of audit. The figures given are for the total cost of these schemes over the whole period of sanction, usually five years; the actual expenditure incurred up-to-date is naturally much less. The annual accounts of the Imperial Council of Agricultural Research are published in its Annual Report. The Annual Report for the year 1935-36 is to be issued by the Government Press on the 6th of August.

Statement showing allocation of grants sanctioned to the Central and Provincial Governments, Indian States, and Non-Government Institutions, upto 31st March 1936.

(1)	Agricul- ture. (2)	Animal Husban- dry. (3)	Sugar. (4)	General Schemes. (5)	Total. (6)	Audited by (7)	Remarks. (8)
Headquarters	Rs. 6,58,000	Rs. 35,000	Rs. 5,90,000	Rs. 5,90,000	Rs. 18,73,000	A. G. C. R.	General schemes include seven years expenditure on :—
Central Institutes	2,10,000	1,32,000	1,84,000	..	5,26,000	A. G. C. R.	(1) cost of books and publications, Accounts and Audits, Travelling allowance of non-official members and visitors, etc.
Local Governments	33,55,000	6,97,000	19,05,000	..	59,57,000	Provincial A. G.'s.	(2) contributions to the International and Imperial Institutions and cost of deputa- tion of Indian Representatives to Interna- tional Conferences.
Indian States	1,24,000	35,000	21,000	..	1,80,000	State A. G.'s.	(3) contributions to Indian Institutions.
Universities	3,68,000	..	..	..	3,68,000	Provincial A. G.'s.	Item (1) is audited by the Accountant-General, Central Revenues. As regards item (2) pay- ments are made by the High Commissioner for India and the debits which are received through the Accountant-General, Central Revenues, are again checked with the orders of sanction by the Secretariat of the Council in consultation with the Accountant. With regard to item (3) small grants for scientific abstracting and publications to :
Other Institutions	17,000	..	..	..	17,000	A. G. Madras and A. G. C. R.	(1) National Institute of Science, Calcutta ; (2) Indian Academy of Sciences, Bangalore, are audited by the Accountant General, Central Revenues.
Total	..	..	..	..	89,21,000		

APPENDIX VIII.

OFFICE MEMORANDUM FROM THE GOVERNMENT OF INDIA, FINANCE DEPARTMENT, TO ALL DEPARTMENTS OF THE GOVERNMENT OF INDIA (INCLUDING THE FINANCIAL ADVISER, MILITARY FINANCE); THE FINANCIAL ADVISER, POSTS AND TELEGRAPHS; AND CENTRAL BOARD OF REVENUE; THE AUDITOR GENERAL; THE CONTROLLER OF THE CURRENCY; THE PRIVATE SECRETARY TO THE VICEROY AND MILITARY SECRETARY TO THE VICEROY AND THE MASTER, SECURITY PRINTING, INDIA, No. D-3516-B., DATED THE 9TH OCTOBER 1935.

In view of criticisms in the Legislative Assembly in connection with supplementary grants during the last budget session and in the last Public Accounts Committee, the Finance Department has recently been considering the question of strengthening the machinery of financial control. It has been decided to lay down the following general principles for the guidance of Departments. These principles are for the most part a reiteration of principles already laid down and the co-operation of all the Departments of the Government of India and of all disbursing officers is requested to ensure that they are strictly observed:—

1. In framing the budget estimates the Departments should exercise the utmost foresight. All items of expenditure that can be foreseen should be provided for and care should be taken, in consultation with the audit officer where necessary, to see that the provision is included under the proper sub-heads. Needless to say, although Departments are asked to provide for all foreseeable items, the Finance Department will exercise its right to excise or reduce the provision for any item which it thinks unjustifiable. An exhortation to show foresight is not an invitation to include new items without due consideration. While provision should be made for all items that can be foreseen, it is essential that the amount of the provision should be restricted to the absolute minimum necessary. When providing for a new piece of expenditure administrative difficulties and delays should always be borne in mind, and not more should be provided than is likely to be spent during the course of the year.

2. Detailed rules have been laid down in the Finance Department Resolution No. F-13-Ex./25, dated the 2nd August 1926, and in Memorandum No. D. 2839-B., dated the 8th July 1933, prescribing the procedure to be followed by Departments of the Government of India and other controlling and disbursing officers which enable them to watch the progress of expenditure against appropriation. If these rules are followed, the controlling officers should be in a position from month to month to estimate the likelihood of savings and excesses.

3. A Department or disbursing officer may find in the course of the year that the expenditure under some sub-head is likely to be less than the provision in the budget. The saving may be due to one or more of the following causes:—

- (a) actual postponement of expenditure;
- (b) real savings due to economy; and
- (c) normal savings due either (i) to original over-estimating; or (ii) to usual administrative causes, e.g., casualties, etc.

Savings due to cause (a) should in no circumstances be used for reappropriation to meet new items of expenditure without the sanction of the Finance Department. Unless savings due to cause (b) have been made deliberately to provide for an unforeseen emergency, they should not ordinarily be utilized in the course of the year for new items of expenditure, as it is desirable that all such new items should be considered together at the time of the preparation of the budget. This aspect of the question is dealt with in greater detail in paragraphs 6 and 7 below.

All savings should be surrendered to the Finance Department immediately they are foreseen without waiting till the end of the year unless they are required to meet excesses of the kind referred to in the next paragraph which are definitely foreseen at the time. No savings should be held in reserve for possible future excesses.

4. On the other hand it may be found that an excess is likely owing to either (a) an unforeseen emergency or (b) under-estimating or insufficient allowance for factors leading to the growth of expenditure. In the case of an excess of either type an examination of the whole grant should be made to see whether there are likely to be savings under any of the other sub-heads due to cause (c) described in paragraph 3 above which can be utilised to meet it. If such savings are not available, it should be seen whether special economies can be effected under other sub-heads. If funds cannot be provided by either of these methods, it will have to be considered whether the excess should be met by postponement of expenditure or whether an application for a supplementary grant should be made. In either case, application will have to be made to the Finance Department and the course recommended by the Department stated. Normally, an application for a supplementary grant will not be entertained by the Finance Department unless the anticipated excess is due to a cause beyond the control of the authority and funds cannot be found by any legitimate postponement of expenditure for which provision already exists. All applications for supplementary grants should be accompanied by a full explanation of the reasons for the excess and of the impossibility of providing funds to meet it.

Under paragraph 10 of the Finance Department Resolution No. D. 1089-A., dated the 1st June 1926, the Administrative Departments have to intimate their requirements regarding supplementary grants to the Finance Department before the middle of January. Experience has shown that this date is too late. The Finance Department therefore request that the Departments should, as far as possible, send their demands for supplementary grants by the middle of December at the latest. And Departments are further requested not to hold up their applications till that date, but to forward each application to the Finance Department as soon as they become convinced that a supplementary grant will be necessary.

5. On receipt of an application for a supplementary grant, the Finance Department will review the position of the grant as a whole with reference to the known actuals of the year to date and the actuals and estimates for previous years. If after this examination the Finance Department comes to the conclusion that it should be possible for the Administrative Department to meet the

expenditure within the sanctioned grant, either from normal savings or by special economies or in the last resort by judicious postponements of other expenditure, the Administrative Department will be so informed and no supplementary demand will be presented to the Assembly. If, on the other hand, the Finance Department considers that a supplementary grant will be necessary, a demand will be placed before the Assembly as soon as possible without waiting till the end of the year.

6. The supplementary grants referred to in the last two paragraphs are such as are required by extra expenditure on the normal activities of the Department. Expenditure on a "new service", in the technical sense, and on new items, such as, new buildings, new roads, etc., for which no provision exists in the budget, should only be incurred in the middle of a year in exceptional cases. There is a fundamental objection on general principle to admitting such demands in the middle of a year; for these, being made during the course of the year and not at the time of the preparation of the budget, have necessarily to be dealt with singly and not in relation to other demands from other claimants. It is only when the whole of the demands are viewed together that it is possible to form an adequate idea of their relative urgency and to effect a fair distribution of the funds available. If such a procedure is not followed, a single item may be accepted which, if it had been considered together with the whole body of demands, would have been rejected because it would have been clear that its inclusion involved the exclusion of other more desirable items.

7. It is, however, possible that there may be occasions on which it is necessary to provide funds for "new services" or new items even in the middle of the year. In sending proposals in such cases to the Finance Department the Administrative Department should explain clearly why they were not provided for in the original budget and why they cannot be postponed for consideration in connection with the next budget. The Finance Department, if satisfied on these points, will consider whether it would not be reasonable to ask the department concerned to curtail its other expenditure so as to keep the total within the grant. Ordinarily, no new service or item will be accepted by the Finance Department unless the department concerned can guarantee that the extra expenditure will be met from normal savings or by special economies within the grant. Cases which involve a supplementary grant will normally be accepted by the Finance Department only if they relate to matters of real imperative necessity, or to the earning or safeguarding of revenue. In such cases the demand for a supplementary grant, or for a token grant in respect of a "new service" if the expenditure can be met by reappropriation, will be presented to the Assembly as soon as practicable after the need arises.

No. D-3516-B.

Copy forwarded to the Financial Commissioner, Railways.

PRESENTATION OF THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE. 1343

Report of the Public Accounts Committee on the accounts of 1934-35.

PART II—RAILWAY ACCOUNTS.

Position as regards estimating and control of expenditure.

1. The following table compares the original estimates made before the beginning of the year, the revised estimates prepared near its end and the actual results :—

	(Lakhs of rupees.)		
	Budget.	Revised.	Actuals.
(1) Traffic receipts (less refunds)	89.00	90.75	90.20
(2) Miscellaneous receipts	2.27	2.01	1.86
(3) Working expenses	63.25	63.63	63.99
(4) Miscellaneous expenditure	1.27	1.33	1.33
(5) Interest charges	32.05	31.84	31.80
(6) Surplus (+) Deficit (—)	—5.30	—4.24	—5.06
(7) Contribution to general revenues	..	..	..
(8) Payments to (+) Withdrawals from (—) Reserve	..	..	..
(9) Loans from Depreciation Fund	5.30	4.24	5.06

2. The deficit of Rs. 5.06 lakhs was met by a loan from the Depreciation Fund and of course once again the prescribed contribution to general revenues could not be paid during the year under review.

3. The following table compares the final voted grants with the expenditure against those grants :—

Voted.	(Lakhs of rupees.)				
	Original.	Supplementary grant.	Final grant.	Actual expenditure.	Excess (+) Savings (—).
<i>Expenditure charged to Revenue.</i>					
1. Railway Board	8.45	..	8.45	8.14	—0.31
2. Audit	12.95	..	12.95	13.76	+0.81
3. Miscellaneous expenditure	10.60	..	10.60	9.63	+0.97

Voted.	(Lakhs of rupees.)				
	Original.	Supple- mentary grant.	Final grant.	Actual expendi- ture.	Excess (+) Savings (-).
<i>Expenditure charged to Revenue—contd.</i>					
4. Refunds	12.00	..	12.00	12.39	+ 39
5. Payments to Indian States and Companies	3.37.00	..	3.37.00	3.43.55	+ 6.55
6-A. Working expenses.—Main- tenance of structural works ..	8.45.75	11.50	8.57.25	8.57.00	— 25
6-B. Working expenses.—Main- tenance and supply of locomo- tive power	16.61.50	..	16.61.50	16.72.75	+ 11.25
6-C. Working expenses.—Main- tenance of carriage and wagon stock	5.63.75	18.00	5.81.75	5.89.92	+ 8.17
6-D. Working expenses.—Main- tenance of ferry steamers and harbours	27.45	3.90	31.35	31.15	— 20
6-E. Working expenses.—Expens- es of traffic department ..	10.30.75	12.85	10.43.60	10.46.45	+ 2.85
6-F. Working expenses.—Expens- es of General Departments ..	4.58.50	..	4.58.50	4.50.55	— 7.95
6-G. Working expenses.—Miscella- neous expenses	4.07.90	15.30	4.23.20	4.15.16	— 8.04
6-H. Working expenses.—Electric service department	1.17.30	2.35	1.19.65	1.18.49	— 1.16
7. Appropriation to Depreciation Fund	13.65.00	8.00	13.73.00	13.71.77	— 1.23
8. Interest charges	2.83	..	2.83	2.80	— 03
<i>Expenditure charged to Capital and Depreciation Fund.</i>					
9. Temporary withdrawals from Depreciation Fund	5.33.22	..	5.33.22	5.06.25	— 26.97
11. New Constructions	11.00	15.00	26.00	17.13	— 8.87
12. Open line works	13.22.00	01	13.22.01	8.74.16	— 4.47.85

4. The non-voted appropriations sanctioned by the Government of India and the expenditure against those appropriations are given below :—

Non-voted.	(Lakhs of rupees.)				
	Original appropria- tion.	Supple- mentary appropria- tion.	Final appropria- tion.	Actual expendi- ture.	Excess(+), Savings(—).
<i>Expenditure charged to Revenue.</i>					
1. Railway Board	4.10	— 37	3.73	3.70	— 03
2. Audit	3.30	— 02	3.28	3.34	+ 06
3. Miscellaneous expenditure ..	10.60	1.91	12.51	12.78	+ 27
6. Working expenses—					
A. Maintenance of structural works	32.00	..	32.00	32.47	+ 47
B. Maintenance and supply of locomotive power ..	15.77	— 1.08	14.69	14.60	— 09
C. Maintenance of carriage and wagon stock	9.10	— 95	8.15	8.07	— 08
D. Maintenance of ferry steam- ers and harbour ..	24	..	24	27	+ 03
E. Expenses of Traffic Depart- ment	16.62	— 06	16.56	16.41	— 15
F. Expenses of General Depart- ments	25.25	— 52	24.73	24.48	— 25
G. Miscellaneous expenses ..	12.10	2.70	14.80	14.74	— 06
H. Electric service department	1.02	02	1.04	1.03	— 01
8. Interest charges	32.02.34	— 20.93	31.81.41	31.77.26	— 4.15
<i>Expenditure charged to Capital.</i>					
11. New Construction	..	1.16	1.16	1.13	— 03
12. Open line works	2.00	73	2.73	2.44	— 29
Discharge of debentures	..	39.93	39.93	39.86	— 07

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5. *Excesses over voted grants.*—The excesses over voted grants which require to be regularised by excess votes of the Legislative Assembly are shown below :—

Demand No.	Final grant.	Actual expenditure.	Excess.
	Rs.	Rs.	Rs.
2—Audit	13,75,000	13,76,113	1,113
4—Refunds	12,00,000	12,38,914	38,914
5—Payments to Indian States and Companies	3,37,00,000	3,43,54,609	6,54,609
6—B. <i>Working expenses.</i> —			
Maintenance and supply of locomotive power.	16,61,50,000	16,72,74,912	11,24,912
6—C. <i>Working expenses.</i> —			
Maintenance of carriage and wagon stock	5,81,75,000	5,89,92,265	8,17,265
6—E. <i>Working expenses.</i> —			
Expenses of traffic department	10,43,60,000	10,46,45,458	2,85,458

The small excess under Demand No. 2 was due to higher expenditure on leave salaries and gratuities to retiring staff than was allowed for when the supplementary grant was obtained. The excess under Refunds was due to the difficulty of accurately estimating under this Demand. As regards the excess under Demand No. 5, it was originally intended to ask for a supplementary grant of Rs. 9,60,000 which the Standing Finance Committee had actually approved but in view of later information, a supplementary grant was considered unnecessary. More freight and handling charges on 'fuel' on several railways and heavier repairs of locomotives accounted for the excess under Demand No. 6-B. The excess under Demand No. 6-C. was due in part to the charging off of the cost of certain Diesel engines to revenue and to heavier repairs to carriage and wagon stock on account of increased traffic requirements. The excess under Demand No. 6-E. was due to a lack of uniformity in booking receipts and payments on account of inter-railway transactions for running powers by the different railways. The percentages of the excesses in the six cases are .07, 3.24, 1.94, .68, 1.41 and .27 respectively. There were excesses under six Demands during the year as compared with three in the previous year. We recommend that the Assembly assent to the excess demands which will be placed before them by Government in due course.

6. The excesses over non-voted appropriations were four during the year against two in 1933-34.

7. Taking the total railway expenditure both voted and non-voted, there was an excess of Rs. 5 lakhs or .05 per cent. under expenditure charged to revenue and a saving of Rs. 4.84 lakhs or 25.14 per cent. under

capital expenditure. The position in this respect compares as follows with the last four years :—

Expenditure charged to revenue (excluding appropriations to and from the Reserve Fund).

Year.	(Lakhs of rupees.)		
	Final grant and appropriation.	Savings (—) or excess (+).	Percentage of column (3) to column (2).
1930-31	105.11	—2.98	2.83
1931-32	101.38	—4.24	4.18
1932-33	97.36	—37	.38
1933-34	96.81	—4	.04
1934-35	102.48	+5	.05
<i>Expenditure charged to Capital and Depreciation Fund.</i>			
1930-31	25.74	—1.14	4.39
1931-32	29.18	—4.95	16.96
1932-33	19.55	—2.66	13.60
1933-34	17.34	—3.03	17.42
1934-35	19.25	—4.84	25.14

Under expenditure charged to revenue, the variation in the total as compared with the final allotment amounted to .05 per cent. In the recent past, the tendency was towards savings. In the year under review, however, there has been a small excess. We noticed that in a good many cases there were excesses even over final appropriations. Had current control been fully effective, we believe that the excesses in at least some of the cases could have been avoided. We were given to understand that the Railway Board have recently instructed railways to conduct a review of expenditure three times a year with a view to bringing to the notice of Government cases where expenditure in excess of the sanctioned grant appeared certain, after taking into account feasible re-appropriations. We would urge that a strict watch should be maintained upon the observance of these instructions. Discrepancies between the revised estimates and final figures generally signify imperfect current control.

Under capital expenditure, there was the usual enormous saving. Against a budget provision of Rs. 13.35 crores under Grants No. 11 and 12, the actual expenditure was Rs. 8.94 crores. It was explained to us that of this saving of about Rs. 4½ crores, rolling stock accounted for a crore, while the expenditure under the Hardinge Bridge Protection

Works was less by about half a crore. A further important cause was the repayment of Rs. 20 lakhs of debentures by the Mymensing-Bhairah Bazar Railway Company. Notwithstanding the special circumstances that were responsible for savings in certain cases, we have no hesitation in observing that the estimating of capital expenditure was unsatisfactory. The Financial Commissioner explained that in dealing with the estimates for 1936-37, the Railway Board had effected a lump cut of Rs. 1½ crores for probable savings on the estimates of railways to counter the overestimation which occurred in the earlier years. This is no doubt a wise precaution but we wish to point out that an arbitrary lump cut has the danger of causing undesirable variations unless the reduction is properly distributed. We recommend therefore that the cuts should be allocated as far as possible to heads where they are practical and within the control of railways. We would also add that once cuts have been made in the estimates, every effort should be made to restrict expenditure to the reduced scale.

We would also observe that, on the experience of past years, the capital budget could have stood a cut of considerably more than 1½ crores.

8. *Irregular re-appropriations.*—Under Rule 52 (2) of the Indian Legislative Rules we have to bring to the notice of the Assembly every reappropriation from one grant to another and every reappropriation within a grant which is not in accordance with the prescribed rules. During the year under review the following reappropriations were sanctioned by Railway Administrations which were not strictly within their powers :—

(1) *Grant 6-D.*—The Assam Bengal Railway transferred Rs. 22,000 from Grant No. 6-D to Grant No. 6-F (Rs. 5,000) and Grant No. 6-G (Rs. 17,000).

(2) *Grant No. 6-E.*—The Jodhpur Railway increased Grant No. 6-E by Rs. 9,000 by transferring small amounts from Grants No. 6-B (Rs. 2,000) No. 6-C (Rs. 1,000) No. 6-F (Rs. 5,000) and No. 6-G (Rs. 1,000).

Financial Position of Railways.

9. In our report last year we dwelt at some length on the financial position of the Railways. During the 5 years 1930-31 to 1934-35 the total deficit on the working of the Railways amounted to 37½ crores. In 1935-36, though the Budget provided for a deficit of only 2 crores, the actual deficit was about 4 crores. We remarked last year that the position was actually more disquieting than these figures indicated as, under the accounting system in force, certain expenditure which should be charged to revenue was being charged to capital. We were informed that the questions of a proper allocation of expenditure between capital and revenue, of the contribution to the Depreciation Fund and of the amount to be provided from railway revenues for the amortisation of railway debt were under the consideration of the Government of India. In paragraph 120 of the Financial Commissioner's Review a summary of the proposals of the Government of India regarding these questions has been given, and it

appears from paragraph 121 of the Review that, if all these proposals, which the Auditor-General has described as "undoubtedly sound", are to be given effect to, the gap between railway revenue and expenditure would be at least 10 crores. At the present moment it is quite impossible to put the whole of these proposals into operation. We think that they should be carried into effect as soon as circumstances permit and in the meantime we fully support the decision of Government that the defects in the allocation of expenditure between capital and revenue should be immediately remedied even though it involves an increase in the apparent deficit of something like 50 lakhs a year.

But accounting alterations cannot solve the main problem. They can only serve to shew up its true magnitude. The problem is to bridge a gap of something like 10 crores and naturally this is the problem to which we have principally devoted our attention.

In our report last year we said :—"We are well aware that a restoration of economic prosperity is the most satisfactory means of effecting this but we do not see in the present condition of world affairs any certitude that this will be at all rapid. We think, therefore, that it is vitally necessary that the Railway Board should conduct an exhaustive review of their freight and fares policy and should consider every possible means of increasing their revenue. Apart from what is normally understood by reviewing freight policy, we urge that they should press on with their consideration of the steps required to meet road competition. We do not at all intend to imply that the expenditure side should be neglected. We are most reluctant to accept the Railway Board's estimate of the possible further economies and we think that the search for them must be relentlessly pursued. But we are prepared to believe that an increase of receipts is, in the present circumstances, likely to be the more important factor in the restoration of financial stability."

We are informed that the question of Road-Rail competition has been exhaustively considered by the Transport Advisory Council and that as a consequence a programme of remedial measures has been decided upon. We gather, however, that the effect of these will be rather to prevent further deterioration in the position of the Railways than to bring back to them any substantial amount of the lost traffic.

As regards freight and fares policy we understand that alterations have been adopted designed to yield an extra 1½ crores a year but it is yet too early to say whether these anticipations will be fully realised. Indeed we gather that the opinion of the Railway Board now is that until the price structure in India has altered materially, there is little room for further large increases in rates and fares. Thus, contrary to what we thought last year, it would now appear that the solution of the problem of fully restoring solvency must in the main rest on measures other than increase of freights and fares.

Of course the suggestion is often made that the Railways would be perfectly solvent if only the general Budget would assume certain liabilities which now fall upon the Railways or pay to the Railways more than they do at present for certain services. In this connection we have particularly in mind the cost of the so-called strategic railways and the

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LEGISLATIVE ASSEMBLY.

[17TH SEPT. 1936.]

fact that certain bulk traffic for Government Departments is carried at less than public, though at fully remunerative, rates. But though such a transfer from the Railway to the general Budget would undoubtedly assist the Railways, it would differ not at all from placing on the general Budget the task of meeting *pro tanto* Railway deficits and would, therefore, leave the position as regards financing the constitutional reforms—and it is in connection with this after all that the solvency of the Railways assumes its special significance—unaltered. We have accordingly not spent much time in considering suggestions of this nature. We have, however, considered whether automatic alleviations can be expected of themselves to remedy the position in the course of a few years. But even after allowing for a continuous if moderate trade improvement, for all probable debt conversions and for the effect of the revised pay scales for new entrants we cannot see how, at the end of three years from now, the Railways can be less than 7 or 8 crores short of full commercial solvency. There would moreover still be a substantial deficit if we regard it as legitimate to go on making no provision from revenue for writing down capital and equally this would be the case if credit is taken for the losses on strategic railways and for charging Government Departments full public rates—changes which we repeat—we by no means recommend.

This is an alarming prospect and in our view things cannot be left where they now are. We would urge therefore that the Government of India should immediately obtain the services of an acknowledged expert in Railway management to conduct an examination of the whole field and recommend steps which will secure definite (i.e., other than mere hopes of increased revenue due to improving trade) improvements in railway finances to the extent of something like 3 crores a year immediately and ultimately of such magnitude as is required to maintain full solvency on a strict accounting basis. And to avoid misconception we add that the terms of reference should exclude the possibility of securing this end by a mere transfer of liabilities to general revenues.

In making this recommendation that there should be such an enquiry we do not wish to imply for a moment that Railway administrations have made no attempt to restore railways to a position of financial stability. We are satisfied from the evidence which has been placed before us that strenuous efforts have been made during the past few years to effect economies and to stimulate railway revenues, but we feel that nothing should be left undone to secure a re-establishment of the commercial solvency of railways, and we consider that an independent enquiry conducted by a railway expert which we have suggested, will be of great value in attaining the object we have in view.

The non-official members of the Committee wish to place on record their opinion that the report of any such enquiry should be published and that opportunity should be given for a full discussion of it in the Legislature.

Miscellaneous.

10. There are certain points which we noticed in the course of our examination of the appropriation accounts to which we desire to draw

specific attention. We observed that "unanticipated credits" were being used to increase expenditure beyond that provided for in the original estimates. We appreciate that this is permissible under the strict terms of the Government of India Act and we realise that such cases are reported to the Public Accounts Committee. But we think that it would be useful if, in future, the Financial Commissioner of Railways could arrange to give particular attention to such cases in his Review and incidentally to show the gross and not the net excesses. In other words, he should report the excesses of expenditure as they would be without the unanticipated credits and deal with them on that basis throughout the year in the exercise of his functions of control. Our attention was also drawn to a number of instances of works expenditure held under audit objection for want of sanction pending the submission of completion reports. We view with grave concern the dilatoriness in preparing the completion reports and would request Government to remedy the present extremely unsatisfactory state of affairs in this regard. Yet another matter on which we feel strongly is the policy regarding slack coal. The Chief Commissioner of Railways gave us to understand that railways are forbidden to sell slack coal. We press strongly that the railways should be relieved of this restriction as soon as possible, not only on the ground of the inherent financial loss but also on the ground that the present policy is against the interests of public safety. The potential danger in storing slack coal near collieries cannot be underrated.

11. We append to our report minutes of proceedings which we desire to be treated part of the report. We trust that appropriate action will be taken on the observations and recommendations contained in these proceedings. We also wish to record our appreciation of the excellence of the Financial Commissioner's Review and the ready assistance rendered to us in our task by the Chief Commissioner.

K. SANJIVA ROW.

N. SUNDARESAN.

P. J. GRIGG.

B. DAS.

S. SATYAMURTI.

N. G. RANGA.

THEIN MAUNG.

MD. YAKUB.

J. RAMSAY SCOTT.

SHER MD. KHAN.

BHAI PARMANAND.

R. D. DALAL.

S. C. MUKHERJEE.

FAZI-I-HAQ PIRACHA.

5th September 1936.
L284LAD

Proceedings of the third meeting of the Public Accounts Committee held on Monday, the 20th July 1936, at 11 A.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., Finance Member,
Chairman

Mr. B. DAS, M.L.A.

Mr. S. SATYAMURTI, M.L.A.

Professor N. G. RANGA, M.L.A.

Dr. THEIN MAUNG, M.L.A.,

Mr. J. RAMSAY SCOTT, M.L.A.

Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.

Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E.,
M.L.A.

Bhai PARMA NAND, M.L.A.

Dr. R. D. DALAL, C.I.E., M.L.A.

Rai Bahadur Sir SATYACHARAN MUKHERJEE, Kt.,
C.B.E., M.L.A.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA,
M.L.A.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,
Auditor-General.

Mr. B. N. MITRA, Director of Railway Audit.

Mr. P. R. RAU, Financial Commissioner, Rail-
ways.

Mr. V. S. SUNDARAM, Controller, Railway
Accounts.

Khan Bahadur BARKAT ALI, Director of Finance.

Members.

Were also
present.

Witnesses.

The Committee took up the examination of the appropriation accounts and connected documents relating to the Railway Department.

2. They first took up for consideration the general financial position of the Railways. They were satisfied that the Financial Commissioner's review summarised the position fairly but wished to have some idea of the most recent position. The Financial Commissioner of Railways stated that on the basis of the latest available information he hoped that the results of the current year would show a smaller deficit than the Rs. 3½ crores anticipated in the budget. He hoped that the improvement would be something like a crore of rupees. The Agents of Railways were taking active measures since last year to increase revenue and restrict expenditure. The Committee were promised at a later meeting the extent of savings effected in 1935-36. The question of writing down capital was also discussed at some length in relation to the interest charges of the Railways, but the Committee came to the conclusion that it had no attractive results to offer from the point of view of the general tax-payer.

The Railway Authorities thought that the maximum increase in revenue—taking into account not only freight alteration but any probable improvement in economic conditions—might be taken at about a crore a year, which on the proper commercial basis envisaged in paragraph 121 of the Financial Commissioner's report still left a considerable gap to be bridged. Some members of the Committee asked what savings could be expected by the imposition of a graduated cut on salaries, etc. The Financial Commissioner promised a statement at a later meeting. They further wished to consider in consultation with the Chief Commissioner the desirability of an expert inquiry into the whole question of making the Railways solvent.

3. *Defects in budgeting.*—The Committee thereafter passed on to consider defects in budgeting noticed in paragraph 6 of the Report of the Director of Railway Audit. They were disturbed at the continuance of the very defects noticed last year. The Financial Commissioner admitted that in certain cases the budgeting was faulty, while in some other cases there were extenuating circumstances which rendered the variations from the original estimates excusable. The Committee stressed the desirability of making a suitable overhead cut in the capital expenditure to allow for inevitable delays, etc., though such a device made it incumbent on the Railway Board to distribute it among heads where reductions were practicable and within the control of the Railways. In their opinion discrepancies between the revised estimates and final figures betrayed defective current control. They desired that the question of a lump sum cut in grants other than open line works should be considered.

The Committee adjourned till 2-30 P.M.

Proceedings of the fourth meeting of the Public Accounts Committee held on Monday, the 20th July 1936, at 2-30 P.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., Finance Member,
Chairman.

Mr. B. DAS, M.L.A.,

Mr. S. SATYAMURTI, M.L.A.

Professor N. G. RANGA, M.L.A.

Dr. THEIN MAUNG, M.L.A.

Mr. J. RAMSAY SCOTT, M.L.A.

Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.

Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E.,
M.L.A.

Bhai PARMA NAND, M.L.A.

Dr. R. D. DALAL, C.I.E., M.L.A.

Rai Bahadur Sir SATYACHARAN MUKHERJEE, Kt.,
C.B.E., M.L.A.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA,
M.L.A.

Members.

[17TH SEPT. 1936.]

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,
Auditor-General. } Were also
Mr. B. N. MITRA, Director of Railway Audit. } present.
Mr. P. R. RAU, Financial Commissioner, Rail-
ways. }
Mr. V. S. SUNDARAM, Controller, Railway } Witnesses.
Accounts. }
Khan Bahadur BARKAT ALI, Director of Finance. }

4. The Committee continued the discussion of the defects in budgeting noticed in the Audit Report and desired to reinforce their last year's exhortation regarding a more rigid control of current expenditure. The Committee discussed the propriety of using unanticipated credits. It was explained to them that when such credits were to be spent on new items, the approval of the Standing Finance Committee was taken but when they were utilised for ordinary expenditure instead of being forced into a supplementary grant, no reference to the Legislature was considered necessary. The Committee then agreed to recommend the total excesses reported.

5. The Committee desired that in future the Financial Commissioner should arrange to give in his Review an explanation of the total excesses after excluding the unanticipated credits.

6. With reference to paragraph 15 of the Audit Report, one member of the Committee enquired why re-appropriations were not made more frequently. The Financial Commissioner of Railways drew the attention of the Committee to certain instructions issued to Railways (Appendix V) stressing on them the need to make reappropriations as and when necessary and to approach the Board in time for applying to the Legislature for additional funds when necessary. The value of a periodic review of the progress of expenditure once in August, later in December and once again in February, was impressed on the Railway Administrations. This would enable them to utilise savings and estimate excesses.

7. The Committee then discussed some of the items enumerated in Annexure A to Part II of the Appropriation Accounts and expressed their dissatisfaction at the delay in the preparation of completion reports.

8. The list of outstanding questions was next taken up for consideration :—

Item 1.—The Committee were presented with a memorandum. (Appendix III).

Item 2.—The Committee approved the specific recommendation summarised in paragraph 120 of the Financial Commissioner's Review.

Item 3.—The attention of the Committee was drawn to the instructions issued (Railway Board's letter No. 2326-F.IV, dated the 20th November 1935). (Annexure to Appendix I). The Committee desired an annual report as regards this matter.

Item 4.—The Committee were informed that an officer was being appointed to deal with the matter which according to present computation was expected to be completed within a year.

Item 5.—The Committee decided to examine the Chief Commissioner, Railways, further on the memorandum presented by the Railway Board.

The Committee then adjourned till 11 A.M. on Tuesday, the 21st July 1936.

Proceedings of the fifth meeting of the Public Accounts Committee held on Tuesday, the 21st July 1936, at 11 A.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., Finance Member,
Chairman.

Mr. B. DAS, M.L.A.

Mr. S. SATYAMURTI, M.L.A.

Professor N. G. RANGA, M.L.A.

Dr. THEIN MAUNG, M.L.A.

Mr. J. RAMSAY SCOTT, M.L.A.

Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.

Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E.,
M.L.A.

Bhai PARMA NAND, M.L.A.

Dr. R. D. DALAL, C.I.E., M.L.A.

Rai Bahadur Sir SATYACHARAN MUKHERJEE, Kt.,
C.B.E., M.L.A.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA,
M.L.A.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,
Auditor-General. } Were also
Mr. B. N. MITRA, Director of Railway Audit. } present.
The Hon'ble Sir GUTHRIE RUSSELL, Kt., Chief
Commissioner, Railways. }

Mr. P. R. RAU, Financial Commissioner, Rail-
ways. }
Mr. V. S. SUNDARAM, Controller, Railway } Witnesses.
Accounts. }
Khan Bahadur BARKAT ALI, Director of Finance. }

9. The Committee resumed the general discussion on the financial position of the Railways and examined the Chief Commissioner of Rail-

[17th Sept. 1936.]

ways at some length. Sir Guthrie Russell doubted the efficacy of raising freights on goods traffic or passenger traffic as a means of improving revenue. The Committee desired to know if reductions in fares would not help to increase receipts. In reply the Chief Commissioner instanced a recent case on the North Western Railway where a reduction in fares, while resulting in an increase of 13 per cent. in passengers, showed only an infinitesimal increase in earnings. He referred also to similar experiments on the East Indian Railway which had had even less encouraging results. The Committee were, however, assured that different experiments were being pursued on different railways to achieve an improvement in revenue. Referring to the conclusions of the recent conference of the Transport Advisory Council on the question of road-rail competition, the Chief Commissioner expressed his satisfaction that practically every province had agreed entirely that road traffic should not be allowed to compete with long distance goods traffic by railways, which from the point of view of railways was a much greater menace than passenger traffic on road. The Committee were told that the goods rates in India were the lowest in the world barring Japan and Poland and goods earnings were about 2-1/4 times as much as passenger earnings. The other problems that were engaging the serious attention of the railways were the stoppage of corruption and ticketless travel. The difficulty as regards the former lay in obtaining definite evidence warranting successful punitive action. Taking all the circumstances into account, the Chief Commissioner agreed with the Financial Commissioner's estimate of a probable cumulative improvement of Rs. 1 crore a year over the next few years, and indeed he thought that this was if anything an underestimate. On the question of reducing expenditure, the Chief Commissioner pointed out that a surplus staff of about 3,500 were being discharged while in another six months about 2,300 more were expected to become surplus. In his estimate a saving of Rs. 15 lakhs would result from the immediate retrenchment and another Rs. 10 lakhs at the end of the current year. The Committee then examined the statistics of staff per mile and the comparative merits of the divisional system. They desired a statement to be submitted showing a comparison between the pre-war and post-war working expenses divided into certain main heads.

10. The Financial Commissioner of Railways gave the Committee the figures he promised at the earlier meeting regarding possible savings from a cut in salaries and wages. On the figures supplied to the Retrenchment Committee in 1931-32, the wages of people getting Rs. 30 and under amounted to Rs. 8 crores; between Rs. 31 and 50 to Rs. 6 crores; between Rs. 51 and 100 Rs. 8 crores; between Rs. 101 and 500 Rs. 7 crores; between Rs. 501 and 1,000 Rs. 1-1/4 crores, between Rs. 1,001 and 2,000 Rs. 1-1/4 crores and of incomes above Rs. 2,001 Rs. 50 lakhs, making a total of Rs. 32 crores. He illustrated that under a scheme in which wages under Rs. 30 were omitted from a salary cut, and a graded cut imposed on higher salaries, in the manner shown below a saving of about Rs. 195 lakhs might be expected:—

Between Rs. 31 and Rs. 100	.. a cut of 5 per cent.
Between Rs. 101 and 500	.. a cut of 10 per cent.
Between Rs. 501 and 1,000	.. a cut of 15 per cent.
Between Rs. 1,001 and 2,000	.. a cut of 20 per cent.
Between Rs. 2,001 and above	.. a cut of 25 per cent.

If the lowest limit were raised to Rs. 50 and the cuts maintained on the same scale, the savings would be about Rs. 165 lakhs a year.

11. The Committee discussed the question of the so-called concessions given by Railways. Including the loss on strategic railways and the difference between the rates charged to the Public and Government Departments these might amount to Rs. 4 crores. This was making no allowance for the fact that rates charged to Government Departments were fully remunerative and it ignored the fact that if the Railways were to be compensated for them it meant an extra charge of 3 or 4 crores a year on the central budget. But, even if credit was given for these amounts and if account was taken of the separation of Burma and of the probable growth of net revenue in the next few years the Committee were disconcerted to find that the financial position of railways would still be Rs. 3-3/4 crores short of producing full commercial solvency on the basis envisaged by the Financial Commissioner in paragraph 121 of his Review. The Chief Commissioner doubted the wisdom of making good this gap at any rate in part by a salary cut, for he feared the demoralising effect of such a course on the staff in general. The Committee discussed that the feasibility of amalgamating systems with a view to economy should be considered, but the Chief Commissioner explained that these were much less than was commonly supposed and that anyhow most of them were not immediately practicable.

The Committee adjourned thereafter till 2-30 P.M.

Proceedings of the sixth meeting of the Public Accounts Committee held on Tuesday, the 21st July 1936, at 2-30 P.M.

PRESENT :

The Hon'ble Sir James Grigg, K.C.B., K.C.S.I., Finance Member,
Chairman.

Mr. B. DAS, M.L.A.	} Members.
Mr. S. SATYAMURTI, M.L.A.	
Professor N. G. RANGA, M.L.A.	
Dr. THEIN MAUNG, M.L.A.	
Mr. J. RAMSAY SCOTT, M.L.A.	
Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.	
Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E., M.L.A.	
Bhai PARMA NAND, M.L.A.	
Dr. R. D. DALAI, C.I.E., M.L.A.	
Rai Bahadur Sir SATYACHARAN MUKHERJEE, Kt., C.B.E., M.L.A.	
Khan Bahadur Shaikh FAZI-I-HAQ PIRACHA, M.L.A.	

[17TH SEPT. 1936.]

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,
Auditor-General.

Mr. B. N. MITRA, Director of Railway Audit.

The Hon'ble Sir GUTHRIE RUSSELL, Kt., Chief
Commissioner, Railways.

Mr. P. R. RAU, Financial Commissioner, Railways.

Mr. V. S. SUNDARAM, Controller, Railway
Accounts.

Khan Bahadur BARKAT ALI, Director of Finance.

} Were also
present.

} Witnesses.

12. The Committee continued the discussion on the question of retrenchments effected by Railways in pursuance of their recommendation in paragraph 12 of their report on the accounts for 1933-34. The Chief Commissioner explained the various measures in force to watch the conservation of locomotives, wagons and coal and touched on certain experiments with Diesel cars. The Committee desired that a statement showing the progress made with respect to the various recommendations made by the Pope Committee might usefully be added in the Financial Commissioner's Review in future. They also desired a statement showing the number of saloons maintained, their capital cost, depreciation and maintenance, the classes of officers entitled to their use, distinguishing saloons maintained by railways for their own purposes from the rest.

13. *Item 4 in the Quarterly List of Outstandings ending July 1936.*—The Committee then proceeded to discuss the position regarding the revision of codes. It was explained to them that the preliminary work was now complete and the work of simplification would be taken up soon by an officer on special duty.

Rebate on coal.—The Committee took up the question of the rebate on coal. The Chief Commissioner explained that the rebate on coal to Calcutta was meant to encourage the export of coal. He apprehended that the withdrawal of the concession would adversely affect India's export of coal abroad which was now in the neighbourhood of 150,000 tons. In his considered opinion, the railways did not lose on this rebate.

Railway collieries.—The Committee next concentrated their attention on item (E) in the memorandum (Appendix III) circulated by the Railway Board in response to their desire last year to be apprised of the results of Government policy on railway revenues. The Committee were given to understand that the expansion of output would not benefit the railways at present prices. They considered that, should any change of circumstances occur, the matter ought to be taken up again. The Chief Commissioner brought to the notice of the Committee the fact that Railways were forbidden to sell slack coal in pursuance of an undertaking given by Sir George Rainy. The Committee felt that such a policy was against the interests of public safety and accordingly recommended

that the Railway Board should be relieved of its obligation not to sell slack not only because they lose the value of such coal but because it was extremely dangerous to store such coal near the collieries.

14. The Committee reverted to the topic of amalgamation of railways and desired an up-to-date review to be given them next year of the possibilities of economy by regrouping of railways or amalgamation of the different systems.

15. Thereafter, the electrification schemes (Appendices VIII and XII) engaged the attention of the Committee. They criticised the variations between estimates and actuals in the scheme pertaining to the South Indian Railway and were inclined to think that the scheme was a financial failure.*

The Committee ajourned till 2-30 P.M. on Wednesday the 22nd July 1936.

**Proceedings of the seventh meeting of the Public Accounts Committee
held on Wednesday, the 22nd July 1936, at 2-30 P.M.**

PRESENT :

Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A., *Chairman.*

Mr. B. DAS, M.L.A.

Mr. S. SATYAMURTI, M.L.A.

Professor N. G. RANGA, M.L.A.

Dr. THEIN MAUNG, M.L.A.

Mr. J. RAMSAY SCOTT, M.L.A.

Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E.,
M.L.A.

Bhai PARMA NAND, M.L.A.

Dr. R. D. DALAL, C.I.E., M.L.A.

Rai Bahadur Sir SATYACHARAN MUKHERJEE, Kt.,
C.B.E., M.L.A.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA,
M.L.A.

} *Members.*

*The Railway Board have since then circulated a revised memorandum (Appendix XIX) on the subject correcting some of their earlier figures. It appears from this that the position is even worse.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor-General.	} Were also present.
Mr. B. N. MITRA, Director of Railway Audit.	
The Hon'ble Sir GUTHRIE RUSSELL, Kt., Chief Commissioner, Railways.	} Witnesses.
Mr. P. R. RAU, Financial Commissioner, Railways.	
Mr. V. S. SUNDARAM, Controller, Railway Accounts.	
Khan Bahadur BARKAT ALI, Director of Finance.	

16. The Committee resumed their discussion on the electrification schemes and commented on the bad results. They hoped that in future the Railway Board would be more careful in according their sanction to electrification schemes.

17. The Chief Commissioner's views on paragraph 4 of the Auditor-General's letter were sought. He agreed with the Auditor-General's comments and the Committee were promised that, in future, an additional column showing the final appropriations for each railway would be shown in the Financial Commissioner's review.

18. *Paragraph 24 of the Audit Report.*—The Committee discussed at length the circumstances in which the colliery referred to in paragraph 24 of the Audit Report came to be abandoned with a resultant loss of about Rs. 3½ lakhs. It was explained to the Committee that the colliery was estimated to possess 30 million tons of first class coal. When the colliery was started the price of coal was Rs. 6½ per ton and the Bombay, Baroda and Central India Railway expected to get coal from the colliery at Rs. 4½ per ton and thus save about Rs. 7 lakhs a year when the colliery was fully developed. In November 1927 the price of coal dropped very considerably and it was found cheaper to obtain coal elsewhere. The catastrophic fall in the price of coal influenced the administration to abandon the colliery.

19. *Paragraph 27 of the Audit Report.*—The Chief Commissioner explained that as the Railways were short of wagons in 1919 they had to be obtained from America which was the only country from which they could be got at that time. The wagons which were originally built for Russia proved unsuitable for the peculiar climatic conditions of India.

20. *Paragraphs 32-33 of the Audit Report.*—The Committee were given to understand that no blame could be attached to the consulting engineers as insufficient technical data were made available to them in

regard to the high voltage insulators. There was no previous experience of Indian conditions to guide anybody.

21. The Committee were given explanations with regard to the circumstances leading to the irregularities noticed by audit in paragraphs 38, 43, 44, 50 and 57. They also dealt with paragraphs 101, 110, 111, 112 and 114 of the Audit report. The Auditor-General drew the attention of the Committee to certain instructions issued by the Government of India on the civil side some time ago to the various departmental authorities drawing their attention to the adverse comments made by the Public Accounts Committee on particular transactions with a view to their taking heed and warning therefrom and desired to know if a similar procedure obtained on the Railways. The Chief Commissioner assured that a similar practice existed on the Railways also. The Committee touched on sundry points dealt with in the Financial Commissioner's Review and in the Audit Report, including stores purchase policy and freights policy.

22. The Committee desired their appreciation of the excellent Review of the Financial Commissioner and their thanks to the Chief Commissioner and the Financial Commissioner for their assistance to the Committee to be placed on record.

The Committee adjourned till 2-30 p.m. on Thursday, the 23rd July 1936.

**APPEN
APPEN**
*Statement showing action taken or proposed to be taken on recommendations, etc.,
finally*
PART II.—
[Quarter ending

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations or suggestions.
1	1928-29 1929-30 1930-31 1931-32 1933-34	5 P. 53 P. 3 P. 8 R. 19 P.	.. That the question of the continuance of special rates and concessions for military traffic obtained by the Military Department from the Railways should be pressed to a conclusion as soon as possible.
2	1930-31 1931-32 1933-34	28 R. 10 R. 4 P.	.. That the question of the permanent basis on which Works expenditure should be charged to Capital, to the Depreciation Fund and to Revenue should be taken up immediately.
3	1933-34	13 R.	.. That the Railway Board should issue necessary instructions that the auctioned material should not be allowed to be removed until the full amount due from the auctioneers has been received and that it should be impressed upon the Railway Administrations that proper care should be taken in selecting the auctioneers and in seeing that the agreements are signed by persons properly authorised to do so.
4	1933-34	14 R.	.. That the Railway Board should immediately take up the revision of the Railway Codes and complete it before the new Statutory Railway Authority comes into existence.
5	1933-34	12 R. 5 P.	.. That the Railway Board should conduct an exhaustive review of their freights and fares policy and consider every possible means of increasing the Railway Receipts of reducing the working expenses and of meeting Rail, Road competition.
6	1933-34	7 P.	.. That the Financial Commissioner, Railways, should take steps to see that the Appropriation Accounts reach the Auditor General on the due date.
7	1933-34	12 P.	.. That the Railway Board should take steps to secure greater accuracy in estimating and control over expenditure.
8	1933-34	17 P.	.. That the question of improving the form of the balance-sheets and profit and loss accounts of railway collieries should be considered.
9	1933-34	18 P.	.. That the Railway Board should examine and send a note to the Committee to show whether there is any basis for the allegation generally made that the rates of freight at present charged operate in such a way as to help the export of raw materials and the import of foreign manufactured goods to the detriment of Indian industries.
10	1933-34	19 P.	.. That a report on the financial results of the electrification of the South Indian Railway should be made to the Committee next year.

DICES.

DIX I.

so far made by the Central Public Accounts Committee which have not been disposed of.
Railways.
July 1936.]

Action taken or proposed to be taken.
A memo. on the subject was furnished to the Public Accounts Committee (<i>vide</i> Appendix III.)
The Proposals which have been accepted are contained in paragraph 120 of the Financial Commissioner's Review, Part I, Appropriation Accounts of Railways in India for 1934-35.
Necessary instructions have been issued, <i>vide</i> Railway Board's letter No. 2326-F/IV, dated 20th November 1935 (Annexure).
An officer on special duty was being appointed to deal with the matter which according to present computation was expected not to exceed a year.
<i>Vide</i> Appendix IV.
This will be done.
Necessary instructions have already been issued to Railway Administrations in this connection (<i>vide</i> Appendix V).
A memorandum on the subject has been prepared by the Auditor General and circulated to the Members of the Public Accounts Committee (<i>vide</i> Appendix VI).
A note has been circulated to the Members of the Public Accounts Committee (<i>vide</i> Appendix VII).
The report containing the result of the South Indian Railway Electrification scheme has been circulated to the Members of the Public Accounts Committee (<i>vide</i> Appendix VIII).

ANNEXURE.

LETTER FROM THE GOVERNMENT OF INDIA, RAILWAY DEPARTMENT (RAILWAY BOARD), TO THE AGENTS, NORTH WESTERN; EASTERN BENGAL; GREAT INDIAN PENINSULA; BURMA; EAST INDIAN; ASSAM BENGAL; BENGAL NAGPUR; BOMBAY, BARODA AND CENTRAL INDIA; MADRAS AND SOUTHERN MAHRATTA AND SOUTH INDIAN RAILWAYS, No. 2326-F./IV., DATED THE 20TH NOVEMBER 1935.

Auction Sales.

In continuation of this office letter No. 2326-F./IV, dated the 10th August 1931, I am directed to state that the Director of Railway Audit reported a case in which a Railway Administration was unable to recover from the auctioneers about Rs. 44,000 being the sale-proceeds of scrap metal auctioned. The decree obtained by the Railway Administration could not be enforced as the debtors were paupers. In discussing this case the Public Accounts Committee felt that the loss to the Railway Administration in this case was due to proper care not having been exercised in selecting auctioneers. The Committee desired that instructions should be issued to the Railway Administrations on the subject on the following lines:—

- (i) that proper care should be exercised to select auctioneers of financial standing;
- (ii) that the auctioned material should not be allowed to be removed, until the full amount had been received from the auctioneers; and
- (iii) that the agreement with the auctioneers should be signed by duly authorised persons.

2. I am to request, therefore, that the existing agreements with the auctioneers should be scrutinised with a view to seeing whether these conditions are clearly laid down and where these do not exist, the necessary modifications should be made. I am also to suggest that these instructions should be borne in mind when entering into agreements with the auctioneers in future.

No. 2326-F./IV.

Copy forwarded to the Agents, Bengal and North Western and Rohilkund and Kumaon Railways, for information.

Copy forwarded to the Chief Accounts Officers, East Indian, Eastern Bengal, Burma, North Western and Great Indian Peninsula Railways in continuation of this office endorsement No. 2326-F./IV, dated the 10th August 1931.

Copy forwarded to the Director of Railway Audit and the Controller of Railway Accounts, for information, in continuation of this office endorsement No. 2326-F./IV., dated the 13th August 1931.

APPENDIX II.

LETTER FROM THE AUDITOR GENERAL, TO THE FINANCE DEPARTMENT, GOVERNMENT OF INDIA, No. T.-434-REP./7-36, DATED THE 25TH JUNE 1936.

SUBJECT:—*Appropriation Accounts (Railways) 1934-35 and the Audit Report 1936.*

With reference to rule 15 (1) of the Auditor General's Rules framed under Section 96 D(1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Accounts of Railways in India for the year 1934-35, Parts I and II, prepared by the Financial Commissioner of Railways, together with two copies of the Audit Report prepared by the Director of Railway Audit, for submission to the Committee on Public Accounts and for necessary action by the Government of India.

2. I have the honour also to transmit herewith two copies each of the Capital Statement, Balance Sheet and Profit and Loss Accounts of Railways in India, and of Balance Sheet, and Profit and Loss Accounts of Railway Collieries for 1934-35.

3. *Financial Commissioner's Review.*—Part I of the Appropriation Accounts of Railways, which contains the Financial Commissioner's Review, was not received by me until the 1st June 1936 as against the prescribed date, the 15th of April 1936. The delay of six weeks has made it impossible for the Director of Railway Audit to submit his Audit Report to me before the 6th of June 1936, instead of on the prescribed date, the 15th of May 1936. The inevitable but inconvenient consequence is that I am not able to forward to Government the Director of Railway Audit's report with my comments until within a week or two of the meetings of the Public Accounts Committee. I trust that it will be possible to avoid in future such delay in the submission of the Review.

4. *Revised form and arrangement of the grants.*—In paragraphs 3 and 130 of his Audit Report the Director of Railway Audit has stated that the revised form and arrangement of the grants have facilitated the control over expenditure and simplified the explanations of variations. It is clear from paragraph 58 of the Financial Commissioner's Review that the full intention of the change has not always been realised. But the change must have meant less accounting work, and doubtless its full effect in securing a more accurate and better informed control over expenditure will be apparent in a year or two.

I may refer also to the convention mentioned in paragraph 29 of the Review and suggest that the Financial Commissioner should bring out more clearly the effect as applied.

- (a) to Railways as a whole, and
- (b) to individual railways.

The statement under paragraph 29 of the Review might have supplied the information required in connection with (b) but fails to do so because it does not give the final appropriations.

5. *Excesses and Irregular Reappropriations.*—The excesses which occurred over the final appropriations and which require to be regularised by the vote of

the legislature in the case of voted expenditure, and by formal sanction of the Governor General in Council in the case of non-voted expenditure, are set forth in paragraphs 56 and 57 of the Financial Commissioner's Review.

The irregular reappropriations which require to be brought to the notice of the legislature are stated in paragraph 58 of the Financial Commissioner's Review.

6. *Overcapitalisation.*—Section VI of the Financial Commissioner's Review deals with the problem of overcapitalisation on railways which has aroused much discussion both in the Public Accounts Committee and elsewhere. Government's proposals to prevent this evil in future are described in paragraph 120 of the Review.

This portion of the review sets out one of the most important individual subjects presented for the consideration of the Public Accounts Committee this year ; the only comments I desire to make here are :—

- (a) that as practical financial measures the proposals of Government are undoubtedly sound,
- (b) that they will simplify work both in administration and accounts offices, and
- (c) that while not inconsistent with the letter of the Railway Separation Convention of 1924, they depart from the basis on which that convention was settled ; and for this reason I required, Government agreeing, that they should be laid before the Public Accounts Committee and explained to the Legislative Assembly.

7. *Railway Finance.*—*The general position.*—The year 1934-35 was the fourth year in which a temporary loan had to be taken from the Depreciation Reserve Fund to meet deficit. At the end of 1934-35, the liabilities of Railways to be met in future years amounted to 48½ crores as follows :—

	(In crores.)
	Rs.
Loans from Depreciation Reserve Fund	27.50
Contributions unpaid	20.84
Total	48.34

According to the arrangements under the Railway Separation Convention of 1924 and the special orders of the Secretary of State, future surpluses have, first of all, to make good the temporary loans advanced from the Depreciation Reserve Fund and then the suspended contributions. So enormous is this liability that it would need the Net Surpluses of many prosperous years in succession to clear this liability while maintaining the payment of the accruing contributions to General Revenues.

8. *Financial Administration.*—The following are individual matters relating mainly to the subject of Railway financial administration which appear

PRESENTATION OF THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE. 1937

to me to be of more than ordinary interest and to which the attention of the Public Accounts Committee may be specially directed :—

- (i) *Paragraph 19 of the Audit Report.*—An important case relating to the allocation of expenditure on rolling stock which I have brought specially to notice for the last two successive years, and which has not yet been finally settled.
- (ii) *Paragraph 20 of the Audit Report.*—Overpayment of surplus profits due to incorrect allocation of expenditure on rolling stock.
- (iii) *Paragraph 24 of the Audit Report.*—A heavy loss of over 31½ lakhs due to abandonment of a colliery.
- (iv) *Paragraph 27 of the Audit Report.*—Purchase of wagons involving considerable infructuous expenditure.
- (v) *Paragraphs 32 and 33 of the Audit Report.*—Loss due to faulty manufacture of insulators.
- (vi) *Paragraph 38 of the Audit Report.*—Delay in closing of manufacture suspense accounts.
- (vii) *Paragraph 43 of the Audit Report.*—Loss due to defective wording of an agreement.
- (viii) *Paragraph 44 of the Audit Report.*—Awards to two contractors in arbitration apparently due to inadequate precautions on the part of the Railway administration.
- (ix) *Paragraph 50 of the Audit Report.*—Irregularities and errors in the East Indian Railway Stores Accounts.
- (x) *Paragraph 57 of the Audit Report.*—Claims decreed against a railway in circumstances that indicate negligence.
- (xi) *Paragraph 101 of the Audit Report.*—Fraud in the transactions of a station.
- (xii) *Paragraphs 109 to 111 of the Audit Report.*—Defects in Assisted Siding agreements.
- (xiii) *Paragraph 112 of the Audit Report.*—A side light on the Rail-Road competition problem.
- (xiv) *Paragraph 114 of the Audit Report.*—Absence of the certificate of good condition of the assets of certain railways.

APPENDIX III.

During the meetings of the Public Accounts Committee in 1935, it was suggested that the Railway Department should prepare a memorandum for the Committee showing to what extent Government policy can be said to have affected railways. Specific examples mentioned during the discussion were :—

- (A) The protective policy of Government ;
- (B) Concessions granted to Government Departments ;
- (C) Concessions granted to commercial firms like Tatas ;
- (D) Rebate granted on coal exported from Calcutta ;
- (E) Restriction of out-put from railway collieries ;
- (F) Strategic railways.

(A) PROTECTIVE POLICY OF GOVERNMENT.

The effect on railways of this policy has two aspects :—

- (1) It has tended to affect the receipts of certain railways by altering the direction and course of traffic and average lead of traffic on railways ; and
- (2) It has also tended to increase the cost of stores purchased by railways.

(1) Effect of the protective policy of Government on railway earnings.

It is very difficult if not impossible to assess precisely in terms of money effect on railway earnings of the protective policy, for while one railway may lose considerably another may gain. For example, the North Western Railway have estimated that owing to the protection given to sugar, iron and steel, and cotton manufactured, it has lost, owing to the reduction of imports, *via* Karachi and of long lead traffic therefrom over half a crore of rupees—

Sugar	Lakhs.
Iron and steel	31
Cotton manufactured	12
	11
	54

What is certain is that the average lead is shorter as is shown by the following figures with regard to three of the more important commodities, concerned, *viz.* :—

Iron and steel which received protection from 1924 ;
Cotton manufactured which received protection from September 1927 ; and
Sugar which received protection in 1932.

Iron and Steel.

Year.	Tons carried.	Gross earnings.	Average gross earnings per ton.	Index No.
<i>Iron and Steel.</i>				
1923-24	1,080	1,57,56	14.5	100
1934-35	2,266	2,34,19	10.3	71
<i>Cotton Manufactured.</i>				
1926-27	968	2,51,00	25.9	100
1934-35	1,092	2,45,07	22.4	87
<i>Sugar.</i>				
1931-32	1,080	1,50,62	13.9	100
1934-35	1,414	1,56,82	11.1	80

On the other hand the reduction in lead may be compensated by an increase in the total traffic carried though how far a manifestation of this kind will be due to general economic changes, how far to the stimulus of the protection to the particular industry, it is impossible to say. Generally speaking as protection is designed to raise prices, the increased volume would be due to other causes and even if it were due to protection there would, if orthodox economic theory is correct, be a countervailing reduction of traffic in other commodities especially in those produced for export.

(2) Effect of the protective policy of Government on railway expenditure on the purchase of stores.

It has not been found possible to put a money value on the additional charges imposed on railways by the rise in prices of stores required for railways resulting from protection owing to the complications produced by the enormous charges in the general price level.

The cost of stores purchased by railways has also been increased to a certain extent by the policy laid down in 1929 by the Government for the supply of articles required for public service. This policy is to make purchases of stores for the public service in such a way as to encourage the development of the industries of the country to the utmost possible extent consistent with economy and efficiency. In order to give effect to that policy a certain margin of price preference is given to articles produced or manufactured in India either wholly or in part. Here too it is not possible to give a general picture, but one or two examples can be given. The approximate extra expenditure incurred by railways on this account with reference to their more important stores during the years 1931-32 and 1934-35 has been roughly estimated as follows :—

Lakhs.

(i) Coaching underframes and wagons purchased by 6½
State-managed Railways.

(ii) Coaching underframes and wagons purchased 3½
by Company-managed railways.

In 1927, railways entered into a long term contract with Tatas for the purchase of rails required for use on State-owned railways. This price was some times more than the price of imported rails, but on the whole the long term contract entered into did not involve considerable loss except that in 1930-31 or 1931-32, it was arranged that in view of the fall in the orders placed with Tatas considerably below expectations, an additional price of Rs. 20 per ton should be paid to them. The total payment made in the 2 years as a result amounted to 29½ lakhs.

(B) CONCESSIONS GRANTED TO GOVERNMENT DEPARTMENTS.

(1) Military Department—

The special rates allowed by railways for military traffic were referred to by the Railway Retrenchment Sub-Committee of the Retrenchment Advisory Committee in paragraph 193 of their report which reads as follows :—

“ Our attention has been drawn to the concessions given by railways to the Military Department. Special rates are

apparently quoted for military goods traffic, and all military officers and soldiers of all ranks are entitled on duty, and often on leave, to travel in a higher class on payment of a lower class fare. One of the witnesses who appeared before us (Mr. B. Das, M.L.A.) has estimated the loss to railway revenues at a crore of rupees annually. We have not been able to verify this estimate. We are not aware of the reasons that have led to the latter concession being granted to military personnel, but we are quite convinced that there are none that can justify the cost not being charged to the Army Department, but to railways. This concession, and the special freight rates quoted for military traffic if such rates are not on a remunerative basis, is, in our view, subvention from railways to the Army Department which, apart from any other consideration, railways are not in a position to afford today. We strongly recommend that these concessions should not be continued any longer."

2. The practice of allowing special rates for military traffic originated in 1868. Various alterations in the method of charge were made from time to time, but in 1904 the whole position was re-examined with a view to the adoption of an arrangement which would be equally applicable on mobilization. As a result of this examination, it was decided to introduce from 1st January 1908 a system of charge per vehicle per mile for military traffic in vehicle load and a uniform rate for traffic not in vehicle loads. This is broadly the system in force today. The rates were raised in 1910 and again in 1923 as a result of increased working expenses.

3. The rates now charged for military traffic are as follows :—

I. Coaching Traffic.

- (a) in full vehicle loads, per 4-wheeler—
broad gauge 5½ annas per mile.
other gauges 4 annas per mile.
- (b) when not in full vehicle loads—first class passengers are charged second class fares;
second class passengers are charged third class fares, but when despatched by mail or express trains, the fare chargeable is the lowest rate at which the public are booked by such trains;
third class passengers are charged ordinary third class fares;

- (c) baggage for which Government pays—
0.38 pie per maund per mile;

- (d) Special trains for troops—rates as in item (a) above, subject to a minimum charge as for 16 vehicles.

II. Goods traffic—

- (a) in full vehicle loads, per 4-wheeler—
broad gauge 5 annas per mile.
other gauges 3½ annas per mile.
- (b) consignment not in full vehicle loads—
0.38 pie per maund per mile.

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III. Rates applicable for ordinary public traffic apply in the following cases :—

- (a) Parcels sent by passenger trains when not in vehicle loads;
(b) Coal, coke and patent fuel;
(c) Explosives;
(d) Kerosene oil and liquid fuel, non-dangerous, carried in tank wagons;
(e) Journeys performed by officers and others who draw travelling allowances under the provisions of Passage Regulations, India;
(f) Military stores, the property of Civil Departments, and Military Engineering Services (i.e., stores consigned to Garrison Engineers or Officers Commanding Royal Engineers);
(g) Stores consigned to and by Regimental Canteens, Messes and Executive Officers of Cantonments;
(h) Goods or live-stock not the property of Government in the Defence Department at the time of despatch;
(i) Stores, which, at the time of despatch, have been sold or are for sale to the public.

4. The special rates for military personnel carried as coaching traffic in vehicle loads also apply in the case of military cars, of which there are 89 (all bogies), which are maintained for the exclusive use of military personnel. The military authorities pay 9½ per cent. per annum on the capital cost of these cars for interest, maintenance and depreciation charges. In addition to the charge of eleven annas per mile for loaded haulage, a charge of eight annas per mile for empty haulage is made for these cars.

5. The above bases of charge for military traffic compare as follows with the average earnings of railways :—

Military traffic—

Minimum charge for a special train	Rs. 5/8/ per mile.
Goods traffic in wagons loads	60 pies per wagon per mile.
Goods traffic not in wagons loads	10.34 pies per ton per mile.

Average earnings of railways (broad gauge) for 1934-35.

Railway.	Coaching Earnings per train mile.	Earnings per goods wagons per mile.	Earnings per ton per mile.
	Rs.	Pies.	Pies.
B. N.	3.14	40.6	5.98
B. B. & C. I.	4.28	67.4	10.28
E. B.	2.75	45.1	9.12
E. I.	3.49	37.9	5.41
G. I. P.	2.74	53.2	8.34
M. & S. M.	3.94	52.5	9.30
N. W.	3.84	53.9	9.85
S. I.	2.96	76.8	12.65

6. The Government of India favour the retention of the present arrangement with a slight modification as being a convenience for both the Railways and the Army because :—

- (a) it obviates the necessity for the laborious and often intricate calculations of rates and fares which the application of public tariff rates would necessitate ;
- (b) it is suitable for the special conditions which would obtain on mobilization ;
- (c) it gives the railways an average rate substantially in excess of what they get from public traffic generally ;
- (b) it absolves the Railways from the necessity of loading and unloading vehicle loads which in the case of most traffic carried would have to be done by railways if public rates were charged ;
- (e) Railways are not liable for loss of, or damage to, military consignments in transit under the same terms and conditions as apply when risk note form ' B ' is executed for public traffic ;
- (f) any increase in the rates for military traffic must mean a definite loss to the Government of India, as under the contracts with Company-managed railways the rates chargeable on those lines for military traffic are required to be the same as are prescribed by the Government of India for State-managed lines.

This remark, also applies to lines owned by Indian States, such as the Jodhpur and H. E. H. the Nizam's State Railways.

- (g) on railways in other countries, special rates are allowed for military traffic generally.

7. Apart from the special rates allowed by Railways for military traffic certain concessions in fares are also allowed for military personnel when travelling at their own expense. The more important of these concessions are :—

- (i) Officers not above the rank of Captain get first class tickets on payment of second class fares,
- (ii) Indian officers of the Indian Army,
- (iii) Warrant officers, non-commissioned officers and men, both British and Indian, and their families, get return tickets on payment of single fares.

These concessions have been influenced entirely by commercial considerations.

The withdrawal of the concession now admissible to a junior officer would probably result in driving him and his family (who get no concession) into a lower class, and thereby further accentuate the falling off noticeable within recent years in first class traffic.

Similarly, the withdrawal of the concession for other troops will probably result in deterring the great majority of them from travelling as :—

- (i) most units, particularly in the case of Indian Army, to whom the concession applies only when travelling to their homes, and are stationed far from their homes ;

- (ii) the comparatively small pay they get does not provide a sufficient margin for payment of railway fares ;

In these circumstances and for the following further reasons, the Government of India consider that the concessions now allowed to military personnel when travelling on leave at their own expense, and to their families in certain cases should be continued :—

- (a) it is the practice in Great Britain where the railways are not owned by Government, and also in several other countries to allow such concessions ;
- (b) Railways allow concessions to the general public for certain holiday seasons, e.g., Christmas and the New Year, Easter and Durga Pooja during which a large number of people take their vacation, and these concessions are not of any particular use to officers and men of the Army who are only allowed to go on leave as and when they can be spared.

8. Estimates have been made from time to time about what is called the loss to Railways in allowing special rates for military traffic. What is meant is an estimate of the difference between charges at these special rates and charges at ordinary public rates, for as will be seen from the particulars given in paragraph 5 of this memorandum, there is no actual loss. The position in this respect was reviewed recently by eight of the more important Railways and the aggregate amount of this difference on these railways approximated to Rs. 45 lakhs. Applying the proportion which this difference bears to the total earnings from military traffic on these railways to the earnings of the other three Class I Railways who did not make a similar estimate, the difference in their case works out to approximately Rs. 9½ lakhs and the total may be taken as about 55 lakhs. This is only an estimate and it does not follow that railways would get an increased revenue of this magnitude by charging public rates. This will depend entirely on the extent to which military traffic would be diverted to other competitive means of transport and in any case any increased Revenue to the Railways would be counterbalanced by an exactly similar increase in the expenditure of the Government of India.

(2) *Postal Department.*—The rates charged to the Postal Department (which have now been in force since 1924) are roughly as follows :—

(A) *Postal Special Trains*—

Broad Gauge—

- (a) When public passenger traffic is carried (for a maximum of three bogie vehicles). Rs. 1-8-0 per mile.
- (b) When public passenger traffic is not carried (for a maximum of 3 bogie vehicles). Rs. 2 per mile.
- (c) Additional vehicles per mile Annas four.
- (d) Minimum charge Rs. 75.

Metre Gauge—

- Special trains are charged at (irrespective of the number of vehicles). Rs. 1-8-0 per mile.
- Minimum charge Rs. 50.

(B) Mails carried under the weightment system—

- (a) for regular daily despatches— $1\frac{1}{2}$ pies per maund per mile, subject to a minimum weight for charge as for 5 seers for each despatch ;
- (b) for occasional despatches— $1\frac{1}{2}$ pies per maund per mile, subject to a minimum weight for charge as for 5 seers and also to a minimum payment of 6 annas for each despatch.

(C) Haulage of Postal Vehicles—

Broad gauge	.. ..	36 pies per 4-wheeler per mile.
Metre gauge	.. ..	24 pies per 4-wheeler per mile.

(D) Haulage of non-postal vehicles—

Broad gauge	.. ..	48 pies per 4-wheeler per mile.
Metre gauge	.. ..	36 pies per 4-wheeler per mile.

(E) Mails carried in compartments of non-postal vehicles—

Proportionate charge on the basis of rates shown in (C) above.

Railways have expressed the opinion that these rates are too low and the Indian Railway Conference Association has suggested an increase. Proposals for revision of rates are under discussion. Any increase will of course involve an increased charge on the Postal Budget and of course on the general Budget also.

Certain railways (viz., North Western, Great Indian Peninsula, Madras and Southern Mahratta, South Indian, and Bombay, Baroda and Central India) have assessed the difference between the public tariff rates and the special rates at present in existence at about 39 lakhs.

(C) Concessions granted to Commercial Firms (The Tatas Iron and Steel Company, the Indian Iron and Steel Company, the Bengal Iron and Steel Company).

In 1908, the Bengal Nagpur Railway, with the approval of the Government of India agreed to allow for 25 years to the Tata Iron and Steel Company the following concession rates :—

- (A) 1/15 pie per maund per mile (exclusive of ferry charges and transshipment charges) for—

- (a) raw materials required for the manufacture of iron and steel ;
- (b) finished products and bye-products of cooking ovens from Tatanagar to Calcutta for shipment ; and

- (B) 1/10 pie per maund per mile for articles classified Special class on 1st January 1905 and 1/6 pie per maund per mile for articles classified 1st to 5th classes on 1st January 1905, manufactured by the Tata Iron and Steel Company except those referred to in item (A) (b) above.

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2. In 1914, the Bengal Nagpur Railway similarly agreed to allow for 25 years to the Bengal Iron and Steel Company the following concession rates for the carriage of raw materials only, from and via any station on the Bengal Nagpur Railway to the Company's works :—

- (a) when the traffic amounts to 30 million ton miles or over per annum. 1/15 pie per maund per mile
- (b) when the traffic varies between 20 and 30 million ton miles per annum. Proportionately higher rates.

The agreement expires on the 31st March 1939.

These concession rates have since 1922 been allowed also for raw products consigned to the Indian Iron and Steel Company's works.

As a result of these concessions allowed over the Bengal Nagpur Railway, it was necessary for the East Indian Railway to grant the same concession to the Bengal Iron and Steel Company and the Indian Iron and Steel Company.

3. The agreement with Tatas expired on 30th June 1933, and the Bengal Nagpur Railway proposed a revision of rates on a more remunerative basis which was still lower than public tariff rates. Their proposals were expected to yield approximately 40 lakhs by way of additional revenue annually. On Tata's protesting that the proposed enhancement would seriously affect them, the Bengal Nagpur Railway Company suggested an arrangement to continue the old rates provided Tatas would in addition make an annual lump sum payment of 20 lakhs to the Bengal Nagpur Railway. The Railway Board did not approve of this arrangement but ultimately decided that the revised rates originally proposed by the Bengal Nagpur Railway should apply and a rebate given of 25 per cent. provided that the total traffic exceeded 300 million ton miles during the year. The revised rates (including the rebate) have effect from the 1st July 1933 and will remain in force till 31st March 1939 (when the contract with the other Iron and Steel Companies terminate) and are as follows :—

(a) Coal	At the Bengal coal scale in force at the time inclusive of the surcharge, viz.—		
	1—200 miles	..	165 pie per maund per mile.
	201—400 miles	..	130 Ditto.
(b) Iron ore and lime stone	required for the manufacture of iron and steel	..	12 Ditto.
(c) Manganese ore	(i) From C. P.	..	10 Ditto.
	(ii) From stations on the Amda-Jamda Branch	..	12 Ditto.
(d) Pig Iron for export	..	..	12 Ditto.
(e) Finished products of the Steel Company and Tar.	At schedule B.N./P/1, viz :—		
	Miles—		
	1—299	..	166 Ditto.
	300—499	..	12 Ditto.
	500 and over	..	10 Ditto.
(f) Sulphuric Acid	8 R.R. i.e.,	..	1.04 Ditto.
	6 O.R. i.e.,	..	33 Ditto.
Sulphate of Ammonia	C. F. F. Schedule i.e.,	..	10 Ditto.

4. It has been estimated that for the ten years ending 1931-32, the actual rates charged by the Bengal Nagpur Railway for this traffic yielded about 96 lakhs less than what they would have got if they had charged the ordinary class or schedule rates applicable to similar public traffic. But it is unlikely that the full public tariff rates could have been charged in every case and lower rates would perhaps have had to be quoted for some of this traffic in the ordinary course as is done in similar cases to secure the traffic.

The rates proposed by the Bengal Nagpur Railway in 1933 were approximately 100 per cent. more than the rates charged before and were estimated to yield 40 lakhs more. If it is assumed that these rates (without the rebate) approximate to what the traffic could bear, the value of the concession before 1933 may be taken as roughly 40 lakhs per annum.

Since 1933, the traffic has increased; and in 1935-36, the rebate granted was 26 lakhs which may roughly be taken as the value of the concession at present.

It may be added that the earnings of the Bengal Nagpur Railway increased by 26 lakhs as a result of the new arrangements.

(d) *Rebate granted on coal exported from Calcutta.*

In 1923 on representations made by the coal trade, it was considered desirable that action should be taken to regain for Indian coal the markets that had been lost to foreign coal consequent on restrictions imposed on exports of Indian coal as a war measure in order to conserve the local resources. These restrictions were removed in 1923, but in the meanwhile Indian coal had disappeared from overseas markets. Coal producers and the Port authorities were, therefore, to do their share, and Railways were asked to assist either by reducing the freight for long distance coal or by giving a rebate on coal exported from Calcutta to foreign countries or to other Indian ports.

With effect from 1st January 1924, the Bengal Nagpur and East Indian Railways notified a rebate of 25 per cent. on coal booked to Kidderpore Docks for shipment. On the recommendation of the Indian Coal Committee (1925), the rebate was enhanced to 37½ per cent. for coal certified by the Grading Board: the 25 per cent. rebate continuing on other than graded coal. Finally export coal was exempted from the surcharge of 15 per cent. imposed in 1932 on coal freights (reduced to 12½ per cent. in 1935). The tonnage of coal shipped from Calcutta to ports in India and Burma during recent years has been as follows:—

1931-32	.. .. .	1,669,424
1932-33	.. .. .	1,682,953
1933-34	.. .. .	1,406,344
1934-35	.. .. .	1,712,174

The total amount of the freight rebate (at approximately Rs. 1-5-0 per ton) and of the surcharge waived (approximately ten annas per ton in 1934-35) works out, on the figures for 1934-35, to about 33 lakhs.

From the strictly railway point of view, it may be argued that special concessions granted for cargo coal to Indian ports are against the interest of railway

as they tend to make coal move from Calcutta to the ports in the south and west of India by sea rather than by rail: but the withdrawal of the rebate and the imposition of the surcharge together would mean an increase in coal freights to Calcutta of approximately Rs. 1-13-0 per ton. It appears that the present difference in the F. O. B. price at Indian ports of South African coal as compared with Indian coal is just about a few annas in favour of Indian coal. Any increase in rail freights to Calcutta will, therefore, very probably result in South African coal displacing Indian coal in those markets.

The railways most concerned (the East Indian and the Bengal Nagpur Railways) claim that the actual rate charged for export coal is only 55 per cent. of the public rate and that consequently they can afford to lose 45 per cent. of their present traffic and still make a profit; as in that case, their gross earnings are unimpaired while their actual cost of haulage will be greatly diminished. It is only if the loss in traffic is considerably more than 45 per cent. (which they consider unlikely) that they stand to lose. They point out that the object achieved by the present policy of ensuring that Indian coal is not displaced by South African coal in Indian markets is one which is not directly or purely a railway object and should not involve railways in a loss. It should be possible to achieve it by other means (such as a bounty) which do not impose a burden on railway revenues.

E.—*Restriction on Output from railway collieries.*

The attached statement gives with regard to each of the collieries owned by State-managed railways (*viz.*, Giridih, Bhurkunda, Kargali, Sawang and Bokaro, the last two of which are shared with the Bengal Nagpur Railway) the information necessary to estimate the net loss or gain by our present policy of regulating the output from them.

2. On the best estimates we can make at present, our all-in-costs of extraction, compared with existing prices of market coal of similar quality, are generally unfavourable. The difference involved is in the neighbourhood of 12 lakhs on our existing production of 14,20,000 tons (of which 2,70,000 tons are for the Bengal Nagpur Railway) and on existing market prices. It should be remembered, however, that prices are at a particularly low level now and they are bound to rise

- (i) when general economic conditions improve;
- (ii) if there is an appreciably larger demand from railways as will be the case if we close down our collieries temporarily;
- (iii) if we loose our only weapon of seeing that prices quoted are not unreasonable by closing down our collieries permanently;
- (iv) if, as a result of any measures for conservation of coal that may be given effect to in the near future, costs of extraction in private collieries are considerably increased. It is believed that any increase due to similar causes in the cost of working in State Railway collieries will be much less as most of these are comparatively newly opened.

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Any rise in market prices not accompanied to the same extent by a rise in the cost of production on State Railway collieries will necessarily improve the position.

3. This loss cannot be avoided by closing down all these collieries; for, unless we abandon them altogether, we shall have to incur certain fixed charges such as interest, depreciation, minimum royalty according to the lease, cost of the minimum establishment necessary for care and maintenance to see that the colliery can be reopened when necessary and so on. The total expenditure involved amounts to 25 lakhs if the collieries are kept de-watered. If all (except Giridih) are allowed to flood, the expenditure would be 23½ lakhs about a lakh and a half less, but such a course is not one that can be recommended with confidence. In the case of Giridih, it is absolutely out of the question as the capital cost of re-opening would be prohibitive. Again, according to the terms of the mining leases for all our collieries, continued development and coal raising is required, otherwise claims for forfeiture of the lease by the superior landlord may arise.

4. The immediate loss can be reduced if we abandon the collieries altogether, in which case it is practically only the interest on the capital lost that we should continue to pay. But as the total capital involved is 218 lakhs and the estimated quantity of coal in reserve on the 1st April 1935 was 222 million tons, this is obviously impossible. Apart altogether from the loss in capital and coal reserves, these are our only defence against a combination by the trade to increase prices to railways, and it was with the object of ensuring railways against such a contingency that these collieries were purchased. That the danger is not imaginary can be seen from the prices charged to railways before they acquired their own collieries.

5. These figures also show that by increasing the quantity of coal extracted from these collieries by about a million tons per annum, we can reduce the loss by about 5½ lakhs as the all-in-costs of production per ton will automatically be reduced. Against this, however, must be set the fact that apart from Giridih the coal obtained from railway collieries is second class coal, and an increased output involves replacement of coal bought at present from sources of supply nearer where the coal is required, thus saving cost of haulage. Owing to the present low prices of market coal, it is thus in most cases profitable to us to continue to buy market coal as we can select the collieries so as to reduce haulage to the minimum. In the second place, a large increase in our own production and a consequent large decrease in our purchase from the market may have the effect of driving a large number of the smaller collieries out of existence which will not in the long run be in the interests of railways as reducing competition. In the third place, the increased output involves an increase in the slack coal produced by about 2,50,000 tons, under present conditions in which by a self-denying ordinance railways refrain from selling slack, the additional slack may constitute a serious danger to the collieries, and removal to a comparatively safe locality will involve considerable expenses which has been roughly estimated at 4 annas per ton of slack. On the other hand if the policy of not selling slack were reconsidered, the extra slack might become an additional source of revenue.

Statement

	Present output. Tons in thousands.	Maximum economic output Tons. in thousands.	Present loss on current market prices. Rs. in lakhs.	Loss if any on maximum output at current market prices. Rs. in lakhs.	Savings by increase in output. Rs. in lakhs.	Fixed charges if colliery is flooded. Rs. in lakhs.	Fixed charges if kept de-watered. Rs. in lakhs.
Giridih ..	450	450	4.86	4.86	..	12.08*	12.08
Bhurkunda ..	80	400	3.30	.25	3.05	3.87	4.12
Kargali ..	350	700	1.97	1.31	.66	3.99	4.94
Sawang ..	40	150	.92	.18	.74	1.21	1.38
Bokaro ..	500	700	.94	..	.94	2.28	2.54
	1,420	2,400	11.99	6.60	5.39	23.43	25.06

* Giridih cannot be allowed to flood as the cost of re-opening would be prohibitive.

(f) Strategic Railways.

Strategic railways are administered as part of the North Western Railway system. The total route mileage of these lines at the end of 1934-35 was 1,714 miles and the total capital at charge a little over 34 crores. At present the losses on these lines amount to round about 2 crores per annum. The details are as follows :—

Year.	Loss in working (including depreciation).	Interest.	Total.
1924-25 ..	35.69	122.77	158.46
1925-26 ..	15.33	130.94	146.27
1926-27 ..	32.07	131.35	163.42
1927-28 ..	34.70	134.03	168.73
1928-29 ..	30.19	141.81	172.00
1929-30 ..	47.43	140.09	187.52
1930-31 ..	66.46	146.91	213.37
1931-32 ..	47.52	148.87	196.39
1932-33 ..	55.85	146.55	202.20
1933-34 ..	50.67	144.16	194.83
1934-35 ..	55.48	140.23	194.71

Under the 1924 Convention, the losses on strategic lines were to be deducted from the annual contribution payable on account of commercial lines. From 1931-32 when the contributions had to be suspended, the losses have been borne by railway revenues. Any relief that can be obtained by railway revenues on this account, it need hardly be said, will, under present conditions, be an addition to the general budget.

APPENDIX IV.

Results of the more important changes in rates and fares.

At the meeting (August 1935) of the Public Accounts Committee it was suggested (*vide* paragraph 47 of the Public Accounts Committee's Report, Volume II—'Evidence') that an attempt should be made to work out the effect on traffic of the more important alterations in fares and rates. This suggestion had reference to the statement in paragraph 9 of the Financial Commissioner of Railways' Review of the Appropriation Accounts of Railways for 1933-34, regarding enhancements made to obtain increased revenue. In the following paragraph, such statistics are given as are available showing the fluctuations in traffic following the changes made, as compared with the period prior to the change.

2. *Passenger fares on the Bombay Baroda and Central India Railway.*—Third class fares by ordinary and mail trains were revised as follows:—

Ordinary fares (from 1st April 1931): telescopic.

Previous basis.		Revised basis.	
Distance.	Pies per mile.	Distance.	Pies per mile.
1—150	3½	1—300	3½
151—300	3	over 300	2½
over 300	2½		

Ordinary and mail fares (from 1st July 1932): telescopic.

Previous basis.				Revised basis.			
Ordinary Distance.	Pies per mile.	Mail Distance.	Pies per mile.	Ordinary distance	Pies per mile.	Mail Distance.	Pies per mile.
1—300	3½	1—300	4	1—50	3½	1—50	4½
over 300	2½	over 300	3	51—200	3½	51—200	4
				201—300	3	201—300	3½
				over 300	2½	over 300	3

The number of third class passengers carried by both mail and ordinary trains and earnings were as follows:—

Year.	Number.	Percentage variation over 1930-31.	Earnings. Rs.	Percentage variation over 1930-31.
1930-31	..	..	40,496,419	2,91,37,185
1931-32	..	..	37,079,816	2,74,22,409
1932-33	..	..	37,700,465	2,89,51,755
1933-34	..	..	35,774,076	2,83,85,272
1934-35	..	..	35,848,762	2,87,26,650

3. *Passenger fares on the East Indian Railway.*—The basis of third class fares were revised from 1st October 1931, as follows:—

Previous basis.		Revised basis.	
Distance.	Pies per mile.	Distance.	Pies per mile.
1—50	3½	1—50	3½
51—300	2½	51—300	2½
over 300	1½	over 300	1½

The number of passengers and earnings therefrom for the year 1930-31 to 1934-35 were as follows:—

Year.	Number.	Percentage variation over 1930-31.	Earnings. Rs.	Percentage variation over 1930-31.
1930-31	60,724,000	..	4,56,25,000	..
1931-32	56,050,500	—7.7	4,34,99,000	—4.7
1932-33	54,945,800	—9.5	4,32,59,000	—5.2
1933-34	53,886,400	—11.3	4,14,96,000	—9.1
1934-35	54,996,400	—9.6	4,34,92,000	—4.7

4. *Passenger fares on the North Western Railway.*—Third class fares were revised as follows:—

Previous basis.		From 1st October 1931.	From 1st December 1933.
Distance.	Pies per mile.	Pies per mile.	Pies per mile.
1—50	3½	3½	3
51—300	2½	3	2½
over 300	1½	2	2½

The revision in December 1933 represented a reduction for distances up to approximately 450 miles and a slight enhancement for distances beyond.

The number of passengers and earnings therefrom during the years 1931-32 to 1933-34 were as follows:—

Year.	Number.	Percentage variation over 1930-31.	Earnings.	Percentage variation over 1930-31.
1930-31	70,099,600	..	4,78,42,000	..
1931-32	55,807,900	—20.4	4,24,73,000	—11.3
1932-33	56,937,900	—19.8	4,26,14,000	—10.9
1933-34	58,796,800	—16.1	4,14,71,000	—13.3
1934-35	63,814,800	—9.0	4,15,54,000	—13.1

5. *Passenger fares.*—An examination of the figures in paragraphs 2-4 relating to the changes in third class fares on the Bombay, Baroda and Central India, East Indian and North Western Railways shows that the drop in passenger earnings over the Bombay, Baroda and Central India and East

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Indian Railways has been proportionately less than the drop in the number of passengers carried. The enhancement in the fares thus helped to minimise the loss on falling traffic. On the North Western Railway similar tendencies operated for the years 1931-32 and 1932-33. The figures for 1933-34 and 1934-35 were affected by a further alteration in the fares from December 1933 which represented a reduction for distances up to 450 miles. This alteration had been made in 1933 to test the possibilities of a reduction in fares. A review of the figures for the first twelve months during which the revised fares operated showed that while the number of passengers carried increased by 12 per cent. earnings decreased by 1% as follows :—

Year ending 30th November	Number (in lakhs).	Earnings (in lakhs).
1933	5.47	4.03
1934	6.11	3.98

A further review of the figures for the seven months of December 1934 to June 1935 showed a further improvement in earnings as compared with the figures for the previous corresponding period, but when compared with the figures of 1932-33, the position was still unsatisfactory as will be seen from the following :—

Year.	Number. (in thousands).	Percentage varia- tion over 1932-33.	Earnings. (in thousands). Rs.	Percentage varia- tion over 1932-33.
1932-33	30,883	..	23,220	..
1933-34	34,750	+12.52	22,835	-1.69
1934-35	35,008	+13.36	23,084	-0.62

A review simultaneously made of the earnings on the East Indian Railway on which no alterations in fares had been made, showed that, during the same period of seven months, the number of passengers increased by 5% and earnings by 7 per cent.

Briefly, while the East Indian Railway revenue position improved by 17 lakhs, the North Western Railway's deteriorated by 1½ lakhs.

The North Western Railway have, therefore, again revised their third class fares with effect from 1st January 1936 as follows :—

Distance.	Pies per mile.
1—300	3
over 300	2½

6. *Luggage and Parcels.*—The scale of charges for luggage and parcels was revised generally on principal railways from the 1st May 1931, the revision representing an approximate increase of 15% on the old scale. The earnings from luggage and parcels from 1930-31 to 1933-34 were as follows :—

Year.	Earnings. (In thousands). Rs.	Percentage variation over 1930-31.
1930-31	3,89,10	..
1932-33	3,67,87	-5
1933-34	3,62,11	-7

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Again, the enhancement in fares helped to reduce the loss in earnings from luggage and parcels. This conclusion finds support from the fact that the passenger traffic in 1932-33 and 1933-34 showed a fall of 12% and 15% respectively as against a corresponding fall of 5% and 7% respectively in luggage and parcels. So far as the earnings from luggage are concerned (these are unfortunately not separately available), these may be expected to vary directly with the fluctuations in passenger traffic, but the parcels traffic has also suffered at least from one common factor which is affecting passenger earnings adversely, i.e., road competition. To meet this competition, Railways have had to maintain rates lower than the normal scale rates where they are faced with motor competition.

7. *Coal.*—With effect from the 15th January 1932, Railways imposed a surcharge of 15% on the freight for coal. This was reduced to 12½% with a maximum of Re. 1 per ton with effect from 1st April 1935. The tons carried and earnings therefrom for 1930-31 to 1934-35 were as follows :—

Year.	Tons carried. (in thousands).	Percentage varia- tion over 1930-31.	Earnings. (In thousands). Rs.	Percentage varia- tion over 1930-31.
1930-31	19,788	..	6,19,45	..
1931-32	18,791	-5	5,97,84	-3
1932-33	17,592	-11	5,92,51	-4
1933-34	19,004	+4	6,53,80	+6
1934-35	20,783	+5	7,09,42	+15
1935-36	21,061	+6	6,92,91	+12

8. *Petrol.*—The Bombay Baroda and Central India, Eastern Bengal, Great Indian Peninsula, Madras and Southern Mahratta and North Western Railways enhanced their rates from C/T schedule to C/U schedule from July 1931. The bases of the previous and the revised rates were as follows :—

Distance.	Previous basis.	Revised basis.
	Pies per mile.	Pies per mile.
1—300	.83	.83
301—600	.42	.62
over 601	.38	.49

The tonnage carried over the Railways on which the enhancement was made and the earnings therefrom for the years 1930-31 to 1934-35 were as follows :—

Year.	Tons carried.	Percentage varia- tion over 1930-31.	Earnings. (In thousands). Rs.	Percentage varia- tion over 1930-31.
1930-31	326,800	-5	77,69	-1
1931-32	309,900	-23	76,64	-18
1932-33	250,500	-20	63,50	-16
1933-34	260,300	-16	64,92	-15
1934-35	292,100	-11	74,53	-4

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9. *Sugar*.—An enhancement in the rates by approximately 10% was made by the following Railways :—

Eastern Bengal.
East Indian.
Great Indian Peninsula.
Bengal Nagpur.
Bengal and North Western.

The tonnage carried and the earnings from this traffic for the years 1930-31 to 1934-35 over these railways were as follows :—

Year.	Tons carried.	Percentage variation over 1930-31.	Earnings Rs.	Percentage variation over 1930-31.
1930-31	548,900	..	73,65,700	..
1931-32	500,300	—9	59,50,400	—19
1932-33	530,600	—3	59,73,400	—19
1933-34	832,600	+52	90,96,300	+23
1934-35	792,900	+44	86,41,700	+17

10. *Kerosene oil*.—The rates for kerosene oil were enhanced over railways (Eastern Bengal, East Indian, Great Indian Peninsula, North Western, Bombay Baroda and Central India and Madras and Southern Mahratta) in July 1932 by the withdrawal of the C/S schedule. The old and the revised rates are as follows :—

Distance.	Previous basis. Pies per maund per mile.	Revised basis. Pies per maund per mile.
1—300	.42	..
301—400	.30	.42
401—500	.20	..
501—600	.125	..
601—700	.115	..
over 700	.100	..

The tonnage carried and the earnings therefrom for the years 1931-32 to 1934-35 over the railways concerned were as follows :—

Year.	Tons carried.	Percentage variation over 1931-32.	Earnings (In thousands) Rs.	Percentage variation over 1932-33.
1931-32	853,300	..	1,12,20	..
1932-33	663,700	—22	93,22	—17
1933-34	702,800	—18	1,00,18	—11
1934-35	729,400	—15	1,02,41	—9

11. *Goods Rates*.—It will be seen that the imposition of the 15% surcharge on coal (*vide* paragraph 7) helped to maintain railway revenues and a reduction

made in 1935-36 has led to a fall in revenue, although there has been an increase in the tonnage carried.

As regards petrol (*vide* paragraph 8), with the improvement in trade conditions there has been a partial recovery in the tonnage carried, and the enhancement made has helped to reduce the loss in railway earnings. As against a drop of 11% in tonnage in 1934-35 as compared with 1930-31, there has been a drop of 4% in earnings.

As regards sugar (*vide* paragraph 9), factors other than an alteration in the rates have also contributed to the variations both in the volume of traffic carried by railways and the earnings therefrom. Up to 1931-32 to 1933-34, there was a fall both in tonnage and earnings. But with the recent growth of the sugar industry, however, up-country sugar factories have been able to extend their markets farther afield, leading to increased traffic. Earnings have not increased proportionately with the volume of traffic, as traffic from up-country sugar factories is comparatively short-lead or moves at special reduced rates which have been quoted by Railways to assist the movement of traffic to distant markets. In fact, an analysis of this traffic affords an apt illustration of the difficulties in assessing with any accuracy the effect of alterations in rates.

As regards kerosene oil (*vide* paragraph 10), the fall in tonnage is accounted for partly by trade depression and partly by the greater use of electricity in the larger towns. The sudden drop in 1932-33 was due largely to a rate-war between the two principal oil companies, when stocks were laid in by dealers and speculators. The decrease in earnings has, however, been less than the decrease in the tonnage carried.

This review of freight rates shows clearly how difficult it is to isolate the effects of various general factors affecting the movement of traffic, *e.g.*, depression in agricultural and industrial conditions, growing competition with road transport, changes in the nature of trade demands, etc., etc., in order to estimate with any approximation to accuracy the exact measure of the financial loss or gain consequent on alterations in rates and fares. The difficulties of this assessment are accentuated in a period of continued economic depression.

APPENDIX V.

LETTER FROM THE GOVERNMENT OF INDIA, RAILWAY DEPARTMENT (RAILWAY BOARD), TO THE AGENTS, ASSAM BENGAL RAILWAY, BENGAL NAGPUR RAILWAY, BENGAL AND NORTH WESTERN RAILWAY, BOMBAY BARODA AND CENTRAL INDIA RAILWAY, BURMA RAILWAYS, EASTERN BENGAL RAILWAY, EAST INDIAN RAILWAY, GREAT INDIAN PENINSULA RAILWAY, MADRAS AND SOUTHERN MAHRATTA RAILWAY, NORTH WESTERN RAILWAY, ROHILKUND AND KUMAON RAILWAY, SOUTH INDIAN RAILWAY, H. E. H. THE NIZAM'S STATE RAILWAY, AND THE MANAGER, JODHPUR RAILWAY, No. 3027-B., DATED THE 9TH JULY 1936.

Supplementary grants.

Criticisms have frequently been expressed in discussions in the Legislative Assembly and the Public Accounts Committee that demands for supplementary grants are not placed before the Assembly till after the expenditure

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has already been incurred. The Railway Board are anxious to do all that is possible to avoid grounds for criticism in this respect and desire the co-operation of railway administrations in order to achieve this purpose.

2. Since the sessions of the Assembly generally take place in August-September and January-March, it is desirable that the estimates of railway administrations regarding additional funds required should be in the hands of the Railway Board not later than the 15th August and 15th December each year.

3. The Board recognise that an estimate submitted in August can only be very rough. It can only be based on the expenditure in the first 4 months or less of the financial year and will naturally include only items of new expenditure which were definitely not anticipated in the budget and which cannot be postponed without serious detriment to safety or efficiency. As examples might be mentioned expenditure on reconstruction of a bridge seriously damaged by floods, or expenditure on new staff necessitated by very considerable increase in traffic not foreseen in the budget. In submitting such demands the administration should review the position in as much detail as possible at the time and examine whether such expenditure can be met by savings in expenditure provided for in the budget when such savings can be foreseen or can be achieved without serious damage. A report should be submitted to the Railway Board before the 15th August at the latest whether such examination discloses the necessity of additional grants or the possibilities of net savings in order to enable the Board to set off savings in one railway against excesses on another and to place before the Assembly an estimate of the net additional grant required, if any.

4. The estimate of additional funds required in December can be prepared in conjunction with the revised estimates. The administration will be in a better position than in August to review the whole position and arrive at a reliable estimate of the expenditure likely to be incurred during the financial year and how it compares with funds already provided both in the original budget and by means of supplementary grants, if any.

5. Finally, the position should, as at present, be reviewed finally at the end of February and the Railway Board informed by the first week of March whether on the basis of expenditure up to date the Railway administration require further funds or are in a position to surrender any of the funds already allotted under the various demands.

6. It is needless to say that the demands in all these cases should be supported by adequate explanations of the reasons for the demand.

7. In this connection the Railway Board desire to draw the attention of the Railway administrations to paragraph 15 of the Railway Audit Report, 1936, where it is pointed out that on certain railways reappropriations were made only towards the end of the year. The Railway Board have in the past issued instructions to railways that reappropriations should be made as and when necessary. The whole object is to ensure that, as far as possible funds which are not required are withdrawn from disbursing officers as soon as it is definitely known that they are not required; and incidentally to provide that any really unavoidable expenditure is met from such savings as far as possible.

The Board recognise, however, that it would probably conduce to more effective financial control if reappropriations are not made haphazard on the basis of individual items of expenditure where the original provision is exceeded, and that in many respects it is better to review the position as a whole at intervals and carry out the necessary reappropriations. They therefore consider that advantage should be taken of the review of the whole position which, as prescribed in the above paragraphs, will be undertaken in August, December and February to carry out the re-appropriations necessary; but, when funds have to be provided for new expenditure under one of the sub-heads and the administration are definitely in a position to withdraw the grant from another sub-head for this purpose, re-appropriations can suitably be made at the time.

No. 3027-B.

Copy forwarded, for information and guidance to the :—

Chief Mining Engineer, Railway Board.

Senior Government Inspectors of Railways, Circles Nos. 1, 4, 5 and 7.

Government Inspectors of Railways, Circles Nos. II and II-A.

Administrative Officer, Vizagapatam Harbour Construction.

Chief Controller of Standardization, Central Standards Office.

Copy forwarded for information to the :—

Chief Accounts Officers, Burma, Eastern Bengal, East Indian
Great Indian Peninsula and North Western Railways.

Director, Railway Clearing Accounts Office.

Controller of Railway Accounts and Director of Railway Audit.

APPENDIX VI.

Memorandum by the Auditor General in regard to the improvement in the form of the balance sheets and profit and loss accounts of railway collieries.

The introduction of a system of proper commercial accounts on all collieries worked by Railways was discussed at some length by the Public Accounts Committee dealing with the accounts of 1928-29. The Financial Commissioner, Railways, explained "that the difficulty is one of settling the price which the Railways ought to pay to their own collieries for coal, so that it was not possible to get an exact profit and loss account". The difficulty of ascertaining the true commercial profit of these collieries arises from the fact that Railways to a considerable extent control the coal market. It cannot be definitely stated that the market price quoted for a particular class of coal or coal from a particular colliery would have been the same if a smaller or larger order had been placed by the Railways for that quality of coal. The Committee accepted the explanation and "considered that accurate costing accounts should be kept, including all charges, so that, in a broad way, one could see from year to year whether it paid the Railways to work their own

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collieries or whether they were losing in doing so instead of buying their coal from outside."

2. The Public Accounts Committee, dealing with the accounts for 1929-30, was supplied with forms of accounts to be kept by Railway collieries, drawn up in consultation with the Director of Railway Audit and the Director of Commercial Audit. These forms were drawn up after consulting the forms of *pro forma* Balance sheet and Revenue account similar to the ones used by all coal companies under the management of a certain firm in India. The Committee was satisfied that the general purpose of the recommendations of the previous Committee was being fulfilled.

3. In 1932, an officer of the Railway Accounts Department was placed on special duty to examine thoroughly various matters of detail connected with the accounts of the railway collieries and as the result of his investigation the accounts were overhauled.

4. The forms of annual accounts have again been re-examined by the Director of Railway Audit and the Controller of Railway Accounts and they have both come to the conclusion that they adequately fulfil the purpose for which they were devised. They however consider that the description "Profit and Loss Account" is not only unsuitable but even positively misleading. The object of this statement as already stated is to present "accurate costing accounts, including all charges", so as to furnish information as to whether it was cheaper to raise coal than to buy it in the open market, and the more appropriate heading of the account would be "Statement of all in costs of coal". It will follow that the entries of essential interest to the Public Accounts Committee are those under the heading "Rate per ton".

APPENDIX VII.

Note by the Railway Board regarding Policy of Railways in regard to freight rates to and from ports.

The Public Accounts Committee in paragraph 18 of their report (August 1935) recorded as follows:—

"The Committee desired that the Railway Department should examine and send a note to the Committee to show whether is any basis for the allegation generally made that the rates of freight at present charged operate in such a way as to help the export of raw materials and the import of foreign manufactured goods to the detriment of Indian industries".

2. The Railway Board believe that the origin of this allegation is to be found in the special rates that were being quoted many years ago when industrial conditions in India were very different to what they are at present. Such industries as existed absorbed only a small fraction of India's large supplies of raw materials and could meet only a small part of her demand for manufactured goods. India's foreign trade was, therefore, characterised by large movements of raw materials to the ports and large imports of finished

goods from the ports. This constituted the nature of the demand for transport which the Railways had to meet and to which their tariffs had accordingly to be adjusted.

3. Conditions in this respect have materially altered within the last quarter of a century, but the allegation that the railway freight rates charged operate to help the export of raw materials and the import of foreign manufactured goods continues to be made, apparently because railway tariffs show a large number of special rates quoted for traffic to and from the ports. Practically all these rates have been influenced by the fact that the ports are the chief distributing centres and incidentally also the more important industrial centres.

4. The following extract from the report of the Acworth Committee which enquired into the administration and working of Indian Railways in 1920-21, might be considered as effectively disposing of the charge against Railways on the point in question:—

"149. It is an Indian grievance of old standing—It was voiced in the Legislative Assembly at Delhi in 1915 by a distinguished Indian now a Member of the Executive Council of Bombay, Sir Ibrahim Rahimtoola—that the railways fix their rates to suit their own pecuniary interests—if indeed it be not to suit the interests of European merchants—regardless of the effect of these rates on the native industries of India. And we have no doubt that the charge is accepted as proved by a large proportion of Indian traders.

150. Charges based upon motives are difficult to prove or to disprove. It was not our duty to investigate specific cases in detail, nor would the time at our disposal have permitted us to do so. Unquestionably, low exceptional rates exist for traffic to and from ports especially the great ports of Calcutta and Bombay. But exceptional rates such as these exist in every country, and are justified on the ordinary grounds, not only of the economy of handling goods in large volume, but also of competition between railway systems serving the same distributing or consuming area.

151. In one respect, at least, the Indian Railways have refrained from following the accepted railway practice in other countries. It is usual in most countries to concede for export traffic through a seaport rates which are not available to that seaport for local traffic; and *vice versa* in countries which adopt a Free Trade policy, to fix lower rates for the carriage inwards of goods imported through a port than for goods produced locally at the port town. This practice is not, so far as we have been able to ascertain, followed in India. Bombay receives from up-country large quantities of raw cotton, part of which is worked up on the spot and part exported. Similarly, Bombay distributes to up-country points large quantities of cotton cloth, part of it locally manufactured and part imported. The raw cotton rates down to Bombay port and to Bombay town are the same, and so are

the manufactured cotton rates upwards. The same principle, we understand, is applied elsewhere in the case, for instance, of the great Calcutta jute trade."

5. To permit of an appreciation of railway rating policy it is perhaps necessary to explain that, for the purpose of carriage by goods train, all commodities are grouped into classes of which there are sixteen. This grouping is for the purpose of:—

- arriving at the rate to be charged when no station-to-station or schedule rate is quoted; and
- fixing the maximum and minimum rate per maund per mile within the limits of which all rates, whether station-to-station or schedule must be kept, subject to exceptions specially authorised by the Railway Board.

The maximum rate for commodities in the 1st class is 0.38 pie per maund per mile and for commodities in the highest class 1.87 pie per maund per mile. The minimum rate for the two lowest classes is 0.10 pie per maund per mile and for the remaining fourteen classes is 0.166 pie per maund per mile. Within these maxima and minima Railways are permitted to quote special rates according as circumstances may require. These special rates may be either station-to-station rates quoted from and to specific points or scheduled rates applicable more or less generally. If no special rate is quoted, the rate normally applicable is the maximum of the class in which the commodity is placed.

6. Railways quote special rates when they have reason to believe that the free movement of traffic by railway would not otherwise be facilitated. The existence of alternative competitive routes, e.g., the rivers in Bengal and coastal shipping the opening up and development of new ports, e.g., Vizagapatnam and ports in Kathiawar, also influence the quotation of special rates. The following special rates quoted for cotton illustrate how coastal shipping influences the quotation of such rates:—

	Per maund.
	Rs. a. p.
Navsari to Howrah (1,168 miles)	2 1 9
Broach to Howrah (1,191 miles)	2 4 7

The Railways' classification for cotton is fourth class, the basis of which is 0.62 pie per maund per mile. To the rates arrived at on the actual distance are normally added what are termed "terminal charges". The above rates to Howrah have, however, not been arrived at on the actual distance by railway, but as follows:—

The ordinary railway freight charge to Bombay, plus incidental charges at Bombay which would be incurred if consignments were booked by railway to Bombay in the first instance and re-booked thence to Calcutta, plus the special rate which Railways have quoted from Bombay to Howrah in competition with the sea route.

Had these special rates from Navsari and Broach to Howrah not been quoted the ordinary class rates would have applied via Amalner and Nagpur as follows:

	Per maund.
	Rs. a. p.
From Navsari (1,168 miles)	3 13 8
From Broach (1,191 miles)	3 14 10

With these rates, however, the traffic would not be carried direct to Calcutta, but would move to Bombay and thence re-booked to Calcutta. The quotation of these special rates is obviously justified, but there is no reason for allowing for cotton consigned from Navsari and Broach to, say, Cawnpore special rates on the same or any other basis lower than the fourth class rate. The rates to Cawnpore are accordingly:—

	Per maund.
	Rs. a. p.
From Navsari (831 miles)	2 8 2
From Broach (761 miles)	2 5 4

It will be seen that, although the distance to Cawnpore is 337 miles less than to Howrah and from Broach to Cawnpore 430 miles less, yet the freight rates to Cawnpore are 0.6-5 pies more from Navsari and nine pies more from Broach than they are to Howrah. It is presumably instances of this kind that lend colour to the suggestion that railway freight rates help the export of raw materials to the detriment of Indian industries. If Railways were not permitted to quote special rates, as in the case illustrated, without being compelled to make reductions on the same basis to other centres without similar justification, they would inevitably lose the traffic within competitive areas or else be forced to lose revenue on traffic to areas where there was no competition.

7. Special rates to the ports are also quoted in order to assist in getting commodities placed on the markets of the world in competition with other producing countries. For example, low special rates have been quoted for manganese ore from the Central Provinces to the ports of Bombay, Calcutta and Vizagapatnam, and for chrome ore from Baluchistan to Karachi, as such traffic could not possibly move if the class rate (in these cases first class, i.e., 0.38 pie per maund per mile) were applied. The North Western Railway have also notified a rebate of 25 per cent. of the railway freight charges on wheat carried to Karachi for export to ports west of Aden with a view to facilitate the export of surplus produce in competition with wheat from other countries. In spite of this substantial reduction, the tonnage exported has been comparatively insignificant.

8. During the course of the discussion at the meeting of the Public Accounts Committee (vide the first paragraph of this memorandum) it was

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suggested that the rates for piece-goods and for rice in the Madras Presidency might in this connection be examined. The rates for piece-goods from the ports of Bombay, Calcutta, Karachi and Madras have been compared with those quoted for internal movements by the Railways serving these ports. In no case has the traffic any greater advantage in the matter of freights than it is open to such traffic to secure by existing alternative channels of transport over which the Railways have no control. For example, for piece-goods from Bombay to Calcutta (1,221 miles) the rate per maund is Re. 1-1-0 per maund whereas from Bombay to Nagpur (518 miles) the rate is Rs. 2-2-11 per maund. In the latter case, no convenient alternative mode of transport is available, and the rate is, therefore, based on the classification of the commodity (as explained in paragraph 5) on the actual distance from Bombay to Nagpur. In the case of traffic from Bombay to Calcutta, a rate on the same basis would result in the entire traffic offering being carried by sea. The special rate to Calcutta is, it may be added, applicable both for imported and for indigenous piece-goods.

As regards the freight rates for rice in the Madras Presidency, the Railways principally concerned are the Madras and Southern Mahratta and South Indian. On the Madras and Southern Mahratta Railway, the rates chargeable over the system generally are the maximum, i.e., 0.38 pie per maund per mile, but for consignments of not less than 400 maunds from broad gauge stations and 270 maunds from metre gauge stations, the schedule C/G rate applies. The basis of this schedule, which is telescopic, is as follows:—

Miles.	Pie per maund per mile.
1—300	 38
301—400	 30
401—500	 20
501—600	 125
601—700	 115
over 700	 10

Lower rates than those arrived at under this schedule are quoted for internal movements but not for traffic from the ports.

On the South Indian Railway, the rates for traffic from the ports are the maximum, i.e., 0.38 pie per maund per mile, while for internal movements there are special rates varying from 5 to 31 per cent. lower than the maximum.

9. The detailed examination made by the Railway Board of the rates policy of Railways in regard to port rates does not indicate that any of these rates operate to the detriment of Indian industries. On the contrary, a very large number of special rates have been quoted for Indian industries on a basis

appreciably lower than those applicable from the ports, e.g., for sugar from the sugar producing areas, iron and steel from Tatanagar, etc.

APPENDIX VIII.

Report by the Railway Board on the financial results of the electrification of the South Indian Railway in Madras.

The Public Accounts Committee desired to have a report on the financial results of the electrification of the suburban section of the South Indian Railway. The first complete year of working of the electric service was 1932-33, the electric service having been started on the 11th May 1931. The Financial results for the years 1932-33, 1933-34 and 1934-35 are shown in the attached statement. This statement has been prepared by the Railway Administration in consultation with the Government Examiner of Accounts. In preparing this statement the same form as that prepared in 1933 by Mr. Nixon, then Director of Railway Audit, for exhibiting the financial results of electrification of the Great Indian Peninsula and Bombay, Baroda and Central India Railways has been adopted.

2. The figures are summarised below:—

	Traffic in train miles (lakhs).	Percentage of net savings on net outlay.
Estimate	Not available.	13.00
1932-33	6.77	2.46
1933-34	6.13	0.48
1934-35	6.01	1.81

Figures for 1935-36 are not yet available.

3. The poor results are due to the large increase in cost over estimates (from 47 to 74 lakhs) and the fall in earnings.

4. As regards the increased cost of 27 lakhs, the greater part of the increase is due primarily to a change of allocation of the total expenditure between the electrification scheme and the Madras improvement scheme with which it was originally combined. Efforts were made to separate the two schemes, but they were so interlaced that it was difficult to fix a definite border line. Finally, a sum of about Rs. 15 lakhs, being the cost of automatic signalling and interlocking, quarters for operating staff and electric lighting of stations and quarters, which were originally considered to be part of the improvement scheme, was debited to the electrification scheme. In considering the results, therefore, of the latter, it would be justifiable to exclude this item. If this is done, the gross outlay would be reduced from 74 lakhs to 59 lakhs and the net outlay from 37½ lakhs to 22½ lakhs.

The return on capital will then be—

1932-33	..	9.20
1933-34	..	2.82
1934-35	..	5.00

5. The other reasons for the excess in cost were as follows :—

- (i) New works not originally contemplated but subsequently found necessary during the execution of the work (2.7 lakhs).
- (ii) Payment made to the Telegraph Department for shifting of Government telegraph lines not originally provided for (2.9 lakhs).
- (iii) Excess in the actual cost of sub-station buildings and electric lighting of stations (2.7 lakhs).
- (iv) Purchase of additional electric stock for goods services not part of the original scheme (5 lakhs).

6. As regards the fall in earnings, the total number of passengers carried showed a considerable increase as compared with 1925, but the passengers fares had to be reduced and cheap season tickets introduced for servants at a nominal rate of 6 annas per month for a distance of 10 miles to combat the severe bus competition. The position would have been worse but for the electrification.

7. The Director of Railway Audit has questioned the correctness of the assumption made in these calculations that the number of train miles would be the same both by steam and electric traction (which follows what was done in examining the electrification schemes on the Great Indian Peninsula and Bombay, Baroda and Central India Railways). His reason for the doubt is that in the original estimate, when comparing steam with electric traction, the Consulting Engineers had based their calculations on 26 steam trains a day and 43 electric trains a day. From this he infers that they meant to equate the two. This point will be further considered, but from the papers available it is considered more likely that the consulting Engineers were taking into account the maximum capacity per day in each case. Electric traction has a definite advantage over steam traction in a greater acceleration and a quicker turn round and consequently, if necessary, 43 electric trains can be worked a day, whereas the maximum with steam trains would be only 26.

8. The Director of Railway Audit has also expressed a doubt about the assumption that an expenditure of 22 lakhs would have been incurred on the purchase of all-steel coaches if the electrification scheme had not been carried out. In his opinion it is problematical whether the comparatively costlier steel coaches would actually have been ordered instead of ordinary wooden coaches, if steam traction had been decided upon. The Railway Board agree that very likely all-steel coaches would not have been ordered if steam traction had been decided upon. On the other hand, steam operation could not provide an equivalent service to that which is being maintained with electric traction and it is the improved service which has created the demand.

SOUTH INDIAN RAILWAY.

Financial Results of Madras Suburban Electrification.

No.	Particulars.	Estimate.	Actuals.		
			1932-33.	1933-34.	1934-35.
		Lakhs of Rs.	Lakhs of Rs.	Lakhs of Rs.	Lakhs of Rs.
1	Traffic lakhs of Train Miles (Steam)	..	6.77	6.13	6.01
2	Gross outlay on Electrification	47.36	63.93	74.08	74.33
3	If no electrification, estimated extra steam outlay for increased traffic.	31.00	31.00	31.00	31.00
4	Cost of steam stock released because of Electrification.	7.21	5.76	5.76	5.76
5	Net outlay on Electrification (Item 2, item 3—Item 4).	9.15	27.17	37.32	37.57
6	Cost of steam working—Working Expenses excluding depreciation.	5.77	6.38	5.79	5.81
7	Cost of Electrical Working—Working Expenses excluding depreciation.	4.31	4.89	4.49	4.00
8	Gross savings in working expenses due to Electrification (Item 6—Item 7).	1.46	1.49	1.30	1.81
9	Depreciation on gross outlay on Electrification at 3 per cent. (Item 2).	1.42	1.92	2.22	2.23
10	Depreciation on steam outlay avoided at 3 per cent. on items 3 and 4.	1.15	1.10	1.10	1.10
11	Increase in annual depreciation charges due to Electrification (Item 9—Item 10).	0.27	.82	1.12	1.13
12	Net savings in working expenses due to Electrification (Item 8—Item 11).	1.19	.67	.18	.68
13	Percentage of gross saving without allowing for depreciation on gross outlay. (Item 8 × 100) (Item 2).	Percent- age.	Percent- age.	Percent- age.	Percent- age.
		3.08	2.33	1.75	2.44
13(A)	Percentage of gross savings (after allowing for depreciation on Electric outlay) on gross outlay [Item (8—9) × 100 Item 2].	.08	— .67	— 1.24	— .57
14	Percentage of gross savings on Net outlay (Item 8 × 100) / (Item 5).	15.96	5.48	3.50	4.82
15	Percentage of net savings (after allowing for depreciation) on gross outlay (Item 12 × 100) / (Item 2).	2.51	1.05	.24	.91
16	Percentage of net savings (after allowing for depreciation) on net outlay (Item 12 × 100) / (Item 5).	13.00	2.46	.48	1.81

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APPENDIX IX.

Summary of the approximate financial results of Indian State-owned railways in 1935-36.

Approximate figures of railway revenue and expenditure for 1935-36 which are now available show a deficit of nearly 4 crores, which is over half a crore less than the revised estimate made in February last and over a crore less than the deficit in 1934-35.

For the greater part of 1935-36, railway revenues were more or less steadily worse than the previous year. It was only in the last 5 or 6 weeks of the year that there was a welcome change.

Gross traffic receipts of State-owned railways for 1935-36 amounted to 90-2/3 crores or about half a crore more than in the previous year.

Ordinary working expenses (excluding depreciation) amounted to 50½ crores or half a crore more than in the previous year. As the increase due to withdrawal of the cut in pay amounted to 90 lakhs, this was tantamount to a decrease of nearly 40 lakhs, in expenditure coinciding with an increase of half a crore in earnings.

According to the new method of calculation of the contribution to the Depreciation Reserve, the amount set apart for depreciation was 13½ crores, or nearly half a crore less than in the previous year.

Net traffic receipts were 26·60 crores or 39 lakhs more than in 1934-35.

Miscellaneous transactions resulted in a net addition of 86 lakhs against 53 lakhs in the previous year, and the net revenue available for meeting interest charges was nearly 27½ crores, about ½ crore more than in 1934-35.

The total interest payable was 31·42 crores, or 38 lakhs less than in 1934-35.

The deficit was just under 4 crores and 110 lakhs less than in the previous year.

The appropriation to the Depreciation Fund was 13½ crores, and the amounts withdrawn for renewals amounted to 9½ crores. The net accretion to the Fund of 4 crores was almost entirely required to meet the deficit, and the actual balance at the credit of the Fund was increased by only 6 lakhs during the year.

The actual balance at credit of the Fund was 9½ crores ; and the nominal balance 41 crores.

The total capital expenditure was 2½ crores ; and stores balances remained practically unchanged at about 9-1/3 crores.

At the end of 1935-36, the liabilities of railways amounted to 57½ crores, of which 31½ crores represent loans from the depreciation fund and 25½ crores unpaid contributions due to general revenues from 1931-32 to 1935-36.

The ratio of ordinary working expenses to gross traffic receipts was 56 per cent.

The ratio of total working expenses (including depreciation) was 70 per cent.

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These ratios are about the same as in the previous year.

The ratio of net revenue to the capital at charge was 3·44 per cent. against 3·36 per cent. in the previous year.

Taking all Class I railways together, goods earnings in 1935-36 were a trifle better. In four main commodities, earnings were considerably lower than in 1934-35. These were Rice (41 lakhs) Grams and Pulse (25 lakhs), oil seeds (21 lakhs), Jute (29 lakhs). On the other hand, the earnings were distinctly better in 3 main commodities—Metallic ores (35 lakhs), Cotton raw (35 lakhs), Iron and steel (23 lakhs). Small improvements in many other commodities resulted in a total net improvement in goods earnings of about 40 lakhs.

	1934-35.	1935-36.	
		Revised estimates.	Latest approximate estimates.
Gross Traffic receipts	90·20	90·00	90·65
Ordinary operating expenses	50·27	50·75	50·80
Depreciation	13·72	13·26	13·25
Net traffic receipts	26·21	25·99	26·60
Net Miscellaneous receipts	·53	·84	·86
Total net revenue	26·74	26·83	27·46
Interest	31·80	31·37	31·42
Deficit	5·06	4·54	3·96

APPENDIX X.

Memorandum by the Financial Commissioner of Railways on the policy of the Railway Board in the matter of stores purchases.

1. The Standing Finance Committee for Railways at their meeting held on the 21st September 1935 desired to be furnished with a memorandum detailing the policy followed by the Railway Board in the purchase of stores.

2. The Railway Board strictly follow the policy laid down in 1929 by the Government of India in the preamble to the rules for the supply of articles required to be purchased for the public service (Annexure A). The policy of the Government of India in this matter, as enunciated in those rules, is to make purchases of stores for the public service in such a way as to encourage the development of the industries of the country to the utmost possible extent consistent with economy and efficiency.

3. In order to give the fullest effect to that policy the following procedure has been laid down by the Railway Board :—

- (i) Purchases of rails and fishplates, sleepers, locomotives, coaching underframes, goods stock and coal for the State-managed railways are controlled by the Railway Board. Company-managed railways have voluntarily agreed to come into the combined arrangements for purchases in many respects, e.g., rails.

- (ii) The power of giving price preference in favour of indigenous products in order to encourage existing and new industries in India has been retained by the Railway Board and has been used freely. When purchasing locomotives and carriage and wagon fittings and components State-managed railways are required to refer to the Railway Board before any tenders for imported stores are accepted.
- (iii) As regards other classes of stores manufactured in India, railways are required to submit to the Railway Board quarterly reports detailing with full reasons for their action all cases where they have placed orders for materials of foreign manufacture when tenders were received for the same materials of Indian manufacture. This was one of the recommendations of the Railway Retrenchment Sub-Committee whose remarks on the subject of stores purchase are reproduced in Annexure B for facility of reference.
- (iv) The Railway Board is increasing the types and quantity of stores purchased through the Indian Stores Department on behalf of State-managed railways. The Board meets the Chief Controller, Indian Stores Department, half-yearly to discuss and settle with him new items of railway stores, the purchase of which by State-managed railways through the agency of the Indian Stores Department should be made obligatory. Consequently the value of stores purchased by the Indian Stores Department on behalf of Indian railways has increased from Rs. 74 lakhs in 1927-28 to Rs. 265 lakhs in 1934-35.

4. One or two concrete instances of action taken by the Railway Board to help and encourage existing industries and to foster new ones in India during the past few years are given below :—

- (a) All orders for major bridge work and for the renewal of large bridges such as the Ava (Burma), Willingdon (E. I. R.), Broach (B. R. and C. I.), Chambal and Sindh (G. I. P.) have been placed for construction in India by Indian firms.
- (b) For the years 1933-34, 1934-35 and 1935-36 orders for the construction of approximately 3,000, 3,000 and 3,750 new wagons respectively were placed with Indian firms for construction in India.
- (c) Due largely to the progress made in standardization of design—
- (i) Vacuum brake material used on coaching and goods stock is now wholly manufactured in India.
- (ii) The manufacture in India of permanent-way fittings, track tools, etc., and the development of the re-rolling industry has been increased enormously.
- (iii) A factory has been started in Calcutta to manufacture railway rubber fittings.

- (d) The manufacture of points and crossings and signal material has been discontinued in some railway workshops and restricted in others to mere repair operations, and orders for all new works are placed in the market in India.
- (e) Results of experiments and tests carried out by railways on new stores and material (largely indigenous products) are now circulated to the Board, Indian Stores Department, and other State-managed railways. When an item has been found to be unsatisfactory owing to its being inferior to other makes or brands, not up to specification, etc., its deficiency is specially investigated.

6. A statement showing the value of stores (imported direct, imported stores purchased in India, and indigenous stores) purchased by the State-managed railways and Company-managed railways during 1931-32, 1932-33, 1933-34 and 1934-35, the value of stores purchased by these railways through the Indian Stores Department and the value of stores purchases controlled by the Railway Board is attached for the information of the Committee. The value of stores purchased by railways through the Director General, India Store Department, London, during the same period was as follow :—

				£	Rs.
1931-32	..	..	..	23,485	= 3,13,133-5-4
1932-33	..	..	..	28,507	= 3,80,093-5-4
1933-34	..	..	..	44,763	= 5,96,840-0-0
1934-35	..	..	..	35,669	= 4,75,586-10-8.

ANNEXURE A.

Rules for the supply of articles required to be purchased for the public service.

PREAMBLE.

The policy of the Government of India is to make their purchases of stores for the public service in such a way as to encourage the development of the industries of the country to the utmost possible extent consistent with economy and efficiency, and the following rules, which are applicable to the purchase of stores (other than printing and stationery stores) for the Government of India and for provinces other than Governors' provinces are prescribed in accordance with this policy. These rules supersede all previous orders on the subject.

In order to give effect to the above policy preference in making purchases will be given in the following order :—

First, to articles which are produced in India in the form of raw materials, or are manufactured in India from raw materials produced in India, provided that the quality is sufficiently good for the purpose ;

Secondly, to articles wholly or partially manufactured in India from imported materials provided that the quality is sufficiently good for the purpose ;

Thirdly, to articles of foreign manufacture held in stock in India provided that they are of suitable type and requisite quality ;

Fourthly, to articles manufactured abroad which need to be specially imported.

Departments of the Government of India, or officers specially authorised in this behalf, may, when they are satisfied that such a measure is justified, allow a limited degree of preference in respect of price to articles produced or manufactured in India either wholly or in part.

Rule 1.—Save as provided in Rules 7 and 8, all articles required to be purchased for the public service shall be purchased on the condition that delivery shall be made in India for payment in rupees in India.

Rule 2.—Tenders shall be invited in India, and abroad also when considered desirable, for the supply of all articles which are purchased under rules 1 to 4, unless the value of the order to be placed is small or sufficient reasons to be recorded exist which indicate that it is not in the public interest to call for tenders. No tender which fails to comply with the conditions as to delivery and payment prescribed in Rule 1 shall be accepted.

Rule 3.—All articles, whether manufactured in India or abroad, shall be subject to inspection before acceptance, and articles for which specifications and/or tests have been prescribed by competent authority shall be required to conform to such specifications and/or to satisfy the prescribed test or tests which may be carried out during manufacture or before or after despatch from the suppliers' premises.

Rule 4.—Important plant, machinery and iron and steel work shall be obtained only from firms approved by the Chief Controller of Stores, Indian Stores Department, and specified in the lists issued by him from time to time.

Rule 5.—In the case of important construction works let out on contract, articles required for the construction of such works may be supplied by the contracting firm provided that when specifications and/or tests have been prescribed for such articles they shall conform to such specifications and/or shall satisfy such tests.

Rule 6.—Nothing in these rules shall be deemed to prohibit the purchase of articles by one Department or Railway from another.

Rule 7.—The articles enumerated in the Schedule below or any other articles of a special or unusual character, may, when suitable and economical purchases cannot be made in accordance with the preceding rules, be obtained without reference to those rules subject to the following conditions :—

(a) Where the value of the purchase exceeds Rs. 5,000 the purchasing officer shall place on record his reasons for not effecting the purchase in accordance with the preceding rules.

(b) The purchasing officer may at his discretion either obtain the article that he requires by indent on the India Store Department, London, or purchase it direct from manufacturers or dealers abroad. Where resort is had to direct purchase from manufacturers or dealers abroad, tenders shall, whenever practicable, be first obtained.

(c) When articles are purchased abroad under this rule through the agency of the India Store Department, London, payment shall be made by that department.

In other cases payment shall be made—

(i) in countries other than Great Britain and Northern Ireland, direct to the suppliers by the purchasing officer ;

(ii) in Great Britain and Northern Ireland, through the High Commissioner for India.

Rule 8.—Lethal weapons, munitions of war, technical apparatus and equipment, and any other stores required by the Naval, Military or Air Forces of the crown in India for which drawings, patterns, specifications, or designs have been issued, prescribed or announced by the Admiralty, War Office, Air Ministry, Government of India, or Commander-in-Chief in India, shall be obtained by indent on the India Store Department, London, unless they are available in India in accordance with the prescribed drawing, pattern, specification or design. Any departure from this rule requires sanction of the Government of India, and whenever an expenditure exceeding Rs. 20,000 is incurred in any individual case to which such sanction has been accorded it shall be reported to the Secretary of State for India in Council.

SCHEDULE

- (i) Seeds.
- (ii) Cinchona Bark.
- (iii) Articles for experimental purposes.
- (iv) China, glass, cutlery, plate, crockery and perishable fabrics, including linen for residences which are furnished by Government.
- (v) Copper, zinc and other non-ferrous metals produced in Australia or America.
- (vi) Timber produced in Australia or North America.
- (vii) Such articles as the Superintendents of Vaccine Depots may require for the preparation of vaccine lymph.
- (viii) Chemicals and scientific instruments.
- (ix) Preserved and tinned foodstuffs.
- (x) Articles required for Viceregal residences.

ANNEXURE B.

CHAPTER XII.

MISCELLANEOUS MATTERS.

Stores Purchase.

189. We held a joint meeting with the Stores and Printing and Stationery Retrenchment Sub-committee to discuss the purchase of stores for Railways

through the Indian Stores Department. The total purchases made by railways through the Indian Stores Department in 1929-30 amounted to 1½ crores, whereas the total cost of material purchased amounted to 30 crores of which 13½ crores represented indigenous material. We must, however, observe that the proportion of purchases through the Indian Stores Department should not be taken on the figure of 30 crores, as this includes materials like rolling stock, permanent way, bricks, ballast, etc., which it is neither necessary nor practicable to buy through the Indian Stores Department. We recognise that it is difficult to lay down general principles in this matter and that each case must be considered on its merits. We think that the present system by which the Railway Board discuss periodically with the Indian Stores Department the new classes of stores that can be added to the list of stores purchased through the Indian Stores Department is a convenient and practical method. We agree with the Chief Controller of Stores, that, though Railways can in many cases buy as cheaply directly as through the Indian Stores Department, they should take into account the fact, that other smaller departments get the benefit of lower prices on account of combined purchases on a large scale. This argument applies strictly to articles which are in demand by other departments as well as by railways. Both the Chief Commissioner and the Financial Commissioner of Railways agree that when, with regard to any class of stores, they were convinced that it would be advantageous to the State as a whole to purchase through the Indian Stores Department, they would consider handing over the purchase to them and not look to the interests of railways alone.

190. In pushing too far the system of bulk purchase through the Indian Stores Department, or otherwise, two dangers are to be guarded against. One is the possibility—and undesirability—of increasing stores balances. The other is the risk of the system of bulk and centralised purchase resulting in giving an advantage to the foreign manufacturer who has the benefits of mass production and can usually quote better terms than the indigenous manufacturer who usually manufactures on a small scale, and in preventing new firms from getting a footing in the market, thus leading to the formation of a combine.

191. We observed a flaw in the present procedure for considering price preferences to indigenous material since powers have not been delegated to Agents or railways by the Government of India. It is only when a recommendation is made to the Railway Board by the Agent that they can decide whether a preference should be given or not. We feel that some Agents might, not knowing the Railway Board's policy in the matter, consider a particular percentage unreasonably high, and refrain from referring the matter to the Railway Board whereas if the matter is referred to the Railway Board it is possible that the difference in price might be considered by the latter to be so small as to justify the indigenous material being preferred. We recommend that railways should report periodically to the Railway Board all cases where the Agent has without a reference to them decided to place orders for foreign material, because in his opinion the disparity in price was too high. We also recommend, that with a view to facilitate the active compliance by Agents with the policy of the Government in this regard, powers may be delegated to Agents authorising them to give price preferences to a limited extent (say 5 per cent.), provided that the amount in any case does not exceed

a fixed maximum (say Rs. 500). If this recommendation is accepted, it should be made clear to Agents that these limits do not represent the maximum preference which the Railway Board are prepared to give which must necessarily depend on the circumstances of each case.

Statement showing the value of stores purchased by the State-managed and Company-managed railways during 1931-32 to 1934-35, the value of stores purchased by those Railways through the Indian Stores Department and the value of stores purchases controlled by the Railway Board for those Railways during those years.

(Figures in thousands.)

Railways.	Total value of stores purchased.				Value of stores purchased through Indian Stores Department.	Percentage Column 6 to 5.	Value of stores purchases controlled by the Railway Board.	Percentage Column 8 to 5.
	A.	B.	C.	Total.				
1	2	3	4	5	6	7	8	9
1931-32.								
State ..	1,03,23	2,91,56	5,47,71	9,42,50	1,18,08	12.5	4,51,48	47.9
Company ..	1,41,21	1,28,46	3,87,24	6,56,91	7,87	1.2	1,73,73	26.4
Total ..	2,44,44	4,20,02	9,34,95	13,99,41	1,25,95	7.8	6,25,21	39.1
1932-33.								
State ..	8,54	2,26,28	3,95,16	6,29,98	1,46,84	23.3	2,61,05	41.4
Company ..	79,00	1,07,12	2,87,83	4,73,95	4,70	99	95,87	20.2
Total ..	87,54	3,33,40	6,82,99	11,03,93	1,51,54	13.7	3,56,92	32.2
1933-34.								
State ..	66,81	2,50,63	4,94,51	7,51,95	1,70,92	22.7	3,22,17	42.8
Company ..	66,36	1,12,71	2,65,56	4,44,63	3,81	.85	77,58	17.4
Total ..	73,17	3,63,34	7,60,07	11,96,58	1,74,73	14.6	3,99,75	33.4
1934-35.								
State ..	5,40	2,58,28	5,41,52	8,05,20	2,53,51	31.38	3,48,19	43.2
Company ..	1,10,90	1,45,65	3,51,58	6,08,13	6,15	1.01	1,40,18	23.05
Total ..	1,16,30	4,03,93	8,93,10	14,13,33	2,59,66	18.37	4,88,37	34.5

Note.—A.—Imported direct.

B.—Imported stores purchased in India.

C.—Indigenous.

APPENDIX XI.

Memorandum by the Railway Board on the progress of job analysis on Indian Railways up to 31st March 1935.

The Public Accounts Committee desired to have a report on the progress made in the job analysis on Indian Railways. The memoranda printed as Appendices VI and VII to the report of the Public Accounts Committee on the

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accounts of 1933-34, Vol. I, Part II, explain the position as it stood on the 31st March 1934. The figures for the year 1934-35 are given in paragraph 12 of the report by the Railway Board on Indian Railways, Vol. I, a copy of which is attached.

COPY OF PARAGRAPH 12 OF THE REPORT BY THE RAILWAY BOARD ON INDIAN RAILWAYS FOR 1934-35.

12. *Mr. Pope's investigations.*—It was mentioned in the last year's report that the work of job analysis was still in hand on most of the railways and that the recommendations made by Mr. Pope in his second report were under the consideration of the Railway Board. The more important of the recommendations contained in the second report were on the following subjects:—

- (i) Intensive use of locomotives.
- (ii) Intensive use of coaching stock.
- (iii) Intensive use of machinery and plant.
- (iv) Uneconomical wagons.
- (v) Combining resources between railways.
- (vi) Handling and transport of small traffic and of traffic to be trans-shipped at break-of-gauge stations.
- (vii) Ticketless travel.
- (viii) Methods of increasing earnings.

The Railway Board and Railway Administrations have already taken action in regard to some of the recommendations while others are under further detail investigation. Job analysis was continued on most of the Railways during the year under review and the following table shows the economies effected side by side with the cost of the organisations for the two years 1933-34 and 1934-35.

Railways.	1933-34.		1934-35.	
	Cost of Job analysis organisation.	Savings effected.	Cost of Job analysis organisation.	Savings effected.
	Rs.	Rs.	Rs.	Rs.
E. I.	77,691	7,01,128	92,884	18,14,544
G. I. P.	56,680	4,15,000	64,000	2,04,246
N. W.	32,000	12,68,749	46,006	12,37,376
E. B.	63,000	2,14,864	65,995	1,29,508
B. B. & C. I.	58,789	3,52,862	35,300	11,41,596
M. & S. M.	8,750	45,220	17,632	1,14,000
S. I.	19,580	27,400	2,180	25,000
Burma	7,500	25,871	26,615	73,352
Assam-Bengal	12,825	1,31,755	8,208	12,659

The subject of the organisation required to conduct job analysis was discussed with the Agents of principal railways in October 1934 and the majority held that a special organisation was no longer necessary, and that it would be

preferable to make a yearly allotment to railways to utilise as they might think fit for carrying out special investigations. This, accordingly is being done on certain railways.

APPENDIX XII.

Report by the Railway Board on the financial results of the electrification of the railways in Bombay.

The attached statements which have been prepared in consultation between the Railway Administration and the Statutory Auditor concerned show the financial results of the electrification scheme on the Great Indian Peninsula and Bombay, Baroda and Central India Railways for the years 1930-31 to 1935-36. These have been prepared on the same basis as those which were prepared by Mr. Nixon as Director of Railway Audit in October 1933, and were placed before the Public Accounts Committee in 1934. The figures for the Great Indian Peninsula Railway show the result of all the schemes in a consolidated form as they are inter-dependent. It was found impossible to separate the figures for suburban services as the expenditure has not been separately booked under main line and suburban electric services.

2. The figures for the two railways are summarised below:—

	Great Indian Peninsula.		Bombay, Baroda and Central India.	
	Traffic in train miles.	Percentage of net savings on net outlay.	Traffic in train miles.	Percentage of net savings on net outlay.
	Lakhs.		Lakhs.	
Estimate	55.40	10.51	16.60	16.93
1930-31	42.50	4.80	14.28	10.35
1931-32	41.87	5.37	13.43	10.96
1932-33	41.21	5.23	12.56	11.62
1933-34	41.85	4.90	14.00	13.43
1934-35	41.80	4.42	14.07	15.54
1935-36	42.37	4.86	14.31	16.63

3. On the Great Indian Peninsula Railway the decrease in the percentage in 1933-34 was due to certain adjustments between capital and revenue, and expenditure incurred for the first time on the normal periodical overhaul to electric locomotives. In 1934-35 the expenditure on overhauls and repairs increased. In 1935-36, besides the increase in traffic, the repairs to stock were not carried out on the same scale as in the previous year and economy was effected in the repair cost and stores. A reduction in staff was also made.

4. The more favourable results obtained on the Bombay, Baroda and Central India Railway as compared with the results on the Great Indian

Peninsula Railway are due to the fact that the gross capital expenditure in the former case was reduced to a much larger extent proportionately by the credit for the steam stock released. The actual value of this has proved to be even larger than was originally estimated. The results of 1935-36 are better than those of the previous year on account of the saving effected in the cost of electric current due to rewiring of buildings and change in the source of supply of electric current from Bombay Electric Company to Tatas.

5. The percentage given above have been worked out after taking the net outlay as equivalent to the gross outlay reduced by the cost of steam stock released because of the electrification and also by the extra outlay that would have been required for increasing traffic if no electrification had been carried out. This last is, as pointed out in the previous memorandum, problematical. Increased traffic has not materialised to the extent anticipated, and it is possible that *some part* of the estimated saving should be neglected. If *the whole* of it is neglected, the percentages will be as follows:—

		Great Indian Peninsula.	Bombay, Baroda and Central India.
		Per cent.	Per cent.
1930-31	.. .. .	3.12	3.18
1931-32	.. .. .	3.58	3.46
1932-33	.. .. .	3.49	3.77
1933-34	.. .. .	3.24	4.61
1934-35	.. .. .	2.87	5.58
1935-36	.. .. .	3.20	6.10

6. As was pointed out last year, the real percentage of net savings for each railway probably lies between the figures in paragraphs 2 and 5 and, in all probability, more near the former than the latter. In both cases it is reasonably certain that extra outlay would have been necessary in any case even if electrification had not been introduced, in order to improve the capacity of the line, though it is not now possible to state with any degree of accuracy the number of additional steam locomotives which it would have been necessary to purchase immediately. In the case of the Bombay, Baroda and Central India Railway, for example, it would have been necessary in the absence of electrification to quadruple the line and the cost of this would have been so high as to be prohibitive. It has been estimated that, though the additional expenditure for additional steam stock would not all have been spent at once and some portion of it could have been deferred until the full increase in traffic was in sight, land for additional track facilities required for steam working would certainly have been required at once and the cost would not have been less than a crore of immediate expenditure and might have been considerably more. There would also have been a considerable expenditure necessary on the renewal of the existing stock. The estimate, therefore, of expenditure avoided by electrification is more likely to be an under than an over estimate.

STATEMENT A.

Financial results of the Great Indian Peninsula Railway Electrification Schemes.

Particulars.	Estimate of all Sections electrified. Total Estimated.	Actuals including percentage cut.					
		1930-31.	1931-32.	1932-33.	1933-34.	1934-35.	1935-36.
1	2	3	4	5	6	7	8
1. Traffic in lakhs of train miles (Steam)	55.40	42.50	41.87	41.21	41.85	41.80	42.37
In lakhs of Rupees.							
2. Gross outlay on electrification ..	950.90	942.65	953.93	969.72	959.78	959.30	959.53
3. If no electrification, estimated extra steam outlay for increased traffic ..	175.93	175.93	175.93	175.93	175.93	175.93	175.93
4. Cost of steam stock released because of electrification ..	254.71	172.98	172.98	172.98	172.98	172.98	172.98
5. Net outlay on electrification (item 2—item 3—item 4) ..	520.26	593.74	605.20	610.81	610.87	610.20	610.62
6. Cost of Steam Working, i.e., working expenses excluding depreciation ..	158.54	116.38	114.65	112.85	114.60	114.4	116.02
7. Cost of Electrical Working, i.e., working expenses excluding depreciation ..	87.52	72.85	63.83	65.08	68.81	71.67	70.51
8. Gross savings in Working Expenses due to Electrification (item 6—item 7) ..	71.02	43.53	47.82	47.77	45.79	42.79	45.51
9. Depreciation on gross outlay on Electrification ..	27.20	23.62	24.12	24.66	24.67	24.65	24.65
10. Depreciation on Steam outlay avoided ..	10.88	8.81	8.81	8.81	8.81	8.81	8.81
11. Increase in annual depreciation due to Electrification (item 9—item 10) ..	16.32	15.01	15.31	15.85	15.86	15.84	15.85
12. Net savings in working expenses due to Electrification (item 8—item 11) ..	54.70	28.52	32.51	31.92	29.93	26.95	29.66
Percentages.							
13. Percentage of gross savings on gross outlay $\frac{(\text{Item 8} \times 100)}{(\text{Item 2})}$..	7.47	4.82	5.01	4.98	4.77	4.46	4.74
14. Percentage of gross savings including depreciation on electrical assets only $\frac{(\text{Item 3—9} \times 100)}{\text{Item 2}}$..	4.61	2.09	2.48	2.41	2.20	1.89	2.17
15. Percentage of gross savings on net outlay $\frac{(\text{Item 8} \times 100)}{\text{Item 5}}$..	13.85	7.33	7.90	7.82	7.50	7.01	7.45
16. Percentage of net savings on gross outlay $\frac{(\text{Item 12} \times 100)}{\text{Item 2}}$..	5.75	3.03	3.41	3.33	3.12	2.81	3.08
17. Percentage of net savings on net outlay $\frac{(\text{Item 12} \times 100)}{\text{Item 5}}$..	10.51	4.80	5.37	5.23	4.90	4.42	4.86

Financial results of Suburban Electrification of the Bombay, Baroda and Central India Railway.

No.	Particulars.	Esti- mates.	Actuals 1930-31.	Actuals 1931-32.	Actuals 1932-33.	Actuals 1933-34.	Actuals 1934-35.	Actuals 1935-36.
1	Traffic in lakhs of train miles (Steam) ..	16.60	14.28	13.43	12.56	14.00	14.07	14.31
				Lakhs of Rupees.				
2	Gross outlay on Electrification ..	204.28	202.90	202.90	202.90	202.90	202.90	202.90
3	If no electrification, estimates extra steam outlay for increased traffic ..	72.00	72.00	72.00	72.00	72.00	72.00	72.00
4	Cost of steam stock released because of electrification ..	50.00	68.79	68.79	68.79	68.79	68.79	68.79
5	Net outlay on Electrification (Item 2—Item 3—Item 4) ..	82.28	62.11	62.11	62.11	62.11	62.11	62.11
6	Cost of steam working—working expenses excluding depreciation ..	37.55	29.35	27.59	25.82	28.78	28.92	29.42
7	Cost of Electrical working—working expenses excluding depreciation ..	21.16	23.59	20.58	16.73	18.57	17.40	17.23
8	Gross savings in working expenses due to electrification (Item 6—Item 7) ..	16.39	5.76	7.01	9.09	10.21	11.52	12.20
9	Depreciation on gross outlay on Electrification at 3 per cent. (Item 2) ..	6.12	6.09	6.09	6.09	6.09	6.09	6.09
10	Depreciation on steam outlay avoided at 3 per cent. on items 3 and 4 ..	3.66	4.22	4.22	4.22	4.22	4.22	4.22
11	Increase in annual depreciation charges due to Electrification (Item 9—Item 10) ..	2.46	1.87	1.87	1.87	1.87	1.87	1.87
12	Net savings in working expenses due to Electrification (Item 8—Item 11) ..	13.93	3.89	5.14	7.22	8.34	9.65	10.33
				Percentages.				
13	Percentage of gross savings without allowing for depreciation on gross outlay $\frac{(\text{Item 8} \times 100)}{\text{Item 2}}$..	8.02	2.84	3.45	4.48	5.02	5.68	6.01
13A	Percentage of gross savings (after allowing for depreciation on electrical outlay $\frac{(\text{Items 8-9} \times 100)}{\text{Item 2}}$..	5.03	0.16	0.45	1.48	2.03	2.68	3.01
14	Percentage of gross savings on net outlay $\frac{(\text{Item 8} \times 100)}{\text{Item 5}}$..	19.02	9.27	11.22	14.62	16.44	19.56	19.64
15	Percentage of net savings (after allowing for depreciation) on gross outlay $\frac{(\text{Item 12} \times 100)}{\text{Item 2}}$..	6.82	1.92	2.53	3.56	4.11	4.76	5.09
16	Percentage of net savings (after allowing for depreciation) on net outlay $\frac{(\text{Item 12} \times 100)}{\text{Item 5}}$..	16.93	10.35	10.96	11.62	13.43	15.54	16.63
17	Percentage of net savings (after allowing for depreciation) on actual gross outlay (of 202.90) with traffic of 16.60 lakhs train miles ..	6.86	2.23	3.13	4.70	4.87	5.62	5.90

APPENDIX XIII.

Memorandum furnished by the Railway Board regarding the verification of scrap material at Haji Bunder on the Great Indian Peninsula Railway.

The Public Accounts Committee desired fuller information in regard to (i) the reasons for the stock verification not having been carried out regularly and (ii) the punishment inflicted on the Depot Superintendent.

2. Generally the procedure on the Great Indian Peninsula Railway was to have all articles in stores checked periodically by stock-verifiers of the Accounts or Audit Department against the quantities shown in depot ledgers or cards by actual counting measuring or weighing. No such check had been made of ferrous scrap by the present Accounts Department or by the old combined Audit and Accounts Department since 1916. Deliveries only of ferrous scrap sold were witnessed by stock-verifiers till 1924, but the then Chief Auditor stopped even this witnessing, as he thought that this by itself was not a sufficient check and a complete periodical verification, as is done in the case of all other stores, was impracticable, owing to the scrap being generally too considerable in volume and weight to be handled by the available weighing facilities.

3. In 1928, when the Controller of Stores pressed for the reintroduction of the practice which was stopped in 1924, the whole question was examined by the Agent, who was of opinion that, in order to prevent frauds or mistakes, an accounts verification of weighments was essential. Accordingly it was arranged that all weighments of receipts and issues of scrap should be witnessed by a stock-verifier of the Accounts Department, and this procedure is now being invariably followed.

4. As mentioned in the Audit Report, conditions of unprecedented congestion prevailed at Haji Bunder throughout the period of the arrival from abroad of materials for the suburban electrification scheme and precluded altogether any attempt being made to conduct ordinary departmental verifications even on a small scale. It appears that the procedure in force for many years before, broke down under these abnormal conditions and necessitated the introduction of the completely reorganised form of procedure now in force. This procedure, it is stated, has been so drawn up that even an acute congestion should not result in a repetition of the previous unsatisfactory state of affairs.

5. The Wharf Superintendent, the Agent states, was transferred to a less important charge in November 1932 and his pay was reduced from Rs. 600 per mensem to Rs. 500 per mensem, from 1st October 1933.

APPENDIX XIV.

Memorandum by the Railway Board regarding the average time taken to supply wagons to consigners at two selected stations each on the North Western and East Indian Railways.

The Public Accounts Committee at their meeting on the 22nd August 1935 desired that the priority registers for a week at two stations, one big

and one small, some time during the course of a year, should be examined and a summary given of the average time taken to supply wagons required by consigners.

2. The priority registers of the following stations were called for and an examination made of the entries relating to the period shown against each :—

North-Western Railway.—

Amritsar—first week of June 1935.

Jhelum—last week of May 1935, the case of priority registers detailing requirements for one type of stock ; last week of July 1935, in the case of priority registers detailing requirements for two other types of stock.

East Indian Railway.—

Cawnpore—first week of April 1935.

Aligarh—week ending 28th December 1934.

The result of the examination made was as follows :—

Amritsar.—22 wagons were requisitioned for during the week ; all were supplied on the same day.

Jhelum.—83 wagons were requisitioned for during the week ; all were supplied on the same day.

Cawnpore.—77 wagons were requisitioned for during the week ; 49 wagons were supplied on the same day, 22 wagons on the following day, 3 on the third day, two on the fourth day and one on the fifth day. In the last case, one of the intervening days was a Sunday. The delay in the last four cases was due to long-type low-side trucks having to be specially obtained to comply with the requisition.

Aligarh.—63 wagons were requisitioned for ; 27 were supplied on the same day, and the remainder on the following day.

APPENDIX XV.

LETTER FROM THE GOVERNMENT OF INDIA, RAILWAY DEPARTMENT (RAILWAY BOARD), TO THE AGENTS, ASSAM BENGAL RAILWAY ; BENGAL NAGPUR RAILWAY ; BOMBAY, BARODA AND CENTRAL INDIA RAILWAY ; BURMA RAILWAYS ; BENGAL AND NORTH WESTERN RAILWAY ; EASTERN BENGAL RAILWAY ; EAST INDIAN RAILWAY ; GREAT INDIAN PENINSULA RAILWAY ; NORTH WESTERN RAILWAY ; MADRAS AND SOUTHERN MAHRATTA RAILWAY ; ROHILKHAND AND KUMAON RAILWAY ; SOUTH INDIAN RAILWAY ; H. E. H. THE NIZAM'S STATE RAILWAY, AND THE MANAGER, JODHPUR RAILWAY, NO. 1444-W., DATED THE 10TH FEBRUARY 1936.

SUBJECT.—Completion Reports.

I am directed to bring to your notice that the Public Accounts Committee have recently had occasion to comment on the very large number of items of

unsanctioned expenditure on Railways several of which have been outstanding over a period of years, and have enquired whether steps cannot be taken to assure a speedier regularisation of such expenditure.

2. The Railway Board observe that in the case of a large number of these items the expenditure is held under objection owing to the delay in the preparation of final completion reports for the works and that the delay is not confined to cases of new projects or large open line works but relates also to works of comparatively small magnitude.

3. I am, therefore, to request that necessary steps may be taken to impress on all departments the desirability of closing the accounts of individual works as soon as possible after completion, and preparing a final completion report immediately thereafter, for sanction by competent authority.

4. In this connection I am to invite your attention to paragraphs 159 and 178 of the State Railway Code for the Engineering Department and to suggest that steps may be taken to avoid delays in the disposal of surplus and released materials, to which delays in the preparation of Completion Reports are attributable in the majority of cases. I am also to request that timely action may be taken for the settlement of other questions such as those of allocations and junction arrangements, etc.

No. 1444-W.

Copy forwarded for information to the—

- (1) Chief Accounts Officers, North Western, East Indian, Eastern Bengal, Great Indian Peninsula and Burma Railways.
- (2) Controller of Railway Accounts.
- (3) Director of Railway Audit.

APPENDIX XVI.

Note by the Railway Board showing the ultimate savings likely to accrue when the revised scales of pay are fully operative.

At its last meeting the Public Accounts Committee desired to be furnished with a note showing the ultimate savings in the cost of railway staff that was likely to accrue when the revised scales of pay were fully operative.

2. A statement showing the savings in the cost of gazetted and non-gazetted staff accruing on State-owned railways when the revised scales of pay are fully operative is attached. It will be observed from this statement that the approximate anticipated savings in expenditure on these railways amount to Rs. 3,70,48,000 per annum.

3. Another statement giving figures for similar savings in expenditure on staff employed in the Railway Board's office, Central Standards Office, Central Publicity Office, Offices of Government Inspectors and Chief Mining Engineer, in the Railway Accounts Department and the Railway Audit Department is also attached. The amount of approximate savings in respect of these offices amounts to Rs. 16,38,000 per annum.

4. The total savings in the cost of staff chargeable to Railway Estimates, when the revised scales of pay are fully operative, would approximately amount to Rs. 3,86,86,000 per annum.

Statement showing the savings in the cost of gazetted and non-gazetted staff accruing on all State-owned Railways when the revised scales of pay are fully operative.

[Figures in thousands.]

Railways.	Gazetted staff savings.	Non-gazetted staff savings.	Total savings.	Remarks.
	Rs.	Rs.	Rs.	
E. I. ..	6.92	48.50	55.42	
E. B. ..	3.03	17.63	20.66	
G. I. P. ..	7.19	42.37	49.47	
N. W. ..	6.48	55.70	62.18	
Burma ..	2.53	16.67	19.20	
Total State Railways ..	26.06	180.87	206.93	
S. I. ..	2.53	14.93	17.46	
M. & S. M. ..	6.46	26.82	33.28	
B. N. ..	4.99	26.24	31.23	
A. B. ..	1.79	3.20	4.99	
B. & N. W. ..	1.20	3.44	4.64	
				Includes staff employed on Company-owned sections.
R. & K. ..	24	75	99	
B. B. & C. I. ..	11.32	59.64	70.96	
Total Company-owned Railways ..	28.53	1,35.02	1,63.55	
Total State and Company-owned Railways ..	54.59	3,15.89	3,70.48	

Statement showing the savings in the cost of gazetted and non-gazetted staff in offices etc., shown below when the revised scale of pay are fully operative.

[Figures in thousands.]

Name of Office.	Gazetted staff savings.	Non-gazetted staff savings.	Total savings.	Remarks.
	Rs.	Rs.	Rs.	
Railway Board ..	77	67	1,44	
Central Standards ..	11	29	40	
Railway Accounts Department ..	2,32	7,60	9,92	
Central Publicity Officer ..	3	2	5	
Government Inspectors of Railways ..	34	3	37	
Chief Mining Engineer ..	93	63	1,56	
Railway Audit Department ..	1,18	1,46	2,64	
Total ..	5,68	10,70	16,38	

APPENDIX XVII.

Note by the Railway Board on the arrangements for obtaining legal advice by Railways.

When discussing the case mentioned in paragraph 134 of the Railway Audit Report, 1935, in August last, the Public Accounts Committee desired to have a note showing the arrangements in force in various railways for obtaining competent legal advice. The replies received from the railway administrations show that the existing arrangements are adequate and satisfactory. Briefly they are as follows :—

Assam Bengal Railway.—The Railway has retained a pleader in headquarters at Chittagong on a monthly retaining fee of Rs. 100. He conducts civil and criminal cases on behalf of the Railway at Chittagong. For drafting agreements, leases, contracts, etc., he is consulted and the fee payable is decided on the merits of each case.

For conducting cases outside Chittagong pleaders are engaged and paid at a daily rate.

Bombay, Baroda and Central India Railway.—In Bombay Messrs. Crawford, Bayley and Co. are the Company's Solicitors and their opinions are obtained on a wide variety of matters. In each case they charge for the opinion given according to the importance of the subject and the time taken on it. Their fees range from Rs. 15 to Rs. 60 per opinion.

The Company has also a senior counsel for conducting important cases and also on occasions for giving opinions. He is not paid a retainer, but charges fees.

In addition the company has a counsel for the Ahmedabad area and another for all legal work in the courts in Kathiawar. The former gets a small retaining fee and the latter gets a fixed monthly remuneration. At all other places local pleaders are engaged, whenever necessary.

Bengal Nagpur Railway.—In Calcutta, the company utilises the services of the firm of Messrs. Orr Dignam and Co., Solicitors, for advice on all important matters where it is considered necessary to seek such advice. They have also engaged approved advocates and lawyers who conduct cases on behalf of the railway in almost all district courts and other important places in the provinces through which the railway system runs. It is the practice for all the district officers to consult these advocates and lawyers whenever occasion arises.

Burma Railways.—This railway is utilising the firm of Messrs. Clark and Surridge, Solicitors, to whom doubtful points of law are referred for opinion. Important law suits are conducted by the members of the firm, and important ones by local lawyers, whether in Rangoon or elsewhere.

Eastern Bengal Railway.—All cases requiring legal opinion are first of all sent to their Law Officers and on his advice, if the Agent thinks it necessary, a reference is made to the Legal Remembrancer or to the Government Solicitor. The Law Officer is paid a monthly salary of Rs. 500. He gives opinion on all

[17TH SEPT. 1936.]

The reason for this decision was that during the period of development of a colliery, most of the coal extracted was more or less of the nature of a by-product as it was an incidental result of the necessity of making passages in the colliery to develop it. If the coal thus obtained had been sold to the public, it would have been sold at market price, and the receipts thereof taken as a credit to the capital account, and the total cost of development charged to capital. It will thus be seen that the excess does not represent any additional works carried out without sanction of competent authority.

APPENDIX XIX.

Further memorandum by the Railway Board on the financial results of the electrification of the South Indian Railway in Madras.

The Railway Board deeply regret that through an oversight there was a serious mistake in their report to the Public Accounts Committee on the financial results of the electrification of the South Indian Railway in Madras, and they feel they owe an apology to the Committee for the inaccurate information which was supplied to them.

2. In showing the outlay on the electrification to the end of 1934-35 as 74.33 lakhs, the South Indian Railway had already deducted the cost of automatic signalling and quarters required for operating staff, which amounted to 12.58 lakhs. Without this deduction the total cost would have come to 86.91 lakhs, including 15.45 lakhs of expenditure incurred after the scheme was completed, viz.—

on electrical locomotives for goods service in 1932-33 ..	5.06
additional electric passenger coaches with trailers ..	10.15
and other works in 1933-34 ..	
additional works carried out in 1934-35 ..	.24

The total gross cost was thus nearly 87 instead of 74 lakhs.

3. In the report originally furnished to the Committee, a deduction of 15 lakhs was made on account of that part of the cost which was originally considered to be part of the improvement scheme, and which was finally debited to the electrification scheme. This amount was made up of the 12½ lakhs referred to above, and of 2½ lakhs on account of electric lighting at stations. In making this deduction, however, the gross cost should have been taken as 87 lakhs and not as 74 lakhs. The reduced outlay would thus be 72 lakhs and not 59 lakhs as originally reported. This figure differs little from the figure of 74 lakhs taken in the statement as the gross outlay and the return can be taken to be as shown in paragraph 2 and not as shown in paragraph 4 of the memorandum.

4. In addition to the reasons for the excess in cost given in paragraph 5 of the report should be added the last two of the works referred to in paragraph 2 above which were constructed after 1932-33 and cost nearly 10½ lakhs. Neither these nor the goods locos bought in 1932-33 costing 5 lakhs were included in the original estimate.

Dr. Ziauddin Ahmad : On a point of order, Sir. Will the Report of the Public Accounts Committee be ever discussed in this House ?

Mr. S. Satyamurti : May I know, Sir, when the House will be informed of your ruling on my adjournment motion ?

Mr. President (The Honourable Sir Abdur Rahim) : I will give it later.

THE INDIAN COMPANIES (AMENDMENT) BILL—contd.

Mr. President (The Honourable Sir Abdur Rahim) : The House will now resume consideration of the Bill further to amend the Indian Companies Act, 1913, for certain purposes, as reported by the Select Committee.

Mr. N. M. Joshi (Nominated Non-Official) : Sir, when we adjourned last afternoon, two speeches were made in opposition to the amendments put forward on behalf of the Congress Party. I congratulate both the speakers on their speeches. I congratulate my Honourable friend, Mr. N. C. Chunder, upon giving us the rare pleasure of hearing his sonorous voice in this House. Unfortunately, Mr. President, I cannot congratulate him upon the view which he has taken of this amendment. Nor can I congratulate an eminent lawyer like him upon the arguments which he used in support of his view. Let me also offer my congratulations to the Honourable the Whip of the Government side. His speech was very eloquent, and I wish the Leader of the House would give him larger opportunities of taking part in the debates of this House. Let me also congratulate him upon the great learning which he exhibited yesterday in his speech. When I was hearing him, I felt I was in a college class. (Laughter.) Unfortunately, Mr. President, being very weak in mathematics, I could not follow the posers which he placed before this House.

The Honourable Sir Nripendra Sircar (Law Member) : You do not want mathematics for labour, do you ?

Mr. N. M. Joshi : Sir, the speeches of these two gentlemen were full of fallacies and contradictions. In the first place, my Honourable friend the Chief Whip of the Government Party said that this method of proportional representation is not an infallible one and that if we adopt this method, we may not be able to secure our object except when the shareholders are a body of intelligent men and when they are organized. I am prepared to admit that a large number of shareholders are not organized. I am not prepared to say that they are not intelligent, and it is because they are not organized that several of the clauses in this Bill are introduced to protect their interests. At the same time, I am sure, no mathematician will be able to prove that the method of proportional representation will give them less opportunities of securing representation on the directorate than the method which is being followed under the present company law. The Honourable the Chief Whip of the Government Party has not yet shown that by following the proportional method shareholders will lose in the matter of representation. I have absolutely no doubt in my mind that although the shareholders may be unintelligent, ignorant and unorganized, there will be many occasions on which they will be able to

[Mr. N. M. Joshi.]

secure proper representation on the directorate if they follow the proportional method of election. Mr. President, the main argument both of my Honourable friend, Mr. Nirmal Chunder Chunder, and the Honourable the Chief Whip of the Government Party was this that this principle of democracy may be very good—not that they consider it to be very good—no, Sir—but, for argument's sake they are prepared to concede that the principle of democracy is a good one in politics but not so good, not at all good in business. Mr. President, I am one of those people who feel that democracy is good not merely in politics, it is a principle of life. (Hear, hear.) It is a principle which we must observe in all human affairs. Unfortunately, Sir, there are men who do not believe in this principle of democracy.....

The Honourable Sir Nripendra Sircar : I believe in "one man, one share in a company".

Mr. N. M. Joshi : and those who do not believe in the principle of democracy are not willing to say that. Therefore, they say that the principle of democracy may be good in politics. May I ask my friend, the Chief Whip of the Government Party, whether he approves of the principle of democracy even in politics?

Mr. P. J. Griffiths (Bengal : Nominated Official) : On a point of information, Sir, I may say as a Government official, I have no views.

Mr. N. M. Joshi : I am glad my Honourable friend admits that he cannot express his honest views on politics. (Hear, hear.) Therefore, it is not right for him to say that the principle of democracy may be good in politics—I am not quite sure whether he considers democracy as a good principle even in politics—I have heard many of his countrymen saying that the principle of democracy is a good one for the Western countries of Europe but they are not sure that it is so for Eastern countries. Mr. President, we feel and we feel with conviction that the principle of democracy is a sound principle for all human affairs and therefore we shall try to apply that principle to all human affairs. Mr. President, it has been said that the executive of any organization must be a harmonious body. If you introduce minority representation in the executive, there will be factions, and secrets will go out. Well, Sir, I remember some years ago having heard that argument when the first Indian was appointed a Member of an Executive Council. The British people not only in India but even in England said—"you may appoint these Indians in the Legislatures if you like but you cannot take them on the Executive Council. Secret affairs are to be discussed : the Cabinet must be unanimous". May I ask whether the Cabinet is not unanimous today when there are three Indian Members of the Executive Council?

Mr. M. A. Jinnah (Bombay City : Muhammadan Urban) : They are all unanimous. (Laughter.)

Mr. N. M. Joshi : May I ask if the affairs of the Government of India are not going on as they were going on when all the Members of the Executive Council were Europeans?

Mr. S. Satyamurti (Madras City : Non-Muhammadan Urban) : Not one of them is here to answer you.

Mr. N. M. Joshi : If, therefore, the argument that the presence of Indians on the Indian Council would ruin the interests of India and Great Britain is not quite true, let me assure this House that the prophecy that the affairs of the company will be ruined, and harm will be done to the company, to the shareholders and to all interests if the minority of shareholders get some representation on the directorate, will prove equally false.

Sir H. P. Mody (Bombay Millowners' Association : Indian Commerce) : Are the Members of Government elected on the principle of proportional representation?

Mr. N. M. Joshi : I can understand the argument that the executive should be a harmonious body. Unfortunately we are providing for a commercial organization where the only legislative and deliberative body is the directorate. The unorganized shareholders that are scattered over the whole country in hundreds of towns and even in villages can never become a deliberative or legislative body: the only legislative body in our commercial organization is the directorate. Therefore, it will be wrong to deny representation to the minority of shareholders on the directorate. We are not suggesting that the managing agents should consist of a body representing all shareholders. The managing agents are the executive and the directorate is not the executive. If you want a harmonious body to work the administration, you have got the managing agents, but it will be wrong to prevent the minority of the shareholders from getting even detailed knowledge of the affairs of that organization. After all, the minority of shareholders cannot hope to control a commercial organization. What they can hope for is to secure some voice, to secure some knowledge of the administration of that commercial body.

Sir H. P. Mody : What do you do in Trade Unions?

Mr. N. M. Joshi : We give representation to all sections in Trade Unions.

An Honourable Member : Even proportional representation?

Mr. N. M. Joshi : We shall give it if people demand it. If the question comes up of giving representation, I am not one to refuse it; when the question comes up, we shall do it. The question has come up today of giving a proportional representation to the shareholders. It is therefore wrong to deny representation to the minority of shareholders on the ground that the working will not be harmonised. Sir, the greatest argument used by my Honourable friend, Mr. Nirmal Chunder Chunder, and the Honourable the Chief Whip of the Government Party was that the interests of all shareholders are one. Well, Sir, may I ask one question? If the interests of the shareholders are one, why should the majority be afraid of giving some representation to the minority? The interests of the majority and the minority are the same. Whether the minority is represented or the majority is represented, the affairs of that company will be conducted on very sound lines. I, therefore, feel that those people who talk of the interests being the same are not sincere in their statements. It is said, Sir, that if you allow a minority to get representation on the directorate, the secrets will leak out. But why should the secret leak out if it is in the interests of the minority to maintain those secrets. I feel that it is wrong to say that there are no differences among the shareholders.

[Mr. N. M. Joshi.]

As a matter of fact, there are differences among the shareholders just as there are differences in all classes of people. There are shareholders who want their dividends very quickly and there are shareholders who want a stable income. Now, those people who want their dividends quickly, they will conduct the administration of that company on one particular line and by one particular method. Those who want stable income, they will conduct the affairs of a company on a different line. Those who want larger dividends, they will not take care of their machinery properly. Those who want stable income, they will take care of the machinery much better. There may be some people who may want their dividends by exploiting their labour. There may be some people who will be content with smaller dividends but not exploit their labour. There are some people among the shareholders, say, of a mining company who are also interested in an iron and steel company. The interests of those people who are shareholders in a mining company but who have a predominant interest in an iron and steel company and of these who have interest in iron manufacture will not be the same. I, therefore, feel that there are differences among the shareholders and it is much better to recognise these differences and give representation to the minority interests. Sir, much is made of the rivals of the companies getting hold of some shares and securing representation on the directorate. In the first place, this Bill itself is providing that, if the managing agents or the managing directors or the directors do not want some shares to be transferred to their rivals, they can prevent the transfer. That power has been given. And, after all, how many shares can these rivals take? They may take one or two shares; they are not going to take 49 per cent. of the shares of your company. If they had so much capital, they would rather start their own business instead of taking the shares of another company. Moreover, I do not understand how there can be so many secrets in the administration of a commercial concern. We have heard of secrets being maintained and protected in the foreign office and such matters. I had never heard before that the affairs of a commercial concern are conducted on secret lines. I feel, Mr. President, that there cannot be many secrets and it is wrong to believe that there are secrets. Moreover, you have got the power to prevent your rivals getting hold of the shares. But the denial of representation to a minority is intended only for one purpose, namely, the minority of these shareholders should not have any voice, should not have any knowledge of the administration of the company. If you, Sir, know, as I sometimes have known, the uses to which the majority of the directors and shareholders of a company have used their power, you will know that in a large number of cases those who hold the 51 per cent. of the shares swallow the 49 per cent. of the shares. That is one of the dangers of the present method of representation of the shareholders and this Legislature must do everything in its power to see that the 51 per cent. of the shareholders will not be able to swallow the 49 per cent. It is the easiest way of making money but we should not allow that being done. Then, Sir, there is another danger of the minority being prevented from representation on the directorate and that danger is this. There are, as I said, some people who invest their money as honest investors and there are some people who are speculators, people who are supposed to belong to what is called high finance. The object of the people belonging to this class of high financiers is to keep control of these com-

mercial organisations in order that they should be able to make profit by speculation. Moreover, they have got another object and that object is this that by securing 51 per cent. shares in several concerns they concentrate the control of the commercial life of the country in a few hands. Instead of putting 100 per cent. capital in one concern they put 51 per cent. capital in several concerns and secure the benefit of having put in 100 per cent. capital in all these concerns. So, if we refuse representation to the minority of shareholders, to the honest investors, there is a danger of the commercial life of this country being under the control of a few people who possess large amount of wealth. That danger has come over several countries in Europe. It has not yet come over India to such an extent. But if we allow these people to control all the commercial organisations by giving them 51 per cent. representation not only among the shareholders but on the directorate, our life will be in danger in the same way in which the European commercial life is in danger. I, therefore, feel that the Legislature should pass this amendment.

Mr. F. E. James (Madras : European) : Sir, I must congratulate my Honourable friend, Mr. Joshi, for his honest trust in competitive companies. He is so apparently and transparently honest himself that he does not appear to see any wrong in them at all! But I do not want to cover the same academic ground that has been covered by Members speaking on this question. I should like to put forward the plain and practical difficulties in the way of the adoption of this particular proposal. I would, in the first place, observe that it is a system that, as far as I am aware, is not generally known anywhere in company management. I should like also to observe that as far as I know this demand has not come from the democracy whose name has been invoked by my Honourable friend, Mr. Satyamurti. I do not know what particular organisations have put up this request. Naturally, when I saw this on the particular order paper I turned to the Bible according to the Bombay Shareholders Association to find out whether they advocated this and I find that they do not advocate this method.

Mr. S. Satyamurti : That should be an argument for it!

Mr. F. E. James : When it comes, I am sure my Honourable friend, Mr. Satyamurti, will have a perfectly good reply, but I would remind him that sometimes democracy does go to people's heads. Perhaps this is an allusion to that. Further, the adoption of this method would interfere with all existing arrangements in regard to election and incidentally—and perhaps this is the real motive behind this—it would effectively destroy the managing agency system. Perhaps that is why my Honourable friend, Mr. Joshi, is so anxious to support this proposal, as could be gathered from his remarks this morning. The actual effect on a company of the adoption of this proposal would be very unfortunate. Wherever a company was running into difficult times, it would make it possible for a minority of disgruntled or dissatisfied or alarmed shareholders to elect a leading agitator to the Board who would not only harass the management of the company, but would probably be able to delay and disorganize the work of the directorate altogether. In a Board, for example, with five directors or five members, there will be five directors on this system each representing approximately one-fifth of the shareholders. A Board, meeting under this system, may easily develop and I think would probably

[Mr. F. E. James.]

develop into a constant struggle within itself for power. On the other hand in general meetings the will of the majority would prevail and constant reference to shareholders might be necessary, adding a great deal to the cost and the difficulty of company management. The adoption of this system would make it impossible for special arrangements to be made for the coupling of finance and representation on the Board or for arrangements whereby a specialist might be elected to the Board. To that extent it would destroy that flexibility which we, on these Benches, believe to be essential in regard to efficient company management. Then, again the adoption of this proposal would make it almost impossible for amalgamations and reorganizations and mergers to take place, where companies are to come together and where part of the conditions are connected with the representation of one company on the Board of another and *vice versa*. Further this system would lead also to periodic changes of representation when continuity of policy and utilisation of experience would be thrown to the winds just at a time when they were most necessary. Prior to elections, the directors would be engaged in canvassing votes instead of attending to the business of the company. In elections under this system, one knows from experience in other directions, there would be all sorts of campaigns started in order that certain minority directors might achieve election. My Honourable friend behind me referred to the Reserve Bank elections. I would first of all point out that the system which applies to the Reserve Bank applies to elections to electoral colleges and not to elections to the Board of Directors. That is an entirely different thing. Also I would remind my Honourable friend of the most unfortunate scenes which took place not very long ago in Calcutta in connection with election on this basis to the Reserve Bank electoral college. That surely is not the kind of thing we want to encourage in regard to elections for directors of companies. My Honourable friend, Mr. Joshi, referred to the possible division between those who wanted quick dividends and those who wanted stability in the financial management of the company. Exactly. This method of election would make it possible for a person who was only interested in getting quick dividends for himself to engineer an election to such an extent that those people who believed in that as against sound and conservative management would get considerable influence upon the Board of Directors, —the very thing we do not want to give an opportunity for. I am glad my Honourable friend, Mr. Joshi, has given me that particular illustration. These are the main reasons why we hold that this method of election would retard the development of joint stock enterprise under reputable management. My Honourable friend has constantly applied the political parallel to company management, but Mr. N. C. Chunder's main argument has still not been seriously assailed in any part of this House. There is no essential comparison between politics and company management. The essence of politics is compromise ; but the essence of company management is efficiency, speed and decision. Once the element of compromise, which is necessary in political life, is introduced to company management, then we apprehend that the difficulties will be so great that industrial development on all hands will be retarded in this country. (Applause.)

Mr. M. Asaf Ali (Delhi : General) : Sir, ever since the unlocking of the flood-gates of oratory on this somewhat technical question, I have

scrupulously abstained from intervening in the debate for a variety of reasons, the first of which being the immediate fact that I think it is only fit and proper that only those who have had the advantage of participating in the Select Committee should really take a prominent part in the discussion in the House and try to settle the few points which may or may not have been settled in the Select Committee.

Mr. N. M. Joshi : Many of us would have liked to be on the Select Committee.

Mr. M. Asaf Ali : But there are occasions when even those, who would not like to tread where experts and pseudo-experts have been vying with one another to rush in, and who want to keep silent, may say a word. Yesterday, before the House rose, the Chief Whip of the Government treated us to a political dissertation or perhaps it was just an academical or a mathematical dissertation—it was a disquisition right enough—and in his zeal to try to teach us a lesson in principles and methods of representation he indulged in a lot of facts and figures in which he himself was a little lost and he also left us in a maze. However, the point at issue is a very simple one. The proposition which my Honourable friend, Mr. Satyamurti, and also the Deputy Leader of our Party put forward yesterday only relates to the simple question of adopting some method of electing directors. One part of the House holds one view and we on the other side hold a different view. Before we come to the actual decision as to which of these two methods or which of these various methods which have been placed before the House should be adopted, I think the best course would be to define the objective very clearly. I take it that in so far as the question of managing a company is concerned there is no question of politics. I agree entirely and absolutely with those who say that politics should not be imported into business affairs. I entirely agree with Mr. James also that political parallels will not do so far as business affairs are concerned. I shall eliminate politics altogether and I assure you that in so far as my Party is concerned, there is no political motive behind the proposals which have been put forward. It is a simple, straightforward, and honest proposition which has been put before the House to be adopted, for the simple reason that we want to secure the representation of all interests which may go to the making of a business concern. Nothing more and nothing less ; and we would not like the majority of interests which may go to the making of a business concern to submerge, or swamp or wipe out, if possible, the interests of the minority. That is all that we are concerned with. Perhaps at this stage I might be allowed to say just a word about the rule of the majority. I refuse to submit to the rule of the majority if the majority happens to be a majority of thieves and dishonest men ; if that majority happens to be a majority of frauds and cheats, I refuse to submit to it. Moreover, when people talk of the rule of the majority I should like them to remember that a majority has its rights and its responsibilities. If a majority is not aware of its responsibilities and if it does not carry out its responsibilities honestly and with the utmost of integrity, then I refuse to submit to it. I would rather that a minority of honest men had the dominating voice in matters which require honesty, and the management of companies will be nothing if it is not based on honesty. Sir, my learned friend, the Chief Whip of Government, told us yesterday....

The Honourable Sir Nripendra Sircar : He is not a learned friend.

Mr. M. Asaf Ali : Accepting that correction, I will call him the unlearned Chief Whip. (Laughter.) The Leader of the House has given me a tip and I must accept it. The Chief Whip of Government speaking yesterday said that in so far as companies are concerned, let us not forget that there can be no conflict of interests among the shareholders; there must be an identity of interests among the shareholders. I once again refuse to accept that proposition. There must be an identity of interests to a certain extent and a conflict of interests in many matters. Now, let me try to visualise the situation here. We take for granted that there is a company which has issued a thousand shares. The majority of these shares, as Mr. Joshi said, we will say 51 per cent., will be held by just a few gentlemen,—probably two or three. These two or three gentlemen will hold 51 per cent. of the thousand shares of the company and the remainder will go to various persons in different parts of the country who may never be able to meet together to be able to decide who the director may be. It is quite possible, because they are putting all their trust in these few men. What really does happen is this. These 51 per cent. shares are owned and held either by the nominees of the managing agents or they are held by those who can spare a lot of money. But their 51 per cent. money will not be able to run the entire show. Therefore, they go to the public and say that they want to issue shares to them, and 49 per cent. is raised by selling shares to these sundry people. I have also noticed,—and I am speaking from personal experience in this case,—that some big companies have lately started issuing a few shares to their workers also. In fact, there is in Delhi a very big concern which has issued a number of shares to its workers so as to be able to say that they are following Fordism so that workers may also have their voice in the management of the company to a certain extent. Now, I ask you, is it possible for those who represent the interest of the workers and those who represent the interest of the small shareholders to have identical interests with those who hold the majority of the shares? It is utterly impossible. There is a regular conflict of interests between them. Our purpose is merely to see that all these different interests are properly adjusted.

Now, Sir, in so far as the question of smooth running of the management is concerned, it is perfectly obvious that those who hold the majority of shares may be two or three persons or they may be more as against perhaps a thousand. Those who hold the majority of shares, considering the fact that each share will carry one vote, will naturally manage the whole show. Supposing there are five directors to be elected, 51 per cent. will naturally elect the majority of the directors; only a minority of directors will be elected by the minority, in which case the management of the company will certainly not suffer; only a minority of the directors who will represent the interests of the minority will be able to watch the interests of the minority. They will be able to tell the minority of shareholders how the management is being carried out. That is all that we want to secure and nothing more. Sir, a certain amount of contempt has been poured over this proposal of introducing the method of proportional representation into the election of directors. I have always heard that familiarity breeds contempt, but unfortunately in this

particular instance it is want of familiarity which has bred contempt, as was admitted by Mr. James. Mr. James said that the system of proportional representation is little known in the country and it is certainly little known in the management of companies. That is the reason why they seem to be unfamiliar with the method and that is why they are either afraid of it or they treat it with contempt. If only they knew the real implications of it, if they realised that the management of the company would not suffer by introducing the method of proportional representation, they would welcome it, for the simple reason that it would then satisfy not merely those who hold the majority of shares but it would also satisfy those who hold a minority of shares. I do not think I need say much more except by way of a word of reply to what Mr. James said towards the end of his speech. He said something about the difficulties which might be experienced in case proportional representation was introduced into the election of directors. Of all the difficulties which he put before this House, I took note of only three which appeared to me to be worth taking note of. To begin with, he said that if this method were introduced it would be extremely difficult to elect specialists on the board of directors. I fail entirely and absolutely to see how this difficulty can ever possibly arise if the holders of the 51 per cent. of the shares make up their minds to put their faith and trust in specialists and elect them as their representatives or they might be able to persuade the minority to elect specialists. But even if they cannot persuade the minority, I do not see why they themselves cannot make up their minds to allot at least one out of the number of seats which they are bound to control in the directorate, to a specialist or more than one specialist. So, that difficulty to my mind is purely illusory. There is no force in that argument.

The other difficulty which he put forth was that if this method were followed the company management would find it difficult to embark upon schemes of reorganisation and amalgamation, etc., etc. That again to my mind seems to be a perfect bogey, because as I have stated before, it is those who will represent the majority of shares—do not let us talk of shareholders, and of democracy and all that—democracy does not enter into this business at all: it is merely a question of majority or minority of money—so many money bags on the one side and on the other so many money bags held by two or three persons and so many held by a thousand....

Mr. N. M. Joshi : Honest men !

Mr. M. Asaf Ali : honest men and thieves or other persons whom the people fear might be thieves and defraud them : however that might be, the point remains that those who hold the majority of votes will always carry the day and therefore I do not see where the difficulty of reorganisation and amalgamation comes in. This fear again is purely illusory.

The last one was a difficulty which really deserved a certain amount of consideration and that difficulty I believe is one which is experienced everywhere, whether it be in political circles or in business circles or in social circles. Wherever there are human beings that difficulty is bound to be experienced and it is up to those who claim to be skilled enough and wise enough to be able to manage human affairs to try to get over

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this difficulty. The difficulty which he mentioned was that as soon as you allow a minority to elect its own directors, there will be intrigues, there will be a campaign to secure votes for minority directors. Supposing there is some such difficulty, supposing some such intrigues are going on : what about those who are still in a position to dominate the minority? They will still be able to get over this difficulty. Therefore to my mind even this difficulty is not of any very great value.

Having said all this, I do not think I need occupy the time of the House any more. All that I need say in conclusion is that before the House makes up its mind to cast its vote one way or the other, I would request Members kindly to consider the method of proportional representation not as a bogey, not as a hindrance but as a factor which is likely to—and which will probably—end many of the difficulties which company managements have been experiencing for some time and which they are bound to experience in future as people begin to be a little more conscious of their own rights.

Mr. Akhil Chandra Datta (Chittagong and Rajshahi Divisions : Non-Muhammadan Rural) : Mr. President, ordinarily—almost invariably—I worship at the same temple as my friends here on this side. But it is my painful duty on this amendment to have to differ from them. Sir, I do not propose to discuss the principle of democracy, the principle of life or for the matter of that the principle of death. I wish to be very brief and shall offer only a few remarks from the point of view of the practical business man. As was pointed out by the Honourable Mr. James, the system of proportional representation, which is sought to be introduced in the company management by this amendment, is a system which is quite new, a system with which our people are absolutely unfamiliar. We have got to make one uniform rule for all companies, big and small. It is a highly technical and complicated system, a scientific system. Not only big companies in big towns, managed by highly educated people, will be governed by this rule, but also the small companies in the remote mofussil, managed by people who are not very highly educated, will also be governed by this rule. This system of representation is quite unknown to them, and I for one do not know whether they will be able to work it out or not. That is my first objection.

My second objection is that which has been urged by other speakers, that cohesion and not friction should be the motto of a board of directors : they must act as one solid team ; otherwise harmonious working will become impossible. What is the meaning of this majority and minority ? What is the implication of that supposition ? It proceeds on the footing that there are two sets of opinions, two parties. That may be due to honest difference of opinion, or more frequently it may be due to party faction amongst the shareholders. In this cursed country of ours, we know by bitter experience that in almost every town in every place, and in every company, there is party faction. What will be the result of this representation of the minority ? The result will be that in the board there will be a spirit of mistrust, suspicion, bickerings and bitterness ; and I appeal to my Honourable friends to consider this, as to whether it is possible to transact business in an atmosphere like that, an atmosphere of irritation and rancour and all that. We want the coolest and most dispassionate consideration in coming to right decisions on business propositions,

and that will become impossible if there are party factions or if there are two fighting groups in the Board of Directors. Another result will be this, there will be a natural tendency for the minority to attack the majority group of Directors, the minority would always be dissatisfied,—there will be the natural tendency, unconsciously if not deliberately, to disparage the majority group, and the result will be that the whole company will be discredited and the reputation of the concern will be considerably damaged. I am afraid, Sir, that contagion will spread over even to the executive staff of the company and to the employees. Therefore, I think from the point of view of a practical business man, this system of proportional representation, however democratic it may be, however desirable it may otherwise be in other spheres, will not work well in so far as the company management is concerned. Sir, I oppose.

Mr. Muhammad Nauman (Patna and Chota Nagpur *cum* Orissa : Muhammadan) : Sir, I had no desire to take part in this debate at this stage, but as my friends, Mr. N. C. Chunder and Mr. Griffiths, have introduced the subject with a sense of “ communal philosophy ”, of politics I may explain that Mr. Griffith's effort to explain his view point by the help of mathematics did not prove convincing and I do say that it will not be possible for the minority holding a less number of shares to destroy the company as suggested by opposers of the amendment. I feel it my duty to impress upon the House that we are not concerned with the question of democracy on which so much emphasis has been laid, but with the question of vested interests. A certain class of shareholders, may they be in comparative minority, naturally have vested interests, and they do have every right to look into the management and be represented on the Board if and when they hold a sufficient number of shares. If I have contributed reasonably a large amount of capital in the shares of a company, I must be given a chance to have my “ say ” there. Of course, Mr. James tried to explain certain difficulties in the way of practice of such a method. Such difficulties are bound to exist in the beginning, but if the companies have once been used to those things, by practice those difficulties will disappear. Mr. James could not adduce any arguments to prove that it would be impossible or is against the interest of a company. The only thing he said was that there were some practical difficulties in the way. Sir, we have seen that in the election of Local Boards of the Reserve Bank, this system has been approved, and the Directors of the Local Boards of the Reserve Bank are elected on the system of the single transferable vote. I, therefore, cannot understand why this system cannot work in other joint stock companies if it has worked so successfully in the elections of Directors to the Local Boards of the Reserve Bank. Every shareholder, Sir, has naturally some interest in the concern, and by the system of single transferable vote, he will have a chance to get into the Board and take practical interest. It cannot be expected that an undesirable person would be able to get in, because the first question to be considered is that of holding a sufficient number of shares to qualify that person for the Board ; again, they should have reasonable vested interests, to the extent that same would qualify them to get elected to the Board. Therefore, it is not at all possible for undesirable persons to get into the Board unless the so-called undesirable persons have a sufficient stake in the company, and if they have such a stake, I cannot imagine why they should be refused to take an active part in the management or to get into the Board.

Pandit Krishna Kanta Malaviya (Benares and Gorakhpur Divisions : Non-Muhammadan Rural) : If they have a big stake in the company, they will be in a majority.

Mr. Muhammad Nauman : It is not necessary, that a particular set of individuals should have a big stake and not one man. Supposing five directors are required in a company which has 1,500 shareholders. Naturally, if a person or group controls 25 per cent. of the shares, he or this group will be able to get into the Board with only 300 shares, whereas, in the present case, even if a group or a man has 45 per cent. of the shares, he or this group has no chance of getting into the Board. With these words, I support the amendment, and I hope the House will seriously consider the position of shareholders.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. Deputy President (Mr. Akhil Chandra Datta) in the Chair.

Rai Bahadur Seth Bhagchand Soni (Ajmer-Merwara : General) : I oppose the amendments. The proposed amendments introduce a new principle for election of directors, known as proportional representation by the system of the single transferable vote. Sir, I have very strong objection to these amendments. In ordinary trading and manufacturing companies this principle cannot be of any benefit to the shareholders. It involves a complicated and a difficult process which very few shareholders can understand. We do not see groups or classes in companies which can be called minorities whose representation on the board is required for any purpose. In a public utility company the conditions are different and in them several groups and parties may have different interests and views and their representation could be sought under this system. There are other practical difficulties as well in the case of large companies where the number of shareholders is very large and different shareholders have got different powers of voting. Sir, the directors who could be elected to the board require minimum qualifications and the choice of the shareholders is always restricted to the few persons who have got qualification shares. In some of the companies it may be difficult to get shares in the market and any person who gets elected by such representation and is not approved by other directors may find it difficult to acquire such qualification shares even.

Sir, in joint stock companies, the sole management and supervision of the business lies in the hands of the directors. The sole desire of the shareholders is, as has been said by my Honourable friend, Mr. Griffiths, to have steady and regular dividends, appreciation in the value of their holdings and efficient and profitable working of the company. If these objects are served the shareholders have nothing else to desire.

I do not understand what is meant by minorities in the case of manufacturing or trading companies. This system may be suitable for election of members for Councils or Assemblies where a representation of the minorities is to be safeguarded. Where the political considerations and conditions demand, such a system can be commended. Sir, it is entirely out of place to make such a provision for all types of companies and businesses.

I have great doubts if ordinary shareholders would be able even to understand the principles of such elections, and election by such a method will only add to the confusion and troubles of the electors. The system may only do harm rather than do any good and is entirely not in the interests of the efficient working and successful management of the companies.

With these words, Sir, I oppose the amendments.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions : Muhammadan Rural) : Sir, I have very great sympathy with the objects which the Honourable the Movers of these amendments have in view. They want to protect the interests of the small investors, call them a community or what you will, but by whatever name you call them, there is no doubt that if you want the companies in this country to flourish we must create confidence among the small investors, without which the future of these companies will be in the dark. That is really the first object which my Honourable friends have in view. The second object which they have is that the entire affairs of the company should not be left in the hands of a single individual or perhaps one or two individuals. If one person has acquired 51 per cent. shares and he nominates all the directors, it really means that that person represents the company himself. If that is the point of view, then why not have only one clause in the whole Bill, that is, repeal the Indian Companies Act of 1913 and entrust everything into the hands of a single individual? These are the two objects which my Honourable friends have in view, and I think every one of us must sympathise with these two objects. But the question is whether these two objects can be achieved by the proposals which are now before us. I have given very careful consideration to this question and thought over every possible method of election by means of which these two objects can be achieved. My Honourable friend, Mr. Soni, has pointed out that the shareholders do not take much interest in the company. I think he is perfectly right. So long as the shareholder gets his dividend regularly, he does not worry about anything else. He does not even read the papers sent to him, but if the things are not all right with the company, if the company has ultimately to go to liquidation, then it is but fair to the shareholder that he must know the state of things in time so that he may take whatever action he deems fit. I agree in principle with the arguments advanced by my Honourable friend, Mr. Joshi, but I do not agree with him in one detail, namely, when he said that democracy should be extended to all human affairs. I am not telling you a story, but reciting to you a mere fact. We had a professor in a college, I won't mention the name of the college or the name of the professor, who decided all questions of grammar by the show of hands of his pupils. If there was any doubt whether a particular word was masculine or feminine, he would take the votes of the class and then decide the question. (Laughter.) After all, in human affairs there is a stage beyond which democracy cannot go.

Now, the question is, how can we achieve the two objects which I have just described? By single transferable vote? I have spent a good deal of time, and I am not afraid of giving mathematical figures, but if I do not give mathematical tables, it is the fault of the Secretary, because he has not provided a black board in this Hall. (Laughter.) If we give one man one vote, it would be exceedingly hard and unfair, because one person may have 1,000 shares and another may have only one share, and surely the interest of the man with 1,000 shares is one thousand times

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greater than the interest of the man who has only one share. So that we cannot have one man one vote, but we can at least have one share one vote. After considering all possible methods, plurality of votes, single transferable vote, and every other possible manner, the conclusion at which I have arrived is that instead of one man giving all the votes to all the directors, one share should be given only one vote and not as many votes as the number of persons whom you are required to elect. If you do that, you can partially achieve the object. If a man has 500 shares he must have 500 votes. But he should vote for only one person or should divide his 500 votes among more than one person, so that he should not give 500 votes to each Director. By this method you cannot achieve all your objects in full. You can only partially achieve it in this way. A person who has got 51 per cent. will no longer have all the directors according to his liking. Another man who has got 25 per cent. will come in the field and he will also have one or two directors according to his liking but even then the interests of the smaller shareholders will not be represented in this manner.

The second point which I want to raise is how to safeguard the interests of the small investors. This is very important and the only way that I can think of is to enact that about one-fifth of the directors should be elected only by those persons who have got less than a certain number of shares. Unless this thing is regulated by law, I think it is not possible to manipulate this result by means of any system of election. Therefore, though I entirely sympathise with the objects of the Movers of these amendments that you must safeguard the interests of the small investors, you cannot introduce the principle of democracy. These two objects are not fully achieved by the amendments which are now before us and I think we should devise some better method for achieving this object.

Pandit Govind Ballabh Pant (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural) : At the time I moved my amendment, I sought the permission of the Chair and was allowed to reserve my remarks. I should have very much liked to speak after the Honourable the Law Member but I feel that the debate has already taken some time and there are also certain points which I would like to place before him at this stage, as I believe that he has still an open mind on the question. When this proposition was made before this House, we did think that it was an innovation which would evoke a certain amount of criticism and even opposition but considering the importance of the subject I never apprehended that this matter would be dealt with in a spirit of flippancy and blatancy, mixed or unmixed with folly and intolerance. The question is of great importance and it behoves the House to consider it dispassionately. I do not propose to refer individually to the various speakers who have opposed this amendment but I cannot help offering my thanks to Mr. Griffiths. He very kindly extended an invitation to Mr. Satyamurti and myself to follow him to the lobby so that he might give us some lessons on the subject of proportional representation. For that I am really grateful to him : but what is still more desirable and what I consider appropriate is that I should congratulate him, for on Tuesday afternoon he consulted me and my friend, Mr. Paliwal, as to what proportional representation meant and also wanted to know the distinction between transferable and non-transferable single vote.

Mr. P. J. Griffiths : I did not ask Pandit Pant what proportional representation means—I asked him what particular system of proportionate representation he meant.

Pandit Govind Ballabh Pant : I thank Mr. Griffiths: Only he seemed to be perfectly satisfied when I explained the process and told me that the explanation that had been given to him by Mr. Paliwal had not made the position clear. Any way, it is in no way derogatory to him that he should have such wonderful capacity for mastering subjects overnight, and I congratulate him on the phenomenal growth resembling the Indian juggler's mango tree that he has shown. The question, as I said, deserves very dispassionate consideration and I regret that while many speakers have tried to rise to heights and to float in the region of clouds, few have so far cared to come to solid ground, to brass tacks. We have talked of democracy, of cabinets, of the Government of India and of other dignified things but very little about company management, about the institution of the Board of Directors, about the methods of management that are in vogue, whether they are efficient or inefficient and whether any reform is needed in that direction or not. These seem to me to be questions which are directly relevant and deserve consideration above everything else. So far as the academic question of proportional representation which is known as the P. R. is concerned, my friends must be acquainted with the names of Hare, Hill and others. If Mr. Griffiths still has some little use for any assistance, he could perhaps get it from Houston, the Secretary of the P. R. Society in London and forthwith from the Secretary of the Assembly who has got to deal with this question every time when there are elections to the Standing Finance Committee or to the Standing Committee on Accounts. In these cases the elections take place according to the regulations in the Manual regarding proportional representation and the process has been elucidated and elaborated there. So if anybody wants to know more about it he can refer to Mr. Rafi who is an expert in that matter and if he wants more information he can refer to some other books. We heard a lot about democracy here and also heard a lot about the executive bodies, about deliberative bodies and so many other things. Some gentleman asked how the Government of India would function if it were selected by that method but is not the Government of India virtually constituted in that manner? If the selection had been made by a majority on a straight vote would Sir Henry Craik, Sir James Grigg, my Honourable friend, the Law Member, and Sir Muhammad Zafrullah and Kunwar Sir Jagdish Prasad all have been returned simultaneously by a common electorate? I wish to impress it on the House that every Cabinet is in reality formed in accordance with the principle of proportional representation. It may not be so in form. The members of the Cabinet are never elected by the majority party. The leader of the party sees which are the distinct groups inside that particular party and he chooses the leaders of such groups as the members of his cabinet. That is nothing if not representation in accordance with the principle of proportional representation. My friends here have enunciated a reverse doctrine in fact, so far as democratic bodies are concerned, proportional representation is not desirable, and so far as executive bodies and administrative bodies are concerned, proportional representation is the best safeguard. That is the opinion even of the unrelenting critics of the system of proportional representation. I have before me a book by Horwell on proportional representation. He is an inveterate enemy of the system of proportional representation.

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representation but even he states that so far as administrative and executive bodies are concerned, proportional representation is the best system by which we can secure the maximum standard of efficiency ; but, Sir, where we want the reflection of political opinions which differ fundamentally, there proportional representation is a misfit and out of tune. Assume the elections to this Assembly were held on the basis of proportional representation and we had been enjoying responsible Government. We might have a number of groups none in a majority and each with a different opinion of its own with the result that no Government would be stable. As Honourable Members are aware, most countries have today introduced the principle of proportional representation in their Governments and the Weimar constitution was based on that. But, the general opinion is that so far as democratic governments are concerned, proportional representation is not sound and wholesome, because then you cannot have a party system of government. Then we would have different groups, and no Government will be stable and in power for a fairly long time, but so far as administrative and executive bodies are concerned, proportional representation is the best method. Now I refer passingly to the way in which we form our Standing Finance Committee in this House. Does the Standing Finance Committee in any way suffer in efficiency because members are elected not by the majority in this House but they are elected by means of the single transferable vote ?

Sir H. P. Mody : How does he know ?

Pandit Govind Ballabh Pant : Well, my friend, Sir Homi Mody says, " how does he know ? " I can only tell him that formerly we had a system of proportional representation and it was found that it did not work well and, after experience, this method was substituted, which goes to prove that it had been found by those in a position to judge and to decide that the method of the direct vote was unsound and inappropriate and this one was better. That is what we do in the matter of our Standing Finance Committee and also our Public Accounts Committee. Every group of this House is better informed about the finances because of this method ; otherwise those people who would not be represented on the Public Accounts Committee or the Standing Finance Committee would not know anything about the affairs of the Government in the Finance Department. It is not only here. I may remind Honourable Members that in the provinces and in my province at least in the case of the district as well as the municipal boards, while the elections of the members themselves are direct, the elections to all executive and administrative bodies such as the Education Committee, the Public Works Sub-Committee, the Sanitation Committee and so on are held in accordance with the principle of proportional representation. I only want to impress it upon this House that the system of proportional representation is considered to be the best for administrative and executive bodies and not equally good for large democratic assemblies. We are asked " what will happen if there are differences of opinion ? " It is because the edges are rubbed, the differences are adjusted in small bodies where people sit together to administer matters that cabinets are formed with members holding different opinions. If my Honourable friends, Sir Nripendra Sircar and Sir James Grigg and Sir Frank Noyce, sit together with Sir Muhammad Zafrullah Khan, everyone of them with a regular point of view of his own, I think they are all the better for it and ultimately they must

hammer out something which should be acceptable to all those who are collectively responsible for the final decision. So I submit that this is a very wholesome principle. Experience has testified to it and those who have studied this question have arrived at the conclusion that this is the safest method for achieving the maximum amount of efficiency ; Sir, coming now to things that are I think of greater importance, we must see what the amendment is, what the present system of management of companies is, and whether it is the best, or whether it can be improved, and if it can be improved, whether this is or this is not the best method of improving it. Firstly, I may remind Honourable Members of what the amendments exactly are. There are three amendments, one by my friend to the left. His amendment gives discretion to the company to alter the articles but he wants that, subject to such regulations, the companies should elect their directors according to the principle of the single transferable vote. The second amendment has been introduced by my friend, Mr. Bajoria. It has two parts. By the first he wants the tenure of service of every director to be three years. That I think is out of order as, after having adopted regulations 78, 79 and 80 as mandatory which require election every year, we cannot press a motion like this. Then he asks for elections to be held in accordance with the single transferable vote. Well that too gives the discretion to the company. The third amendment is my amendment, and I hope Sir H. P. Mody will agree that this is the best.

Sir H. P. Mody : If you two will agree amongst yourselves, probably I might.

Pandit Govind Ballabh Pant : You act as arbitrator between us and we will abide by your award. The third amendment which I have moved asks for the introduction of the principle of proportional representation by a non-transferable vote. Now one feature is common to all these propositions and it is this, that the person who can get the quota will be returned. In the case of the transferable vote, if there is any excess left, then it will be transferred to the second preference. In the case of the non-transferable vote, there is nothing like that. The benefit of the non-transferable vote is this that it ensures the return of the man who has the support of necessary number of the individuals who do not fall short of the quota. At the same time, it can be worked in a very simple manner. Now, Sir, I want the House to remember that the first amendment of Mr. Satyamurti gives only discretion to the company to have or not to have proportional representation. The second amendment of Mr. Bajoria does likewise. The third amendment which I had the audacity to place before the House wants to have this uniformly and without any exception.

Sir Cowasji Jehangir (Bombay City : Non-Muhammadan Urban) : What do you want ?

Pandit Govind Ballabh Pant : I want the mandatory principle that all elections to the boards shall be in accordance with the principle of the non-transferable single vote. Now, Sir, an objection was raised by Dr. Ziauddin. I did not know that a mathematician would find any difficulty or would be staggered if hundreds or thousands were concerned but he seems to have got confused.

Sir, I do not in any way suggest that if a shareholder has a hundred votes, then he will exercise one only. The principle is very simple and it means this that irrespective of the number of vacancies in the Board every shareholder will have only one

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set of votes and these will not be multiplied in accordance with the number of vacancies. If a person has a hundred votes, then there can be a differential method of voting as also a transferable or a non-transferable method of voting. If there is a differential method of voting, what takes place is this. If there are three vacancies, then every one who holds a hundred votes has the right to vote for all and each of the vacancies but if we have the principle of a single non-transferable vote, then the man who holds a hundred votes can only exercise that number of votes and these only once, even if there are three vacancies. He cannot give hundred to one and hundred to the other and hundred to the third. That is the whole merit of the system. Every person's right of voting will be in regard to the holding of the company but it will not be multiplied in the light of the vacancies in the Board and that ensures the return even of those having only a minority support.

Dr. Ziauddin Ahmad : May I just explain my position. I said that if you have cumulative voting, you can safeguard the interests of persons who have got perhaps 25 per cent. shares, but you cannot safeguard the interests of the shareholders who have got one or two shares only unless you fix the shares of directors by law.

Pandit Govind Ballabh Pant : You can do that if every shareholder is made a director. But so long as you have a Board of Directors which is to be elected by the shareholders, then one share unfortunately is to count as one. Dr. Ziauddin has my genuine sympathy and I am thankful to him for extending his sympathy to us. Well, Sir, so far as the proposal before the House goes, the question has to be judged in the light of concrete facts. The process is simple enough. We were told that the minorities would come in and the majorities would thereby be disturbed and so on. I hate to see the idea of a minority and a majority in a business concern. I see no reason why there should be any idea of a minority and a majority in a business concern at all. They are all shareholders and they have a common concern and they want to run the institution on the best of lines. If 10 or 15 of them think that A is the man who can do their work most efficiently, why don't you let them return A? If 20 shareholders think that B is the best man, why don't you let them return B? You can have this idea of majority only so long as you have the system of direct vote but once you introduce the system of a single non-transferable vote, the very basis for this conflict is gone. The idea of majority vanishes and from that moment onwards every individual, who is returned, will have to look at the management of the company only from the point of view of the company without being tied down to the opinions of any majority among the shareholders or being adverse or hostile to any minority. That is the merit of this principle of proportional representation. It takes away the very idea of clash. It gives the company the opportunity of returning the most efficient men, who, in the judgment of those who have interests in the company, are considered to be the best for administering their affairs. Why should anybody have any objection to it and how could it provoke any antagonism, I fail to understand. Then, we were asked 'why do you insist on it'? I will tell you why I insist on it. For that, I will have to refer to the New Testament. I think we have had enough of the Old Testament. The New Testament is Mr. Lokanathan's book. Before I do so, I would like to meet a few points. The first point con-

cerns Mr. James, because in his researches he had not been able to find from which quarter this arrow had been shot. If he will refer to Paper No. 7 which is not from the Bombay Shareholders Association, a body which takes a partizan view of things, but from a Chamber of Commerce, the very name of which is so dignified. It is a Chamber of Commerce of the class with which, I think, Mr. James and Sir Leslie Hudson are more intimately connected than the Gujaratis in Bombay. It is the memorandum of the Marwari Chamber of Commerce. In this memorandum, they make the following remarks on page 80. I need not read the whole of it.

"The Committee, therefore, strongly recommends the adoption of the system of proportionate representation by a single transferable vote in the election of directors."

Well, Sir, the Marwari Chamber of Commerce is not a creature of the Congress people and so far as we are concerned, we have never been attacked more mercilessly than by the Marwari Chamber of Commerce.

Now, Sir, I want the House to consider the question very dispassionately and it is to certain other aspects of the question that I want to refer the House now. You must remember, first of all, that the managing agent is the essential part of our industrial machine. He dominates everywhere, and the entire management rests in the hands of the managing agent. That is one thing which should be borne in mind. The managing agent has been defined in the Bill. He is a person who is in exclusive charge of the whole of the affairs of the company and all powers which have not been retained by the directors are also vested in him. He is the man who bosses the whole show. The managing agent is the man who, in fact, administers the affairs and he is besides independent of the Board of Directors to the extent he holds powers under his agreement. That is a cardinal feature of our industrial system which must be borne in mind. The second thing that we have to remember is this. Our Boards of Directors have proved for the most part inefficient. Not only have they proved inefficient but they have taken no interest and further they are a packed body, being either elected or nominated by the managing agents. The Honourable the Law Member does not seem to agree with me.

The Honourable Sir Nripendra Sircar : Why?

Pandit Govind Ballabh Pant : Because you shook your head.

The Honourable Sir Nripendra Sircar : It was not meant for you.

Pandit Govind Ballabh Pant : I will now read out from the New Testament. It refers to the evil of pluralism in the Board of Directors. The passage runs thus :

"One reason for this state of affairs is the managing agency system itself. The managing agents practically nominate the directors of all their companies and they nominate one another. The Indian industrial companies have, therefore, Boards of Directors almost wholly manned by the representatives of the managing agents. Even the few men who are outside the managing agency firms are connected with the business of the managing agents in several ways and therefore Indian industry does not contain on the Board of management that variety of interests and experience needed for successful and efficient management. The few Indians that are nominated to the Boards of industrial companies under the British managing agents, become 'stock' directors in all sorts of concerns."

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Then, again, I will read another passage :

"In practice therefore the only persons who count are the managing agents, and so far as technical and administrative efficiency is concerned it is their efficiency that is important."

Then, he goes on to say :

"Of these 175 directors in all the cotton textile companies in Bombay, 95 are agency directors, including under that term partners and others connected with one agency firm or another in Bombay, and 80 are outsiders not connected with any managing agency firm, who are practically nominated by the managing agents. These outside directors, even if they are able and experienced men, lack the power and the incentive to be of any real use to industry."

I have the figures for the Ahmadabad mills, for the coal companies, for the tea companies and also for others. I may as well tell you that 52 coal companies have in all only 50 directors because the managing agents of one serve as directors in the Board of another. Similarly, in the case of textile companies in Ahmadabad, of all the directors 104 persons are themselves either the managing agents or the sons or brothers of the managing agents while 64 others have been virtually nominated by them. Similarly in other cases. I have got a statement with me. We find that the Board of Directors are the *benamidars* for the managing agents. The Board of Directors have no independent element in them at all. But I would not worry about that even. My trouble is much bigger. It is this that industry today is advancing in the world at a marvellous pace and every day we see technical advance, new methods of manufacture and so on. How are you going to make any progress in your industries, if your managing agents are to fill these Boards and if these Boards are to be packed by their own nominees? Sir, I submit that in the interest of the progress of industry, it is necessary that you should make some provision by virtue of which new blood, talent, intellect and energy might be introduced into these Boards. Then, there are other important factors which have to be borne in mind. The interests of these managing agents, we have been told by Mr. Lokanathan, are fundamentally opposed to those of the shareholders. He says :

"The managing agency system is by no means a perfect one. On the contrary its leading characteristic is the possible disharmony and conflict of interests between the managing agents and the shareholders. In every large industrial concern all over the world, there is a possibility of divided interests between the entrepreneurs and the shareholders.....Quite apart from the extent of the managing agent's holdings which may vary from time to time, a divergence of interests occurs because the managing agents regard the earnings from shares as subordinate to their earnings in other capacities and fields of activity.....The fact is that the managing agents have found that the profits which they receive from their ownership of the shares in the mill companies are not so important as the profits which a large number of related side activities afford them."

Now, Sir, we have these hard facts facing us. One is that the managing agents have the sole charge in the management of the affairs of the company, the second is that the legal ownership of the company vests in the shareholders and ultimately the advantage or the disadvantage accrues to them. Thirdly, the Board of Directors who alone can look after the interests of the shareholders, at least to a partial extent, are no more than nominees of the managing agents and their creatures. What is the remedy? How are we going to get over these difficulties?

I may also tell the House what the Tariff Board said about the present Boards of management and about the directors. It says :

"Both in Bombay and Ahmedabad the constitution of the Board of Directors of the mills was the target of much criticism for which there was, in our view, considerable justification. It was contended, that few, if any, of the directors took an active interest in the affairs of the mills with which they were connected and that fewer still had any technical qualifications for appointment."

Mr. K. Ahmed (Rajshahi Division : Muhammadan Rural) : But they supplied the Congress with funds!

Mr. S. Satyamurti : Don't talk nonsense.

Pandit Govind Ballabh Pant : We will not refuse anything even from you. I will give you an opportunity to try before we leave this Chamber today. We will oblige you.

Then, Sir, the other feature is that our Boards are inefficient. The other day the Honourable the Law Member referred to the paucity of industrial intellect, I accept that statement as correct; and yet we want industrial expansion. And there can be no industrial progress unless you allow people outside the caucus to get into these Boards, and enable them to acquire experience and insight into the methods of the industry to accelerate the industrial progress of the country. What is the method by which this can be achieved? Even from this point of view it is necessary to provide some means by which people interested in the industrial affairs and in the fortunes of such companies may find access to these Boards to work for their benefit and for the uplift and advancement of industry generally.

Reverting to this New Testament, there is another thing which is laid down here and which deserves the attention of this House. It is laid down by Mr. Lokanathan that the Board of Directors in the present circumstances cannot act efficiently. The Board is, in fact, more or less a superfluous body. It is something like the fifth wheel to a coach. Now, Sir, the position is this, that the managing agent has all the powers; so far as the administration of affairs of the company goes, he has also the opportunity, if he is so base as to have recourse to such devices, to benefit himself at the cost of the company. What it is that can save the shareholders? It is only the directors. Mr. Lokanathan goes much further. He is of opinion that the Board of Directors has no place in our system and that we must have a Board of Supervisors. But I will leave that alone. Now the position is plain: the managing agents stand in need of supervision. Their vagaries have to be checked and their excesses have to be restrained. The managing agents today dominate the company. I have no quarrel with them. But this is indubitably true that the majority of the shareholders, if not all, are under the thumb of the managing agent. If the thing is left to the majority you can never expect that any light will enter that dark corner. What method then is to be devised? Government have not proposed anything by way of a board of supervisors or efficiency auditors. If they had done so, we would have considered it. I myself would have been prepared to consider some suggestion as then the functions of the directors would have been clearly defined and their independence ensured. So, Sir, in order to make these boards of directors useful, in order to protect the interests of the shareholders to the extent it is possible, I suggest that the system of proportional representation should be introduced. Now

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what will be the effect? That too I will tell you. As I indicated in the beginning, the election of directors can be only by way of rotation. Only one-third of the directors will retire at the end of the year. Suppose there are nine directors in a company; then three will retire. Now suppose these three seats are filled by the system of proportional representation. The men whom you can return to the board of directors should still possess at least the support of between one-third and one-fourth of the shareholders. It is not like a stray shareholder meeting me at the crossing of the road and appointing me as director. He will have to get the support of at least one-third or one-fourth of the shareholders. Will a director take such a suicidal step as to destroy the company? If such is the state of affairs in this country then there is no hope for industrial regeneration. But I cannot think, I cannot possibly conceive that a man who is elected in this manner and has the backing of one-third of the shareholders would ever behave in that manner. So one should have the support of one-third of the shareholders before he can get in even by means of this method of proportional representation. And may I know why Government have increased the number of directors from two to three? Why was the minimum number put down at two in the last Act? Why is the number increased? It is evidently because the directors are necessary and Government feel that these directors should function intelligently and efficiently, and if the number is small they cannot do so. But you may have three or you may have ten or thirty; if they are all nominees of the managing agents it serves no purpose. You may have ten crows in a tree or a hundred but if a little clapping makes all of them fly away the number would make no difference. It depends on the strength of the individual, on his nerves, on his independence, on his ability. The number by itself is immaterial and of no use whatsoever. So I claim that it is a very reasonable proposition that I have placed before the House. I assure the House that it has been introduced here with the best of motives, with a view to improve the industrial mechanism of this country. I will not give the figures now but I think I will have an opportunity again to show how very backward we are and how very lamentable is our condition. Do you not want to improve it? Will you stand by these biased and prejudiced vested interests and throw to the winds the interests of the millions of people in this country? Is that how you are going to develop your country or improve your own status or the position even of the richer classes in this country? Sir, I appeal to the Honourable Members of this House to rise above prejudice, to think of the skeletons that are stalking all over this land, to devise means by which more wealth may be produced so that those who are starving may get at least one meal a day, if not two.

Sir Cowasji Jehangir : Sir, it must be admitted very readily that we have had a very pleasant debate up till now; and let me readily acknowledge the earnest desire of my Honourable friends on the Congress Bench to do their best to improve this Bill; and when we disagree with them, it is because we feel that they are wrong and have taken a wrong view of the question. The eloquent speech which we have just heard deserved a better cause. I could not help feeling, the whole time I was hearing my Honourable friend, the Pandit, address this House on the condition of the 350 millions of the people of this country, that he might have

reserved his energy and his breath for another occasion. Well, Sir, at any rate, so far as two of the amendments are concerned,—those of Mr. Satyamurti and my Honourable friend Mr. Bajoria,—they are purely academical. My friend the Pandit's amendment stands on a completely different footing. Mr. Satyamurti is quite willing to leave this question to the majority of the shareholders. He is quite prepared to allow them to decide in their articles how they should elect their directors. Mr. Bajoria stands in the same position. But it is my Honourable friend the Pandit who insists upon there being a statutory provision as to how directors should be elected. Now, Sir, we are not talking of the government of a province or of a country or of local self-government. We are talking of pounds, shillings and pence; and generally in pounds, shillings and pence there is not much room for sentiment. I have already said that I readily admit the earnest desire of the Panditji and Mr. Satyamurti to improve this Bill as far as they possibly can and thus to help on the industrialisation of this country. But I cannot help saying that if the Panditji's amendment were carried, nothing worse could be done in this House to hinder and jeopardise the industrial growth of this country; and I say that in all earnestness. Sir, the whole question is, if an individual or a group has the majority of shares in a company, whether that individual or group who chooses to risk half the capital of the company should or should not have a predominant voice in the affairs of the company. My Honourable friend the Pandit, says no.

Mr. N. M. Joshi : He does not say that.

Sir Cowasji Jehangir : You say so too. He says that they should not have the predominant voice, that although they had risked their monies to the extent of 50 per cent. of the capital, the minority of shareholders,—although they might only be 25 per cent. or only 10,—should have the right of combining and sending one or more directors to the board. Now, Sir, I again venture to state with a full sense of responsibility that if that was done, contrary to the wishes and desires of my Honourable friend the Pandit, you would be setting back the industrialisation of this country to a degree and extent that my Honourable friend does not realise. Now, Sir, my Honourable friend the Chief Whip of Government tried to point out yesterday that there is no comparison between a company and the administration of a province or of a municipality or of Government, and suppose we do just consider the analogy for a minute, we find that we get into a most illogical position. If any body of men in a company should be elected by the single transferable vote, it should be the shareholders; but can you elect the shareholders? There seems to be a certain amount of confusion about a company: there are in a company, first, the shareholders who have their rights and privileges; then there are the directors; and then in most companies in India there are managing agents; then there is one more factor, the auditors, which I will not consider in dealing with this question of single transferable vote. The shareholders, if there is any analogy at all, take the place of the legislature: the directors take the place of the executive government.....

Pandit Govind Ballabh Pant : Of the Standing Finance Committee,

Sir Cowasji Jehangir : ... and the managing agents are a part of the executive government. It cannot be contended that the executive government in any country should be elected by the single transferable

[Sir Cowasji Jehangir.]

vote. You may contend that it is the legislature that should be elected by the single transferable vote ; but instead of the legislature, you have the shareholders ; and the shareholders come into existence by the power of the purse. Those who have the financial strength and the desire to buy shares in a company do so. Where is the comparison between a government of a province and a company ? My Honourable friend the Pandit said—and I believe Mr. Asaf Ali also said—that the principle of proportional representation is present in all cabinets : I am unable to follow him. A cabinet in every part of the world where there is a democratic form of government is not elected : it is appointed either by the President of the Republic or by the King on the advice of the Chief Minister whom the King or the President chooses to call upon to form a government.....

Mr. M. Asaf Ali : Do you want directors to be appointed or selected by some one ? If so, who will do it ?

Sir Cowasji Jehangir : I am coming to that. You gave the example of a cabinet ; a cabinet can never in any country be elected by proportional election : that is what the Panditji said and that is what you yourself tried to make out, that the principle of proportional election is there.....

Mr. M. Asaf Ali : I kept politics out altogether.

Sir Cowasji Jehangir : It is impossible to compare the two things. Suppose you did give the right to the minority of shareholders to send one or more directors to the board : they would naturally be directors who were elected for the special purpose of opposing the policy of the majority of the directors on the board : otherwise there is no question of a minority : and do you think for one minute that that will help towards efficiency or better administration of a company, the only object of which is efficiency, resulting in better profits for the shareholders themselves ? It seems to me that my Honourable friends, ingenious and clever as they are, desire to bring in a method of election of directors into the Companies Act not to be found in any other country in the world.....

Mr. S. Satyamurti : Are managing agents found in any other country ?

Sir Cowasji Jehangir : No ; but because there are no managing agents in other countries and there are directors in other countries and directors in this country, therefore you want for directors a method of election unheard of, never suggested and never put into practice in any part of the world.....

Pandit Govind Ballabh Pant : Reserve Bank Act.

Sir Cowasji Jehangir : That is a very different thing altogether. The Reserve Bank is a government institution, where the shareholders cannot buy as many shares as they want : they are limited to a number of shares only. I applied for shares in the Reserve Bank, but I only got Rs. 500 worth and I can never be allowed to buy more than Rs. 10,000 worth. Where is the analogy between the Reserve Bank and an ordinary company that is floated in this country where any individual can purchase 75 per cent. of the shares ?

An Honourable Member : We are not imposing that restriction : it is to your advantage.

Sir Cowasji Jehangir : Therefore, there is no analogy between the Reserve Bank and an ordinary company.....

Dr. N. B. Khare (Nagpur Division : Non-Muhammadan) : The Reserve Bank is a political institution ?

Sir Cowasji Jehangir : No : it is an institution which belongs to the State. It is a nationalised bank where no one individual should have more than a very small number of the shares of the bank. There is no analogy between the two and what I contend most strongly is that if my Honourable friend the Panditji's amendment was carried, there would be no encouragement to start new companies, to promote new industries : there would be no encouragement to buy a large block of shares, or to retain a large block of shares in any company, because you would always feel that your money was at risk, that at any time your policy could be defied by a small minority who had nothing like the stake which you had in the company ; and therefore you would think twice before you promoted a company ; you would think twice before you held a large block of shares in a company, you would think twice before you even helped to finance a company. Sir, that is not what we want to do. We want to encourage the formation of new companies, to open up wide from all areas this great country of India. We desire to see capitalists and the individual small investor come forward to start new industries. You will be doing, contrary to your wishes I know, exactly the opposite.....

Mr. Muhammad Azhar Ali (Lucknow and Fyzabad Divisions : Muhammadan Rural) : You want that there should be complete monopolisation by an individual ?

Sir Cowasji Jehangir : In company promotion there must be a certain amount of monopoly. Unless the man who puts in a large amount of money is given a predominant voice in the administration of that company, he will not put in that capital ; and you will prevent him from putting in that capital ; and if you prevent him from putting in capital, you prevent the starting of new companies and you prevent the opening up of our country industrially. It cannot be helped. If my Honourable friend, Mr. Azhar Ali, had 55 per cent. of the shares in a company, I feel very confident he would say " My voice shall be predominant and I shall dictate as to how the company is to be run and I shall get the benefit that I deserve from having more than half of the capital of the company " ; I am fairly certain he would say that, and I am also confident he would not talk of monopolies.

Now, Sir, I feel that a great deal has been said in this Honourable House due to a lack of experience. For the third time, I desire to acknowledge and willingly acknowledge the desire, the anxiety of my Honourable friends to do the best they can for the Companies Act and for industries in general ; and therefore when we disagree, we disagree because we feel that we look at this matter from two different points of view. My Honourable friend, the Pandit, looks at it from a theoretical point of view : my Honourable friend, Mr. Satyamurti, also looks at it from a theoretical point of view. I unfortunately am forced to look at it from a practical point of view. I wish I could look at it from a

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theoretical point of view. If I looked at it from a theoretical point of view, I might be able to agree with my Honourable friends; but I have to look at it from a strictly practical point of view, and therefore it is my duty to place before this House the strictly practical point of view. I know very well that, if my Honourable friends over there and I could be Directors of a Board of a big company for only just a year or two, they would sing a different song.

[At this stage, Mr. President (The Honourable Sir Abdur Rahim) resumed the Chair.]

They would then realise that it is not to the interests of their country to set back the hands of the clock of the industrialisation of this country, and, therefore, I do not desire to take up any more time of this House.....

Mr. N. M. Joshi : You have already taken up enough time.

Sir Cowasji Jehangir : My friend, Mr. Joshi, who up to now has had his say on most subjects and on every subject, who is an authority not only on labour but on how a company should be run, should be the last to complain of the time I have taken up on a question of such vital importance, as the Companies Act.

Now, Sir, I have nothing to say about democracy. I don't think really we can discuss the principles of democracy in the Companies Act. I do appeal to my Honourable friends to consider this question from a practical point of view, and after they have given it the reflection that they ought to, after they have consulted their own friends who happen to be connected with any industry or trade, I feel confident that every one of them will come to the conclusion that they had better give up the theoretical enunciation of principles and come down to brass tacks and let us do the best we can for the Companies Act resulting in the best for all industries in this country.

Mr. M. S. Aney (Berar Representative) : Sir, I had no desire to take part in this debate, but somehow the debate has taken such a turn that I thought I should be failing in my duty if I recorded a silent vote on this question. I have very patiently and attentively listened to the earnest and eloquent appeals made by my friends, Pandit Govind Ballabh Pant and Mr. Satyamurti and others, for whom, I think I need not repeat, I have the highest regard and respect. Whenever an appeal comes from a friend like Pandit Govind Ballabh Pant who makes his speeches after a very careful and thorough study of the question which he handles, it deserves to be seriously considered by this House. Yet, if I have the misfortune to differ from him, I think he will give me the credit that I have some convictions on the subject which unfortunately remain unshaken in spite of all the cogent arguments which he tried to advance in support of his proposition.

Now, Sir, we are thinking of introducing the principle of proportional representation in a business concern. That is the point before the House. It is not possible for me, nor is it desirable to do so, to go back to the history of this whole question of proportional representation, but it has come into existence for this reason, that it has been accepted that the mere method of representation by majorities has been found to

be inadequate to represent the interests of certain minorities in matters of State administration, and, therefore, a method has been devised to secure some kind of representation to those minorities whose interests have to be properly safeguarded in the State. Therefore, the question arises only in the case of and for the sake of protecting defined and well recognisable minorities whose existence is clearly presumed. Without it no thought to secure the proportional representation of any interest can at all arise. When my friend, Pandit Govind Ballabh Pant, emphatically told this House that there was no question of minority or majority whatsoever, there was nothing like the separate and conflicting interests between the majority and the minority when we were dealing with the question of company management, and that the interests of all the shareholders were one and the same, I feel that he has given up the entire case for proportional representation which he is urging before the House. He has given away the whole case when he has said so; there is nothing on which he can take his stand and call on this House to record their votes in favour of his proposition. Leaving aside that theoretical question for the moment, let us see how it is likely to work, and whether it is likely to work in a beneficial manner or in a disadvantageous manner. One thing is admitted both by my friends, Mr. Satyamurti and Pandit Govind Ballabh Pant. There were three propositions before the House, and one thing common to all the three propositions was, that if any person or shareholder secured the minimum quota he was bound to be elected and find a place in the directorate. That, we know, is an admitted feature in the system of proportional representation. That one feature is common to all the 2 or 3 amendments moved by them, namely, if anybody is able to get the minimum quota of votes to be calculated according to a certain basis, he is bound to find a place in the directorate. Now, Sir, let us take this one point and seriously consider its implications and possibilities. I want this Honourable House to consider whether it is not a thing of which a rival company can certainly take advantage to the detriment of the first company and succeed in introducing certain persons on the board of directors and whether such a thing may not lead to the ruin and destruction of the company. Suppose there are 5 directors, and 200 is the minimum quota required. There is a rival company dealing in the same class of goods. If that company wants to know the secrets or the plans which the first company has in mind to undertake, it is quite possible for the rival company to go in for 200 shares and send in a man who, on the strength of those 200 votes, can be returned to the directorate of the first company whose secrets in the interests of that very company ought not to go out, or at least ought not to be known to the rival concern. In my opinion, it will mean giving a handle, to secure some kind of representation on the Directorate of the rival company, in the hands of those whose interest it is to see that the first company is ruined. That is a proposition to which no Member of this House would agree. Therefore, Sir, I feel it is very dangerous to introduce a principle of that kind in a business concern, and particularly in the election of its directorate in whose hands will lie the initiation and execution of its policy.

Then, Sir, the third thing is this. It has been pointed out that the only hope for this country lies in the growth of industrialisation in future. That is the only solution by which you can expect the problem of

[Mr. M. S. Aney.]

unemployment and other problems solved. Whenever we make any suggestion we have therefore to see whether that suggestion is likely to promote the growth of industrialisation at a rapid pace in the near future, or it is likely to hinder it. If the suggestion of proportional representation is likely to create some kind of suspicion in the minds of those who hold the capital and without whose capital the industrialisation cannot progress, and if the capital which is already proverbially shy will become more shy on account of any alteration or any amendment that we may make in the law here, we shall not be helping the progress of industrialisation but we shall be retarding it. What my Honourable friend, Sir Cowasji Jehangir, said on this point deserves to be very seriously considered by us. It is not enough merely to examine the problem from the point of view of seeing whether the board of directors is theoretically perfect or not, but it must be approached mainly to find out whether a directorate formed on that basis is likely to command and inspire confidence in the minds of those from whose hands capital is likely to flow and without which no progress of industrialisation in this country is possible. The question theoretically perfect directorate but is essentially one on a proper and practical solution of which the future of industrialisation of the country is to a large extent likely to depend. On all these grounds, notwithstanding the best motive and the earnest desire with which my Honourable friend, Pandit Govind Ballabh Pant, has put forward his suggestion, I must request the House to think over the matter seriously, and in recording their votes they should not go by any preconceived notions but they should give their best thought to each and every aspect of the question: and if they do so, I have no doubt that they will find themselves unable to subscribe to the amendments. (Applause.)

Mr. K. Ahmed : What about H. E. H. the Nizam floating a big company in Berar?

Mr. S. Satyamurti : Can Mr. Kabeer-ud-din Ahmed (who was sitting on the Opposition Benches) change sides like this? (Laughter.)

The Honourable Sir Nripendra Sircar : So much has been said on this subject and proportional representation has taken such a disproportionate amount of time (Laughter) that I would not like to tire the House by a long speech. I wonder if the House has realised what the two amendments are. To put it shortly, if Mr. Satyamurti's amendment is carried, it refers to transferable votes, then that is subject to the articles of the company.

Mr. S. Satyamurti : Unfortunately, yes.

The Honourable Sir Nripendra Sircar : That is to say Mr. Satyamurti does not feel very strongly....

Mr. S. Satyamurti : On a point of personal explanation. I want to assure my Honourable friend that I have really made a mistake. I should have drafted it differently. I apologise.

The Honourable Sir Nripendra Sircar : That is the difference between Government and my Honourable friend. (Laughter.) When we make a mistake we do not persist in it.

Mr. S. Satyamurti : I have said that I made a mistake.

The Honourable Sir Nripendra Sircar : Be that as it may,—I accept my Honourable friend's explanation—the result is that all these discussions about a new heaven and a new earth under the Government of India Act, democracy, this and that, really is not of much importance. If that horrible managing agent with 60 per cent. of shares in his pocket is stalking the land there will not be the slightest difficulty in changing the articles, so that this interesting debate, about which I do not complain except for the excess of it, is really a harmless one. My Honourable friend, Pandit Govind Ballabh Pant, as is to be expected, is more thorough-going. He wants his principle to apply whether there are any provisions in the articles or not, because you cannot override the provision in the statute unless the section says subject to regulation, or articles and so on. My Honourable friend, Mr. Satyamurti, in his discourse on the Government of India Act, and particularly on human nature, told us yesterday that this is one of the things which is part and parcel of human nature. Just as the baby cries for milk, so we cry for proportional representation. (Laughter.) I do not know that my Honourable friend really is so very keen on proportional representation. Some question was put to him by that irrepressible interrupter, Mr. Kabeer-ud-Din Ahmed, "What happens in the Congress? You do not follow this proportional representation in the Congress". I think my Honourable friend, rather emphatically, said, and his voice is fairly strong at all times,—he said, "Yes, we follow". But I heard some kind of murmur from that side, "No, no. That is not so".

Pandit Govind Ballabh Pant : We do follow.

The Honourable Sir Nripendra Sircar : I am very glad to hear it, that they do follow.

Mr. S. Satyamurti : Members of the All-India Congress Committee are returned by proportional representation.

Pandit Govind Ballabh Pant : I do not know if that would be a reason for the Honourable Member agreeing with that principle or disagreeing with it.

The Honourable Sir Nripendra Sircar : Neither one nor the other. (Laughter.) All this juggling about A. I. C. C., B. P. C. C., or C. C. D. D.....

Mr. S. Satyamurti : You mind only G. G.! (Laughter.)

The Honourable Sir Nripendra Sircar : I did not say d.d. I find from the *Tribune* of Lahore, dated "April, Proceedings of the Lucknow Congress",—let us see what has happened:

"The next big debate was on the question whether proportional representation by single transferable vote as the method of election to the All-India Congress Committee was to be maintained. Dr. Pattabi Sitaramayya on behalf of the Working Committee said the volume of written opinion from the majority of the Provincial Congress Committees was against it."

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The Provincial Congress Committees were fairly reasonable people and they opposed proportional representation :

"The opposition was led by Mr. Avideshwar Prasad Sinha socialist who supported by Mrs. Kamaladevi Chattopadhyaya and others urged that the minority of socialists would be crushed out of existence if proportional representation was deleted."

Then, Mrs. Kamaladevi Chattopadhyaya made a speech in support.....

Mr. M. A. Jinnah : What did Mr. Satyamurti say ?

The Honourable Sir Nripendra Sircar : Mr. Satyamurti, I think, gave a silent vote against proportional representation. (Laughter.)

Mr. S. Satyamurti : My Honourable friend is at liberty to have a joke at my expense. But I was not present at the time of voting in the Congress.

The Honourable Sir Nripendra Sircar : I accept it. May I say that my Honourable friend did not have to vote because he was not there ? I am very sorry if I made a mistake. I do not want to read all this. Mrs. Kamaladevi Chattopadhyaya made a speech, as is to be expected, in support of proportional representation, otherwise the poor socialists would be crushed out. Then, Dr. Khan Sahib tried to impress upon them that there was no desire to crush, "You had better agree to what we are doing". Somebody else, Mr. Annapurniah, an Andhra delegate, supported the retention of proportional representation. Then Mr. Amritlal Seth declared himself non-socialist and supported the retention and so on. Now, I come to Pandit Jawahirlal Nehru :

"Pandit Jawaharlal Nehru, before putting the motion to vote, said, though the issue before the House was small a great principle was involved. Unless the minority was to be forced to revolt, representation of minorities by means of proportional representation must be safeguarded. There was, however, no truth in the allegation that the proposed Congress executive aimed at crushing the socialists."

What was the result in spite of Pandit Jawahirlal Nehru's pointing out so forcibly that they must have proportional representation ? The House decided by 37 votes to 32 against proportional representation.

Prof. N. G. Ranga (Guntur cum Nellore : Non-Muhammadan Rural) : It was not the open session of the Congress ; it was only the All-India Congress Committee.

The Honourable Sir Nripendra Sircar : I know the distinction between A.I.C.C., B.P.C.C., and C.C.D.D. I am reading the report from the newspaper. (Interruption.) If my Honourable friend will allow me to go on, I am anxious to finish as soon as possible. The result was that it was lost in spite of Pandit Jawahirlal Nehru.

An Honourable Member : It was carried in the open Congress.

Pandit Govind Ballabh Pant : I said that the method of proportional representation still holds the field so far as elections to the All-India Congress Committee are concerned.

The Honourable Sir Nripendra Sircar : I accept that, and knew it, and I was only showing that the demand was not general, as part of "human nature".

Pandit Govind Ballabh Pant : The Honourable the Law Member has read out a passage which would give one the impression that what I said was incorrect. I have only to point out that what he has read out is a report of the proceedings of the Working Committee, but when the matter went to the open session of the Congress, this recommendation was not accepted and the original proposition about the retention of the principle of proportional representation was retained by a majority of about two to one.

Mr. President (The Honourable Sir Abdur Rahim) : I should like to point out that this discussion about what happened in the Congress Committee may not be entirely irrelevant, but I do not think it ought to be carried too far.

The Honourable Sir Nripendra Sircar : Sir, I had no desire to carry it any further. I have said what I had to say. Now, Sir, if the idea of this proportional representation is carried out, let us try to see how the Board will function. I was thinking of it last night and I thought that, accepting this principle of representation of different interests, and the Scheme of Government of India Act, democracy, new heaven and a new earth, which are Mr. Satyamurti's arguments, the composition of the ideal Board composed of different interests will work like this. Mr. Satyamurti will represent one party. Let us have Mr. Rajah on the Board as representing the depressed classes and where is Mr. Bajoria....

Mr. S. Satyamurti : You have sent him home !

The Honourable Sir Nripendra Sircar : He will represent the Mitakshara Sanatanists and Mr. Joshi will represent Labour.

Mr. N. M. Joshi : I won't put a farthing in it.

The Honourable Sir Nripendra Sircar : I don't suggest you will buy shares. No. (Laughter.) Let us put in Sir Homi Mody on the wholly untenable ground that he has got something to do with business. How will this Board function ? Suppose the company is proposing to erect an additional mill and is intending to buy machinery. Sir Homi Mody, a business man, says 'We have got plenty of money and money after all makes money. That is my motto. Let us have another mill'. Mr. Satyamurti will say "Nothing of the kind. Are we going to buy foreign machinery ? I won't allow it. We must wait until our nationals produce better machinery". Mr. Joshi will have no objection whatsoever to the mill being started provided it is understood that the company will agree to a 20 hour week, double wages and compensation to any worker who runs away without notice. (Laughter.) This is, Sir, how this Board will function. I submit that the directors are in the position of the executive, they are in charge of the management and they must have certain amount of freedom of action, so that there may be continuity of policy. They have to act on the spur of the moment on the conditions of the money market and so on. It should not be the idea that on the Board you must have representatives of different interests. In the matter of company management the interests of everybody are to secure a dividend.

Then, Sir, I shall discuss one more matter before I resume my seat: Let us suppose there are thousand voters who are going to elect their directors. How do you find out which is the majority and which is the

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minority. My Honourable friend, Mr. Joshi, gave an example. He said supposing some of them are interested in another company which carries on business in steel, then their interests will be hostile. Be it so but here are thousand men coming to vote. How is anybody to ascertain what are the conflicting interests and what is the majority and what is the minority. I submit that all these ideas of majority and minority are a complete misfit so far as company law is concerned. Then my friend, Pandit Pant, throughout his argument based it on the fact that here is the managing agent and that makes all the difference. I do not want to go into details in regard to those arguments, but may I remind him that it is quite true that the managing agent has dominant power by reason of various facts into which I need not go at this hour but what about other companies. It is quite true that the big companies, about 75 to 80 per cent., are run by managing agents but when you take the entire list of companies, including big, medium and small, only 32 per cent. are run by managing agents.

Pandit Govind Ballabh Pant : Almost all having a capital of more than a lakh.

The Honourable Sir Nripendra Sircar : I can mention offhand the Bengal Chemical Works the capital of which runs into several lakhs, and has no managing agents. If I make research, I can find more. I really do not desire to take up any further time of the House. My friend, Mr. Pant, said that he hoped that the Law Member had an open mind. I would be deceiving him if I said that I had an open mind. I had no open mind. I had thought over this matter very carefully and in my opinion rather than be a party to a Bill which will involve ruining the business by this system of directors, I would not have any improvement on the company law at all.

Mr. President (The Honourable Sir Abdur Rahim) : I will first put Mr. Satyamurti's amendment. The question is :

"That in clause 37 of the Bill, for the words 'Section 83B of the said Act' the following be substituted :

'In sub-section (ii) of section 83B of the said Act, after the words 'in general meeting' the words 'by election on the principle of proportional representation by the system of the single transferable vote' shall be inserted and section 83B as amended'."

The motion was negatived.

(Mr. Bajoria's amendment was not put.)

Mr. President (The Honourable Sir Abdur Rahim) : I shall now put Pandit Pant's amendment. The question is :

"That in clause 37 of the Bill, after the proposed sub-section (2) of section 83B, the following new sub-section be added :

'(3) The election of directors shall be held on the principle of proportional representation by means of single non-transferable vote according to rules framed for the purpose under sub-section (4) of section 151 of this Act'."

The motion was negatived.

Mr. M. Ananthasayanam Ayyangar (Madras ceded Districts and Chittoor : Non-Muhammadan Rural) : Sir, I move :

"That in clause 37 of the Bill, the proposed sub-section (2) be re-numbered as sub-section (3), and, before the sub-section as so re-numbered, the following be inserted :

'(2) The term of office of a director except that of a managing director shall not exceed seven years and a director if otherwise not disqualified shall be eligible for re-election or re-appointment'."

My sole object is this. In many a memorandum it is prescribed that some particular persons shall be life directors. I do want by this amendment to abolish that practice. I want that he shall not be a director for a period of more than seven years. If we take the model articles, all directors generally shall have to retire by rotation within a period of three years. Such articles may not be incumbent and need not be followed in all cases. Therefore, it is possible for all companies to have directors continuing like this, once they are elected, and it is to avoid such persons continuing as life directors that this amendment is moved. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in clause 37 of the Bill, the proposed sub-section (2) be re-numbered as sub-section (3), and, before the sub-section as so re-numbered, the following be inserted :

'(2) The term of office of a director except that of a managing director shall not exceed seven years and a director if otherwise not disqualified shall be eligible for re-election or re-appointment'."

Mr. Susil Chandra Sen (Government of India : Nominated Official) : Sir, I oppose this amendment. My Honourable friend, Mr. Ayyangar, in explaining the reasons, has not said on what grounds he is justified in proposing the exclusion of a director who by reason of experience has got a thorough knowledge into the inner working of a company's business and whose experience ought to be an asset for the company rather than be a disadvantage.....

Mr. M. Ananthasayanam Ayyangar : On a point of personal explanation, Sir, I have said towards the end of my amendment that they "shall be eligible for re-election or re-appointment". I say it is not at a stretch that they should be appointed for more than seven years.

Mr. Susil Chandra Sen : My friend has apparently forgotten that by the inclusion of the compulsory articles from Table "A" we have adopted the principle of rotation and it is not possible, unless the directorate has assumed a disproportionate size, to have a director who will continue for more than seven years without retirement. That is a contingency which will very rarely happen and therefore, Sir, it is not fair to say that this amendment is really meant to hit only persons who will continue without re-appointment or re-election for seven years. If this amendment is accepted, it will surely jeopardise the position of directors who have been on the Board for a long time and whose experience, as I say, ought to be an asset on the side of the company rather than a disadvantage. Sir, the principle is vicious and I oppose it.

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LEGISLATIVE ASSEMBLY.

[17TH SEPT. 1936.]

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in clause 37 of the Bill, the proposed sub-section (2) be re-numbered as sub-section (3), and, before the sub-section as so re-numbered, the following be inserted :

'(2) The term of office of a director except that of a managing director shall not exceed seven years and a director if otherwise not disqualified shall be eligible for re-election or re-appointment.'

The motion was negatived.

Dr. N. B. Khare : Sir, I move :

"That in clause 37 of the Bill, for the proposed sub-section (2) of section 83B, the following be substituted :

'(2) Notwithstanding anything contained in the articles of a company other than a private company not less than two-thirds of the whole number of directors shall be persons whose period of office is liable to determination at any time by retirement of directors in rotation :

Provided that nothing herein contained shall apply to a company incorporated before the commencement of the Indian Companies (Amendment) Act, 1936, where by virtue of the articles of the company the number of directors whose period of office is liable to determination at any time by retirement of directors in rotation falls below the two-thirds proportion mentioned in this section.'

Sir, the difference between my amendment and the clause as provided in the Select Committee's report is not very much. There one-third of the directors are allotted to the shareholders and one-third are allotted to the managing agents and the remaining one-third represent no man's land. I want to give two-thirds to the shareholders as I want to further the elective principle. It is often said in this House that this country is hampered by a dearth of competent industrialists, that we have few industrialists. Now unless we put in new men on the directorate, how can we get more and more people who are competent to look after industry ? This will surely give the shareholders one-third more than is intended in the Bill as it has emerged from the Select Committee and also help to create more and more men who would be competent to look after industry. Besides, why should the managing agent, who is the monarch of all he surveys, clamour for more and more directors ? After all, he is the sole master and all the directors are generally under his thumb ; so he should be content with less than one-third. Sir, an objection will be raised that other interests which will form the company, such as Government, the States, Municipalities, etc., will suffer. Sir, this second proviso of mine will obviate that difficulty. After all, the managing agent gets a little less than one-third, and he should be satisfied with that, and in that one-third all the other special interests can be accommodated, and if the managing agent has got a complaint against the directors, he can go to the shareholders. If he wants to have some of his men on the board, certainly they can come through by election. Nothing in this clause prevents that. It only liberalizes and gives more rights to the shareholders. And, Sir, another objection might be raised that mergers may not be possible. I will give a concrete case,—that of the recent cement merger with twenty-two directors out of which only one represents managing agents and seven represent the so-called special interests, the Indian States and fourteen are elected. Of course this concrete example will knock the bottom out of such objections if raised. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in clause 37 of the Bill, for the proposed sub-section (2) of section 83B, the following be substituted :

'(2) Notwithstanding anything contained in the articles of a company other than a private company not less than two-thirds of the whole number of directors shall be persons whose period of office is liable to determination at any time by retirement of directors in rotation :

Provided that nothing herein contained shall apply to a company incorporated before the commencement of the Indian Companies (Amendment) Act, 1936, where by virtue of the articles of the company the number of directors whose period of office is liable to determination at any time by retirement of directors in rotation falls below the two-thirds proportion mentioned in this section.'

The Honourable Sir Nripendra Sircar : Sir, I think the House should know the history of this provision. In Mr. Sen's report, speaking from recollection, there was no recommendation. Then, when the matter came up before the Advisory Committee, Mr. Davar, who was representing the Bombay shareholders, wanted that the maximum number of directors which could be nominated by the managing agents should be laid down in the statute. That is how it came about when one-third was fixed as the maximum number of the directors to be nominated by the managing agent. That again is from recollection. No one objected and we put that provision in the Bill, viz., of the directors, not more than one-third should be nominated by the managing agents. When the Bill came before the Select Committee, the alteration which was made was this and the present form was adopted, viz., the maximum of appointment by managing agents was one-third, at least one-third by shareholders, and one-third was left as a possible gap because in many companies, under statutes, the representatives of local boards or Government are put in as directors. Also, Sir, sometimes there are directors appointed under agreements contained in debentures. They want their directors and so on. So, this gap of one-third was left, if I may use colloquial language, for the special directors. The result is that in so far as there may not be special directors, after the managing agent's one-third, whatever margin is left, that goes to increase the proportion which has got to be elected by the shareholders at a general meeting. The managing agent cannot get any benefit ; his one-third cannot be increased merely because there are no special directors. Well, Sir, we are not seriously opposing that and, when the Select Committee has decided that, we are quite willing to accept it and Government is quite willing to accept the change which has been made by the Select Committee. If the matter is going to be re-opened, I would very much like to go back to the old provision in the Bill as introduced, that is to say, to have the minimum of the managing agent's nominees being fixed at one-third and say nothing about the proportion to be elected by the shareholders. That is our position. If the matter is going to be re-opened, I would rather prefer going back to the provision in the Bill as introduced, but I am quite willing to accept, if that is the desire of the House, the provision which has been made, namely one-third and one-third. But I object to the amendment the result of which is this that two-thirds will be elected by the shareholders, leaving one-third for the managing agents and if there are any special directors who are to be appointed by debenture holders or under the statute or under any agreement, that will

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come out of the one-third of the managing agents. To that, Sir, I am not agreeable and I oppose the amendment.

Pandit Govind Ballabh Pant : Sir, I rise to support the amendment moved by my friend, Dr. Khare. I have not been able to follow the remarks of the Honourable the Law Member. The original clause in the Bill, as it was introduced, ran as follows :

"Notwithstanding anything contained in the articles of a company other than a private company not more than one-third of the whole number of directors shall be appointed otherwise than by the members in general meeting."

If he is prepared to accept this clause, we are prepared to stand by it. But, as I observed, I did not quite comprehend the import of what he said. The original clause in the Bill was distinct. It laid down that at least two-thirds of the members should be elected by the shareholders in a general meeting. If he is prepared to accept that, then there is no occasion for any further controversy or discussion. But if he is not, then he must accept that he is going back upon the clause as it was originally embodied in the Bill. There are one or two points which I would like the House to bear in mind. One is this that this clause does not apply to the articles of the companies that exist today. As to how they are constituted, it is immaterial. We are not attacking the articles of the existing companies. The point is this, whether for the future you are prepared to accept or not that at least two-thirds of the directors shall be elected or appointed by the general body of the shareholders? There is no use, no point and no merit in prescribing that the managing agents will not be allowed to make it more than one-third when they can nominate one-third otherwise. If the provision remains as it is today, what is there to prevent a managing agent from having two or three persons appointed as life directors and then himself nominating one-third? So, I say it is better to omit this clause altogether and to say that the managing agents will be free to nominate as many as they like than to have a clause like this only to force them to use a subterfuge for having a majority? The managing agent or the promoters are free to appoint one-third as life directors in some form or other, so that they will have a standing majority of two-thirds.

Sir H. P. Mody : Not the managing agents.

Pandit Govind Ballabh Pant : What is there to prevent them from doing so?

Sir H. P. Mody : There are special directors, debenture holders and so on.

Pandit Govind Ballabh Pant : What I am saying is that a managing agent can always use methods and devices of having one-third nominated according to his wishes and to his liking.

Sir Cowasji Jehangir : May I interrupt my Honourable friend for a minute? The managing agents have one-third in order to represent different blocks of shareholders. Different blocks of shareholders demand that they should have representation. Then the managing agent, when promoting a company, permits such a block of shareholders to have one representation. All that is covered by one-third.

Pandit Govind Ballabh Pant : Does my Honourable friend mean that such blocks of shareholders will not then be entitled to take part in the election of the general meeting? If he accepts that, I have no quarrel with him.

Sir Cowasji Jehangir : No, no.

Pandit Govind Ballabh Pant : If these people are going to have a voice in the election again, then I do not see any point in the remark that he has just put in. The shareholders will be free to elect only one-third if there are occasions for doing so. My submission is this that if the debenture holders want a director or if any other class wants a director, then it is not excluded by the language of this amendment. All that it lays down is that two-thirds will retire and two-thirds will be elected by such classes of shareholders as you may provide in your articles. There is nothing to prevent you from doing that. But I see no reason why the shareholders should be deprived of their right in a manner like this. If you want that the managing agents should not have more than one-third, then there should be a specific provision to that effect. I am really surprised that after all that we have seen about the way the Boards of Directors have been constituted up to this time, there should be still a desire that at least one-third should be left out for the managing agents. I submit that if the debenture holders or other persons have in any case to put a director who is not to be covered by the two-thirds then one should be allotted out of the remaining one-third. I see no reason for this special tenderness for the managing agent. I see no reason why he should have one-third and in every case why the rest of the entire body of shareholders should be restricted to one-third only. I hope the House will accept this amendment in spite of the wishes of the Government to the contrary.

Mr. G. E. J. Robertson (Burma : European) : Sir, I oppose this amendment. Pandit Pant has just stated that as the managing agents are to have the right to appoint one-third of the Board, there is no reason why the remaining two-thirds should not be appointed or elected by the company at a general meeting. He says there is no necessity for leaving one-third for any other purpose. Now, Sir, I think it is very necessary that room should be left for directors who will reach the Board by some other means, than by election by shareholders. It is very common to find provision made for nomination of directors to the Board of a company for the purposes of special representation. This takes different forms. Sometimes it may be that we have a Government representative on the Board of a Railway company or a public utility company. In other cases, a special class of shares carries with it the right to nominate a director. Again in return for taking up a large block of shares, a shareholder or shareholders may have the right to nominate a director and this also arises in the case of debenture issues. Now, Sir, Pandit Govind Ballabh Pant also said, and claimed as a special merit for this amendment, that it would not apply to companies incorporated after the passing of the Act. That is one particular reason why we should keep a margin within which directors may be appointed otherwise than by the company in general meeting. If we do not do that, we shall place a very real obstruction in the way of financing companies. Any provision which restricts a company giving such a right is likely to retard progress, as frequently capital is only subscribed or advanced by a class of shareholders, debenture holders, etc., on the footing that they shall have the right to nominate directors. If there is no provision for such

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[Mr. G. E. J. Robertson.]

nomination, we shall seriously restrict the free flow of finance. I would also like to point out that directors who are appointed by the shareholders holding a large block of shares or holding special issues of shares are equally representative of shareholders as those elected by the company in general meeting. The suggestion has been made that these directors will be the nominees of the managing agents, but by reason of the fact that they represent shareholders and in that respect the qualification of such directors is similar to that of those who are elected by the company in general meeting, that is to say they represent the shareholders. It is just as necessary that we should provide for appointment of directors to the Board otherwise than by election by the company in general meeting in the future, as it is in the case of companies already incorporated, from the point of view of the most important aspect of finance. Sir, I oppose the amendment.

Mr. Bhulabhai J. Desai (Bombay Northern Division : Non-Muhammadan Rural) : Sir, I wish to make the position as clear as I can having regard to the stages which the Honourable the Leader of the House has referred to during the progress of the Bill. In the Bill, as originally introduced, the elected number was two-thirds. It has gone through many changes since then, and the objection that is now raised to maintain the original two-thirds elected body was that the interests of bodies like the debenture holders or public authorities may, either under the Statute or under an agreement, have the right to nominate a director. But so long as you provide for that particular limited purpose, there may be something to be said for it, but if you leave the remaining one-third, in all cases where such appointments are called for or not, you are leaving that one-third really as it is alleged, at all events for the purpose of the benefit of the managing agents. May I, therefore, suggest that while providing for these special nominations, you may still maintain the original spirit of the Bill if words to that effect are added after sub-clause (2) as in the amendment :

"Notwithstanding anything contained in the articles of a company other than a private company, not less than two-thirds of the whole number of directors shall be persons whose period of office is liable to determination at any time by retirement of directors in rotation :

Provided that in cases where a director or directors are to be nominated by public authority or debenture holders, the two-thirds may be reduced to that extent."

An amendment like this will get rid of, at all events, this argument that you are not providing for a case where grievances are against the managing agents. But, in that case, you should not go the length of leaving the remaining one-third entirely outside the hands of the shareholders election. I, therefore, suggest that the amendment I have proposed will meet the difficulties which have been raised and also maintain the spirit of the original Bill.

The Honourable Sir Nripendra Sircar : It is rather difficult to follow the implications of my Honourable friend's amendment. If he will give us a draft of his amendment, it will probably facilitate matters.

Sir Cowasji Jehangir : What does Mr. Bhulabhai Desai suggest ?

The Honourable Sir Nripendra Sircar : What my Honourable friend suggests is this. One-third maximum to be appointed by managing

agents and about two-thirds, if there is a question of any special directors like directors nominated by debenture holders or by local bodies, and so on, that will come out of two-thirds. That will not infringe on the one-third maximum which has been given to the managing agents.

An Honourable Member : That is the Bill.

The Honourable Sir Nripendra Sircar : It is rather difficult to grasp, without more time, what my Honourable friend, Mr. Bhulabhai Desai, has said. I would like to have a draft. All that I want to say is this that the proposition is such that I cannot stand up and say that it is unacceptable.

Mr. M. A. Jinnah : May I point out to the Honourable the Leader of the House, that I do not know what the intention is. It seems to me that, under the clause as it is now before the House in the Bill, it is all in favour of the managing agents, because the managing agents, first of all, have the undoubted right to appoint one-third. Having appointed one-third, then at least the remaining two-thirds ought to be chosen by a meeting of shareholders, and in that I suppose the managing agents, holding a large number of shares, will have a finger in the pie. Having assured themselves of one-third, the managing agents will have their fingers in the pie for whatever may be left to the shareholders to choose. It seems to me that the original Bill was much better in the interests of the shareholders leaving aside the question how to provide for special directors.

Mr. Bhulabhai J. Desai : That is what I am trying to do.

Mr. M. A. Jinnah : We have got these two things before us. The third suggestion made just now, I have not been able to follow, but speaking for myself, I would rather have the original Bill than the one that has emerged from the Select Committee. There is no meaning in that. The agents say, "One-third is my own, and, with regard to the remainder, whatever that is, I will have a finger in the pie, except, of course, special directors". I rather prefer the original.

Mr. M. Ananthasayanam Ayyangar : If we are prepared to go back to the original Bill, I have an amendment to that effect, which is No. 90.

Sir H. P. Mody : No ; I understand that the draft of my Honourable friend, the Leader of the Opposition, is on these lines that not more than one-third will be reserved. . . .

Mr. President (The Honourable Sir Abdur Rahim) : I think I will read out the draft of the Leader of the Opposition :

"(2) Notwithstanding anything contained in the articles of a company other than a private company, not less than two-thirds of the whole number of directors shall be persons whose period of office is liable to determination at any time by retirement of directors in rotation :

Provided that in cases where a director or directors are to be nominated by public authority or debenture holders, the two-thirds may be reduced to that extent."

Mr. Bhulabhai J. Desai : I only offer this if it is acceptable to all sections of the House. If not I do not press it at all. I thought it met the case.

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The Honourable Sir Nripendra Sircar : All that I can say is that so far as Government are concerned, they will be prepared to accept that, but I do not want to commit myself finally. That is my view that it ought to be accepted, but other sections of the House may not like it.

Mr. Bhulabhai J. Desai : If they do not like it, I do not press it.

The Honourable Sir Nripendra Sircar : Let us have time to think over it.

Mr. M. A. Jinnah : Sir, I do not think it right that on a Bill of this importance an amendment is suggested on the spur of the moment and the House should be asked to consider it here and now. If there is an amendment, let us consider it carefully, because it is rather important, rather than decide here on the spur of the moment.

Mr. Bhulabhai J. Desai : My friend has entirely misunderstood me. I am not asking for anybody's consent at all here. I thought Government put forward the case that if you make two-thirds entirely rigid and exclusively elective, then there will be no room left in cases where public authority or debenture-holders were under agreement or under Statute. I was only trying to express it. I am not forcing it on anybody whatever. If the House requires time, it can stand over.

Mr. M. A. Jinnah : The Leader of the Opposition said just now that if the other side does not accept it, he will withdraw it.

Mr. Bhulabhai J. Desai : No, I said that I do not want to press it.

Mr. M. A. Jinnah : Therefore, it means that we should either say yes now, or he is not pressing it.

Mr. Bhulabhai J. Desai : If my Honourable friend thinks so, I am very sorry indeed.

Pandit Govind Ballabh Pant : What happened was this. After this amendment had been indicated, Mr. Jinnah observed that he would rather like to have the original clause as it stood in the Bill. We ourselves on this side would prefer it to the amendment moved by the Leader of the Opposition. So we said that if it was not acceptable to any group in this House, then we are not going to force it, because we ourselves are not very much in love with it. There should not be any occasion for any misunderstanding.

Mr. M. A. Jinnah : I do not wish to commit myself in any way at all, and I do not know exactly what arrangement was arrived at in the Select Committee. I merely made an observation that if I had the choice I would prefer the original. That is all.

Mr. President (The Honourable Sir Abdur Rahim) : If the Leader of the Opposition wants this amendment to be considered, I am willing to let it stand over till tomorrow.

Mr. F. E. James : Sir, may I rise to make a submission? That is, that if an amendment on the lines of the suggestion of the Leader of the Opposition is to be drafted and put in for submission to the House, it should, if possible, be circulated in sufficient time to all

Parties before the meeting tomorrow. We on these Benches do share the apprehension of Mr. Jinnah, because we had an unfortunate experience where we were forced to accept an amendment which in its present form is nonsense, and we do not want to be put in the same position again. I do very much hope that that course will be followed and we shall be given enough time to deliberate.

Mr. President (The Honourable Sir Abdur Rahim) : I understand it can be circulated tonight. I think that will give ample time.

The question is :

“ That clause 38 stand part of the Bill.”

The motion was adopted.

Clause 38 was added to the Bill.

Clause 39 was added to the Bill.

RULING ON THE MOTION FOR ADJOURNMENT *RE* FREEDOM OF INDIVIDUAL MEMBERS OF GOVERNMENT TO EXPRESS PERSONAL OPINIONS.

Mr. President (The Honourable Sir Abdur Rahim) : I promised to give my ruling on Mr. Satyamurti's adjournment motion, and I give it now.

The motion for the adjournment of the business of Assembly, of which notice was given by Mr. Satyamurti yesterday, raises the question whether the answer on behalf of the Government to his short notice question regarding Members of Government making public speeches alleged to be against the accepted policy of Government is a definite matter of urgent public importance within the scope of the Rules and Standing Orders. The specific answer of the Leader of the House on behalf of the Government which Mr. Satyamurti desires to be considered in connection with this motion is “ the question of when an avowed divergence of opinion is incompatible with continuance in the Government of the individual Member concerned is a question of degree to be decided by the head of the Government ”. Mr. Satyamurti would seem to urge that “ there should be no freedom of speech at all to the Members of the Government against the accepted policy of the Government ”. It has been definitely ruled by my predecessor in office, as indeed has been the general practice hitherto, that an answer to a question in itself, because it is considered unsatisfactory, furnishes no ground for a motion for adjournment of the business of the Assembly but whether a matter is a definite matter of urgent public importance is to be judged with reference to the question whether the subject-matter of the question and the answer satisfies the requirements of a motion for adjournment. (*Vide* Ruling No. 532 on page 13 of Selection from the Decisions from the Chair. Part II.) Now, the short notice question under consideration apparently arose from the fact, though it is not mentioned there, that the Honourable the Finance Member had, about a year ago, made a speech in Bombay with reference to what is known as the discriminating protection policy of the Government of India, which was alleged to be against the accepted policy of the Government. After the delivery of that speech by the Finance Member it was open to a Member of this House, if he so desired, to move at the earliest possible opportunity a motion for adjournment of the business of the Assembly, as has happened

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[Mr. President.]

in similar cases in the British Parliament. But no such action was taken, although there were sufficient opportunities for such a motion being brought forward. I should also mention that a question was asked (question No. 130) on the 4th September, 1936, with reference to the opinions expressed by the Honourable the Finance Member in connection with "industrialisation by a protective policy", to which Sir James Grigg replied "I have already said on previous occasions that as a Member of the Government of India, I accept the policy of discriminating protection coupled with a due regard for the imperative revenue necessities of the country and the other safeguards recommended by the Fiscal Commission and adopted by the Government of India". I do not know whether that answer was considered satisfactory or not by Mr. Satyamurti but the fact remains that neither he nor any other Member attempted to bring up any motion for adjournment based on that statement by the Finance Member. It is, therefore, clear that so far as the protectionist policy of the Government of India and the attitude of the Finance Member in that connection is concerned the matter is set at rest.

Now, all that I have to consider is whether the general attitude of the Government, as disclosed in the answer to the short notice question, with respect to whether and how far, an individual Member of the Government is free to express his own individual opinion, which may not coincide with the avowed policy of the Government of India, can be a definite matter of urgent public importance. I shall suppose for argument's sake that this can be said to be a definite matter, still I fail to see how the general proposition stated in the answer given by the Leader of the House or as formulated by Mr. Satyamurti himself can be said to be an urgent matter in the sense that it would justify an adjournment of the business of the Assembly to enable the Member to consider and discuss it.

Mr. Satyamurti or any other Member can, if he so desires, table a resolution in order to discuss this general question or find some other suitable opportunity for the purpose. But I can see no urgency about it. As has been stated in the House of Commons "By the present rules such a motion for adjournment can only be permitted in case of special urgency". (Vide Legislative Assembly Debates, Volume IV, page 559.) The same principle is enunciated also at page 2812 of Legislative Assembly Debates, 1924, Volume IV, part IV.

I, therefore, rule that the motion for adjournment, of which notice was given by Mr. Satyamurti yesterday, is out of order.

The Assembly then adjourned till Eleven of the Clock on Friday, the 18th September, 1936.

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Friday, 18th September, 1936.

The Assembly met in the Assembly Chamber at Eleven of the Clock, Mr. President (The Honourable Sir Abdur Rahim) in the Chair.

QUESTIONS AND ANSWERS.

†493*.

ARTICLE ENTITLED "A SUICIDAL POLICY" PUBLISHED IN THE *Amrita Bazar Patrika* re EARNINGS OF RAILWAYS.

494. *Mr. S. Satyamurti : Will Government be pleased to state :

- (a) whether their attention has been drawn to a leading article, entitled "A suicidal policy" regarding the ways of increasing the earnings of the Railways, in the *Amrita Bazar Patrika* of the 26th June, 1936 ;
- (b) whether they propose to consider the arguments contained therein ;
- (c) whether they propose particularly to consider the question of not increasing the freights and rates for milk ; and
- (d) if not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : (a) and (b). Yes.

(c) Government have no proposal under consideration at present for an increase in the freight rates for milk.

(d) Does not arise.

ARTICLE ENTITLED "PROPOSED CHANGES IN RAIL RATES" PUBLISHED IN THE *Hindu*.

495. *Mr. S. Satyamurti : Will Government be pleased to state :

- (a) whether their attention has been drawn to a leading article, entitled, "Proposed changes in rail rates", in the *Hindu* of the 26th June, 1936 ;
- (b) whether the facts and allegations contained therein have been examined by them ; and
- (c) whether they propose to bear all the facts in mind before they make up their minds to increase the rail rates ?

The Honourable Sir Muhammad Zafrullah Khan : (a), (b) and (c). Yes.

† This question will be put and answered later.

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Mr. S. Satyamurti : Has any progress been made, with regard to the question of increasing rail rates, in respect of the matters mentioned in this question ?

The Honourable Sir Muhammad Zafrullah Khan : I have answered two or three questions with regard to that already. Government cannot come to any decision till the Railway Conference Association send up their views.

Mr. S. Satyamurti : When are they meeting ?

The Honourable Sir Muhammad Zafrullah Khan : I am afraid they cannot meet this year in Simla in October as usual because there is no recommendation for them. They will have to meet in Delhi sometime later on.

Mr. T. S. Avinashilingam Chettiar : May I ask whether the increased rates have increased the income of the railways ?

The Honourable Sir Muhammad Zafrullah Khan : I believe so.

Mr. T. S. Avinashilingam Chettiar : Are Government sure that this increase in revenue is due to increase in freights and not due to some extraneous causes, such as the fear of the impending war in Europe and things of that sort ?

The Honourable Sir Muhammad Zafrullah Khan : It is partly due to increased rates.

Mr. T. S. Avinashilingam Chettiar : Do they expect to keep up this increase ?

The Honourable Sir Muhammad Zafrullah Khan : They hope so.

PROTECTION TO THE HANDLOOM INDUSTRY.

496. ***Mr. S. Satyamurti :** Will Government be pleased to state :

(a) whether their attention has been drawn to a letter entitled "Handloom Industry" in the *Hindu* of the 26th June, 1936 (or near that date) ;

(b) whether they propose to examine the whole question and give protection to the hand-loom industry ; and

(c) if not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes.

(b) No. The only practical method of granting direct protection against competition from Indian mills, which is the desire of the writer of the letter, would be the re-imposition of a cotton excise duty on mill products. The Government of India are not prepared to consider this step in present circumstances ; but they and the Provincial Governments are, as the Honourable Member is aware, assisting the handloom industry in other ways.

(c) Because the whole industry is at present protected under a scheme devised by the Tariff Board for a period which has not expired.

Mr. S. Satyamurti : May I know whether Government propose to compile the latest statistics, with regard to the production of handloom

cloth in this country and the production of the same type of cloth in Indian mills or of foreign imports, and try to see if it is possible to allocate, by means of some arrangement, or quota, for example, the production of handloom industry on the one hand, and the Indian mills on the other—I mean by agreement but not by coercion ?

The Honourable Sir Muhammad Zafrullah Khan : That is not asking for information.

Mr. S. Satyamurti : I asked if Government have any such intention of bringing about an agreement.

The Honourable Sir Muhammad Zafrullah Khan : There is no present intention ; it is for the interests concerned to move in the matter.

Mr. T. S. Avinashilingam Chettiar : May I know whether the protection contemplated by the Tariff Board to handloom industry has materialised and whether the protection has been sufficient for that industry ?

The Honourable Sir Muhammad Zafrullah Khan : Which particular protection ?

Mr. T. S. Avinashilingam Chettiar : The Honourable Member mentioned in his answer that some money was being given to the handloom industry by way of protection. May I know whether that is sufficient for the industry ?

The Honourable Sir Muhammad Zafrullah Khan : The money is being spent in assisting the handloom industry to improve its position, it is not meant to give protection to the handloom industry.

Mr. T. S. Avinashilingam Chettiar : Is the Honourable Member of opinion that the assistance is sufficient to make it alive ?

The Honourable Sir Muhammad Zafrullah Khan : That is asking for an expression of opinion.

Mr. S. Satyamurti : May I know if Government realise the urgent need for conserving the handloom industry, inasmuch as it gives a living to large numbers of people in many parts of the country ?

The Honourable Sir Muhammad Zafrullah Khan : That is why a scheme of assistance is being devised.

Mr. S. Satyamurti : Will Government consider the effects of this assistance and take fresh steps to give them the extra needed assistance without which they may perish ?

The Honourable Sir Muhammad Zafrullah Khan : Government will keep that assistance in mind.

Mr. N. V. Gadgil : Is it or is it not a fact that thousands of families of weavers have left Sholapur, because they could not make a living there on account of lack of facilities for carrying on their profession ?

The Honourable Sir Muhammad Zafrullah Khan : I have no such information.

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Prof. N. G. Ranga : Is it not a fact that the Government of Madras have made repeated representations to the Government of India that the present assistance rendered to handloom weavers by the Local Government as well as the Central Government is inadequate and that additional protection is needed for handloom industry?

The Honourable Sir Muhammad Zafrullah Khan : I would require notice.

Prof. N. G. Ranga : Is it not a fact that in recent months the handloom weavers in various parts of the Madras Presidency have been sending representations to the Government of India asking for additional protection?

The Honourable Sir Muhammad Zafrullah Khan : That may be so; I am not denying it. If the Honourable Member wants a specific answer, he must put down a question to that effect. I do not carry all the files of the Government of India with me.

Prof. N. G. Ranga : I wish to point out to you, Sir, that when I put a similar question the other day, the Honourable Member replied that there was a question on that point later down in the list and that he would answer it later on. Now, I have been waiting for that opportunity to put the question, but the Honourable Member now excuses himself by saying he wants notice.

Mr. President (The Honourable Sir Abdur Rahim) : This does not arise. The Honourable Member has already answered that question. Next question.

PROTECTION TO INDIAN COCOANUTS.

497. ***Mr. S. Satyamurti :** Will Government be pleased to state :

- (a) whether their attention has been drawn to an article entitled "Protection for Indian Cocoanut" published in the *Hindu*, dated the 27th June, 1936;
- (b) whether they propose to examine the whole question of giving protection to Indian cocoanuts;
- (c) if so, when; and
- (d) if not, why not?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes.

(b) to (d). The matter is at present receiving the consideration of the Government of India.

Mr. S. Satyamurti : May I know, what according to the latest information in the possession of Government, is the exact position? That is to say, the prices which the Indian cocoanuts are able to get now, as against imported cocoanuts. What is the extent of loss which the growers are now suffering, owing to want of protection?

The Honourable Sir Muhammad Zafrullah Khan : That contains an argument; in any case it would be difficult to estimate the loss that the growers are suffering. I have received repeated representations from cocoanut growers in India for relief.

Mr. S. Satyamurti : Have the Government of India made enquiries into those allegations, and those statements of grievances?

The Honourable Sir Muhammad Zafrullah Khan : Government asked for information from those interests. They came up here and exchanged views with the department concerned.

Mr. S. Satyamurti : When do Government hope to come to a definite conclusion on this matter, so as to give protection to this industry?

The Honourable Sir Muhammad Zafrullah Khan : I do not know what the final conclusion of Government will be, but I hope it will be possible to come to a final decision within a short time.

Mr. T. S. Avinashilingam Chettiar : Is it a fact that the Diwan of Cochin submitted a scheme for marketing and for improving the price of cocoanut?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir.

Mr. N. M. Joshi : May I ask whether the Government of India have considered the question of imposing some cess on the Indian cocoanut and forming a Cocoanut Cess Committee for having propaganda for the consumption of cocoanut in this country?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir.

Mr. S. Satyamurti : Why not?

The Honourable Sir Muhammad Zafrullah Khan : For the reason that it is for the industry itself, if it is in a position to bear the burden of a cess, to make a suggestion to that effect.

Mr. N. M. Joshi : May I ask whether Government are aware that cocoanut is not consumed in any appreciable quantity in some parts of India?

The Honourable Sir Muhammad Zafrullah Khan : I am afraid I am unable to understand what is the implication behind the suggestion that it is not being sufficiently consumed.

Mr. President (The Honourable Sir Abdur Rahim) : Next question.

PROTECTION TO THE GLASS INDUSTRY.

498. ***Mr. S. Satyamurti :** Will Government be pleased to state :

- (a) whether their attention has been drawn to a leading article on the survey of the glass industry in India, published in the *Hindu*, of the 27th June, 1936;
- (b) whether they propose to examine the whole question of giving protection to the glass industry in India; and
- (c) if not, why not?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes, Sir.

(b) and (c). No, Sir. The decision of Government which was announced in Commerce Department Resolution No. 458-T. (14),

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dated the 22nd June, 1935, was taken after full and careful consideration of the case in all its aspects. Government are, however, watching the position and will reconsider their decision if and when there is any material change in the position.

Mr. S. Satyamurti : Up to date, since the publication of the Commerce Department's notification, to the knowledge of the Government of India has there been no change in the position?

The Honourable Sir Muhammad Zafrullah Khan : I am afraid not.

Mr. S. Satyamurti : I do not ask question No. 499.

†499*.

Lascars EMPLOYED ON THE F. L. V. Danidaw AND Kalagonk PLYING IN THE RANGOON PORT.

500. ***Prof. N. G. Ranga :** Will Government be pleased to state :

(a) how many Lascars are employed on the *F. L. V. Danidaw* and *F. L. V. Kalagonk*, and how many on the other *F. L. V.'s* plying in the Rangoon Port ;

(b) whether these Lascars employed on the *F. L. V. Danidaw* and *Kalagonk* are granted any gratuity or pension ;

(c) whether it is not a fact that those employed on the *F. L. V. Saraswati* of Chittagong Coast are granted pension ;

(d) whether the Lascars of the *F. L. V. Danidaw* and *Kalagonk* have sent a memorial to Government, asking for the fixation of a graded scale of pay, crew hospital leave, relief of six months as at present, to provide the crew with free quarters, single or double, as was done in the past, or in the alternative, to give a house-rent allowance, and to make their service pensionable ; and

(e) if so, when and what action has been taken to redress their grievances ?

The Honourable Sir Muhammad Zafrullah Khan : (a) The Light-vessel "Danidaw" was sold in February, 1932, and the Light-vessel "Kalagonk" was sold in September, 1930.

(b), (d) and (e). Therefore do not arise.

(c) The Light-vessel "Sarsuti" belongs to the Commissioners for the Port of Chittagong and Government are not aware whether the posts of "lascar" on that vessel are pensionable or not.

DECK PASSENGERS' CONFERENCE HELD AT VIZAGAPATAM.

501. ***Prof. N. G. Ranga :** Will Government be pleased to state :

(a) whether they are aware of the holding of the Deck Passengers' Conference at Vizagapatam in June, 1935 ;

† This question was not put by the questioner.

(b) whether they have received the resolutions passed at that Conference ; and

(c) if so, what action has been taken on them to relieve the sufferings of the deck-passengers, travelling to and from India and Burma ?

The Honourable Sir Muhammad Zafrullah Khan : (a) and (b). Government have received a copy of resolutions which purport to have been passed at a conference of Indian Deck Passengers at Vizagapatam in June, 1935.

(c) After considering the resolutions Government decided that the existing rules regulating the carriage of deck passengers between India and Burma were adequate and that no action was necessary.

Prof. N. G. Ranga : Are Government aware of the fact that great discontent prevails amongst the deck passengers on account of the inhuman treatment meted out to them by the steam navigation companies on their steamers ?

The Honourable Sir Muhammad Zafrullah Khan : Government do not accept the implication that inhuman treatment is being meted out to the deck passengers.

Prof. N. G. Ranga : Will Government consider the advisability of having a report by one of their own administrative officers on the allegations made by the deck passengers and incorporated in the resolutions passed at that conference ?

The Honourable Sir Muhammad Zafrullah Khan : I have said in reply to part (c) of the question that Government, after considering the resolutions, have come to the conclusion that no action is necessary.

Prof. N. G. Ranga : What steps were taken by the Government of India in order to ascertain that these allegations were wrong or were not true ?

The Honourable Sir Muhammad Zafrullah Khan : I have not said that all these allegations are wrong, what I have said is that Government do not think that any change is necessary in the rules regulating the carriage of passengers between India and Burma.

Pandit Lakshmi Kanta Maitra : Did Government hold any enquiry into these allegations ? Did they take any evidence from those people who made representations to the Government about maltreatment of deck passengers ?

The Honourable Sir Muhammad Zafrullah Khan : It was not necessary to take evidence from people who had sent up these resolutions. Those were there already.

Pandit Lakshmi Kanta Maitra : Was any enquiry held by the Honourable Member or his department as to the truth or otherwise of the allegations contained in those resolutions ?

The Honourable Sir Muhammad Zafrullah Khan : These matters relate mostly to the rules and Government looked into the rules and found them adequate.

Prof. N. G. Ranga : In regard to the administration of the rules did Government take any steps to see that these rules were properly administrated and adequate amenities were provided for these deck passengers ?

The Honourable Sir Muhammad Zafrullah Khan : Most of the matters that are contained in the resolutions that were sent up and are before me deal not with the administration of the rules but with the rules themselves.

WORKING OF THE PAYMENT OF WAGES ACT IN BURMA.

502. ***Prof. N. G. Ranga :** Will Government be pleased to state :

(a) if the Payment of Wages Act of 1936 has been made applicable to Burma ;

(b) if so, since when ;

(c) how many workers, and in which industries, have been brought within the scope of that Act in Burma ;

(d) how many of them are Indians and in which industries ; and

(e) what is the latest report of the working of the Act in Burma ?

The Honourable Sir Frank Noyce : (a) The Act as passed extends to Burma but it is not yet in force in any part of India or Burma.

(b) to (e). Do not arise.

Prof. N. G. Ranga : When will it come into force ?

The Honourable Sir Frank Noyce : I hope it will be possible to bring it into force very early in 1937. I may remind my Honourable friend that I warned the House that the preparations for bringing it into force might take about a year.

Prof. N. G. Ranga : What effect will this delay have in regard to Burma ? Will it be applicable to Burma along with India, or will the Burmese Legislature have to come to a decision whether or not to apply this particular Act to their province ?

The Honourable Sir Frank Noyce : I have told my Honourable friend that I hope it will be possible to bring the Act into force very early in 1937. The separation of Burma will not, I believe, take place before April, 1937.

Prof. N. G. Ranga : Will Government see that this Act is brought into force before Burma is actually separated from India ?

The Honourable Sir Frank Noyce : All I can say is that I am as anxious as my Honourable friend that the Act should be brought into force as soon as possible. It is our hope that it will be brought into force at the beginning of 1937.

1503*

* This question will be put and answered later.

PERMANENT EXTENSION OF THE SALT CONCESSIONS TO THE NORTH VIZAGAPATAM DISTRICT.

504. ***Prof. N. G. Ranga :** Will Government be pleased to state :

(a) if it is a fact that the peasants of North Vizagapatam District (formerly a portion of Ganjam District) have asked for the permanent extension of the salt concessions to their district ;

(b) that the temporary concession extended to them during the 1936 famine has been withdrawn ; and

(c) if so, whether they propose to reconsider their decision and extend the salt concessions permanently to this North and South Vizagapatam District ?

Mr. A. H. Lloyd : (a) and (b). The concession relating to private manufacture and collection of salt granted under the Delhi Pact in 1931 has not so far been withdrawn, either temporarily or permanently, from the North and South Vizagapatam Districts.

(c) Does not arise.

Prof. N. G. Ranga : Are Government aware of the fact that when the peasants went there to gather salt they were frightened away and driven away by the police saying that the concession was withdrawn and they were not entitled to collect salt ?

Mr. A. H. Lloyd : No. I have no such information.

EMPLOYMENT OF INDIANS IN THE INDIA OFFICE.

505. ***Mr. C. N. Muthuranga Mudaliar :** With reference to the answers to starred questions Nos. 266 and 350 in February, 1936, are Government prepared to consider the advisability of making suitable representation to the Secretary of State for India in Council to enable Indians already in service in India, superior and subordinate, to be employed in the India Office ?

The Honourable Sir Henry Craik : I would refer the Honourable Member to the answer given to part (d) of Dr. T. S. S. Rajan's question No. 266 on the 11th February, 1936, and to the supplementary questions then asked. I have nothing more to add.

Mr. C. N. Muthuranga Mudaliar : May I know, Sir, if in view of the substantial amount of money that is being spent out of the Indian revenues on the India Office, the Government will not re-open this question with His Majesty's Government ?

The Honourable Sir Henry Craik : The new Act provides that the expenses of the India Office will be met by Parliament and that will come into force from April next. I do not think there is any good case for re-opening the matter.

SHARE OF INDIANS IN THE QUOTA OF IMMIGRATION ALLOWED INTO THE UNITED STATES OF AMERICA.

506. ***Mr. C. N. Muthuranga Mudaliar :** With reference to the second part of the answer to starred question No. 355 (b) of last Session, will Government state what the position now is and whether any steps are

being taken to obtain for the natives of India a proportionate share in the quota of immigration allowed annually into the United States of America?

Sir Aubrey Metcalfe : Further representations have been made to His Majesty's Government who are still in correspondence with the Government of the United States of America.

As regards the last part of the question, quotas of immigration are not available for natives of India as they are ineligible to the citizenship of the United States of America. The Government of India do not consider that any useful purpose will be served by making representations for the removal of this disability which Indians share with Japanese and Chinese subjects.

Mr. C. N. Muthuranga Mudaliar : May I know if Government will initiate legislation controlling the entry into India of Americans for business or missionary purposes?

Sir Aubrey Metcalfe : The Honourable Member is asking for action and not for information.

Prof. N. G. Ranga : Is it not a fact that Americans are entitled to Indian citizenship?

Sir Aubrey Metcalfe : That I should require notice of.

Mr. T. S. Avinashilingam Chettiar : Will Government consider the advisability of introducing a Bill to that effect?

Sir Aubrey Metcalfe : To what effect?

Mr. T. S. Avinashilingam Chettiar : Will Government consider the advisability of introducing a Bill to restrict the entry of Americans into India in the same way as restrictions have been imposed on the entry of Indians into America?

Sir Aubrey Metcalfe : I do not think I should be asked to answer a large question of policy of that kind in reply to a supplementary question.

Mr. S. Satyamurti : What are the reasons, on which the Government have come to the conclusion, that no useful purpose will be served by taking up the question of getting the United States of America to remove the ban on Indians, Japanese, Chinese and other Asians, I believe, securing citizenship in the United States?

Sir Aubrey Metcalfe : Because I do not think there will be the smallest hope of getting the ban removed. This is a very complicated question and I think possibly there is some misunderstanding in the House as to the exact meaning of my reply. When I say that they are not entitled to a quota of immigration, it does not mean that Indians are not allowed to enter the United States. There are several ways of securing admission both as non-quota immigrants and also for temporary purposes which I can explain to the House if they wish me to do so.

Mr. S. Satyamurti : Will Government examine the question of taking steps by way of retaliation, to the extent to which we are discriminated against by the United States, as a self-respecting Government of India?

Sir Aubrey Metcalfe : Government have already looked into this with some care and they do not think that in present circumstances there would be any possibility of effective retaliation.

Mr. S. Satyamurti : Have Government considered the question of treating the Americans in India, just as Indians are treated in America, and amending the law if necessary for that purpose?

Sir Aubrey Metcalfe : They have considered it but they see no advantage in doing so at present.

Prof. N. G. Ranga : Is it not a fact that there are a large number of Americans in India who are voters according to our own Government of India Act?

Sir Aubrey Metcalfe : If the Honourable Member requires exact information I should require notice, but so far as I have been able to discover the number of Americans in India is comparatively small, far smaller than the number of Indians in America.

PROVISION OF AIRCRAFT DEPÔTS OR PARKS IN WESTERN OR SOUTHERN INDIA.

507. ***Mr. C. N. Muthuranga Mudaliar** : (a) With reference to starred question No. 354 asked on the 13th February, 1936, will Government state whether they propose to have any aircraft depôts or parks in Western or Southern India?

(b) Will Government state the number of Indian officers in the Royal Air Force, and what steps they are taking to increase their number, or wholly to Indianise the force?

(c) Will Government state whether they are taking any steps to Indianise wholly the 1,304 other personnel, consisting of artificers, mechanics, drivers and clerks? If not, why not?

(d) How many Ground Engineers are employed in the aircraft Park at Lahore and the depôt at Karachi and how many of them are Indians?

Mr. G. R. F. Tottenham : (a) No.

(b) As I have frequently explained before the Royal Air Force is a British Service, there are no Indians in it nor can it be Indianised as such. The process of forming the Indian Air Force, on the other hand, which is a separate Indian unit, is proceeding as quickly as the personnel can be trained to take their place in a service unit.

(c) The Honourable Member has misunderstood the position. I informed him before that there were 1,860 airmen in the Royal Air Force and that 556 Indians were employed with the Royal Air Force. He has deducted the latter figure from the former, but he should have added the two together. There is no question of reducing the number of British airmen actually belonging to the Royal Air Force.

(d) At the Aircraft Park, Lahore, and the Aircraft Depôt, Karachi, there are, as I have already explained, no Ground Engineers, but at the Park 187 and at the Depôt 535 artificers of various trades are employed, and of these 71 and 184, respectively, are Indians.

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Mr. M. Asaf Ali : What facilities are provided by Government for the training of Ground Engineers, Pilots and others required for the Indian Air Force ?

Mr. G. R. F. Tottenham : If the Honourable Member wants a full answer, he had better put down a question.

Mr. M. Asaf Ali : I should like to have some sort of skeleton answer. Will the Honourable Member tell me whether any facilities are provided for this purpose.

Mr. G. R. F. Tottenham : Ground Engineers are civil personnel. They are employed for Civil Aviation. I do not know anything about them, but for the purpose of providing artificers for the Indian Air Force, we have a system of taking apprentices and giving them training at Karachi.

Mr. M. Asaf Ali : To how many persons have you extended this privilege during the last two years.

Mr. G. R. F. Tottenham : I cannot give the exact figures but if the Honourable Member will look up the pamphlet entitled 'Summary of Important Matters' that was sent to him, he will find some information on that subject there.

Mr. M. Asaf Ali : I do not believe even as many as 20 persons have been allowed that privilege.

Mr. G. R. F. Tottenham : I think there has been over a hundred apprentices. I do not know the exact figure.

Mr. C. N. Muthuranga Mudaliar : With regard to answer (b), Sir, may I know when Government expect to have a completely Indianised Air Force ?

Mr. G. R. F. Tottenham : I cannot give a definite answer to that question. It all depends on what the size of the Indian Air Force is going to be, but at present, as the Honourable Member is aware, the policy is to form one squadron of the Indian Air Force. A squadron consists of three flights. One flight has already been formed and is quartered on the Frontier. The second will be completed next year and the third will be begun in 1937.

Mr. C. N. Muthuranga Mudaliar : May I know what proportion of the expenditure on the Royal Air Force is paid out of Indian revenues ?

Mr. G. R. F. Tottenham : I want notice.

Mr. C. N. Muthuranga Mudaliar : Will the present British personnel be replaced by Indians at any time ?

Mr. President (The Honourable Sir Abdur Rahim) : Next question.

EMPLOYMENT OF INDIANS IN THE OFFICE OF THE HIGH COMMISSIONER FOR INDIA.

508. ***Mr. C. N. Muthuranga Mudaliar :** (a) Will Government lay on the table a full statement showing the salaries paid to the various persons in the establishment of the High Commissioner for India including any special allowances that may be given to any of them ?

(b) Are Government prepared to take early steps to see that more Indians are employed in the Office of the High Commissioner, if necessary, by transfer of persons from the Government of India Secretariat or the Secretariats of the various Provincial Governments ?

The Honourable Sir Muhammad Zafrullah Khan : (a) I am afraid I am unable to furnish here details of the salaries and allowances drawn by members of the High Commissioner's establishment which consists of about 600 persons, but if the Honourable Member wishes I shall be glad to show him at my office a list of the High Commissioner's establishment which contains this information.

(b) Indians are given preference in recruitment for clerical posts in the High Commissioner's Office but, except for a certain number of higher posts in his office for which officers are deputed from India, it is not practicable to transfer persons from the Government of India or Provincial Secretariats for service under the High Commissioner, partly because such transfers would involve a considerable amount of extra expenditure on passages and partly because it would be difficult to find suitable candidates who would be prepared to serve in England on the rates of pay and under the conditions that are applicable to local recruits.

Prof. N. G. Ranga : What is the proportion in which Indians and Englishmen are employed in the office of the High Commissioner ?

The Honourable Sir Muhammad Zafrullah Khan : I have not got the information with me. If the Honourable Member will put down a question to that effect, I will give him an answer.

Pandit Lakshmi Kanta Maitra : Will the Honourable Member give some idea of the maximum and minimum salaries given to people employed in this office ?

The Honourable Sir Muhammad Zafrullah Khan : I would ask the Honourable Member to put down a question.

Mr. S. Satyamurti : Who fixes the strength of the office and the scale of salaries ?

The Honourable Sir Muhammad Zafrullah Khan : I cannot say without notice.

Mr. S. Satyamurti : Does India pay for the entire staff ?

The Honourable Sir Muhammad Zafrullah Khan : The entire staff is paid out of the revenues of India.

Mr. S. Satyamurti : Have Government any voice in the settlement of the scale of pay and the number of officers and staff to be employed ?

The Honourable Sir Muhammad Zafrullah Khan : Yes, Sir.

Mr. S. Satyamurti : May I know if Government are satisfied with the information in their possession, that this office is not overstaffed and overpaid ?

The Honourable Sir Muhammad Zafrullah Khan : That is a question of policy. I have conducted no inquiry into the matter but I have no reason to believe that that is so.

Mr. S. Satyamurti : When did Government make an inquiry into this matter, and what are the grounds on which Government have come to the conclusion that this department is not overstaffed and overpaid ?

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The Honourable Sir Muhammad Zafrullah Khan : I did not say that any inquiry was held into the matter. I said that I had no reason to believe that the office was overstaffed and overpaid.

Mr. S. Satyamurti : Will Government make an inquiry into this matter and see that we are not spending more than is absolutely necessary on this office ?

The Honourable Sir Muhammad Zafrullah Khan : If *prima facie* grounds supporting that allegation are established, Government will be prepared to look into the matter.

Mr. C. N. Muthuranga Mudaliar : Will the Honourable Member ascertain what the practice of the other High Commissioners' offices in London is ? Whether they employ their own nationals or only Britishers in their offices ?

The Honourable Sir Muhammad Zafrullah Khan : I did not say that the High Commissioner for India's office consists of Britishers alone. There are a good number of Indians also.

Mr. K. Ahmed : There are any number of Indians ? Isn't it ?

The Honourable Sir Muhammad Zafrullah Khan : Yes, there are a number of Indians.

Mr. S. Satyamurti : What is the percentage of Indian officers ?

The Honourable Sir Muhammad Zafrullah Khan : In reply to a similar question, I said I would require notice.

Mr. S. Satyamurti : Then, how is it that Government are able to say that a very large number of appointments are held by Indians ?

The Honourable Sir Muhammad Zafrullah Khan : Because that is so.

Mr. S. Satyamurti : What is the percentage ?

The Honourable Sir Muhammad Zafrullah Khan : I cannot say, but during my visits to the India House, I found that there are a large number of Indians employed there.

INTRODUCTION OF NEW TYPE OF THIRD CLASS CARRIAGES.

509. ***Mr. C. N. Muthuranga Mudaliar :** (a) With reference to the answer to starred question No. 500 asked in this House on the 17th February, 1936, regarding the introduction of new type of third class carriages, will Government state at what stage the matter now is and whether the new types of third class carriages have been put into use on any of the railways ?

(b) Will Government state if they have under consideration the introduction of a similar type of carriage on the metre gauge of the South Indian Railway and the Madras and Southern Mahratta Railway among others ? If not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : (a) I would invite the Honourable Member's attention to replies given by me on this subject during the current Session.

(b) No. The question of designing an improved type of metre gauge bogie third class carriage depends on the decision to be arrived at on the broad gauge third class carriage.

Mr. C. N. Muthuranga Mudaliar : How long will Government take for the approval of the design ? Will it be a century ?

An Honourable Member : Never.

Another Honourable Member : Not till Doomsday.

The Honourable Sir Muhammad Zafrullah Khan : The Honourable Member can choose between the two.

PRESENT POSITION HELD BY MR. FRANKS, FORMERLY NEWS EDITOR IN THE DELHI BROADCASTING STATION.

510. ***Mr. C. N. Muthuranga Mudaliar :** (a) Will Government state the present position held by Mr. Franks who was till recently News Editor in the Delhi Broadcasting Station ?

(b) Will Government state the emoluments he was then receiving, and what are his present emoluments ?

(c) Is the appointment to the present post in the nature of a promotion ?

(d) Have Government taken into account the various anti-Indian activities of Mr. Franks before he was promoted to this post ?

(e) Have Government taken into consideration the various questions that were asked on the floor of the Assembly during the last Delhi Session ?

The Honourable Sir Frank Noyce : (a) and (e). The attention of the Honourable Member is invited to the reply given by me on the 9th September, 1936, to Mr. Satyamurti's starred question No. 266.

(b) Mr. Franks was appointed in the All-India Radio on Rs. 700 per mensem and there has been no change in his emoluments.

(c) No.

(d) Does not arise.

RECRUITMENT OF OFFICERS FROM THE PROVINCES IN THE GOVERNMENT OF INDIA SECRETARIAT.

511. ***Mr. C. N. Muthuranga Mudaliar :** (a) Will Government please lay on the table a copy of the rules or orders under which superior officers are taken from the various provinces for appointment as Deputy Secretaries and upwards in the Government of India ?

(b) Was there any rule at any time, or is there any rule now, which limits the terms of any class of these officers to any stated period, and if so, do the rules apply to all Departments of the Government of India, or only to some ?

(c) Is it a fact that there was a rule or a convention that the term of these officers should be only three years, at the end of which they should be returned to their Provinces and allow other men from the provinces to come to the Government of India and get training in various Departments ?

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(d) Is it a fact that during the past 10 or 15 years, this rule has not been observed in practice and that officers from the various provinces continue in various capacities under the Government of India in one Department or another and thus defeat the object of this rule?

(e) Will Government state the names of the officers who in one department or another have been serving the Government of India Secretariat for more than three years?

(f) What is the recommendation of the Wheeler Committee in regard to the recruitment of officers to the Government of India Secretariat from the various provinces?

(g) Will Government place a copy of the report on the table of this House? If not, why not?

(h) Are Government aware of the necessity of giving Secretariat training to as many officers of the Provincial Governments as possible in the various Departments of the Government of India?

The Honourable Sir Henry Craik : (a), (b), (c), (d) and (h). I would invite the attention of the Honourable Member to the reply given to parts (c) and (d) of question No. 177 in the Council of State on the 17th April, 1936.

(e) I lay a statement on the table.

(f) and (g). I would refer the Honourable Member to the reply given to question No. 51 in this House on the 2nd September, 1936.

Statement showing the Names of Superior Officers obtained from the Provinces who have been serving in the various Departments of the Government of India for more than three years.

Serial No.	Name of Officer.	Name of Department.
1	Mr. W. H. Lewis, C.S.I., C.I.E.	Reforms Office.
2	Mr. G. H. Spence, C.I.E.	Legislative Department.
3	Mr. J. Bartley, C.I.E.	Ditto.
4	The Hon'ble Mr. T. A. Stewart, C.S.I.	Department of Commerce.
5	Mr. G. R. F. Tottenham, C.S.I., C.I.E.	Defence Department.
6	Sir Girja Shankar Bajpai, K.B.E.	E., H. and L. Department.
7	Mr. M. S. A. Hydari, C.I.E.	Ditto.
8	Mr. M. W. Yeates	Ditto.
9	Mr. A. H. Lloyd, C.S.I., C.I.E.	Finance Department.
10	Mr. A. J. Raismann, C.I.E.	Ditto.
11	Mr. J. B. Shearer	Ditto.
12	The Hon'ble Mr. A. G. Clow, C.S.I., C.I.E.	Industries and Labour Department.
13	The Hon'ble Mr. M. G. Hallett, C.S.I., C.I.E.	Home Department.

Mr. S. Satyamurti : Is there any proposal to shelve the Wheeler Committee's recommendations?

The Honourable Sir Henry Craik : No, Sir.

Mr. C. N. Muthuranga Mudaliar : May I know whether the Wheeler Committee's Report will be published along with the Government's approval thereto?

The Honourable Sir Henry Craik : I have already answered that. The answer is "yes", they will be published.

POST OF THE CABINET SECRETARY.

512. ***Mr. C. N. Muthuranga Mudaliar :** (a) Will Government state when the post of Cabinet Secretary was created?

(b) Is there any office working under him, and if so, what is the strength of the officers and the establishment working under the Cabinet Secretary?

(c) Will Government state what are the functions now discharged by the Cabinet Secretariat, and by whom were those functions discharged before?

(d) Does the Cabinet Secretariat perform any part of the work involved in the coming reforms and if so, can it not be adequately done by the existing Reforms Office?

(e) Are Government aware that there is an impression in non-official circles that the post of Cabinet Secretary was created with a view to provide an alternative post for the outgoing Private Secretary to the Viceroy?

(f) Will Government state whether the present incumbent of the post of Cabinet Secretary holds any substantive post in the British Civil Service or elsewhere?

(g) Are Government prepared to consider the advisability of abolishing the office of Cabinet Secretary in view of the stringent financial position of the Government of India?

The Honourable Sir Henry Craik : (a) On the 1st November, 1935.

(b) Yes, a small office consisting of a Superintendent and two clerks.

(c) I would refer the Honourable Member to the replies which I gave to Mr. Satyamurti's starred questions No. 417 and No. 461 on the 16th September, 1935, and the 14th February, 1936, and to the supplementary questions and answers.

(d) and (e). No.

(f) The present incumbent of the post of Secretary to the Executive Council is Mr. G. H. Spence who performs the duties of this office in addition to those of Secretary in the Legislative Department.

(g) No.

Mr. C. N. Muthuranga Mudaliar : Does he receive any allowance for this additional duty in addition to his salary and allowances as Secretary of the Executive Council?

The Honourable Sir Henry Craik : He gets a small allowance.

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Mr. T. S. Avinashilingam Chettiar : How much ? What is the allowance ?

The Honourable Sir Henry Craik : Rs. 300 a month.

Mr. S. Satyamurti : May I know if Government are satisfied that Mr. Spence has been able to discharge all these duties of the Legislative Department Secretary, attendance in this House, and also of the Cabinet Secretary quite satisfactorily ?

The Honourable Sir Henry Craik : At present Government are satisfied that Mr. Spence is able to discharge both duties with his usual efficiency and despatch. (Hear, hear.) The present arrangement is admittedly experimental, and I cannot say that it will always be possible to combine the office of Secretary of the Executive Council with that of a Secretary to the Government of India.

Mr. S. Satyamurti : May I take it, therefore, that Government will keep in mind the possibility of abolishing this post of Cabinet Secretary, if Mr. Spence proves equal to the task ?

The Honourable Sir Henry Craik : No, there is no question of abolishing that office. The duties which Mr. Spence is discharging in that office serve a very useful function. The question is whether it can continue to be discharged by an officer with other duties or it should be discharged by a whole-time officer.

Mr. T. S. Avinashilingam Chettiar : Did the Cabinet Secretary go to England and visit the Cabinet to learn the work of the Cabinet system ?

The Honourable Sir Henry Craik : There is another question on that. I have said, Sir Eric Mievill went to England to study the system of the Cabinet Secretariat there.

Mr. T. S. Avinashilingam Chettiar : Then, after studying the Cabinet system, did he submit a report ?

The Honourable Sir Henry Craik : He did submit a report.

Mr. T. S. Avinashilingam Chettiar : Will that report be placed in the Library of the House ?

The Honourable Sir Henry Craik : No, Sir.

Mr. T. S. Avinashilingam Chettiar : Why not ?

The Honourable Sir Henry Craik : It is confidential.

Mr. S. Satyamurti : What are the duties that Mr. Spence is now discharging as Cabinet Secretary ?

The Honourable Sir Henry Craik : I have answered that in reply to the Honourable Member's previous question.

Mr. S. Satyamurti : I am asking what are the duties which Mr. Spence is now discharging, in addition to his own normal duties as Cabinet Secretary.

The Honourable Sir Henry Craik : The same duties, as I explained.

Sir Gomasji Jehangir : May I ask the Honourable Member how much midnight oil the Honourable Mr. Spence is now using for the compensation of Rs. 300 a month ?

The Honourable Sir Henry Craik : It does impose a heavy additional burden of work on him ; I am quite certain of that.

INTRODUCTION OF NEW SCALES OF PAY FOR SUPERIOR SERVICES.

513. ***Mr. C. N. Muthuranga Mudaliar :** (a) Will Government state at what stage is the consideration of the proposal by the Secretary of State for India to introduce new scales of pay for the Indian Civil Service and the Indian Police Service and other services recruited by the Secretary of State for India ?

(b) When can the new scales be expected to be introduced for these services ?

The Honourable Sir Henry Craik : (a) and (b). I would refer the Honourable Member to the replies given in this House to questions Nos. 129 and 998 on the 6th February and 6th March, 1936, respectively. The question is now being further considered.

Mr. T. S. Avinashilingam Chettiar : In view of the fact that the promise to reconsider the scales of pay was made long ago, may I ask whether they would expedite this matter ?

The Honourable Sir Henry Craik : It is under close consideration at the moment.

Mr. T. S. Avinashilingam Chettiar : When do they expect to reach a final conclusion ?

The Honourable Sir Henry Craik : The conclusion does not rest with the Government of India.

Mr. T. S. Avinashilingam Chettiar : Have they submitted the results of their reconsideration ?

The Honourable Sir Henry Craik : The question is now under the close consideration of the Government of India but the final decision does not rest with them but with the Secretary of State.

Mr. C. N. Muthuranga Mudaliar : How long will it take to come to a final decision ?

Mr. T. S. Avinashilingam Chettiar : That is, so far as the Government of India are concerned.

The Honourable Sir Henry Craik : I should think the Government of India will be in a position to submit their views to the Secretary of State very shortly.

RULES GOVERNING THE RECRUITMENT OF BRITISHERS TO THE INDIAN CIVIL SERVICE.

514. ***Mr. C. N. Muthuranga Mudaliar :** (a) Will Government please lay on the table a copy of the rules recently framed governing the recruitment of Britishers to the Indian Civil Service ?

(b) Will this House be given an opportunity to discuss these rules before they are actually enforced ?

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The Honourable Sir Henry Craik : (a) As I have mentioned before in reply to other questions on the subject, copies of the Home Department Press Communiqués, dated the 27th April, 1936, and the 9th July, 1936, dealing with this matter are available in the Library.

(b) As the Honourable Member is aware the House has already discussed the matter.

†515*.

MUSLIM MEDICAL OFFICERS AND COMPOUNDERS, ETC., ON THE ASSAM BENGAL RAILWAY.

516. *Mr. Muhammad Anwar-ul-Azim : (a) Will Government be pleased to state how many Mussalmans are there in the Assam Bengal Railway as District Medical Officer, Subordinate Medical Officers, Sub-Assistant Surgeons and Compounders ?

(b) How many such officers and subordinate officers were recruited during the last five years, and what has been the share of the Mussalmans therein ?

The Honourable Sir Muhammad Zafrullah Khan : I place a statement on the table of the House giving the required information :

Statement.

Categories.	Total staff.	No. of Muslims.
District Medical Officers	2	Nil
Subordinate Medical Officers	There is no such category on the A. B. Railway.	
Sub-Assistant Surgeons	28	3
Compounders	5121	119

Categories.	Recruited 1931-32 to 1935-36.		No. of Muslims.	
	Permanent cadre.	Temporary cadre.	Permanent cadre.	Temporary cadre.
District Medical Officers				
Subordinate Medical Officers	There is no such category on the Assam Bengal Railway.			
Sub-Assistant Surgeons				
Compounders				

† This question will be put and answered later.

EFFECT OF THE AMENDMENT OF SECTION 4 (2) OF THE INDIAN INCOME-TAX ACT.

517. *Mr. S. Satyamurti : Will Government be pleased to state :

- whether they are aware that the recent amendment of section 4 (2) of the Indian Income-tax Act, which gets under its purview income from property, employment and every other source arising or accruing out of British India, is detrimental to national interests ;
- whether they are aware that the working of this Act has prevented the flow of foreign income into British India ?
- whether they have examined the working of this amendment, especially on taxation of salaries and wages of employees ;
- whether this prevented foreign wage-earners to spend their surplus earning in British India as often as they would otherwise do ;
- whether they have compared the working of the Act with a similar English Act ;
- whether they propose to take steps to repeal this amendment, or amend it in suitable manner ; and
- if not, why not ?

The Honourable Sir James Grigg : I would refer the Honourable Member to the reply which I gave to his starred question No. 302.

Mr. T. S. Avinashilingam Chettiar : May I know whether there is any provision in the British Income-tax Act ?

The Honourable Sir James Grigg : Yes, and a much stiffer one.

ADVERSE EFFECT OF THE IMPORT OF FOREIGN POTATOES ON ITS INDIGENOUS PRODUCTION.

518. *Mr. S. Satyamurti : Will Government be pleased to state :

- whether they are aware that the indigenous production of potatoes is adversely affected by the import of foreign potatoes ;
- the extent of such competition by foreign potatoes ;
- whether they propose to take steps to control and check the import of foreign potatoes with a view to facilitate the potatoe industry in the country ; and
- if not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : (a) No.

(b) Detailed statistics of potatoe production in India are not maintained but so far as can be estimated internal production amounts to about two million tons per annum. Imports, which are mainly for seed purposes, amount to 10,000 tons per annum or one half per cent. of the internal production.

(c) and (d). Do not arise.

Mr. S. Satyamurti : What is the date of these figures ?

The Honourable Sir Muhammad Zafrullah Khan : They are the latest available.

Mr. S. Satyamurti : Are Government satisfied that no potatoes are imported into this country for consumption ?

The Honourable Sir Muhammad Zafrullah Khan : If any portion of these ten thousand tons is used for consumption also, surely that does not affect the situation.

Mr. S. Satyamurti : Are Government aware that Italian potatoes have been dumped into the Port of Bombay ?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir, I am not aware of that.

EXTENSION OF THE RAILWAY LINE TO NAWABSHAH IN SIND.

519. ***Bhai Parma Nand** (on behalf of Mr. Lalchand Navalrai) : (a) Are Government aware that Mirpur Khas and Nawabshah districts are very important cotton centres in Sind ?

(b) Are Government aware that there is an urgent demand for these two districts being linked together by a railway in the interest of Barrage land produce ?

(c) Is it a fact that at present there is a Company-managed Railway line from Mirpur Khas to Khadro, which is about 22 miles from Nawabshah ?

(d) Is it a fact that the owners of the existing Sind Light Railways Limited, applied to the Government of India for necessary sanction to extend the railway line to Nawabshah ?

(e) If so, when was it, and what decision have Government arrived at ?

(f) Is it proposed to extend that line ? If so, when ?

(g) Have Government consulted the Sind Government on the point ? If so, with what result ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Government are aware that Mirpur Khas and Nawabshah are important cotton centres.

(b) Government have received requests to build a railway link in addition to the rail communication which already exists.

(c) The line is company-owned and is operated by the Jodhpur Railway.

(d) Yes.

(e) Letters were received in November, 1932, and March, 1933. A traffic survey has been made which showed that the proposal would result in a considerable loss to Government.

(f) A proposal for an extension from Khadro to Shahpur is now under examination.

(g) Government have been in communication with the Bombay Government and the question of the guarantee which would be required from the Sind Government to justify this construction is under consideration.

EXTENSION OF THE PRESENT RAILWAY LINE TO JACOBABAD via GARHI KHAIRO IN SIND.

520. **Bhai Parma Nand** (on behalf of Mr. Lalchand Navalrai) : (a) Will Government be pleased to state if on the right bank of the Indus in Sind the metre gauge railway from Shahdadt to Dodapur was recommended by the Stubb's Report to be abandoned and the present line extended to Jacobabad via Garhi Khairo ?

(b) Was any further detailed survey undertaken since that report ?

(c) Do Government propose to give effect to the aforesaid recommendations ? If so, when do Government propose to undertake the extension of the line ?

(d) Have Government considered the feasibility of a broad gauge line to be substituted in this part of the country ? If so, do they propose to have a broad gauge line ? If so, when ?

The Honourable Sir Muhammad Zafrullah Khan : (a) The Railway from Shahdadt to Dodapur is narrow gauge, not metre gauge. Mr. Stubbs' recommendation was that the Shahdadt-Dodapur section should be taken up and the line extended from Shahdadt to Jacobabad via Garhi Khairo provided that the results of a detailed traffic survey showed that no excessive loss to Government would accrue.

(b) Yes.

(c) and (d). Government are now considering a project to build a broad gauge line from Larkhana via Shahdadt and Garhi Khairo to Jacobabad. This appears to be the most remunerative proposal.

INDIGENOUS SUPPLIES OF RAW MATERIALS FOR THE GLASS INDUSTRY.

521. ***Bhai Parma Nand** (on behalf of Mr. Lalchand Navalrai) : (a) With reference to my supplementary questions to starred question No. 3, asked on the 4th February, 1936, will Government be pleased to state if any further steps have been taken by them for production and method of manufacture of indigenous supplies of raw materials for glass industry in India in order to remove the obstacle to the grant of the protection ?

(b) Has there been any development since February last in the production of soda-ash in Khewra or elsewhere in India ? If so, to what extent ?

The Honourable Sir Frank Noyce : (a) and (b). No.

Mr M. Ananthasayanam Ayyangar : Have Government considered the possibility of manufacturing soda ash in this country ?

The Honourable Sir Muhammad Zafrullah Khan : Government have not considered the possibility of manufacturing it themselves but Government have reviewed the position recently and there does not appear to be at present any project for the immediate manufacture of soda ash in this country.

[18TH SEPT. 1936.]

MANUFACTURE OF ELECTRICAL BULBS IN INDIA.

522. *Bhai Parma Nand (on behalf of Mr. Lalchand Navalrai) :
(a) Are electrical bulbs made in India? If so, where? If not, what steps do Government propose to take to encourage their manufacture in India?

(b) Will Government be pleased to state if there has been any advancement since last year in the indigenous supply of copper for the manufacture of electric wires and cables? If so, to what extent? If not, what steps do Government propose to take for its indigenous supply?

(c) Are there any electrical materials which are not yet being manufactured and are being solely imported from outside? If so, what are those, and what steps do Government propose to take to encourage their indigenous production?

The Honourable Sir Frank Noyce : (a) Yes, at Calcutta, Bombay, Agra and Aligarh.

(b) Government are not aware of any indigenous sources of supply of copper suitable for the manufacture of electric wires and cables. They are not in a position to take any action to secure an indigenous supply.

(c) The term "electrical materials" covers a wide range of articles, many of which are not manufactured in India. It is not possible to give an exhaustive list of such materials, but a list of some of the important items is placed on the table.

As regards encouragement to the manufacture of these articles in India, attention is invited to the reply given by me on the 4th February, 1936, to Pandit Krishna Kant Malaviya's starred question in the Legislative Assembly No. 5. The Industrial Research Bureau has, in order to assist the Indian industry in electric lamps, arranged to carry out tests of the products of Indian factories free of charge at the Government Test House.

List of some important electrical goods not manufactured in India.

- Generators ;
- Rotary Converters ;
- Motors ;
- Transformers ;
- High Tension switch boards ;
- Extra High Tension Insulators ;
- Electric Lifts and Hoists ;
- Paper Insulated Cables ;
- Train Lighting and Headlight equipment ;
- Lighthouse, Broadcasting, and Air route lighting equipment ;
- Secondary Batteries including Train lighting batteries ;
- Telephone and Telegraph equipment including special cables and wires ;
- Railway carriage fans ;
- Measuring and testing instruments.

Mr. C. N. Muthuranga Mudaliar : May I take it that the Government are purchasing their requirements from these indigenous manufacturers of bulbs whenever they want them?

The Honourable Sir Frank Noyce : Government are purchasing their requirements in this country whenever they are available and suitable.

Pandit Lakshmi Kanta Maitra : May I know if Government have taken any supplies of bulbs from these Indian sources and manufactured in this country?

The Honourable Sir Frank Noyce : Yes, Sir. They have taken supplies from the Bengal Electric Works Co., Ltd., which is included in the Indian Stores Department "Rate" Contract for the supply of electric lamps. Fourteen thousand lamps have been actually ordered from this firm during the first eight months of the currency contract.

TRAINED CADETS OF THE "DUFFERIN".

523. *Bhai Parma Nand (on behalf of Mr. Lalchand Navalrai) :
(a) Will Government be pleased to state how many cadets have come out trained from the ship "Dufferin" since its start?

(b) How many of them are now employed as officers in the ships plying between India and other countries, or along the coast?

The Honourable Sir Muhammad Zafrullah Khan : (a) Since the establishment of the training Ship "Dufferin" 181 cadets have completed their training and taken their passing-out certificates. Of these, 59 cadets have obtained their certificates of competency after completing their sea-training as apprentices.

(b) Of the 59 certificated ex-cadets, 37 have been employed as officers in the Merchant Navy while 13 others have found employment elsewhere.

Mr. T. S. Avinashilingam Chettiar : May I know, in reference to the employment of different cadets, as to how many of them have been employed by foreign companies who are under obligation of contract to the Government of India?

The Honourable Sir Muhammad Zafrullah Khan : I have already answered that question during the course of the Session and I believe it was by the same Honourable Member.

Mr. T. S. Avinashilingam Chettiar : Last time I asked whether the foreign companies were under any obligation to employ the ex-cadets of the "Dufferin" and the Honourable Member replied that no foreign company was under any obligation to take any cadets.

The Honourable Sir Muhammad Zafrullah Khan : Then I did reply.

Mr. T. S. Avinashilingam Chettiar : But that is not the reply that I wanted.

The Honourable Sir Muhammad Zafrullah Khan : It may not be the reply that the Honourable Member wanted, but that was the reply to the question.

Mr. T. S. Avinashilingam Chettiar : May I know whether Government have written to any foreign companies who are carrying mail contracts about the employment of the ex-cadets of the "Dufferin"?

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The Honourable Sir Muhammad Zafrullah Khan : If the Honourable Member will specify any particular cases, I might be able to answer. But, as I explained last time, foreign companies are not concerned with this matter at all.

Mr. T. S. Avinashilingam Chettiar : I want to know whether the Honourable Member has written to foreign companies which have contracts with the Government of India, e.g., P. and O. ?

The Honourable Sir Muhammad Zafrullah Khan : We wrote to the British India Steam Navigation Company, but I was not imagining that the Honourable Member was referring to British India as a foreign company.

Mr. T. S. Avinashilingam Chettiar : I was referring to P. and O. ?

The Honourable Sir Muhammad Zafrullah Khan : No, we have not written to them.

Mr. T. S. Avinashilingam Chettiar : May I know which company carries the mails of the Government of India ?

The Honourable Sir Muhammad Zafrullah Khan : The P. and O. I believe, carries the mails from India to England, but the mails between India and Burma are carried by the B. I.

Mr. T. S. Avinashilingam Chettiar : May I know whether they have written to the P. and O. Company about the employment of ex-cadets as it is a company which carries the mails from India to England ?

The Honourable Sir Muhammad Zafrullah Khan : If I were to give an exact answer, I will have to ask for notice but I believe not.

Pandit Lakshmi Kanta Maitra : Has the B. I. Company employed any "Dufferin" cadets ?

The Honourable Sir Muhammad Zafrullah Khan : I believe they have employed some but I cannot give the exact number off-hand.

Mr. T. S. Avinashilingam Chettiar : Have the B. and I. Company refused to employ the "Dufferin" cadets ?

The Honourable Sir Muhammad Zafrullah Khan : No, they have not refused.

Mr. N. V. Gadgil : Will the employment of the "Dufferin" cadets be made a condition for the grant of mail contracts ?

The Honourable Sir Muhammad Zafrullah Khan : That question has recently been considered and Government have come to the conclusion that unless they were to modify considerably the financial conditions of the contract, they could not force these companies to employ a certain number of cadets. But they will try to persuade these companies to offer employment, as far as is reasonable, to ex-cadets.

Mr. N. V. Gadgil : Is it still a process of persuasion ?

The Honourable Sir Muhammad Zafrullah Khan : Yes, Sir, by means of the supply of facts and figures and by pointing out that these young men are properly trained for these jobs.

EFFECT GIVEN TO THE RESOLUTION re APPOINTMENT OF A JOINT STANDING ARMY COMMITTEE.

524. *Bhai Parma Nand (on behalf of Mr. Lalchand Navalrai) : With reference to the Resolution adopted on the 4th February, 1936, recommending to the Governor General in Council to appoint a Joint Standing Army Committee consisting of Members from both of the Houses of the Indian Legislature to advise Government on all matters connected with the defence of India, will Government be pleased to state if the said Resolution has been given any effect to, or is contemplated by the Governor General in Council to be given effect to wholly or in some restricted form ?

Mr. G. B. F. Tottenham : Government have decided not to set up any standing committee, but are prepared, as they always have been, to consult Members of the Legislature with regard to particular questions when it appears desirable to do so.

REDUCTION IN THE PROTECTIVE DUTY ON COTTON FABRICS AND PIECE-GOODS OF BRITISH MANUFACTURE.

525. *Bhai Parma Nand (on behalf of Mr. Lalchand Navalrai) : (a) Has the attention of Government been drawn to the Press comment and the opinions of the Indian Chambers of Commerce with regard to the Government Notification, dated the 25th June, 1936, reducing the protection duty on cotton fabrics and cotton piece-goods of British manufacture ?

(b) Do Government propose, in view of the public opinion on the point, to place this matter of the reduction of duty before this House for their consideration ? If so, when ? If not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes, Sir.

(b) I would refer the Honourable Member to the reply given by me to parts (e) and (f) of starred question No. 492 by Mr. S. Satyamurti during the current Session.

HIGHER POSTAL CHARGES ON OUTGOING MAILS BY AIR.

526. *Mr. M. Asaf Ali : Will Government be pleased to state if it is a fact that the postal charges on outgoing mails by air are higher than similar charges on incoming mails ? If so, will they state the reasons for the difference ?

The Honourable Sir Frank Noyce : As regards the first part of the question, it is not a fact that the air surcharges on mails despatched from India by air are in all cases higher than similar charges on the mails coming from the corresponding countries. In most instances the reverse is the case. As regards the last part, the Honourable Member's attention is invited to the memorandum which was laid on the table of the House in reply to part (a) of question No. 663 put by Mr. Mathuradas Vissanji on the 19th February, 1936.

Pandit Lakshmi Kanta Maitra : I understood the Honourable Member to say that in most cases the charges are the same. May I know what are those cases where these charges are different and why are they so ?

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The Honourable Sir Frank Noyce : What I said was that it is not a fact that the air surcharges are in all cases higher than similar charges on the mails coming from the corresponding countries, but if my Honourable friend wants some examples, I have a lengthy statement here from which I can quote various examples. Take Hungary, for instance. The rate of air fee to India from Hungary is Re. 1-7-9 as against the air fee of six annas from India, excluding postage in both cases. The rate of air fee to India from Italy is As. 13-4 as against six annas and from Egypt As. 11-7 as against four annas. There is a large number of such cases.

Pandit Lakshmi Kanta Maitra : Is the Honourable Member going to place that statement on the table of the House ?

The Honourable Sir Frank Noyce : I shall be very glad to do so. I have brought it for my own information but if it is of interest to the House I shall be very glad to have it put in a form in which it can be placed on the table of the House.

Mr. Mohan Lal Saksena : What are the rates from the United Kingdom to India ?

The Honourable Sir Frank Noyce : The rate, including postage from the United Kingdom, is six annas. As my Honourable friend is probably aware, the rate from India to the United Kingdom is seven-and-half annas also including postage.

TRUNK TELEPHONE CALL BILLS.

527. ***Mr. M. Asaf Ali :** (a) Will Government state why trunk calls are not allowed to subscribers who have delayed the payment of their trunk call bills, but whose deposit would not be exhausted even after meeting the unpaid trunk call bill, but would leave enough balance to meet the bill for the call desired to be booked ?

(b) Are Government prepared to issue necessary instructions to book calls within the amount of such deposits ?

The Honourable Sir Frank Noyce : (a) The deposit referred to by the Honourable Member is not intended to be an advance payment for trunk call bills but is intended to be a security for payment and is, therefore, utilized against bills only when a subscriber ceases to use the trunk service. Subscribers' accounts are maintained by Telephone Revenue Accounting Offices and not by Telephone Exchanges. If subscribers were allowed to make trunk calls against the deposited amount, the object of the deposits would be frustrated, because then subscribers would have nothing at their credit for adjustment against trunk calls made by them during the interval between the issue of bills by Telephone Revenue Accounting Office and the date on which they cease using the trunk service.

(b) No, but Government have decided to suspend, as an experimental measure, the deposit system altogether for one year. If as a result of the experiment it is found that this step has been appreciated by the public and that bad debts have not shown any important increase, the abolition of the system will be considered.

INSANITARY CONDITION OF THE THIRD CLASS COMPARTMENT ATTACHED TO THE HOWRAH EXPRESS FOR A THROUGH JOURNEY TO THE PUNJAB.

528. ***Sardar Sant Singh :** (a) Has the attention of Government been drawn to the insanitary condition of the third class compartment attached to the Howrah Express for a through journey to Punjab ?

(b) What steps have Government taken to remove this inconvenience ?

(c) Is it a fact that this compartment is always overcrowded and there are more passengers than the seating capacity of the compartment ? If so, what steps do Government propose to remove this complaint of the travelling public ?

The Honourable Sir Muhammad Zafrullah Khan : (a) No.

(b) Does not arise.

(c) The answer to the first part is no ; the second part does not arise.

WANT OF A RAISED PLATFORM ON THE BRANCH LINE BETWEEN CHICHOKI MALIAN VIA JARANWALA ON THE NORTH WESTERN RAILWAY.

529. ***Sardar Sant Singh :** (a) Has the attention of Government been drawn to the fact that there is no raised platform on the branch line between Chichoki Malian and Sherkot via Jaranwala on the North Western Railway ?

(b) Are Government aware that Jaranwala, Landhanwala and Kamalia are important centres of trade on this line ?

(c) Do Government propose to construct a raised platform on these stations. If so, when ?

The Honourable Sir Muhammad Zafrullah Khan : (a) No.

(b) Government are aware that there is a certain amount of trade at Jaranwala, Tandlianwala and Kamalia. There is no station named Landhanwala.

(c) The decision as to carrying out works of this size rests with the Agent. The Local Advisory Committee might bring this proposal to his notice.

Mr. N. V. Gadgil : You are going as fast as the Punjab Mail and we cannot follow you.

The Honourable Sir Muhammad Zafrullah Khan : I am afraid you did not hear me, because some Honourable Members from the other side were speaking at the same time.

RESERVATION OF INTERMEDIATE AND THIRD CLASS SEATS ON THE EAST INDIAN RAILWAY.

530. ***Mr. Sri Prakasa :** (a) Is it a fact that the East Indian Railway are arranging for the reservation of intermediate and third class seats for a little extra payment ?

(b) If so, what is the amount of space provided for each seat ?

(c) Is the reservation for night only, or for any period of time during the 24 hours ?

(d) Is it a fact that a bench about six feet to 6½ feet long by 18 inches to 20 inches broad in a small intermediate class compartment is divided into four seats for reservation purposes, and marked as such ?

(e) Are Government aware that the space of about 18 inches to 20 inches by 18 inches to 20 inches is not sufficient for an individual ?

(f) Are Government prepared to advise the Railway Administration concerned at least to double the amount of space for reservation purposes ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes, on certain trains.

(b) The standard width of a seat on which the carrying capacity of intermediate and third class carriages is based is 19½ inches and this is the minimum space reserved for each seat. In practice, however, the accommodation provided is invariably more, as compartments with reserved seat holders are never filled to their carrying capacity.

(c) Any period of time, provided the distance is not less than 100 miles.

(d) Yes.

(e) and (f). No.

Prof. N. G. Ranga : Will Government be pleased to extend the same concessions and facilities to other Railways also ?

The Honourable Sir Muhammad Zafrullah Khan : The experiment is being tried at Howrah, and I believe at Sealdah also, and if it proves successful and similar facilities can be provided elsewhere, the Railways will no doubt extend them.

Pandit Lakshmi Kanta Maitra : Will the Honourable Member at least try the experiment on State Railways, and if it proves successful, he can extend it to other Railways ?

The Honourable Sir Muhammad Zafrullah Khan : It is not a question of company-managed or State Railways. To begin with, this kind of arrangement is easier from a terminus station, and there are difficulties where trains run through over a long line, but if these difficulties can be got over, I have no doubt, the question of extending these facilities will be considered.

Mr. Sri Prakasa : Sir, is it a fact that a person can get a whole of second class berth by paying two intermediate class tickets even though the berth is marked to carry four passengers, while to get a whole berth in an intermediate class compartment he will have to pay four fares ? In view of this, will Government think of extending this facility to intermediate class passengers also ?

The Honourable Sir Muhammad Zafrullah Khan : It is not correct that a single second class berth can be reserved by paying for two intermediate class tickets.

Mr. Sri Prakasa : Is it not a fact, Sir, that one second class ticket is roughly equal to two intermediate class tickets ?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir, the tickets are just the same in size.

Mr. Sri Prakasa : My Honourable friend cannot pull my legs so easily

The Honourable Sir Muhammad Zafrullah Khan : Sir ; the Honourable Member was so particular about the English used on the railways that I had to be very particular in the reply I gave.

Mr. Sri Prakasa : What I ask is this : Does not a second class ticket cost roughly double of an intermediate class ticket, and while only twenty inches by twenty inches can be reserved by paying for one intermediate class ticket, for a second class fare, which is double the intermediate class, a whole berth can be reserved, even though the berth is ordinarily marked to carry four passengers ?

The Honourable Sir Muhammad Zafrullah Khan : It may be so ; I cannot express an opinion.

Mr. Sri Prakasa : Has the Honourable Member made any provision for the possibility of a passenger travelling in intermediate class of the proportions of my Honourable friend, Mr. Kabiruddin Ahmed ?

The Honourable Sir Muhammad Zafrullah Khan : Am I required to answer that question, Sir ?

Dr. Ziauddin Ahmad : Are the Government contemplating charging railway fare by weight ?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir ; neither by weight nor by size in the case of passengers, and in any case I hope Mr. Kabiruddin Ahmed will never be under the necessity of travelling in the intermediate class.

BOARDS INDICATING THE DESTINATIONS OF TRAINS FITTED ON THROUGH COMPARTMENTS ON THE EAST INDIAN RAILWAY.

531. ***Mr. Sri Prakasa :** (a) Are Government aware that many trains contain through compartments which are attached and detached at various junction stations on the East Indian Railway ?

(b) Are all these compartments fitted with boards at the top indicating their destinations ?

(c) Are Government prepared to recommend to the Railway Administration to fit lights, so that the lettering on these boards might be visible at night to help passengers to get into the proper compartments ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes.

(b) Yes.

(c) There are considerable difficulties in arranging what the Honourable Member suggests without infringing moving dimensions, but the matter is under examination.

Mr. Sri Prakasa : Is the Honourable Member aware that every often passengers get into wrong through compartments and are shunted off at midnight at junction stations and find themselves at a wrong place the next morning ? In order to avoid this confusion, will the Honourable Member consider this matter seriously ?

The Honourable Sir Muhammad Zafrullah Khan : That is the whole point of the question, and that is why I said that the matter is under examination.

†532*.

†533*.

COMPLAINTS OF THE OWNERS OF HORSE AND BULLOCK-DRAWN CONVEYANCES AND CARTS IN DELHI.

534. ***Mr. M. Asaf Ali :** Has Government's attention been drawn to the public complaints of the owners of horse and bullock-drawn conveyances and carts, of bribery and corruption against (i) officers of the Society for the Prevention of Cruelty to Animals, and (ii) Traffic Police and the neglect of the Local Government, which resulted in a general strike beginning on 1st July, 1936, and its consequences ? If so, will Government state why no steps were taken to prevent the strike, which caused considerable inconvenience to the public ? And, further, was any independent inquiry made into these allegations, and if so, what was its result ?

The Honourable Sir Henry Craik : Government did not receive any specific complaints of bribery and corruption either against the officers of the Society for the Prevention of Cruelty to Animals, or against the Traffic Police before the commencement of the strike. In April last the Society for the Prevention of Cruelty itself, on receipt of certain complaints, invoked the assistance of the police to investigate, and as the result of information derived from that investigation the Society for the Prevention of Cruelty to Animals discharged two of their officials. There was no neglect on the part of the Local Government, nor were they in a position to take any steps to prevent the strike as it started suddenly without warning. Once the strike had started, the difficulties of the Local Government in effecting a settlement were increased, and the inconvenience caused to the public was in consequence prolonged by the action of the local Congress Committee in actively supporting and encouraging the strikers not to give way.

The Deputy Commissioner undertook to make enquiry into any specific allegations made against officials of the Society for the Prevention of Cruelty and this is being done.

Mr. M. Asaf Ali : May I know, Sir, if it is a fact that all fines realised under Prevention of Cruelty to Animals Act are handed over to the Society by the Government ?

† This question will be put and answered later.

The Honourable Sir Henry Craik : It does not seem to me to arise ; in any case I must have notice.

Mr. M. Asaf Ali : Is the Honourable Member aware of the fact that this practice of handing over these funds to the Society is encouraging them to harass people unnecessarily ?

The Honourable Sir Henry Craik : No, Sir ; my impression is that the practice of handing over fines to the Society stopped some time ago, but I must have notice.

INDIANISATION AND MECHANISATION OF THE INDIAN ARMY.

535. ***Mr. M. Asaf Ali :** Will Government be pleased to make a detailed statement about the progress of (i) Indianisation, and (ii) mechanisation of the Indian Army, during the year 1936 ?

Mr. G. R. F. Tottenham : (i) The progress of Indianisation during 1935-36 is fully described in Section III of the "Summary of Important Matters concerning the Defence Services in India, 1935-36", copies of which have been supplied to Honourable Members.

(ii) During the first few months of this year orders were placed for two companies of light tanks and a decision was taken to mechanise all the Royal Horse Artillery batteries in India. Mechanisation cannot, however, be judged by progress during a few months. It must be reviewed over a period of years.

The substitution of machine power for animal power takes two forms. The first concerns those portions of an army behind the battle front which supply the material requirements of the troops in action. Generally speaking this means the transport which feeds and maintains the troops. The second form of mechanisation is that applied to the fighting units themselves with the object of increasing their speed, mobility and effectiveness in the battlefield.

The first form of mechanisation dates in the main from 1927 and the general position now reached is that we have mechanised as much transport as is at present considered necessary in relation to the role of the army for the defence of the frontiers of India and the terrain in those areas.

The second form of mechanisation was started shortly after the Great War and has gradually progressed as new machines have been devised and as finances permitted. Even more than in the matter of transport, the form of mechanisation requires the closest consideration to be paid to the ground over which the army may be called upon to operate in the fulfilment of its role. The position is that a measure of mechanisation has been carried out principally in Artillery, Engineers, the Tank Corps and the Signal Corps. A small measure of mechanisation has been applied to Cavalry Regiments but as yet none to Infantry units.

Reviewing the situation generally it may be stated that a very appreciable proportion of the amount of mechanisation deemed to be desirable for the army in India has been carried out and more would have been done had the money been available.

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Mr. M. Asaf Ali : May I know how much money the Government consider will be necessary for complete mechanisation of the Indian Army? Have they ever made any estimate?

Mr. G. R. F. Tottenham : No, Sir; we have made no estimate.

Sardar Mangal Singh : Would it be possible to reduce the size of the Indian Army after the mechanisation is completed?

Mr. G. R. F. Tottenham : That is a hypothetical question.

Sardar Mangal Singh : You are now incurring additional expenditure on the mechanisation of the Indian Army, and so it will increase the efficiency of the Indian Army. After that it should be possible to reduce the size of the Indian Army?

Mr. G. R. F. Tottenham : I cannot discuss that question now, but, I do not agree with the Honourable Member.

Mr. S. Satyamurti : May I know if the object of this mechanisation is merely increased efficiency, or any possible retrenchment in army expenditure in this country?

Mr. G. R. F. Tottenham : Mainly to increase efficiency, but it has its economic aspect as well and that is taken into consideration. If you use machines instead of horses you are relieved of the expense of keeping up a large number of animals, and the establishment who have to look after them. From that point of view mechanisation may be economical as well as increasing the efficiency of the fighting forces.

Mr. S. Satyamurti : So far as it has gone, has it reduced the army expenditure to any extent, and if so, to what extent?

Mr. G. R. F. Tottenham : I could not give the figures now but if the Honourable Member wishes to have information on that point, he would perhaps put down a question.

Pandit Lakshmi Kanta Maitra : Will the Honourable Member give us an idea of the time required for the mechanisation of the whole Indian Army?

Mr. G. R. F. Tottenham : I could not.

Mr. M. Asaf Ali : May I know whether Government propose to pursue this policy of mechanisation from year to year or will they watch the result of the mechanisation so far as it has gone?

Mr. G. R. F. Tottenham : We do not frame a new policy every year; it is a continuous policy. But, as I have said, we now have reached a position when we have fairly nearly accomplished what we think is necessary to do at the present stage. Of course it depends very largely on developments in other parts of the world and on the progress of machinery and new inventions. If new inventions come into being we have to consider whether to adopt them in our army or not.

STATEMENTS LAID ON THE TABLE.

Information promised in reply to starred question No. 1089 asked by Pandit Lakshmi Kanta Maitra on the 10th March, 1936.

CHURCHES ESTABLISHED BY CERTAIN RAILWAYS FOR THE USE OF THEIR EUROPEAN AND ANGLO-INDIAN EMPLOYEES.

Statement showing the location, number and total Railway expenditure on churches established for use of European and Anglo-Indian railway employees

Serial No.	Railways.	Location.	Number.	Cost.	Total cost.	Remarks.
				Rs.	Rs.	
1	Great Indian Peninsula.	*Parel ...	1	5,400	79,641	*Common for G. I. P. and B. B. and C. I. Railways. The G. I. P. subsequently met also Rs. 3,111 for additional works, which is not included in the total cost.
		Igatpuri ..	1	20,616		
		Lonavla ..	1	27,625		
		Bhussawal ..	1	7,000		
		Bina ..	1	7,000		
		Bina ..	1	7,000		
		Bhopal ..	1	7,000		
		Jhansi ..	1	7,000	6,714	†Contribution from railway funds.
2	Eastern Bengal.	Cossipur (Calcutta)	1	6,714		
3	East Indian	Lillooah ..	1	18,505	135,157	
		Asansol ..	1	83,322		
		Gomoh ..	1	13,109		
		Moghal Sarai ..	1	12,200		
		Buxar ..	1	6,200		
		Mirzapore ..	1	1,821		
4	Bengal Nagpur.	Nil.	Nil.	Nil.	Nil.	
5	Assam Bengal	Pahartali ..	1	7,000	4,000	† Contribution from railway funds.
		Badarpur ..	1	7,000		
6	Bengal and North Western.	Gorakhpur ..	1	20,000	20,000	Estimated cost.

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Serial No.	Railways.	Location.	Number.	Cost.	Total cost.	Remarks.
				Rs.	Rs.	
7	Bombay, Baroda and Central India.	Parel ..	1	8,511	84,357	
		Gangapur City ..	1	4,400		
		Abu Road ..	1	9,500		
		Bandikui (C. of E.)	1	23,402		
		Bandikui (R. C.)	1	10,799		
		Ajmer ..	1	26,219		
		Rewari ..	1	1,526	31,709 (Estimated cost.)	§ Railway made some grant towards the construction of this Church but the exact amount is not known. || Contribution from Railway funds.
	Madras and Southern Mahratta.	Hubli ..	1	4,500		
		Perambur (Weelvan).	1	§		
		Perambur (C. of E.)	1	12,880		
		Rajahmundry (C. of E.)	1	|| 1,400		
		Rajahmundry (R. C.)	1	|| 5,000		
		Jalarpet ..	1	6,429		
		Nandyal ..	1	1,500		

Information promised in reply to starred question No. 1464 asked by Mr. S. Satyamurti on the 7th April, 1936.

ACTION TAKEN UNDER THE CRIMINAL LAW AMENDMENT ACT, 1935.

(a) and (b). Nineteen houses were searched and 12 people arrested under the Criminal Law Amendment Act, 1935. This action was taken in connection with the communist case instituted at Bombay against Somnath Lahiri and others. In addition action was taken, up to the middle of April in 65 cases for offences against the provisions of the Act.

Information promised in reply to starred question No. 1695 asked by Pandit Krishna Kant Malaviya on the 17th April, 1936.

POLICY REGARDING ALTERATION OF THE AGE OF EMPLOYEES ON THE NORTH WESTERN RAILWAY.

Government are informed as follows :

(a) Yes.

STATEMENTS LAID ON THE TABLE.

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(b) and (c). The Honourable Member's attention is invited to Mr. P. R. Rau's reply to starred question No. 308 asked by Mr. Lalchand Navalrai on the 8th February, 1935.

(d) and (e). No.

Information promised in reply to a supplementary question to starred question No. 146 asked by Mr. S. Satyamurti on the 7th September, 1936

REPORT OF THE COMMISSION OF ENQUIRY CONCERNING THE RIOT IN ZANZIBAR.

Report of the Commission of Enquiry concerning the Riot in Zanzibar on the 7th of February, 1936.

Appendices :

- *A. Minutes of Meetings.
- *B. Copy of Public Notice.
- *C. Evidence.
- *D. Extraneous Memoranda.
- E. Enactments of remote or doubtful relevance.

Personnel of the Commission :

HIS HONOUR W. T. S. FRETZ, Assistant Judge (Acting Chief Justices),
Chairman.

THE HONOURABLE WILLIAM LESLIE WEBB, M.R.C.S. (Eng.), L.R.C.P. (Lond.), M.B., B.S. (Lond.), D.P.H., R.C.P.S. (Director of Medical Services).

THE HONOURABLE SHEIKH ALI BIN AMEIR EL-MARHUBI, Arab Member of Legislative Council.

AMIR AYUB, Esq., Advocate.

THE VENERABLE ARCHDEACON G. G. ELLIOTT.

MISS HELEN L. WILSON (Secretary).

TO HIS EXCELLENCY SIR RICHARD S. D. RANKINE, K.C.M.G.,

BRITISH RESIDENT,

ZANZIBAR.

PART I.

INTRODUCTION.

YOUR EXCELLENCY,

We were appointed by you, under the Commissions of Enquiry Decree, on the 15th of February, 1936, to make investigations concerning the causes of the disturbance which occurred in Zanzibar on the 7th of February of this year. The terms of the Commission are set out in the

*Not reproduced.

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Official Gazette of the Zanzibar Government (Gazette Extraordinary) published on the 17th of February, 1936, and are as follows:

"To enquire into and report upon the causes direct and indirect of the riot which took place in Zanzibar Town on the 7th of February, 1936, including any circumstances which may reasonably be considered to have been contributory factors."

Anticipating at the outset the possible difficulties of obtaining reliable information, the Commission inserted an explanatory notice in English, Arabic, Gujarati and Kiswahili in all the leading journals, which met with a ready response; and we desire to thank those who so willingly gave their evidence by verbal or written statements which have been of the greatest benefit to our enquiry.

We held twenty-five formal meetings and several others of an informal nature, and received information from every available source, official and un-official, including representatives from all classes of the community, by means of oral evidence and written statements. Forty-seven witnesses were examined and numerous statements were submitted for our consideration.

Our formal meetings were held in private, and in view of the expressed desire of the majority of the witnesses that their evidence should be regarded as confidential, we respectfully recommend to Your Excellency that the evidence on which our report is based and the accompanying written statements should not be published.

During the course of our investigations we have found ourselves confronted with issues involving the necessity of closely examining the attitude of the Government towards matters affecting native interests. It is not within the scope of our terms to make recommendations, but we have found that the causes of this disturbance are so closely connected with the Administrative and Agricultural Departments of the Government that we consider that we would not be justified in withholding criticism which, though adverse, is impartial.

It will be necessary, before proceeding to deal with the questions referred to us, to give an account in general outline of the sequence of events relative to this outbreak of lawlessness on the part of the Manga Arabs on the 7th of February, 1936.

THE RIOT.

The opening scenes of the disturbance occurred at approximately 11 A.M. on the 7th of February, 1936, in that quarter of Zanzibar known as Malindi. There, a deputation of Manga Arabs visited the office of the Agricultural Produce Inspector who was then being interviewed by their representative. This meeting had been previously arranged by their purpose of laying before the Produce Inspector the grievances of the Manga Arab copra dealers and merchants.

At the close of the interview, as the representative was leaving the office to report the result to those others of his Manga brethren who awaited him, he was set upon by them, apparently under the belief that they had been deceived by him, with swords and sticks. Though wounded, he succeeded in warning the Produce Inspector, who was then also attacked and injured, but evaded his assailants by escaping from a

window at a height of approximately fifteen feet from the ground, where he was again set upon by the malcontents of the disaffected copra merchants, some with swords and others with knives and sticks. The Produce Inspector succeeded in making his way to the office of the Clove Growers' Association in the vicinity, where he found refuge with the Secretary-Manager and his assistant.

The Assistant District Commissioner had in the meantime arrived on the scene in a motor car, accompanied by the Town Mudir, and having gone on to the road for the purpose of endeavouring to pacify the now infuriated mob, he was attacked with swords and sticks and succumbed later from his injuries.

The attention of the crowd at this point was again diverted by the arrival of the Acting Commissioner of Police with three askaris, but unarmed; they were followed closely by the Provincial Commissioner and an official from the Secretariat. These were in turn attacked and both the Acting Commissioner of Police and the Provincial Commissioner, as also one askari, were seriously wounded. It is recorded that the Acting Commissioner of Police was assaulted in one instance by an Arab wielding a sheathed sword and this has been suggested as an indication that at this time at least some element amongst the rioters were more intent upon wounding and hurting than killing.

The rioters then being out of control, the Europeans and police withdrew to await the arrival of armed forces. These events had been witnessed by numerous passive Indian and Swahili spectators, the rioters being comprised almost entirely of Manga Arabs from the rural districts, who were engaged in the copra trade.

The crowd of Arabs, apparently now without leadership or any idea as to concerted action, separated into parties which set out for different parts of the town, the main body proceeding towards the police station at Darajani. These parties were augmented, as they proceeded, by the addition to them of numbers of undesirable characters, both Arab and Swahili, who seemingly attached themselves more for the purpose of depredation than from any feelings of injustice or discontent. On the arrival of a detachment of armed police at Malini under the command of the Assistant Commissioner, a move was made to the Darajani Police Station, nearing which they came in contact with the main body of the rioters, other parties of whom were elsewhere in the town.

The police activities were concentrated on the Creek Road and its neighbourhood. An Asiatic Assistant Inspector of Police was there surrounded and killed, and the infuriated crowd, now swollen to approximately a hundred, proceeded to attack the police with swords and knives. Fire was then opened by two police detachments, two or more rounds being fired in each instance. The rioters instantaneously dispersed, fleeing in all directions and there was, subsequent to this action, no further disturbance. At 5 P.M. the situation was under complete control.

A small party of mixed Arabs and Swahilis ventured to attack the Post Office during the affray at Darajani, it is believed for the purpose of obtaining money, but meeting with no success dispersed after some amount of damage to the building. There was no disturbance in any other part of the Protectorate.

Two Government officers were killed and three injured, and amongst the rioters were four killed, all of whom were Manga Arabs.

It seems clear from the evidence before us that the timely arrival of the police at the most critical moment and their decisive action in checking the violence of the outbreak averted what might have been a massacre of European officials in Zanzibar, against whom the outbreak was directed.

THE MANGA ARAB.

We have made allusion in the preceding paragraphs to the "Manga Arab", and it will be found convenient at this point for the purpose of more clearly understanding the subsequent points of this report to describe, so far as possible, to what class of Arabs this term may be applied.

Yearly, about the middle of November, at the advent of the north-west monsoon, from time immemorial bands of Arabs in great numbers arrive in boats and dhows at Zanzibar from the coasts of Arabia. A considerable number of these come from Muscat and the coasts of Oman. They are of a wild, ungoverned nature, turbulent and prepared at all times for any mischief, being usually armed with daggers or "jambias" and possessing double-edged swords, in the use of which they are expert and to which they have immediate resort at any sign of danger. They are known as the "Manga" or "Wamanga", and many return to the north and to the Persian Gulf in April with the south-west monsoon.

The Manga arrives with a very limited amount of capital with which he proceeds to establish a small shop in some rural district, or more often obtains coconuts on credit with the object of converting them into copra for sale. In many instances he relies almost entirely for his existence in Zanzibar on the small copra trading transactions. In former days before the promulgation of the Clove Growers' Association Decree, 1934, he likewise traded on a small scale in cloves, but subsequently, owing possibly to the altered conditions in the clove trade, his endeavours to maintain himself from that source have been abandoned.

The Manga, in the methods he uses to obtain the material for making his copra, is not always above suspicion. He does not usually hesitate to purchase nuts that may have been stolen and to adjust the price accordingly. These nuts have frequently been prematurely picked and are unripe, in consequence the copra obtained, on that account as also by reason of his insufficient knowledge concerning the correct methods of drying the material, falls far below the requisite standard demanded by the Adulteration of Produce Decree and is of very inferior quality. This copra nevertheless has a ready monetary value within the Protectorate, and from such transactions the Manga is enabled to pay the merchant from whom he had obtained the nuts on credit.

As may be readily observed, any precipitate action on the part of the Government in obstructing these copra cash transactions would result in depriving the Manga trader of his income and livelihood, and it is clear from the evidence submitted that this was being brought about by the methods adopted in the application, in relation to copra, of the Adulteration of Produce Decree of 1934. We are of the opinion that to this fact may be ascribed the primary cause of the outbreak of the Manga Arabs on the 7th of February, 1936.

THE ADULTERATION OF PRODUCE DECREE OF 1934.

It has already been pointed out that the copra produced in Zanzibar is of very inferior quality despite the known fact that the nut from which it is obtained in Zanzibar contains as high a percentage of oil as the Ceylon nut, the copra of which commands the highest market prices of the world. In order to effect an improvement in Zanzibar copra it was considered desirable to introduce a system of grading, as was applied in the case of cloves, under the Agricultural Produce Export Decree. Before this could be effected, however, it was necessary to establish a standard quality of copra, to deal below which should be an offence.

The Adulteration of Produce Decree became law in July, 1934, and by that law the lowest quality of copra which could be lawfully exposed for sale or export was that "Not containing more than 7 per cent. of moisture and more than 10 per cent. of any or all of the following substances, namely, defective, mouldy, immature or decayed kernel and foreign superfluous or inferior matter". On the 22nd of July, 1935, one year subsequent to the passing of the Decree, it was notified in the *Official Gazette* that the provisions of the Decree would be strictly enforced in respect of copra. From then onwards there were regular inspections of copra and a marked improvement in its quality, particularly in respect to the amount of moisture contained; there has also been a relative improvement in prices offered, and it is therefore apparent that the Decree is, in its application, of great benefit to the agricultural interests of the Protectorate.

Before the Decree came into force, the Manga experienced no difficulty in disposing of his copra in exchange for ready money; subsequently, however, it became necessary for the copra to be examined at the Inspection Sheds in Zanzibar, where the examination was conducted by native examiners, employees of the Agricultural Department, under the immediate authority of the Agricultural Produce Inspector. If, after having been examined, the copra failed to pass the requisite standard, the owner was then required to remove it for further preparation, and if, as it frequently happened, the successive tests resulted in failure, the owner suffered financial loss and was further debarred from disposing of it elsewhere; hitherto an open and ready market had been available for copra of any quality. There is no power conferred by the law on the examiners to destroy or confiscate copra of inferior quality, but to sell or export such material, which had failed to pass the required standard, would be an offence under the Decree.

After the examiners had declared the copra to be of satisfactory quality, sales were then usually effected by way of the broker to one of the copra shipping merchants and the owner received cash value less brokerage charges for his material which was then removed to the merchant shipper's warehouse.

THE DIRECT CAUSE OF THE RIOT.

(a) Defective Methods in the Application of the Adulteration of Produce Decree in Relation to Copra.

The shippers themselves are plantation owners, copra dealers and manufacturers. Their copra being exempted from passing through the examination sheds was transported direct from the plantation to their

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warehouses. This fact was revealed to us at our personal inspection of the copra sheds, where we availed ourselves of the opportunity of visiting the warehouses of two of the merchants in question. There we discovered immense quantities of copra, prepared in sacks for immediate export, which had not only been exempted from passing through the copra sheds but also had not, at any time, been subjected to any examination such as was being applied to the Manga Arab and small trader. It is true that these warehouses and the copra contained in them were open to inspection by Government inspectors, but nevertheless it is also clear that the Manga Arab and the rich shipping merchants were not on the same basis of equality as regards the application of the law. The Manga was not slow in appraising this fact which sowed in his mind the seeds of discontent and revolt.

Events at the copra sheds during the days preceding the riot throw further light on the methods employed under this heading. The full force of the Decree had hitherto not been applied to copra, which product still remained below the requisite standard. During the days preceding the outbreak, however, stringent measures had been applied and but a comparatively small proportion succeeded in satisfying the examiners; there resulted accordingly, at the Inspection Sheds, an increasing accumulation of copra of inferior quality, and on the day previous to the riot this had amounted to approximately 1,500 bags. The general dissatisfaction became more pronounced and was aggravated by the report, false and unfounded though it was, that the rejected copra was about to be thrown into the sea. The Arab Association, a self-constituted body for the protection of Arab interests, succeeded in partly intervening and the greater part of this copra was eventually sold during the course of the day, but feelings of discontent and unrest had been fostered by these events in the mind of the Manga.

(b) Misconduct of Copra Examiners and Lack of Supervision by the Agricultural Department.

The European Produce Inspector, with a staff of native produce examiners under his supervision, was responsible for the inspection of the agricultural produce pertaining to the Decree, and as he was thus busily engaged during a greater part of his time in clove inspection and office duties, much responsibility rested accordingly with the native staff of copra examiners. The owner, therefore, when aggrieved by the examiner's decision frequently experienced great difficulty in obtaining an interview with the Agricultural Produce Inspector, an officer, who, at the time of the riot, being youthful and inexperienced, was placed at a disadvantage. It is clear, from the evidence before us, that there were certain employees amongst the staff of native examiners of very doubtful integrity who possessed no scruples in their ways and manner of dealing with the poverty-stricken Manga who arrived with his small consignment of copra for examination; it is apparent that not only was there bribery and corruption but also in many instances acts of insolence and insulting behaviour on the part of the examiners towards the Mangas, one of the worst offenders being himself of servile origin. It is evident, therefore, from these facts, that there was a singular absence of supervision by the Agricultural Department over the native examining staff. The Manga Arab, as previously described, is by nature turbulent and easily roused to anger, and the desire to avenge the treatment described above was inflamed by the activities and false reports of agitators.

(c) Maladministration and Lack of Departmental Co-operation.

Apart from the Notice in the Official Gazette, to which reference has been made, the native agricultural community received but small warning that the terms of the Decree were to be enforced as regards copra. The Decree declared that copra should henceforth be of a certain improved standard, and it follows as a reasonable deduction that it would be the duty of the Administration to assist the native to learn or understand the methods by which such improvement might be achieved. We find, nevertheless, that no active endeavours to instruct or assist the natives in this respect were made by either the Administrative or Agricultural Departments in Zanzibar. The Manga having been made to understand that he must comply with the terms of the Decree, remained in ignorance as to the method by which the improvement in his copra was to be accomplished. This is in striking contrast to the procedure of the Administrative and Agricultural Departments in the sister island of Pemba, where an organized system of explanatory propaganda was actively carried out under similar circumstances, resulting in an improvement in copra without any disturbance in any part of the island.

We feel that in conclusion under this heading we are justified in observing that if any enactment is promulgated which is likely to cause dissatisfaction or misunderstanding amongst the natives, then at least the native should be given a fair opportunity to learn and understand the meaning of its terms and methods of improvement before the practical application of the law is forced upon him. We find it therefore impossible to exonerate the Administrative and Agricultural Departments from blame in this respect.

PART II.

INDIRECT CAUSES AND CONTRIBUTORY FACTORS.

In considering the indirect causes and contributory factors of the riot, it is a matter of some difficulty to decide precisely to what extent the many causes that have been submitted to us as being "contributory" may strictly be said to fall within the terms of our reference. Evidence has been adduced in many instances, which though supporting possible causes of discontent concerning affairs within the Protectorate, yet nevertheless have been considered to be outside the sphere of our enquiry and too remote to be worthy of consideration as causes contributory to the riot. A careful analysis of the evidence submitted concerning the contributory and indirect causes has led us to the following conclusions.

(a) Economic Situation and Trade Depression.

The state of depression in trade and the general economic situation throughout the Protectorate would appear to be the base and origin of the causes which contributed to this lawless outbreak, and it would follow as a reasonable deduction that, at a time of economic stress and poverty, any contentious enactment likely to affect the financial resources of the community would be regarded with a greater amount of disfavour than it might have received at some other more opportune period. This becomes more pronounced in the light of the fact that amongst the major part of the populace the bare means of existence is the uppermost and ever-present consideration.

(b) *Repercussions of Previous Riots.*

It has been found necessary at this point to make some reference to a feature of the riots which occurred in the year 1928. During five consecutive days in the month of March of that year there was continuous fighting in the town of Zanzibar between the Manga and Shihiri Arabs, resulting in a casualty list of six killed and forty-six wounded. During the whole of that period there was no decisive action taken by the police to quell the disturbance; and despite the fact that a patrol escorting the wounded was threatened by the mob, there were no orders at any time issued, beyond the gesture or rifles being loaded, to fire on the rioters.

There followed, in October of the same year, a mutinous outbreak amongst the prisoners at the Central Gaol. Approximately one hundred prisoners held the prison authorities and police at open defiance for seventeen hours, and having announced their intention to do so, broke out of the prison without meeting with determined opposition.

There is evidence to support the supposition that these omissions to take some decisive action tended subsequently to influence the mind of the native, there being conceived in his imagination the belief that acts of violence could with impunity be committed in Zanzibar.

(c) *Disturbing Influence of Amended Market Regulations.*

It was perhaps an unfortunate coincidence that Monday, the 3rd of February, was chosen for the introduction at the fruit and vegetable markets of altered methods of selling produce. The former system, it had been discovered, was open to abuse in that it afforded means of evading the local charges, thereby causing loss to the revenue. The application of these rules on the 3rd of February offered a suitable opportunity for the spread of false reports and agitation by the malcontents of the markets. Owing to conflicting opinions, it is impossible to decide with accuracy to what extent the ensuing state of unrest at the market during the previous part of the week affected the outbreak at Malindi on the Friday.

(d) *Dissatisfaction Resulting from the Change of Currency.*

At the beginning of the year the Currency Decree came into force whereby shillings and cents of a shilling became legal tender in lieu of rupees and pice; it was decided, however, that for a period of some months both forms of currency should continue to exist throughout the Protectorate, in order to allow the meaning of the Decree to be clearly understood. The substitution of cents of a shilling for pice, involving as it does a process of calculation, incurred the disfavour and antagonism of such classes of the population as were unable to understand the methods of these transactions, and when informed that two cents of a shilling should represent one pice yet five cents of a shilling would yet be represented by two pice, not only was such a transaction refuted but also the native conceived the idea that he was being systematically robbed, and indeed in many instances the astute petty trader did actually utilize such discrepancies to the disadvantage of the illiterate Arab. It seems clear, therefore, that though the advantages of the changed system of currency may eventually be realized, yet nevertheless there are reasonable grounds for the acceptance of the opinion that the change of currency may be considered as a cause of unrest latently connected with the riots.

CONCLUSION.

In addition to the indirect causes considered under the foregoing headings, diverse opinions and theoretical arguments have been submitted to us for consideration as contributory factors; these appear to us to be of such doubtful relevancy to our terms of reference that no useful purpose, we consider, would be achieved by their further analysis. A list of enactments, submitted to us as possible causes of discontent and underlying factors of the Manga riots, will accordingly be found in Appendix E.

It will be noted that the outbreak was directed against the European official, for which fact there is no parallel or precedent in Zanzibar. In the light of this experience it is clearly the duty of the Government to watch the situation throughout the Protectorate with care and understanding, and to study it from every aspect, if outbreaks of violence directed against authority are to be avoided in the future.

We desire to express our keen appreciation of the services of our Secretary, Miss H. L. Wilson, whose duties, including the onerous task of taking down and transcribing the evidence, have been performed with expedition and marked ability.

W. T. S. FRETZ (*Chairman*).

W. LESLIE WEBB.

ALI BIN AMEIR EL-MARHUBI.

AHMED AYUB.

GILBERT G. ELLIOTT.

Zanzibar, 25th April 1936.

APPENDIX E.

ENACTMENTS OF REMOTE OR DOUBTFUL RELEVANCE.

1. Native Hut Tax Decree, Cap. 98, Laws of Zanzibar, 1934.
2. Alienation of Land (Restriction and Evidence) Decree, Cap. 112, Laws of Zanzibar, 1934.
3. Towns Decree, Cap. 100, Laws of Zanzibar, 1934.
4. Trades Licensing Decree, Cap. 97, Laws of Zanzibar, 1934.
5. Customs Tariff (Amendment) Decree, 1935.
6. Clove Exporters Decree, Cap. 119, Laws of Zanzibar, 1934.
7. The Zanzibar Town Waterworks Rules, 1935, under the Town Decree, Cap. 100, Laws of Zanzibar, 1934.
8. Government Hospital Charges—Government Notice No. 271/36.
9. The Clove Growers' Association Decree, Cap. 118, Laws of Zanzibar, 1934.
10. The Moneylenders Decree, Cap. 85, Laws of Zanzibar, 1934.
11. The Public Health Decree, Cap. 60, Laws of Zanzibar, 1934.
12. The Clove Grading and Export Rules, under the Agricultural Produce Export Decree, Cap. 116, Laws of Zanzibar, 1934.
13. Restriction on Export of Clove Stems, Government No. 85/35, under Customs Management Decree, Cap. 91, Laws of Zanzibar, 1934.

Information promised in reply to a supplementary question to starred question No. 290 asked by Mr. S. Satyamurti on the 10th September, 1936.

CONCLUSIONS ARRIVED AT BY THE TRANSPORT ADVISORY COUNCIL.

CONCISE STATEMENT OF POLICY ADOPTED AT THE SECOND MEETING OF THE TRANSPORT ADVISORY COUNCIL, JULY, 1936.

Part I.—The construction of Roads and Railways.

1. For the present, funds available for roads, other than funds required for maintenance or for the fulfilment of existing commitments, should be applied largely to the development of roads which do not duplicate existing means of transport.

[United Provinces, Punjab and Bihar dissented.]

2. Where a metalled road runs parallel to a railway, feeder roads giving access from or to that road to or from railway stations, towns and large villages close to it, should be constructed or improved and maintained up to a standard which will secure that the access is unimpeded.

3. In the administration of the Road Fund no scheme for the construction or improvement of a road included in the skeleton trunk road system now adopted by the Council should be rejected by the Government of India on the ground that such a road is competitive with a railway.

[The complete skeleton system in Bengal and Sind has yet to be agreed with the local Government.]

[3. United Provinces did not accept the skeleton system proposed in their case.]

Part II.—The control of traffic.

1. For the double purpose of promoting the public safety and convenience and of placing competition between road and rail on an equal footing, the following measures should be adopted in regard to motor buses:

- (a) a reasonable standard of maintenance of vehicles;
- (b) the medical inspection of drivers; and
- (c) the adequate inspection and enforcement of regulations.

2. The number of motor buses should be restricted so as to avoid wasteful competition.

In order to secure this end—

- (a) motor buses or services of motor buses should be licensed for a special route or specified routes only; and
- (b) in determining whether a license should be granted or not, regard should be had to the following four tests, namely:
 - (i) the extent to which the needs of the proposed routes are already served;
 - (ii) the extent to which the proposed service is desirable in the public interest;
 - (iii) the traffic needs of the area as a whole, including the need to link up routes with railways and other routes; and
 - (iv) the suitability of the routes for the proposed traffic.

[Punjab dissented. Central Provinces and North-West Frontier Province could not undertake to give immediate effect to this.]

3. It may be expedient in order that fuller advantage may be taken of a particular road—

- (a) to grant a monopoly of motor bus traffic for a limited period on that road to a well organised service, and

(b) to arrange for the issuing of through tickets for journeys partly by such a service and partly by a railway fed by it.

[United Provinces considered that this should have reference to feeder roads only.]

4. Where a pilgrim tax is imposed and collected on behalf of the local authority by railway administrations a similar or countervailing tax should be imposed on passenger road motor vehicles. Local Governments should take the necessary steps in this direction.

[There was a general reservation regarding the necessity for further examination of the question of the free zone on railways. Madras stated that unless the free zones were abolished they could not undertake to impose countervailing taxation.]

5. (1) For the co-ordination of all forms of transport it is desirable to restrict the carriage of goods by motor transport to its appropriate sphere.

(2) To this end it should be unlawful for any one to carry goods on a road in any motor vehicle whether for private purposes, or as a common carrier or bailee, save under the authority of a road service permit.

(3) Road service permits for goods motor vehicles of all classes should specify the routes or area for which they are valid and the purposes for which the vehicle may be used.

(4) Road service permits should not normally be granted for long distance transport of goods.

(5) Road service permits may in certain circumstances specify certain classes of goods which may or may not be carried in the vehicles to which they apply.

[(2) United Provinces made a reservation in favour of further consideration of the question of road service permits for private lorries.]

Part III.—Administrative machinery.

1. (1) For the readier adjustment of differences between different means of transport within a province, it is desirable that Boards of Communications should meet more frequently than is at present always the case and be enabled by means of sub-committees and otherwise thoroughly to examine transport problems arising in the province and advise the local Government thereon.

(2) To this end it is desirable that wherever possible Secretaries to Boards of Communications should be appointed who have adequate leisure to carry out their duties thoroughly. In certain provinces it may be necessary to have a special Road Engineer acting also as Secretary to the Board of Communications.

[(2) United Provinces dissented.]

2. For the enforcement of route or regional control over motor transport a licensing authority will be required having jurisdiction in an area which would ordinarily be considerably larger than the civil district.

[Bengal dissented.]

Part IV.—Recommendations by the Transport Advisory Council.

This Council recommends to the Government of India—

(1) that immediate steps should be taken to amend the Indian Motor Vehicles Act, 1914, on the lines of the draft Bill considered and amended by this Council;

(2) that steps be taken in due course for the complete overhaul of the Indian Motor Vehicles Act, 1914, in consultation with local Governments, including the amendment of Sections 9 and 10, in the light of the conclusions of this Council;

(3) that the Government of India in consultation with local Governments appoint a committee to enquire into and report on the desirability of enforcing compulsory insurance against third party and passenger risks, the class of motor vehicles which should be compulsorily insured, the nature of the policies of insurance which would be required, and cognate matters; and

- (4) that the incomplete draft of model rules to be made under the Indian Motor Vehicles Act be completed and circulated to local Governments.

[(3) Punjab dissented.]

Part V.—Miscellaneous.

1. A uniform basis for the taxation of motor vehicles is desirable. The basis suggested by the Council is—

- (a) for private cars—unladen weight ;
- (b) for buses—seating capacity ; and
- (c) for goods lorries—registered laden weight.

Motor vehicles should be divided into categories by weight or capacity as the case may be with a flat rate of tax for each category. The Government of India will after consulting local Governments and the trade interests make a recommendation as to what these categories should be.

[Punjab and Bihar dissented. Orissa reserved opinion.]

2. Where this is not already the case, local Governments should consider whether in their taxation Acts and Rules thereunder it is not possible to grant exemption in respect of private motor cars for a period of one month in the case of bona fide visitors.

3. Reciprocal arrangements for the taxation of motor buses plying across provincial borders are desirable. The simplest method is for the neighbouring transport authorities to agree on the number of buses to be licensed for inter-provincial routes by each authority and for local Governments to agree that in such cases a tax should be levied on the bus only by the province in which the road service permit is issued.

[Madras and United Provinces dissented.]

4. No general reciprocal arrangements in the taxation of goods lorries are recommended. In rare cases where a lorry is used in two provinces under a road service permit issued by the authority in one and countersigned by the authority in another, arrangements similar to those suggested in the case of buses would be suitable.

[Madras concurred only in the first sentence.]

Part VI.—Conditions attaching to the Road Fund.

This Council takes note of the following conditions for participation in the Central Road Fund which the Government of India propose to incorporate in a revised Road Resolution to be moved in the Central Legislature at its forthcoming session :

1. Local Governments will adopt and enforce to the satisfaction of the Government of India adequate rules for the control of motor traffic.

2. (1) The balances now held by local Governments will not be withdrawn.

(2) Future "share" allotments will be based as at present on petrol sales, but will be held by the Government of India at the credit of local Governments.

(3) Local Governments will be informed of the sums placed at their credit, and will also be supplied with revenue forecasts to assist them in preparing their programmes.

(4) The new credit accounts will not be drawn upon until the balances now held by local Governments are exhausted. Thereafter they will be drawn upon for approved schemes. Sums will be advanced equivalent to 90 per cent. of the estimated expenditure to be incurred in each quarter, and adjustments will be made at the end of each quarter against actual expenditure.

(5) The Government of India reserve the right to re-appropriate sums from the credit account of any local Government if at any time they are satisfied that the balance at the credit of a local Government is greatly in excess of the requirements of schemes which have actually been sanctioned or which may be expected to come up for sanction within a reasonable time. They consider that a *prima facie* case for

investigation would exist if at the close of any financial year the balance substantially exceeded two years' revenue but they recognise that a reasonable period must be allowed for the expenditure of the balances at present accumulated.

(6) Any sum re-appropriated from the credit account of a local Government, in accordance with sub-paragraph (5), will be distributed between the credit accounts of local Governments and the Reserve with the Government of India in the proportions calculated in respect of the main distribution for the financial year preceding the year in which the transfer is made. Provided that the distribution calculated in respect of the Province from which the transfer is made will also be credited to the Reserve.

3. Over a period of 4 years, or provided that a reasonably complete programme is accepted by the Government of India, then 7 years :

(a) not more than 25 per cent. of the share of a local Government shall be spent for the development of roads deemed by the Government of India to be competitive with railways whether those roads are included in the skeleton trunk road system or are others for which special justification is accepted by them ; and

(b) not less than 25 per cent. of the share of a local Government shall be spent on the construction or improvement of feeder roads, a feeder road being a road the primary object of which is to connect a rural area, a large village or a town, with a railway, inland waterway or main road, where that function is not already performed by existing alternative means of communication.

4. The Government of India would agree to any reasonable expenditure on the additional cost of traffic control or of planned road development resulting from the measures recommended by this Council being debited to the Road Fund. Provided that it is understood that the Road Fund is not necessarily permanent and that it will therefore be desirable to review the position at suitable intervals.

[1. Madras, Bombay, Punjab, Assam and North-West Frontier Province dissented.]

2 (2). Bengal, United Provinces and Central Provinces dissented.

2 (5) & (6). Bengal, United Provinces and Bihar dissented.

3. United Provinces and Bihar dissented.]

THE INDIAN COMPANIES (AMENDMENT) BILL—contd.

Mr. President (The Honourable Sir Abdur Rahim) : The House will now resume consideration of the Bill further to amend the Indian Companies Act, 1913, for certain purposes, as reported by the Select Committee. We will go back to clause 37. **Mr. Desai.**

Mr. Bhulabhai J. Desai (Bombay Northern Division : Non-Muhammadan Rural) : Sir, I understand Government have some little difficulty about my amendment. I, therefore, do not press it.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in clause 37 of the Bill, for the proposed sub-section (g) of section 83B, the following be substituted :

"(g) Notwithstanding anything contained in the articles of a company other than a private company not less than two-thirds of the whole number of directors shall be persons whose period of office is liable to determination at any time by retirement of directors in rotation :

Provided that nothing herein contained shall apply to a company incorporated before the commencement of the Indian Companies (Amendment) Act, 1936, where by virtue of the articles of the company the number of

[Mr. President.]

directors whose period of office is liable to determination at any time by retirement of directors in rotation falls below the two-thirds proportion mentioned in this section.

The Assembly divided :

AYES—45.

Asaf Ali, Mr. M.
Ayyangar, Mr. M. Ananthasayanam.
Azhar Ali, Mr. Muhammad.
Bajoria, Babu Baijnath.
Bhagchand Soni, Rai Bahadur Seth.
Chaliha, Mr. Kuladhar.
Chattopadhyaya, Mr. Amarendra Nath.
Chettiar, Mr. T. S. Avinashilingam.
Chetty, Mr. Sami Vencatachelam.
Datta, Mr. Akhil Chandra.
Desai, Mr. Bhalabhai J.
Deshmukh, Dr. G. V.
Gadgil, Mr. N. V.
Giri, Mr. V. V.
Hans Raj, Raizada.
Hidayatallah, Sir Ghulam Hussain.
Jogendra Singh, Sardar.
Joishi, Mr. N. M.
Kailash Behari Lal, Babu.
Khan Sahib, Dr.
Khare, Dr. N. B.
Maitra, Pandit Lakshmi Kanta.
Malaviya, Pandit Krishna Kant.

Mangal Singh, Sardar.
Mudaliar, Mr. C. N. Muthuranga.
Paliwal, Pandit Sri Krishna Dutta.
Parma Nand, Bhai.
Rajah, Rao Bahadur M. C.
Raju, Mr. P. S. Kumaraswami.
Ranga, Prof. N. G.
Saksena, Mr. Mohan Lal.
Sant Singh, Sardar.
Sarma, Sir Srinivasa.
Satyamurti, Mr. S.
Sham Lal, Mr.
Sheodass Daga, Seth.
Singh, Mr. Ram Narayan.
Sinha, Mr. Anugrah Narayan.
Sinha, Mr. Satya Narayan.
Som, Mr. Suryya Kumar.
Sri Prakasa, Mr.
Thein Maung, Dr.
Varma, Mr. B. B.
Yakub, Sir Muhammad.
Ziauddin Ahmad, Dr.

NOES—19.

Abdul Hamid, Khan Bahadur Sir.
Abdul Matin Chaudhury, Mr.
Ayyar, Diwan Bahadur R. V. Krishna.
Craik, The Honourable Sir Henry.
Griffiths, Mr. P. J.
Jawahar Singh, Sardar Bahadur Sardar Sir.
Jehangir, Sir Cowasji.
Jinnah, Mr. M. A.
Metcalf, Sir Aubrey.
Mody, Sir H. P.

Mukherjee, Rai Bahadur Sir Satya Charan.
Naydu, Diwan Bahadur B. V. Sri Hari Rao.
Noyce, The Honourable Sir Frank.
Sher Muhammad Khan, Captain Sardar.
Sircar, The Honourable Sir Nripendra.
Spence, Mr. G. H.
Umar Aly Shah, Mr.
Vissanji, Mr. Mathuradas.
Zafrollah Khan, The Honourable Sir Muhammad.

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : The remaining amendments on the main list to this clause go out

Prof. N. G. Ranga (Guntur cum Nellore : Non-Muhammadan Rural) : There is my amendment No. 98, Sir : I want to reserve a seat specially for the workers.

The Honourable Sir Nripendra Sircar (Law Member) : On a point of order, Sir. This amendment is barred, because it is to add something to proposed sub-section (2). Proposed sub-section (2) is gone : it has been substituted.

Mr. President (The Honourable Sir Abdur Rahim) : Very well : it falls.

Dr. N. B. Khare (Nagpur Division : Non-Muhammadan) : Sir, there is one more amendment of mine—No. 2 in supplementary list No. 6. May I move it ?

Mr. President (The Honourable Sir Abdur Rahim) : It is to add to the original sub-section : that also would go ?

Mr. S. Satyamurti (Madras City : Non-Muhammadan Urban) : On that point, may I make a submission ? I can understand if it is an amendment to the original sub-section that has now been substituted—it can be argued that it falls : but this amendment simply says that, after the proposed sub-section, the following shall be inserted, etc., etc. I submit it has nothing to do with the structure of the proposed sub-section (2) : it is a mere sub-section to be added to it.

Mr. President (The Honourable Sir Abdur Rahim) : It is consistent with amendment No. 89, which has been carried ?

Mr. S. Satyamurti : Yes : with either : whether in the original form or as it has now been carried. I, therefore, submit it is in order.

The Honourable Sir Nripendra Sircar : I want to make a submission that this is out of order. Dr. Khare's amendment reads thus :

"That in clause 37 of the Bill, after the proposed sub-section (2) of section 83B, etc., etc."

Does my friend want that as a different sub-section ?

Dr. N. B. Khare : Yes.

The Honourable Sir Nripendra Sircar : Then I do not raise any point of order

Dr. N. B. Khare : Sir, I move :

"That in clause 37 of the Bill, after the proposed sub-section (2) of section 83B, the following be inserted :

(3) Every company registered after the commencement of the Indian Companies (Amendment) Act, 1936, shall have at least half of the total number of Directors Indians whether appointed or elected."

Sir, I do not think any great arguments are required to convince this House of the utility of this amendment. It is a very modest measure moved by a modest person, and that should be sufficient argument why the House should accept it with a unanimous vote. This managing agency system of the British Imperials unlimited, I mean, the Government of India is pledged to Indianisation, and of course our friends of the European Group who represent the subsidiary companies of this managing agency system naturally must follow suit because they are subsidiary companies and I do not think any Indian in this House who is worth his salt will oppose this amendment. So, I move it without any further argument and I hope the House will unanimously accept it.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in clause 37 of the Bill, after the proposed sub-section (2) of section 83B, the following be inserted :

(3) Every company registered after the commencement of the Indian Companies (Amendment) Act, 1936, shall have at least half of the total number of Directors Indians whether appointed or elected."

1510

LEGISLATIVE ASSEMBLY.

[18TH SEPT. 1936.]

The Honourable Sir Nripendra Sircar : Sir, I shall be equally brief. All directors under the articles require usually a certain number of qualifying shares, whether they are worth Rs. 500, or Rs. 1,000 or Rs. 5,000. Supposing the shareholders are all non-Indians and none of them are qualified to be on the board : yet

Prof. N. G. Ranga : They must try to get Indian shareholders !

The Honourable Sir Nripendra Sircar : Will you kindly keep quiet and allow me to go on !

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member ought not to interrupt.

The Honourable Sir Nripendra Sircar : The result will be that we must have half of them Indians, none of them having any qualifying shares. That will be the result. In other cases there may be some Indian shareholders, but none of them may have the qualifying number of shares. There is absolutely no reason why it should be enacted that the board of directors must have half of them Indians. Sir, I oppose.

Prof. N. G. Ranga : Sir, I rise to support this amendment. I do not think there is absolutely any reason whatsoever why this Government as well as the public in India should allow any company to be formed in this country and to function which has not got any Indian shareholders in it. The external Capital Committee has made it perfectly clear that if there was to be any foreign capital in this country, it should be allowed to be imported only subject to certain salutary conditions ; and they also suggested that at least 75 per cent. of the capital would have to be subscribed by Indians and a large proportion of the directors also should be set apart for Indians. I cannot understand why the Law Member has advanced this very extraordinary argument that there may be some companies formed in this country without any Indian shareholders.....

The Honourable Sir Nripendra Sircar : With qualifying shares for directorship.

Prof. N. G. Ranga : With qualifying shares. But I say there shall not be any company here, formed in this country, with Europeans in it without any qualifying Indian shareholders ; and I cannot understand why the Honourable the Law Member is so very anxious to oppose this particular amendment. He was so very anxious to oppose it that he would not brook any interruption at all. I can understand, Sir, if he is overweighed with anxiety to save time and overweighed with arguments also, if he had any sane-minded argument in favour of his particular point, he could express a certain amount of impatience about any interruptions in this House : but when he has absolutely no proper argument at all to advance and when he is not even himself loyal to the salt of the country of which he is an inhabitant, and he is not anxious to display trust in Indian opinion, I cannot understand why Honourable Member who is elected in this House and who comes here and wishes to claim to be an Indian should support this amendment and hope it will be carried by an overwhelming majority.

Mr. President (The Honourable Sir Abdur Rahim) : The question is : " That in clause 37 of the Bill, after the proposed sub-section (2) of section 83B, the following be inserted :—

(3) Every company registered after the commencement of the Indian Companies (Amendment) Act, 1936, shall have at least half of the total number of Directors Indians whether appointed or elected."

The Assembly divided :

AYES—45.

Aney, Mr. M. S.
Asaf Ali, Mr. M.
Ayyangar, Mr. M. Ananthasayanam.
Azhar Ali, Mr. Muhammad.
Chaliha, Mr. K. L. Dhar.
Chattopadhyaya, Mr. Amarendra Nath.
Chettiar, Mr. T. S. Avinashilingam.
Chetty, Mr. Sami Vencatachellam.
Das, Mr. B.
Das, Pandit Nilakantha.
Datta, Mr. Akhil Chandra.
Desai, Mr. Bhulabhai J.
Deshmukh, Dr. G. V.
Fuzul Haq, Mr. A. K.
Gadgil, Mr. N. V.
Giri, Mr. V. V.
Hans Raj, Raizada.
Hosmani, Mr. S. K.
Jogendra Singh, Sirdar.
Kailash Behari Lal, Babu.
Khan Sahib, Dr.
Khare, Dr. N. B.
Laljee, Mr. Husenbhai Abdullahi.

Maitra, Pandit Lakshmi Kanta.
Malaviya, Pandit Krishna Kant.
Mangal Singh, Sardar.
Mudaliar, Mr. C. N. Muthuram.
Pahwal, Pandit Sri Krishna Dutt.
Pant, Pandit Govind Ballabh.
Parma Nand, Bhai.
Raju, Mr. P. S. Kumaraswami.
Ranga, Prof. N. G.
Saksena, Mr. Mohan Lal.
Sant Singh, Sardar.
Satyamurti, Mr. S.
Sham Lal, Mr.
Sheodass Daga, Seth.
Singh, Mr. Ram Narayan.
Sinha, Mr. Anugrah Narayan.
Sinha, Mr. Satya Narayan.
Som, Mr. Surya Kumar.
Sri Prakasa, Mr.
Thein Maung, Dr.
Varma, Mr. B. B.
Vissanji, Mr. Mathuradas.

NOES—57.

Abdul Hamid, Khan Bahadur Sir.
Acott, Mr. A. S. V.
Ahmad Nawaz Khan, Major Nawab Sir.
Ahmed, Mr. K.
Ayyar, Diwan Bahadur R. V. Krishna.
Bajoria, Babu Baijnath.
Bhagchand Soni, Rai Bahadur Seth.
Bhat, Mr. M. D.
Buss, Mr. L. C.
Chapman-Mortimer, Mr. T.
Craik, The Honourable Sir Henry.
Dalal, Dr. R. D.
Das Gupta, Mr. S. K.
DeSouza, Dr. F. X.
Dey, Mr. R. N.
Fazl-i-Haq Piracha, Khan Bahadur Shaikh.
Grant, Mr. C. F.
Griffiths, Mr. P. J.
Grigg, The Honourable Sir James.
Hidayatallah, Sir Ghulam Hussain.
Hossack, Mr. W. B.
Hudson, Sir Leslie.
James, Mr. F. E.
Jawahar Singh, Sardar Bahadur Sardar Sir.
Johangia, Sir Cowasji.
Joshi, Mr. N. M.

Khurshaid Muhammad, Khan Bahadur Shaikh.
Lal Chand, Captain Rao Bahadur Chaudhri.
Lloyd, Mr. A. H.
Metcalfe, Sir Aubrey.
Milligan, Mr. J. A.
Mody, Sir H. P.
Morgan, Mr. G.
Mudie, Mr. R. F.
Mukherjee, Rai Bahadur Sir Satya Charan.
Nauman, Mr. Muhammad.
Naydu, Diwan Bahadur B. V. Sri Hari Rao.
Noyce, The Honourable Sir Frank.
Rajah, Rao Bahadur M. C.
Rau, Mr. P. S.
Robertson, Mr. G. E. J.
Roy, Mr. S. N.
Sarma, Sir Srinivasa.
Scott, Mr. J. Ramsay.
Sen, Mr. Susil Chandra.
Sharma, Mr. D.
Sher Muhammad Khan, Captain Sardar.
Singh, Rai Bahadur Shyam Narayan.
Sircar, The Honourable Sir Nripendra.
Spence, Mr. G. H.

NOES—could.

Sprawson, Major-General Sir Outthert.
Thorne, Mr. J. A.
Tottenham, Mr. G. R. F.
Witherington, Mr. C. H.

Yakub, Sir Muhammad.
Zafrullah Khan, The Honourable Sir
Muhammad.
Ziauddin Ahmad, Dr.

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That clause 37, as amended, stand part of the Bill.”

The motion was adopted.

Clause 37, as amended, was added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : Clauses 38 and 39 have already been disposed of. The question is :

“ That clause 40 stand part of the Bill.”

Mr. S. Satyamurti : I have got two amendments, Nos. 104 and 105. My first amendment is :

“ That in clause 40 of the Bill, in the proviso to the proposed section 86B, for the word ‘ an ’ the word ‘ a ’ be substituted and the words ‘ alternate or ’ be omitted.”

If you will permit me, I will move No. 105 also, because they hang together.

Mr. President (The Honourable Sir Abdur Rahim) : No. The Honourable Member may move that separately.

Mr. S. Satyamurti : Very well, Sir. I move No. 104. Honourable Members will notice that the proviso to the proposed section 86B, at the top of page 15 of the Select Committee's report, runs as follows :

“ Provided that the exercise by a director of a power to appoint an alternate or substitute director to act for him during a temporary absence, if done with the approval of the Board of directors, shall not be deemed to be an assignment of office within the meaning of this section.”

I really do not know the difference between “ alternate ” and “ substitute ”, but if there is a difference, I do not want him to appoint an alternate director. I understand that there is really no difference. If that is so, my amendment will make it clear, and then the section will run as follows :

“ provided that the exercise by a director of a power to appoint a substitute director to act for him during a temporary absence.....”

I am agreeable that, during a temporary absence, with which I shall deal in amendment No. 105, the director should have power to appoint a substitute, but I think the word “ alternate ” should not be there, if it has a different meaning, but if it has the same meaning, it is unnecessary. I therefore move amendment No. 104 standing in my name.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

“ That in clause 40 of the Bill, in the proviso to the proposed section 86B, for the word ‘ an ’ the word ‘ a ’ be substituted and the words ‘ alternate or ’ be omitted.”

Mr. T. Chapman-Mortimer (Bengal : European) : I oppose my Honourable friend's amendment. It seems to me that he is making unnecessary fuss about a matter.....

An Honourable Member : Please speak up. We cannot hear a word.

Mr. T. Chapman-Mortimer : It seems to me that he is making an unnecessary fuss over a matter over which there need not be any fuss at all. It is a very common provision in the articles in order to meet a case where a director has probably gone upcountry to inspect collieries or mills and so forth, or possibly come to the Assembly or on some other business, and while he is away directors' meetings do take place. Now, according to the very stringent provisions laid down in this Bill, it would be very difficult to get directors' meetings unless you make a provision of this kind so that when a director goes away on business either in the public interest—coming to Delhi or Simla,—or in the interests of his company when he goes to inspect a mill or a colliery and so forth, he should have some power to enable him to nominate a person as an alternate director for him at the meetings which he cannot attend because he is away on pressing business. I think there cannot be any objection in principle to the words “ alternate or ” because the difference between alternate and substitute is obviously not one of principle but purely a purely technical or verbal difference, and I would urge upon my Honourable friend to withdraw his amendment. Sir, I oppose the amendment.

The Assembly then adjourned for Lunch till a Quarter Past Two of the Clock.

The Assembly re-assembled after Lunch at a Quarter Past Two of the Clock, Mr. Deputy President (Mr. Akhil Chandra Datta) in the Chair.

Mr. Bhulabhai J. Desai : Sir, with reference to the proviso which is under discussion, apart from the small issue which is before the House, namely, whether the word “ alternate ” or “ substitute ” should both remain or the one or the other should remain, there is a much more difficult matter involved in that proviso, and the matter is this. The words “ during temporary absence ” are words of such a nature that it would be possible for A, B and C, to be elected as directors and D and F always to act for them, because of the words “ temporary absence ” without the additional words occurring in the English Act, e.g., business abroad. I am afraid you are rendering it possible to have three popular men elected and three substitutes acting for them all the time, which practically destroys the unassignability of directorship. So I have spoken to the Leader of the House, and, with your permission, may this amendment stand over till Monday ?

Mr. F. E. James (Madras : European) : May I interpose one remark ? If there is to be agreement with the course suggested by the Leader of the Opposition, may I make again the point that I made yesterday ? If there is any draft which has to be considered by this House, it should be circulated in sufficient time for the respective Parties to give due consideration to it.

The Honourable Sir Nripendra Sircar : I suggest that the Draft be circulated tomorrow and this matter need not be taken up before Wednesday. There will not be much time on Monday and Tuesday is a non-official day.

Mr. S. Satyamurti : I suggest that amendment No. 105 may also stand over.

Mr. Deputy President (Mr. Akhil Chandra Datta) : The question is :

"That further consideration of amendments Nos. 104 and 105 be held over till Wednesday and that the draft be circulated by tomorrow."

The motion was adopted.

Pandit Govind Ballabh Pant (Rohilkund and Kumaon Divisions : Non-Muhammadan Rural) : Sir, I move :

"That in clause 40 of the Bill, for sub-section (1) of the proposed section 86D, the following be substituted :

"(1) No company shall make any loan or guarantee any loan made to a director of the company or to a firm of which such director is a partner or to a private company of which such director is a director."

I am not raising any issue by means of this amendment. I am only seeking to remedy what seems to me to be a loophole which has got in quite inadvertently. As Honourable Members will notice, the Bill does not permit the company to make any loan to a director but it does not in any way prohibit any guarantee for a loan taken by a director. To that extent, the next amendment on the Order Paper No. 107 by Mr. Sen agrees with mine.

The Honourable Sir Nripendra Sircar : I think it will shorten the debate if I say that we are prepared to accept this amendment.

Mr. Deputy President (Mr. Akhil Chandra Datta) : The question is :

"That in clause 40 of the Bill, for sub-section (1) of the proposed section 86D, the following be substituted :

"(1) No company shall make any loan or guarantee any loan made to a director of the company or to a firm of which such director is a partner or to a private company of which such director is a director."

The motion was adopted.

Pandit Govind Ballabh Pant : Sir, I move :

"That in clause 40 of the Bill, in sub-section (2) of the proposed section 86D, for the words 'the making of the loan' the words 'such contravention' be substituted."

This is consequential to amendment No. 106 which has been accepted by the House.

Mr. Deputy President (Mr. Akhil Chandra Datta) : The question is :

"That in clause 40 of the Bill, in sub-section (2) of the proposed section 86D, for the words 'the making of the loan' the words 'such contravention' be substituted."

The motion was adopted.

Pandit Govind Ballabh Pant : Sir, I move :

"That in clause 40 of the Bill, in sub-section (2) of the proposed section 86D, after the words 'repayment of the loan' the words 'or in discharging the guarantee' be inserted."

This, again, is consequential upon amendment No. 106.

Mr. Deputy President (Mr. Akhil Chandra Datta) : The question is :
"That in clause 40 of the Bill, in sub-section (2) of the proposed section 86D, after the words 'repayment of the loan' the words 'or in discharging the guarantee' be inserted."

The motion was adopted.

Mr. S. Satyamurti : Sir, I move :

"That in clause 40 of the Bill, in sub-section (2) of the proposed section 86D, the words 'or to a Banking Company' be omitted."

Honourable Members will notice that sub-section (3) of proposed section 86D reads as follows :

"This section shall not apply to a private company (except a private company which is the subsidiary company of a public company) or to a banking company."

Sub-section (1) says :

"No company shall make to a director of the company any loan out of moneys of the company."

Sub-section (3) seeks to exempt banking companies from the operation of this section. I may mention that in the original Bill the exemption was not provided. It provided simply this :

"No company shall make to a director of the company any loan out of moneys of the company."

I now seek to restore the Bill to the form, in which it was introduced in this House, and I shall give only one reason, which I believe ought to be conclusive in all such matters. No man ought to place himself or ought to be allowed to place himself in a position where his duty and interests are likely to come into conflict. Not that they should come into conflict in every case, or they will, but the general principle of all public offices is that no man should be placed in a position where his duty and interests are likely to come into conflict. I put it to my Honourable friends whether it is not right for me to contend that, when a director of a banking company lends moneys to himself, he is likely to be in a position where his duty and interests will come into conflict. After all, I recognize that the main business of banking is lending money, but surely it seems to me that there should be a prohibition of this kind because, *ex hypothesi*, if the director has got ample credit, there ought to be no difficulty for him in getting moneys for his business, whereas, on the other hand, if he has no credit, he ought not to get any loans at all. And I may say, Mr. Deputy President, that in Madras, we have had the Indian Bank in which this power of lending money to directors became a gross abuse, and our friend, Mr. Vidya Sagar Pandya, who I think was a Member of this House sometime ago, resigned his secretaryship, because he felt it was a regular scandal. Directors managed elections to directorships not on any other ground except on the ground of getting credit for themselves, and they wanted to have a clique in the directorate, a majority, which will lend to certain directors, and not to others. This became scandalous and Mr. Vidya Sagar Pandya resigned and has now formed a new Bank called the "Hindustan Bank" in which the articles provide that no loans should be given to directors. I want to illustrate, what I say, by some examples from the evidence

[Mr. S. Satyamurti.]

given before by the Central Banking Enquiry Committee. I may mention that that Committee itself in paragraph 710 of their report say :

"Similarly, the Articles of Association should provide for limitation of loans to directors and managers and members of the staff."

I recognize that that recommendation does not go, to the extent to which my amendment goes. They want restrictions, but my point is that, as the Bill stands today, there is not even any restriction, on the loans to directors of banks. Before the Central Banking Enquiry Committee, evidence was led with regard to the abuse of this power by certain banks, and I want to give a few examples, in order to show how this power has been abused. I refer to the Karachi Bank :

"The debts due by the Managing Director and another Director were not separately shown..... the Managing Director was jointly liable in 1924 in respect of the following loans :

Rs. 15,000, Rs. 50,000....."

Similarly, in the case of other directors,

"Rs. 18,000, Rs. 30,000, Rs. 18,000....."

"It appears that on 15th June, 1928, a director wrote that all debts due by Directors should be realised immediately. But no action was taken. The debts due by Mr. Lokamal and R. B. Shewaram were not realised."

I give another example from the Bank of Burma, Limited :

"It will be seen from examination of Appendix B that the securities deposited were very largely in shares of companies promoted by Mower and Company of which they were managing agents."

".....The bank was practically used for the benefit of Messrs. Mower and Company."

and the liquidators in their criticism say :

"The bank was used practically entirely for the purpose of the two directors, Messrs. Mower and Clifford in the financing of their schemes. It was so easy for them to get money from the bank that the bank funds might almost as well have lain in the office safe of Mower and Company."

and they borrowed freely. Then I come to a famous case, that of the Alliance Bank of Sinala, Limited :

"Loans running into lakhs were made from time to time to the firm of Boulton Brothers ; the members of the firm who were directors of the bank were liable for these loans. In spite of this, their liability as directors was not disclosed in the balance sheets as required by law..... The indebtedness of Mr. Mencrieff, a Director of the Bank, for £79,850 was not separately shown in the balance sheets."

Then, Sir, shortly stated, the note says that :

"Boultons used the funds of the Bank in the following ways,—as direct loans, loans to partners, the Bank purchased shares in the Boulton group of companies, loans advanced to the Boulton Group of Companies, and the Bank purchased the business of Boultons when it was in a hopeless condition."

I want to mention that the total value of shares purchased in the Boulton Group of companies was Rs. 88,25,000.

Then, there was the case of the Bengal National Bank, Limited, in which also there was this evil of loans to directors on account of the managing director, B. N. Banerjee. The history of this case will show that the managing director was dealing in shares nominally through

his own account, but also through others. The account was heavily in debt when it was adjusted through a transaction which disclosed a grave scandal.

There was again the case of B. K. Lahiri. The history of this case will show that the director Lahiri was dealing in shares, not only through his own account, but through others also. Sir, I do not want to take up more of the time of the House, but I do hope that the House will see the reasonableness of this amendment. The only argument I can see against it is that, after all, a banking company must do banking business. Why should not directors deal with their own banks ? My answer is that the directors of banks occupy a fiduciary position, and they ought not to place themselves in a position where they may make loans on conditions more favourable to themselves, than they would make to their other constituents. I hope the House will accept this amendment. Sir, I move.

Mr. Deputy President (Mr. Akhil Chandra Datta) : Amendment moved :

"That in clause 40 of the Bill, in sub-section (3) of the proposed section 86D, the words 'or to a Banking Company' be omitted."

Sir Cowasji Jehangir (Bombay City : Non-Muhammadan Urban) : Sir, I do not think my Honourable friend, Mr. Satyamurti, has quite understood the implications of his amendment. A company other than a bank naturally should be prohibited from giving loans to its directors. Giving loans is not part of its business. Take a jute mill, take a cotton mill, take a steel works, or anything you like. Their business is not to give loans, and then if they give loans to a director, they would naturally be suspect. But a banking company stands on a completely different footing. Its one business is to give loans and receive deposits. Therefore, my Honourable friend would desire that a banking company should not do its legitimate business with its own directors. Now, Sir, usually banks desire to have men on their directorate who are capable of taking loans from the bank and, in exceptional cases, of giving large loans to the bank when required. If my Honourable friend, Mr. Satyamurti, had followed the banking business of any Indian bank, he would have known that one of the credentials for appointing a man as a director is that he would bring in business into the bank and the companies under his management would borrow moneys from the bank which they would otherwise have done from another bank. He himself, if he was in a large way of business, would be appointed a director if he could divert all his business to the particular bank of which he was offered the directorship. Therefore, one of the very qualifications which is required for appointment as a director of a bank, my Honourable friend would take away under a statute. Now, I will give my Honourable friend my own personal experience, which is the experience practically of every director of a bank. I have constant loans from my bank which run on from year to year and, in times of stress and need, I have had to lend to my own bank, and my family have had to lend to my own bank lakhs and lakhs of rupees at a time. How can you deprive a director of the right of borrowing from and lending to a bank when it is the usual practice in India and in England to appoint a director who is capable and financially strong enough to be able to do so. The result of my Honourable friend's amendment, if carried, would be that 90 per cent.

[Sir Cowasji Jehangir.] of the directors of the Imperial Bank of India would resign tomorrow. (Mr. B. Das : "Of every bank.") I am only mentioning the name of one big bank, the Imperial Bank of India. I am certain that several directors of my own bank would be likely to tender their resignations, and I can say the same about the Central Bank of India. If that is what my Honourable friend desires, he can have it, and then let those directors who resign be replaced by my Honourable friend, Mr. Satyamurti. Now, Sir, if such a proposition were to be placed before any English commercial body, it would be characterised as ridiculous. My Honourable friend has pointed out many cases of malpractices. Perhaps I can point out to him cases of malpractices from my own knowledge ; but because certain banks came to grief, because they were indiscreet in lending money to their directors, are we to have a provision of this sort in the Act ? What about directors being indiscreet about lending moneys to men who are not directors ? Besides, as my Honourable friend knows, there is a provision in the Act whereby a director who borrows money from a bank is not allowed to vote. He is absent from the meeting ; he walks out ; he is not even present. And so far as my own personal experience goes, I can tell my Honourable friend that, when it comes to lending money to a director otherwise than on Government paper, that loan is most carefully scrutinised. In fact, it is more carefully scrutinised by the directors than a loan which is given to an outsider on security other than Government paper. I do not know what is the practice in other banks ; I cannot speak with knowledge about them. My Honourable friend gave us one or two well-known cases of malpractices. Well, all I can say is that if a managing director is allowed to take loans from a company—not as a director but as a servant of the company,—then I do not know how to characterise the vigilance of the directors of that company. Everything depends upon the vigilance of the directors of a bank and if they are not vigilant and careful, no Act of the Legislature can make them so. If a director desires to be dishonest or the manager of a bank desires to be dishonest, no amount of provisions in this Act will make him honest. All that you can do is to provide for punishment and to make the chances of fraud as little as possible. But you will never be able to get over such cases as my Honourable friend has mentioned. They are disgraceful cases in themselves but such cases are bound to occur and will go on occurring as long as human nature remains what it is and as long as there are dishonest men in this world.

Sir Muhammad Yamin Khan (Agra Division : Muhammadan Rural) : Sir, I think the amendment moved by Mr. Satyamurti is based on a good foundation and it must be supported by this House. The arguments which have been given by my Honourable friend, Sir Cowasji Jehangir, cannot convince anybody except the man who wants to have the full possession of the bank in his own interests. What my Honourable friend has said is this that because he had been lending some money to the bank of which he is the director, therefore all directors must be allowed to borrow money from their banks in their own interests.

Sir Cowasji Jehangir : I hope my Honourable friend will quote me correctly. I said I lend and borrow money from the bank.

Sir Muhammad Yamin Khan : My Honourable friend lends and borrows from the bank. He may be in the happy position to lend money

to the bank but I do not think the same can be said about him when he borrows the money as a director. If a director who is in charge of the money of the subscribers handles it in his own interest, then it is the duty of the Legislature to come forward and put a stop to such a practice. I think the money which is put under the control of the directors by the subscribers must remain quite safe and must not be used by the people who have got a control over it in their own interests. My Honourable friend's whole argument is this that because a man is appointed a director and because he happens to enjoy the confidence of certain business concerns, therefore he should be allowed to become a director even if he borrows money for his own benefit. I think such a proposition no Legislature can tolerate. The interests of the subscribers must be safeguarded rather than the interests of the people who become the directors. There have been many scandals in the country when people have lost their money. As a rule, Indians are not very fond of putting their money in the banks. But when they do put their money in the banks, very often they find that they have lost it on account of the dishonesty of the directors. The case of Boulton Brothers has already been quoted by my friend, Mr. Satyamurti, who bolted away with all the money of the people. There were other cases also. We are finding this sort of thing happening every day. In spite of these illustrations which have been given by my Honourable friend, Mr. Satyamurti, I think it was.....

Mr. M. S. Aney (Berar Representative) : You were going to give one more illustration.

Sir Muhammad Yamin Khan : There are many illustrations which can be given and after this, I think that it requires some nerves on the part of my Honourable friend, Sir Cowasji Jehangir, to get up and say that he opposes the amendment. Sir, I support the amendment.

The Honourable Sir Nripendra Sircar : Sir, if it requires nerves for my Honourable friend, Sir Cowasji Jehangir, to oppose this amendment, it requires still greater nerves for my Honourable friend, Sir Muhammad Yamin Khan, to support this amendment. Sir, judging by his speech, one thing is clear that my Honourable friend has not got the least experience of banks or loans to directors.

Sir Muhammad Yamin Khan : I have lost money of my own in the banks.

The Honourable Sir Nripendra Sircar : My Honourable friend went on saying that this thing was happening every day. What are the examples ? Boulton Brothers and the Bengal National Bank ; having heard these names from my Honourable friend, Mr. Satyamurti, that is his contribution to the discussion. Every one in this House will realise that the case of Boulton Brothers and the Bengal National Bank are exceptional cases of conspiracy between a large number of persons done with such deliberation and skill that no amount of legislation from my Honourable friend, Sir Muhammad Yamin Khan, could stop those people from cheating other people. I believe the Federation of Indian Chamber of Commerce has a little more experience than my Honourable friend here. What do they say ? They support the proposal made, that is to say, an exception should be made in the case of banking companies. I believe also the Cakutta Indian Chamber of Commerce they ought to have a little more knowledge and a little more sense of proportion than my Honourable

[Sir Nripendra Sircar.] friend here—they support it. I submit that my Honourable friend has not met the point that if this amendment is carried, it will end in ninety per cent. of the directors of the Central Bank and the Imperial Bank of India and all other banks resigning tomorrow. My Honourable friend has not met that point. Why? Because he has not the slightest idea, the slightest experience of banking, and he may have lost only a few hundreds in some bank which I do not know. That is no reason why this amendment should be supported. As has been said by my Honourable friend, Sir Cowasji Jehangir, it is the business of a bank to lend money and it will be very curious indeed that the director of a bank cannot have over-drafts in that bank. I have very little to add to the arguments advanced by my Honourable friend over there, but I will read to the House a sentence which I read the other day and I say this applies with all the greater force to banking companies. I may read from Buckley, page 743, who says :

“ It may be more advantageous to have directors who can advance the interests of the company by their connection than to have the benefit of their advice in every proposed transaction.”

It is to the interest of a bank to have these people as their directors and the good which has been done to so many banks is not to be negated because my Honourable friend is repeating the case of Boulton Brothers and the Bengal National Bank. There must be millions of transactions which have taken place on overdrafts to directors of banks. What is the good of citing two exceptional cases. My Honourable friend said that these cases are happening every day ; that only shows the amount of irresponsibility there is in talking in this House. Does he really suggest that by reason of loans given by banks to directors, these banks come to grief or that the public have been agitating against this every day. Of course, I do not say every day literally. But are these cases numerous? I have little more to add to the argument of my Honourable friend. I oppose the amendment.

Mr. Mathuradas Vissanji (Indian Merchants' Chamber and Bureau: Indian Commerce) : Sir, I have only to add a few words to what has been said in the speeches of my Honourable friends Sir Cowasji Jehangir and the Leader of the House. Sir, the practice prevalent in several banks for advancing money even to the directors is not generally known to the public at large. There is a regular routine to be passed through when a proposal is brought forward before the Board of Directors, and even then that proposal is brought forward for a sort of enquiry being made into the matter and all the relative documents and information laid on the paper are circulated amongst the directors. But those documents are not sent to the director concerned who has applied for a loan. Then, again when it is approved, it is generally again laid on the table for consideration of the Board. At that time also, of course as has been mentioned by my Honourable friend, Sir Cowasji Jehangir, the director concerned is not present. I would rather say that from my connections with certain banks, the director concerned, who applies for a loan, is not present at these meetings when loan is sanctioned. This is the general routine that is being followed, so that the discussion may proceed freely in the absence of the director concerned. In that way, whatever may be the kind of loan, whether it is a call loan, or an over-draft or a cash credit, it is being thoroughly

scrutinized, and after that if there is any mishap, I do not think the directors or the Board can be held responsible. If this amendment is passed I am sure there will be very great hardship to the banks. I think very probably as has been mentioned by the Honourable the Leader of the House, nearly ninety per cent. or even more of the directors of the present institutions will have to resign. Sir, I oppose the amendment.

Mr. Sham Lal (Ambala Division : Non-Muhammadan) : Sir, the Honourable the Leader of the House stated that cases are very few where misappropriation takes place, but I think even the Honourable the Leader of the House must have read about the disclosures made in the Punjab. In the case of the People's Bank, crores of money were taken away by very responsible directors without any security. The orphans and the widows have all lost their money, and if this position were to be told in the Punjab that the directors of the bank are allowed to take money, I think it would be shocking to them. The details must be shocking to this House if they were to read the proceedings in the High Court of Lahore. My Honourable friend, Mr. Mathuradas Vissanji, said that the method and the routine of granting loans to the directors was very strict and that the directors concerned were generally absent from those meetings where the loan was sanctioned. From the proceedings in the High Court of Lahore, it will be found that the loan was taken by the father and the son, and both the father, the son and one more relative were present when the loan was sanctioned. That is the routine. It was stated by the auditors and other persons that there was security ; but now it turns out that there was no security. In one case the only security there was was the map of a house. The map of a house was put in without any documents or title deeds. This is the case, and nobody among the Board of Directors had the courage to say that loan should not be sanctioned. Of course, I cannot say that these cases are happening from day to day, but really the power is in their hands, and the directors can easily get a loan to themselves or to their relatives. It might be true that in the case of my Honourable friend, Sir Cowasji Jehangir, or other honest directors like him, their connection with a bank will be of great advantage. They may be of great help to the bank. But taking human nature as it is, where there is temptation, where there is power, it is likely to be abused. I, therefore, support the amendment.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions : Muhammadan Rural) : Sir, I just want to say one word. If a director borrows money on good security, then I am sure on that good security any bank will lend him the money. And if he borrows on bad security or on not very good security, then his own bank should be the last to lend him money. Therefore, the occasion to borrow money in any case will never arise.

Sardar Sant Singh (West Punjab : Sikh) : Sir, I have listened to this debate with great interest. I happen to be on the board of directors of a local bank in Lyallpur for the last 10 years.

Dr. Ziauddin Ahmad : Is it still in existence?

Sardar Sant Singh : It is not only in existence but the Banking Inquiry Committee commended this bank to many other banks.

[18TH SEPT. 1936.]

[Mr. M. Ananthasayanam Ayyangar.]

Latitude has been given to banking companies. The authors of this Bill have ignored the opinion of the expert and no reason has been given to this House as to why the opinion of the expert who went into the matter at very great length should be so lightly brushed aside. For the past few days I have noticed various threats being hurled from one side of the House or another. The Honourable the Leader of the House said yesterday that if a particular amendment was carried he would drop the Bill. It is not at my instance that the Bill came into being; and to say that the Bill must be pushed through with all kinds of clauses that the Government may want is not right. Again Sir Cowasji today says that if such and such amendments were carried he would drop out.....

Sir Cowasji Jehangir : Drop out of what? I did not say I would drop out of the Bill.

Mr. M. Ananthasayanam Ayyangar : The Honourable Sir Cowasji Jehangir said he would drop out of banks; as if God will immediately send *pralayam* into this world and put an end to all things! So far as the Bill is concerned, let us look at it dispassionately. Sir Cowasji Jehangir with his millions of money and other millionaires can invest freely all their moneys in the banks: there is absolutely no prohibition against that under this clause: the prohibition comes in only when they want to borrow. When they lend, let them lend at any rate of interest they like: but when they want to borrow, let not these gentlemen be members of the directorate. When we wanted that half of the directorate should be Indians, the Leader of the House talked of disqualifications. The Honourable Knight from Bombay, Mr. Mody.....

An Honourable Member : Sir H. P. Mody!

Mr. M. Ananthasayanam Ayyangar : Excuse me, Sir, if I do not use all your titles.....

Sir H. P. Mody (Bombay Millowners' Association : Indian Commerce) : I am not concerned with my title—I am only concerned with borrowing. (Laughter.)

Mr. M. Ananthasayanam Ayyangar : We found then an amount of zeal exhibited when he not only ran into the "Noes" lobby, but invited all of us also. And, after all, for what? We wanted 50 per cent. of Indians on the directorate. He said that they may not possess the necessary qualifications; today I say that even Sir Cowasji Jehangir can be kept out of a directorate if I put the qualification as 2,00,000 crores of share qualification—I do not know, my estimate of his wealth is he may not have 2,00,000 crores. If it is possible to fix that qualification for a director, you can shut out any man and say he has no qualification. Let us not therefore embark upon that. If the rich men go out, poor people will still get on with the bank administration.

I also found another jibe. Mr. Satyamurti and myself may not have earned as much as the Honourable the Law Member or any other person like him may have earned; but that is no reason.....

The Honourable Sir Nripendra Sircar : You must have earned a lot of money.

Mr. M. Ananthasayanam Ayyangar : Hereafter we will learn how to earn. I would therefore say, let us not use this kind of language. Each one of us may not be directors of the Imperial Bank or the Reserve Bank. But we have been directors of district banks and local banks and we find to our great dismay, and utter disappointment, that those persons who have been kept in charge of the administration as directors have lent to themselves and none to others. That is unfortunately the position. If you look at it dispassionately, therefore, you cannot deny that there is need to put some restriction upon the powers of borrowing with respect to directors of a bank more than in an ordinary company where there is ordinary business carried on: there is no question there of lending—the company has to go out of its way in order to find the money to lend. In a bank there are fluid resources: the money is there and a director can easily get at it. So rightly, the expert said that whatever may be said as regards ordinary companies, whether you give a loan or not, to a director as regards a bank where the temptation is much greater, where it is more easy to take the money and put it in one's own pocket, the prohibition must be there. I would therefore appeal to the Honourable the Law Member if it is not too late even now to make suitable amendments so as to put restrictions upon lending to directors of banks except on their own fixed deposits or government securities. If he is not amenable to this, no matter if we do not lend to these directors of banks, let the crash come by their withdrawing from the banks and we can then see and provide against it.

As regards benighted Madras and united Punjab, I say that all of us are benighted so long as we have to look to an irresponsible government. All of us are slaves and there is no choosing between us.

I have great pleasure, therefore, in supporting the amendment.

Mr. Deputy President (Mr. Akhil Chandra Datta) : The question is :

"That in clause 40 of the Bill, in sub-section (3) of the proposed section 86D, the words 'or to a Banking Company' be omitted."

The motion was negatived.

Mr. Suryya Kumar Som (Dacca Division : Non-Muhammadan Rural) : Sir, I move :

"That in clause 40 of the Bill, after sub-section (3) of the proposed section 86D, the following be added :

'(4) No Director of a company shall hold more than ten per cent. of its share capital :

Provided this sub-section shall not apply to private companies'."

I don't think I need dwell on this amendment at great length, Sir, the votes in a company are generally controlled by the managing agents and the directors, and this aspect of the question has been argued at great length on the floor of the House for the last three or four days. My object in moving this amendment is, in order, so far as it is possible to do so, to control the controlling of votes by the managing agents and the directors. When the clause dealing with managing agents will come up for discussion, Honourable Members will find that I have already tabled an amendment to the effect that the managing agents shall not

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LEGISLATIVE ASSEMBLY. [18TH SEPT. 1936.]

Sir Muhammad Yamin Khan : How many times did you borrow money from it ?

Sardar Sant Singh : I will tell you just now. Really it is the honesty and the integrity of the board that is responsible for the flourishing or the destruction of a bank. This safeguard of non-borrowing by the directors from the banks already exists in the present Companies Act. In the annual balance-sheet it is incumbent upon the board to disclose how much money has been borrowed or is invested with the directors of the bank. I think that provision of the law is sufficient to safeguard the interests of the shareholders. No board worth its name ever risks the reputation of the bank : no board will ever risk the stability of the bank in the eyes of the public if it does not disclose the facts about the directors' dealings with the bank in sufficient and clear terms. Our bank has been lending money to the directors and the directors have been allowed to withdraw in their cash credit accounts.

Dr. Ziauddin Ahmad : Without security ?

Sardar Sant Singh : With or without security. Generally the security offered is the fixed deposit receipts of the bank. It will be anomalous to ask the directors to invest their money in the bank itself in fixed deposits and savings bank and other accounts and yet when they need money on the security of these fixed deposit receipts they should not be accommodated and told to go to another bank and ask for a loan. The only difficulty which my Honourable friend, Mr. Sham Lal, has placed before you is a difficulty of an exceptional nature relating to one bank whose affairs are still pending before the High Court. I wonder how Mr. Sham Lal had the courage to refer to that unfortunate incident in the Punjab when he was employed as Counsel for one of the persons who were publicly examined in the High Court. If I were in his position I would have refrained from mentioning anything about that which was still pending before the High Court. However, Sir, that is his own affair.

Mr. Sham Lal : The High Court has given its decision.

Sardar Sant Singh : Whatever it is, the Honourable Member derived his knowledge as Counsel.

Mr. Sham Lal : It is not pending before the High Court now ; the High Court has given its decision. I have not mentioned the name of any person and I only referred to disclosures which are admitted. It is only my Honourable friend who now wants to bring in names. I have taken particular care not to mention any names.

The Honourable Sir Nripendra Sircar : But you mentioned father and son ; that is known to all.

Mr. Sham Lal : The Honourable Member may know it ; but this sort of thing has happened in many other cases.

Sardar Sant Singh : If my Honourable friend, Mr. Sham Lal, thinks that by not mentioning names with regard to this particular incident he has deceived anybody, he must know that he has only deceived himself and nobody else. This incident is so well known even outside the Punjab that the very mention of the fact clearly gave a hint to everybody as to what he was talking about.

Mr. S. Satyamurti : Not at all.

Sardar Sant Singh : Madras is too benighted to understand. (Laughter.)

Mr. S. Satyamurti : It is certainly better than the Punjab. In the Punjab you only quarrel among yourselves, Hindus, Sikhs, and Muslims. I would rather be in Madras, than in the Punjab.

Sardar Sant Singh : My Honourable friend, Mr. Satyamurti, is not very happy when I expressed my opinion about Madras. He says that the Punjab is fighting ; but that is because the Punjab has got fighting qualities. (Laughter.)

Mr. S. Satyamurti : You only fight among yourselves, not against Government.

Sardar Sant Singh : Coming to the point, Sir, I will appeal to the Honourable Members that this amendment will prove very harmful to the interest of banking, if it is persisted in. I will still appeal to my Honourable friend, Mr. Satyamurti, though he is in a temper just now, to withdraw it and not to press this amendment to a division.

Mr. M. Ananthasayanam Ayyangar (Madras Ceded Districts and Chittoor : Non-Muhammadian Rural) : Sir, after all that we have heard having the interests of banking at heart, we find that no power to borrow or to lend indiscriminately is desirable. Lending to the directors on fixed deposit of some kind, even to 90 per cent., may be allowed ; and there is absolutely no danger because the money remains with the bank. And if there are moveable securities which could be deposited with the bank, even then ordinarily no difficulty arises. It is only where immoveable property outside is given as security that the difficulty arises regarding their valuation. Then I would say, taking human nature as it is, it is ordinarily not possible for any set of directors to ignore the requests of a brother director. The borrowing director may be absent physically but mentally his presence obsesses every one of these directors. From small things to great, from small co-operative societies to district banks and bigger banks, the same difficulty arises. Many a director has found it practically impossible to reject the request of another for a loan from the bank. If the Leader of the House thinks in the best interest of the banks, to restrict the scope of the power of a director to take a loan from the bank to those on fixed deposits and other securities to be deposited there as Government securities, etc., it would not be causing any inconvenience. I would say, Sir, that Mr. Sen in his report said that whatever may be said about the capacity of the directors to take loans in other companies, in a banking company no director ought to be allowed to take a loan. On page 48 of his report, I request the Leader of the House to refer to this, he says :

" I have already made my recommendations with regard to all companies and I have given my reasons as to why I recommend a total prohibition of the giving of loans to the directors and other officers including the auditor. I am glad to find that the Central Banking Inquiry Committee have made a similar recommendation in the case of banking companies. In case my general recommendations are not accepted I would recommend their acceptance in the case of banking companies at any rate."

But the expert's opinion has not been accepted in the Bill. If it is accepted, an exception will be made in the case of companies other than banking companies only. I find the process has, here, been inverted.

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[Mr. Suryya Kumar Som.]

hold more than 25 per cent. of the share capital, and, here, in regard to directors, I propose there should be provision to the effect that directors in a company should not hold more than ten per cent. of the share capital. This will meet the objection we have been hearing all these days that it is the managing agents and the directors who, by purchasing a majority of the shares, control the business of the company thus making it impossible for the shareholders to influence the managing agents to carry on the business of the company in a manner which would meet the wishes of the shareholders. On this point we heard so much yesterday about promotion of business, transferable and non-transferable votes, and so on. By my amendment I desire that there should be some control over the controlling of a majority of the shares in a company by the directors and the managing agents. If Honourable Members are really serious and are sincerely anxious, as they were yesterday and the day before, to control the powers of the directors and the managing agents in a company, I hope they will support my amendment.

Mr. Deputy President (Mr. Akhil Chandra Datta) : Amendment moved :

"That in clause 40 of the Bill, after sub-section (3) of the proposed section 86D, the following be added :

"(4) No Director of a company shall hold more than ten per cent. of its share capital ;

Provided this sub-section shall not apply to private companies."

The Honourable Sir Nripendra Sircar : Sir, I oppose this amendment. As my friend has shown no reasons why directors should be prevented from holding more than ten per cent. of the share capital, I don't see how I can meet his arguments, because there are none. He has mixed up the question with managing agents ; the section really relates to directors, and not to managing agents. I don't see why a director should not hold.....

Mr. Suryya Kumar Som : I may draw my Honourable friend's attention to another amendment in the section which deals with managing agents. There I have proposed that the managing agents shall not hold more than twenty-five per cent. of the share capital.

The Honourable Sir Nripendra Sircar : Sir, I think one evil at a time is enough. I am now dealing with the amendment of my Honourable friend which he has just moved. I really don't wish to waste the time of the House further by advancing more arguments. I see no reasons whatsoever have been advanced. I don't see how the heavens will come down if a director holds more than ten per cent. of the share capital.

Mr. Deputy President (Mr. Akhil Chandra Datta) : The question is :

"That in clause 40 of the Bill, after sub-section (3) of the proposed section 86D, the following be added :

"(4) No Director of a company shall hold more than ten per cent. of its share capital ;

Provided this sub-section shall not apply to private companies."

The motion was negatived.

Pandit Govind Ballabh Pant : Sir, I move :

"That in clause 40 of the Bill, in the proposed section 86E, after the words 'no director' the words 'or firm of which such director is a partner or private company of which such director is a director' be inserted."

This amendment, Sir, is on the lines of the previous amendment moved by me, and I hope the Government will accept it.

Mr. Deputy President (Mr. Akhil Chandra Datta) : The question is :

"That in clause 40 of the Bill, in the proposed section 86E, after the words 'no director' the words 'or firm of which such director is a partner or private company of which such director is a director' be inserted."

The motion was adopted.

Mr. L. C. Buss (Nominated Non-Official) : Sir, I don't wish to move No. 116, but I wish to move No. 3 in the Supplementary List No. 6.

Mr. Deputy President (Mr. Akhil Chandra Datta) : Does the Honourable Member wish to move No. 116 ?

Mr. L. C. Buss : No, Sir, I don't wish to move it. But I wish to move No. 3 in the Supplementary List No. 6 instead of No. 116.

Mr. Deputy President (Mr. Akhil Chandra Datta) : The Honourable Member can move that amendment when it comes up in due course.

Mr. Sri Prakasa (Allahabad and Jhansi Divisions) : Non-Muhammadan Rural) : Sir, I don't wish to move the amendments Nos. 6 of 7 appearing in List No. 2.

[At this stage, Mr. President (The Honourable Sir Abdur Rahim) resumed the Chair.]

Pandit Sri Krishna Dutta Paliwal (Agra Division : Non-Muhammadan Rural) : Sir, I move :

"That in clause 40 of the Bill, the proviso to the proposed section 86E be omitted."

Section 86E runs thus :

"No Director shall without the consent of the company in general meeting hold any office of profit under the company except that of a managing director or manager or a legal or technical adviser or a banker."

This section, Sir, is a considerable and welcome improvement in the present condition of things. It is evidently undesirable that directors should occupy positions in companies which are incompatible with their duties of their position as directors of the same company without the consent of the company. This principle has been recognised and embodied in this clause. From that point of view it is all right so far as it goes, but unfortunately it does not go any far, because the proviso which I want to omit exempts all directors who hold such incompatible offices in the existing companies, I mean the companies incorporated before the commencement of this Act. In other words, Sir, all those who hold such offices as directors in companies incorporated before the commencement of this Act are exempted by this proviso. So, if this proviso is not omitted, the result will be that these directors can merrily go on with their unconscionable contracts. I do not understand why this license should be given to the directors ? I know that the doctrine of the sanctity of contract will be hurled against us, but, in my opinion, no sanctity should attach

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[Pandit Sri Krishna Dutta Paliwal.]

to any contract which militates against public good. All sanctity should cease the moment it comes into conflict with public policy. For these reasons I appeal to the House to accept my amendment. The position is this. You say that it is wrong for a director to occupy a position which is not compatible with his office as a director, and you say that you will not allow such a thing to be done in the future. But you also say that, because you have done this wrong up till now, therefore you can merrily go on doing this wrong. I cannot understand the logic of this argument and that is why I hope that the House will accept my amendment.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :
 "That in clause 40 of the Bill, the proviso to the proposed section 86E be omitted."

Mr. T. S. Avinashilingam Chettiar (Salem and Coimbatore *cum* North Arcot : Non-Muhammadan Rural) : May I know if a director, if he is re-elected next year but still holds a position of profit, will be allowed under this clause to hold on to the position of profit?

The Honourable Sir Nripendra Sircar : I think in answer to my Honourable friend I should say yes, because the proviso is :

"Provided that nothing herein contained shall apply to a director elected or appointed before the commencement of the Indian Companies (Amendment) Act, 1936, in respect of any office of profit under the company held by him at the commencement of the said Act."

He might have been appointed to an office of profit, say, in 1930 or 1931. That will not be affected by the passing of this Act. That is the object of this proviso.

Mr. T. S. Avinashilingam Chettiar : But when he is re-elected as a director?

The Honourable Sir Nripendra Sircar : Then, speaking offhand, he will be hit.

Mr. M. Ananthasayanam Ayyangar : Yes, because he has been re-elected.

The Honourable Sir Nripendra Sircar : I oppose this amendment on the ground that I have mentioned on several occasions, that I do not think that this is a case where retrospective effect should be given. I would rather not go into the question of what is meant by the expression, "office of profit", because I do not mind making a confession, it sometimes does one good. We have taken it from the English Act—holding an office of profit. I find Lord Justice Buckley in his note to that section has only one line, "What is an office of profit?", but he has not answered the question. So, I hope my Honourable friend will not ask me what is an office of profit. I leave that to the Court to construe. I will not take up more time, but I do think that in the case of people who have been holding an office of profit before this Act came into operation there is no sufficient justification for giving retrospective effect. I have nothing more to say.

Mr. S. Satyamurti : I support this amendment. It seems to me that the idea, that those who want retrospective effect to be given to the

clauses of this Bill should make out a special case, is not wholly tenable. I take it that this Bill is intended to remove the abuses found in the existing management of the companies; and wherever a clause provides for removal of an abuse, I put it that it is on those who want to say that the removal of the abuse shall not apply to existing companies, to make out a case for it. What does this clause provide? It provides :

"No director shall without the consent of the company in general meeting hold any office of profit under the company except that of a managing director or manager or a legal or technical adviser or a banker."

There are two limitations in favour of directors who may hold this office. The first limitation is that, without any kind of sanction in general meeting, the directors may hold the office of managing director, manager, or a legal, or technical adviser, or a banker. All that is normally possible and necessary is provided for. But, if they want to hold any other office of profit, besides these various offices, namely, managing director, manager, or a legal or technical adviser or a banker, they have got to go to the shareholders and get their sanction at the general meeting. I want to know who is hurt by this position.

The Honourable Sir Nripendra Sircar : The answer is that I quite accept the proposition that this Bill is for removing abuses, subject to this limitation that where by the introduction of a provision we are taking away vested rights or we are affecting rights under a contract, then a case must be proved for the necessity of giving retrospective effect to the particular measure. This provision will hit the man who has been appointed, who is entitled to hold an office of profit, without going to shareholders say, for the next five years. He will have to go out on the 1st November, 1936. We do not propose to do that because there is not sufficient justification.

Mr. S. Satyamurti : My answer is twofold. There can be no vested rights in the perpetuation of admitted abuses. Really, there is an abuse, that is to say, this clause contemplates that directors shall not hold an office of profit, except certain classes, or without the consent of the general meeting. Therefore, it seems to me that there can be no such vested right at all. Secondly, my Honourable friend is wrong in saying that they will have to go out of office. No. They will have to go to the company in general meeting, and get their consent. It is not as if all directors are compelled to go out of office at all. They have only to go to their own shareholders, their own masters, and get their consent. It is not as if the law says, you shall go out. The law says, you shall go out, unless you get the consent of the owners of the company, whose directors you are. What is wrong in that? What is the suffering to anybody? It seems to me that the clause as it is worded is perfectly all right and perfectly innocent.

Sir H. P. Mody : You are changing my contract.

Mr. S. Satyamurti : If Sir Homi Mody is to have all his contracts, then the country will make no progress. It is because the Government and the House feel that some of the contracts are unconscionable, that this Bill has been introduced. The managing agency is so bad, the terms of tenure are so bad, the commissions and various other things are so bad, that the Government and this House feel that these contracts must come

[Mr. S. Satyamurti.]

to an end, and, the sooner the better. All this talk about the sanctity of contract is wholly irrelevant. We have got to see what public policy demands, and I submit that the clause, as it stands, affects no interest adversely. The directors can continue to be managing directors, managers, or legal advisers, or technical advisers, or bankers. What are the offices of profit besides and above these which they cannot hold? The Honourable the Leader of the House has himself not ventured to answer what is an office of profit, and I shall not attempt it. Again, they have only to go and convince the shareholders. What is this lack of faith in the shareholders? Why should my Honourable friend the managing director fight shy of the shareholders of the company? If he holds an office of profit which is consistent with the interests of the company, *ex hypothesi* the shareholders will say yes. The clause simply says, hold those offices which I mentioned, but if you want to hold any other office of profit, please go to the shareholders and get their verdict.

The Honourable Sir Nripendra Sircar : He is not bound to do that under the terms of the appointment.

Mr. S. Satyamurti : But, because the Government have put forward this clause in the Bill and I believe the House is in favour of that clause, I say to the House, go further and complete the process of not giving effect to the earlier contracts to those who have got them, especially as they are not sent out completely, but they have only to go and get the verdict of the shareholders at the general meeting. And, we have been told more than once that managing agents have a powerful voice in almost all companies. Therefore, it seems to me that they are fighting a shadow and, if this proviso goes, no interests of the company will be adversely affected. I strongly support the amendment, and I hope the House will accept it.

Mr. T. S. Avinashilingam Chettiar : I am one of those who have got great respect for contracts, and I believe in the sanctity of contract. I do not fully understand the justification of this proviso. If a man is under contract with a company, by all means let the contract be respected. Let us say, I am director of a company. I hold a position of profit in the company. Today the Act does not prohibit it, but according to this Bill, admittedly Government accept that it is a good principle that a director should not hold an office of profit. If they accept the principle that for a director to hold an office of profit is not salutary for the company then, why not apply the same to the older companies? As regards offices to which they were appointed before the commencement of this Act, the proviso says :

" Provided that nothing herein contained shall apply to a director elected or appointed before the commencement of the Indian Companies (Amendment) Act, 1936....."

I do not know whether I have understood the Law Member correctly. Say, I have been elected as a director in 1935. I hold a position of office of profit under the company. I am again re-elected in 1937 and after this Amendment Act comes into force, is it open to me to hold that position of profit. (Some Honourable Members : "No, no.") Then it is a transitory provision.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

" That in clause 40 of the Bill, the proviso to the proposed section 86E be omitted."

The motion was negatived.

Mr. L. C. Buss : Sir, I move :

" That in clause 40 of the Bill, to the proposed section 86E, the following proviso be added :

" Provided, further, that, subject to the provisions of section 83B (2), nothing herein contained shall affect the right of a Managing Agent to appoint himself or his partner or if the Managing Agent is a private company a director of that company as Director to the Board of any Company, of which he is a Managing Agent."

I move this in preference to No. 116 in the Final List, because, I think, that amendment might be thought rather too wide. The point at issue is not a very great one but it is not without importance. As the sub-section is worded at present, a managing agent appears to be entirely debarred from becoming a director. This, of course, conflicts with the existing practice and is at variance with what I take to be the decision in the Bill. Let me read clause 86E :

" No Director shall without the consent of the company in general meeting hold any office of profit under the company except that of a managing director or manager or a legal or technical adviser or banker."

There seems little doubt that this will raise legal difficulties with regard to the appointment of any members of a managing agency firm or company as directors of the company managed. The amendment is designed to make sure that such a situation does not arise from this sub-section and I do not think I should take up any more time on this matter. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

" That in clause 40 of the Bill, to the proposed section 86E, the following proviso be added :

" Provided, further, that, subject to the provisions of section 83B (2), nothing herein contained shall affect the right of a Managing Agent to appoint himself or his partner or if the Managing Agent is a private company a director of that company as Director to the Board of any Company, of which he is a Managing Agent."

Mr. M. Ananthasayanam Ayyangar : May I ask what has 83B (2) got to do with this. It relates to the going out of directors, by rotation and so on.

Mr. Suvil Chandra Sen (Government of India : Nominated Official) : With regard to the query of my Honourable friend, Mr. Ayyangar, I think he is right. This amendment when it was drafted related to 83B (2) which stood, until it was amended this morning in a form which dealt with the appointment of directors. But as it is now, there is no question of appointment and I think my Honourable friend is right that it is rather inappropriate with regard to 83B (2) as it now stands. I suggest that my Honourable friend, Mr. Buss, should omit reference to section 83B (2) and then move his amendment.

Mr. L. C. Buss : May I ask you, Sir, to delete the words " subject to the provisions of section 83B (2) " ?

Mr. President (The Honourable Sir Abdur Rahim) : What is it now ?

Mr. Susil Chandra Sen : If you look at it in terms of the amendment, No. 89, moved by my Honourable friend, Dr. Khare, you will find that it is in substitution of section 83B as drafted in the Bill and there is no question of appointment of directors dealt with by it. It now deals with the question of the retirement of a certain number of directors by rotation. Therefore, reference to 83B (2) in the amendment moved by Mr. Buss is inappropriate now. It was quite in order when it related to the original 83B (2) as in the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : Then, it is not in order now ?

Mr. F. E. James : Sir, the words " subject to the provisions of section 83B (2) " are of course now inapplicable. But the amendment still stands without those words. The remainder of this amendment stands because it has reference to rights which are contained in section 83B (1) and the Act generally. Therefore, we ask that the amendment should be accepted, without those words relating to 83B (2).

Mr. President (The Honourable Sir Abdur Rahim) : You want the words " subject to the provisions of section 83B (2) " to be deleted ?

Mr. F. E. James : Yes.

Mr. Bhulabhai J. Desai : Sir, may I point out that this cannot be a proviso to section 86E—and for that matter it cannot be a proviso to any of the sections which have hitherto been dealt with by this House. I do not say, therefore, that it is not competent in law to the managing agent, assuming he has the power of nomination, to nominate any individual he chooses, but undoubtedly it is no proviso. What is section 86E ?

" No director shall without the consent of the company —"

Do what ?

" in general meeting hold any office of profit."

That has got nothing to do with the question whether the managing agent may or may not appoint any particular person as his nominee. It is certainly entirely inappropriate to section 86E..... it is equally inapplicable to section 86B but that question does not arise now.

Mr. S. Satyamurti : An amendment must be consistent, and capable of being read in an intelligible manner.

Sir Cowasji Jehangir : Sir, may I just point out that in 86E, as it stands now, is a prohibition against the appointment of certain directors who hold offices of profit. There are exceptions made to that in 86E,—that is to say, the managing director or manager or a legal or technical adviser or a banker may be a director although he may hold an office of profit. That is 86-E. In those exceptions the managing agent does not appear. The managing agent is a man who holds an office of profit. I believe—I am no lawyer—as it is not mentioned here, it is doubtful whether a managing agent could hold the office of a director without the consent of the shareholders. That would be ridiculous,—that a managing agent should not be able to hold the office of a director without the consent of the shareholders.

Therefore, if I understand my Honourable friend, the Leader of the Opposition, it would meet the case if all those exceptions that have been included in the proviso were embodied in 86E, itself,—if there is no technical objection, then the proviso might stand as it is, but if there is a technical objection, then 86E might be amended to read as follows :

" No director shall, without the consent of the company in general meeting, hold any office of profit under the company except that of a managing agent or his partner, or if the managing agent is a private company, a director of that company "

—and then continue the section as it is :

" or managing director or manager or a legal or technical adviser or a banker."

That will meet any objection that is raised.

Mr. President (The Honourable Sir Abdur Rahim) : I suppose there are provisions here as regards managing agents holding offices ?

Mr. S. Satyamurti : Sir, if you will kindly look at 86E, no clause of the Bill has conferred on the managing agent the power to nominate directors. There is no other clause, to the best of my knowledge, and I submit that I have sent in notice of an amendment today, to the effect that " no manager shall appoint any director ". Unless that is disposed of, this can't be taken up,—and so far there is no clause conferring this power on directors.

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member's point is that it is really not relevant to 86B ?

The Honourable Sir Nripendra Sircar : I suggest, Sir, that we accept Mr. Satyamurti's suggestion. He has given two notices today, rather promptly, one for undoing what he believes is a mischief which has been done. One is that the managing agent shall have no power to appoint any director....

Mr. President (The Honourable Sir Abdur Rahim) : Is that an amendment or a separate clause ?

The Honourable Sir Nripendra Sircar : It is an amendment to the managing agency section ; and the other is to restore the feature—it was in the Select Committee's report—that they could appoint, but the maximum would be one-third, which, speaking off-hand, is more hopeful ; but I suggest that this amendment may stand over along with those two, because it would be rather inconsistent to discuss now as to what the managing agent can appoint or not until the specific question is brought to an issue by the two amendments. I suggest my Honourable friend, Mr. Buss, might give notice to bring this up as an amendment on the managing agency section.

Sir Cowasji Jehangir : May I just point this out to the House ? Here is a prohibition in 86E, for the appointment of directors : " no man who has an office of profit can become a director of the company ". (Voices of " No, no, no, no ".) That is to say, no man who has an office of profit can become a director. (Voices of " No, no, no, no ".) Therefore, if an exception is to be made in the case of a managing agent who has an office of profit, should he not be included in 86E ?

Mr. President (The Honourable Sir Abdur Rahim) : I do not think this amendment should be moved to section 86E. The Honourable Mr. Buss, if he wants to move it, can give a fresh notice under the proper

[Mr. President.]

clause or as an amendment to the amendment which Mr. Satyamurti has given notice of.

Mr. F. E. James : Sir, may we express our difficulty ? We are quite prepared to reconsider the question because the situation has been altered since we put in this amendment. Our opinion still is that the amendment ought really to come in here. But subject to anything on which we may be advised, we would prefer, if the House so agrees, to allow this to stand over until we have had the opportunity of consulting the Honourable the Leader of the Opposition and the Honourable the Law Member in regard to possibly a new clause.

Mr. President (The Honourable Sir Abdur Rahim) : It has to be re-drafted as an amendment to 81 : after all, there are clauses relating to managing agents which come in there.

The Honourable Sir Nripendra Sircar : Sir, my Honourable friend made an appeal to the Leader of the Opposition and to myself. I do not speak for the Leader of the Opposition, but I do not know if subsequently a point will be raised that his amendment is precluded by reason of section 86E. I express no opinion on that. I am not going to commit myself and the House can do what it likes.

Prof. N. G. Ranga : We cannot commit ourselves at all.

The Honourable Sir Nripendra Sircar : Nobody is asking you.

Mr. President (The Honourable Sir Abdur Rahim) : After all, the question is which is its appropriate place ?

The Honourable Sir Nripendra Sircar : If you ask me that question—which is the more appropriate place,—then this is certainly the more appropriate place. No director can hold the office of a director except as manager or legal or technical adviser. The next step therefore will be that no director can hold the office of a managing agent.

Mr. N. M. Joshi (Nominated Non-Official) : Exactly.

The Honourable Sir Nripendra Sircar : My Honourable friend says “ exactly ”, but we want the opposite of that “ exactly ”. I think this is the appropriate place for it. The Leader of the Opposition may not raise an objection later on but we can depend upon Prof. Ranga to raise the objection that it is already barred. So, I submit this is the more appropriate place. If there is objection to starting that as an amendment, you may permit that to be started as a separate clause.

Mr. Bhulabhai J. Desai : May I point out that my Honourable friend, Mr. Buss, had given notice of a motion of amendment which he has, for reasons best known to himself, dropped. The amendment was that after the words “ Managing Director ” the words “ Managing Agent ” be inserted. And now the argument is that what he dropped ought to be revived.

Mr. T. Chapman-Mortimer : May I say, Sir, just one word on the point why the amendment that we proposed first was not moved and why we moved this second amendment ? My Honourable friend, Pandit Pant, moved amendment No. 115 and that having been carried we felt that it could only be made quite clear by moving an amendment on the lines of the amendment which my Honourable friend, Mr. Buss, has just moved. I

too agree with the Honourable the Law Member that this is the most appropriate place when this matter should be taken up. If there is any question as to the correct wording of our amendment, then, Sir, I submit that the whole clause be taken up at a later time.

Mr. President (The Honourable Sir Abdur Rahim) : The real question is which is the appropriate place, and if the Honourable Member insists on moving his amendment, he can do so, though I myself think that this is not the proper place for it.

Mr. S. Satyamurti : I submit, Sir, that this amendment is out of order. I want you to consider whether it is, or it is not out of order. My submission is that it is not in order. There is no section which confers the power on the managing agent, to appoint anybody as a director. The proviso says :

“ Provided further that.....nothing herein contained shall affect the right of a Managing Agent to appoint himself or his partner or if the Managing Agent is a private company a director of that company as Director to the Board of any Company, of which he is a Managing Agent.”

Section 86E which is in clause 40 of the Bill, does not confer on the managing agent the right to appoint anybody as a director, nor is there any earlier section which confers a similar power on the managing agent. Therefore, this proviso must be to a clause which confers on the managing agent the power to appoint a director. There can be no proviso to a clause which does not contain anything of the subject-matter of the proviso. My second submission is this. When we come to clause 42, we will deal with the whole subject of managing agents—their rights and their duties and their remuneration. I have given notice of an amendment saying that managing agents shall not be appointed as directors.

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member can deal with it in any way he likes, but this is not the proper place for the amendment.

Mr. S. Satyamurti : After all, I have given notice at the appropriate place, and am I going to be barred by an amendment which does not come at its appropriate place ? It is not right that the House should be asked to vote on an amendment like this. In any case, I suggest that, if you are not inclined to accept my point of order, this amendment should stand over, till the House has had opportunity to decide on the main question.

Mr. President (The Honourable Sir Abdur Rahim) : What are your amendments ?

Mr. S. Satyamurti : I have given my amendments just now. They will be two or three days in advance of the usual time required for the notice of amendments, before you reach the proper place to which they relate.

Mr. F. E. James : Surely, Sir, the point of order cannot have any relation to an amendment which is not before the House.

Sir Cowasji Jehangir : May I be allowed to make one more suggestion, Sir, most respectfully to you ? The whole trouble will be overcome

[Sir Cowasji Jehangir.]

if Mr. Buss' amendment No. 116 is allowed to be revived and the following words are added : " or his partner, or if the managing agent is a private company, a director of that company ". Then it will meet everybody's point of view and Mr. Satyamurti's point of order cannot arise. But in case you are not inclined to do that, then I submit that the matter should be postponed till some later day.

Mr. President (The Honourable Sir Abdur Rahim) : I think this amendment had better stand over. It will be taken up with other amendments.

Pandit Sri Krishna Dutta Paliwal : Sir, I move :

" That in clause 40 of the Bill, after the proposed section 86E, the following new section be inserted ; and the subsequent sections be relettered accordingly :

' 86F. No director of a company which has issued debentures shall be appointed as or be eligible to act as trustee for the holders of debentures of the company '."

Sir, the purpose of my amendment is to prohibit a director from acting as a trustee for the holders of debentures in a company because the office of the trustee for debenture-holders is not compatible with the duties of his office as director of the company. The Government themselves also were of the same opinion and they embodied it in the Bill as originally proposed. I have taken this amendment bodily from their own proposal, word for word and comma for comma. It was in the Select Committee that this thing was dropped. I think it is only fair that we should go back to the original proposal. With these words, Sir, I commend my amendment to the acceptance of the House.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

" That in clause 40 of the Bill, after the proposed section 86E, the following new section be inserted ; and the subsequent sections be relettered accordingly :

' 86F. No director of a company which has issued debentures shall be appointed as or be eligible to act as trustee for the holders of debentures of the company '."

The Honourable Sir Nripendra Sircar : Sir, I oppose the amendment moved by my Honourable friend. I quite admit that if a director is dishonest, there may be difficulties. But taking the general case, I think that a person who was appointed to look after the affairs of the company, assuming that he is honest, would be a more suitable person than an outsider and I do not see any reason why a ban should be placed on the director of a company from being eligible to act as trustee for the debenture holders. If the debenture holders have any doubt about the honesty of a director, if they think that he is not a fit person to be appointed a trustee, then they will not appoint him to that office. It is not that he is bound to be appointed even though the debenture holders do not like him. He is simply made eligible to be appointed. There may be cases where an honest director will be liked by the debenture holders knowing that he knows all about the affairs of a company. I submit it should not be laid down that he should not be eligible at all. If it had been the position that he could claim as a matter of right to be a trustee, then I would have opposed that. Now, I oppose the amendment.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

" That in clause 40 of the Bill, after the proposed section 86E, the following new section be inserted ; and the subsequent sections be relettered accordingly :

' 86F. No director of a company which has issued debentures shall be appointed as or be eligible to act as trustee for the holders of debentures of the company '."

The motion was negatived.

Mr. S. Satyamurti : Sir, I beg to move :

" That in clause 40 of the Bill, after the proposed section 86E, the following be added :

' 86EE. No director shall be directly or indirectly concerned or interested in any contract or arrangement entered into by or on behalf of the company of which he is a Director '."

Sir, I do not want to make a long speech, in support of this amendment. I repeat what I, a poor man who is not a director of any big companies, who has not got over-drafts or underdrafts, but still whom the voters of my Province have seen fit to send to this House to represent their position, and whom the law has allowed as a humble Member of this House to contribute his mite to the discussion, though coming from the benighted Madras Presidency.....

Sir Cowasji Jehangir : And very ably too.

Mr. S. Satyamurti : I merely state that I believe, like the orthodox old public man, that no man ought to place himself or be allowed to place himself in a position where his duty and interests are likely to come into conflict. There may be trade secrets where big millionaires can reconcile both their interests and their duties perpetually ; but to us, humbler people, poorer people, the old orthodox morality of public life still makes a perennial appeal, and we believe that no man, however perfect he may be, however many millions of money he may have—even though he comes from the Punjab—may still feel that his duties and interests may come into conflict. Therefore, I suggest, Mr. President, that we ought not to allow a director to be directly or indirectly concerned or interested in any contract or arrangement entered into by or on behalf of the company of which he is a director. Why should he ? After all, a director is elected in a fiduciary capacity. I believe I am right in saying that even Members of the Government of India cannot trade, they cannot enter into contract with the Government of India under the Government of India Act. In the case of these excellent men, who govern the destinies of this country, it has been laid down by statute, that they shall not trade, that they shall not enter into any contract, and thus, it seems to me *a fortiori* that directors of companies, humbler men, ought not to be placed in a position where they will have contracts with their own companies.

The Honourable Sir Nripendra Sircar : Do not I enter into a contract when I agree to buy postage stamps of a quality to be delivered next week ?

Mr. S. Satyamurti : No, Sir.

The Honourable Sir Nripendra Sircar : I can buy two pice postage stamps and post a letter, but that is not what I mean.

Mr. Sri Prakasa : Your letter can be censored and stolen.

Mr. S. Satyamurti : My Honourable friend is too distinguished a lawyer for me to cross swords with him on a point of law, but it seems to me that when you buy a post card and when you post a letter, there is no contract except the general contract of the post office as public carriers of all letters. If that is the kind of contract which my Honourable friend wants to protect, I have no quarrel with him. Directors can buy postage stamps from the post office which the company may run—if they run a post office, I am referring to contracts where lakhs and lakhs are involved, where sums of tens of thousands and over are involved, where the lowest tender may not be accepted, where there may be various difficulties, and where the interests of shareholders may not be the only consideration. We want, Sir, that directors, in disposing of contracts, should keep only the shareholders' interests in the foreground, and not think of their own interests, where their interests come into conflict with those of the shareholders. For heaven's sake, do not twit me by saying that you people do not know anything, you have never been in charge of companies, you have no overdrafts and therefore you do not understand these things. I submit, Mr. President, that that kind of argument gets on my nerves. It seems to me that we must be specialists, before we can criticise the proposals of the other side. One can repeat this back. One does not want to enter into these personalities. We are trying to put forward our best arguments, in the interests of the shareholders, and I think, we, though humble, have got a dominant voice. The millionaires can afford to lose lakhs or millions, but we, poor men, cannot afford to lose even a few hundreds. Therefore, on behalf of the poor shareholders whose interests are affected by the way in which directors may manage or mismanage the affairs of a company, I plead with my Honourable friends not to confuse the issue by introducing personal and irrelevant factors, but to deal with it on the merits. I should like to know what is the argument against this wholesome provision that, in all public companies, men who manage the affairs of a company ought not to give contracts to themselves or to any companies of which they are directors. I, therefore, appeal to all sections of the House that they will consider my amendment seriously and carry it by a large majority, if not unanimously. (Applause.)

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

“ That in clause 40 of the Bill, after the proposed section 38E, the following be added :

“ 38EE. No director shall be directly or indirectly concerned or interested in any contract or arrangement entered into by or on behalf of the company of which he is a Director ”.

The Honourable Sir Nripendra Sircar : Sir, I agree with my Honourable friend, Mr. Satyamurti, that this is a very important matter.

Mr. Ram Narayan Singh (Chota Nagpur Division : Non-Muhammadan) : Hear, hear.

The Honourable Sir Nripendra Sircar : Sir, being encouraged by my Honourable friend, Mr. Ram Narayan Singh, I proceed to say that this is a matter which is worthy of very serious consideration, but if

I oppose very strongly this particular amendment, it is because I would request my Honourable friend not to press this but to think of a more reasonable amendment. I am not using the word in any offensive sense. What I mean is this. The amendment says, “ no director shall be directly or indirectly concerned ” ; now the use of the expression “ directly or indirectly ” in this connection spreads the net so wide that we do not know where we are going to stop. May I give one illustration ? For instance, a director of a company, say a coal company who removes a bag of coal or sells a sack of coal to another company of which he is not a director or a managing agent, but of which he is one out of 25,000 shareholders, even he will be hit by this provision, because he will be dealing indirectly. So what I ask my Honourable friend to consider is whether we could not think of a reasonable limitation which may be acceptable. Sir, on this question of duty and interest I agree. One should not put himself in a position where his duty would be in conflict with his interest, but it should not be pushed too far. If I may give another illustration, I mean no offence. In a Mitakshara family, there is the father and the son ; the duty of the father is to maintain his son, but his interest is to get him killed and get his half share. Surely we must take a common-sense view and not push it too far.

Mr. M. Ananthasayanam Ayyangar : He will not get it under the law after committing murder.

The Honourable Sir Nripendra Sircar : I may assure my Honourable friend that Madras is not bad in the matter of murder cases, and it can be done without the father being discovered as the real culprit.

Now, Sir, as it stands, it will be simply impossible for the directors to function on the board if they are prohibited from being “ directly or indirectly concerned or interested in any contract or arrangement entered into by or on behalf of the company ”. I was giving an extreme case simply to show the absurdity of the thing. As I said, a director of a coal company enters into a contract for selling five bags of coal to another coal company with which he is concerned as a shareholder. He will be hit by this. One can multiply instances but that is hardly necessary. I submit, Sir, that it is impossible to accept an amendment in this very wide form, using the words “ directly or indirectly ”. I should have thought that my friends might have thought of some more reasonable amendment. There are a number of others but I shall take them one by one as they are reached. So far as this particular amendment is concerned, I strongly oppose it.

Mr. S. Satyamurti : Sir, may I ask one question ? Will the Honourable Member kindly give some indication to the House, as to the kind of amendment he will be prepared to consider favourably ?

The Honourable Sir Nripendra Sircar : It is very difficult to answer that question off-hand across the table. If all the parties who are interested in this question want to have an informal discussion, I shall be very glad to express my views. I do not want to finally commit myself to anything before proper consideration and before hearing what other people may have got to say, because I have my own views and other people may have their

[Sir Nripendra Sircar.]

own views. All that I can say is this ; I realise the importance of the thing and if it is possible something may be done. Again, my Honourable friend will say that is a bee in my bonnet ;—but retrospective business always frightens me, and it will help if I know the proper limitations ; possibly the parties themselves might suggest some limitations. I know that it is not impossible to come to some kind of arrangement, but I surely cannot answer it off-hand. There are very many amendments and if this matter is not disposed of today we can get the week-end for coming to some conclusion.

Mr. President (The Honourable Sir Abdur Rahim) : I think the discussion should go on now on this amendment.

Pandit Govind Ballabh Pant : Sir, there is an amendment in my name ; will it be taken up after this is disposed of ?

Mr. President (The Honourable Sir Abdur Rahim) : I cannot say that just now.

Pandit Govind Ballabh Pant : Of course, if this is carried, mine will be ruled out.

Mr. B. Das (Orissa Division : Non-Muhammadan) : Sir, I may suggest that the amendments of Pandit Govind Ballabh Pant and Mr. Bajoria are similar. Why not move them, so that we can support one or the other ?

The Honourable Sir Nripendra Sircar : I think it will be more convenient if you take one by one. Otherwise we will get mixed up with three or four amendments.

Mr. President (The Honourable Sir Abdur Rahim) : Honourable Members have got all the amendments before them and it is for them to select what they like.

Mr. T. Chapman-Mortimer : Sir, I strongly oppose this amendment put forward by Mr. Satyamurti. The amendment, as it now reads, is couched in such vague language that it would really mean that you would bring business in India to a stand-still. But with all due respect to my Honourable friend, Mr. Satyamurti's knowledge I submit that if he had the smallest knowledge of business he would never propose an amendment of the kind as he has now proposed. Take, for example, the word "arrangement". What does he mean by an arrangement ? If I were a director of a company and also director of a bank, I may make an arrangement for a overdraft from that bank. That is an arrangement, and I should immediately become liable under Mr. Satyamurti's proposed amendment. Then, Sir, take the words "directly or indirectly". What does he mean by that ? Those words, which we see so often used by people who want to stop every loophole for fraud, seem to me to be extremely dangerous in one respect and quite useless in another. In this connection, Sir, I would commend to this House the words of my Honourable friend, Mr. Sri Prakasa, whose speech the other day I do not think received the attention that it deserved. I think he made the point, quite rightly, that you cannot legislate to make people honest. Now, Sir, if you cannot legislate to make people honest, no amount of vaguely

worded phrases put down on the Statute-book are going to prevent fraud of every sort and kind. As this amendment stands, therefore, it is not going to prevent dishonest persons from being "directly or indirectly" concerned in operations. For example, I may have a wife, my wife may have an aunt, that aunt may have a daughter, and she may have certain shares in a company of which I am a director.

Mr. S. Satyamurti : But what are the facts ? (Laughter.)

Mr. T. Chapman-Mortimer : The facts are that I have not got a wife. (Laughter.) But that does not detract from my argument, supposing I had a wife. (Laughter.) Or take the illustration, possibly using the name of my Honourable friend, Mr. Satyamurti, I hope not in vain,—suppose he had a wife. (Laughter.)

Mr. S. Satyamurti : But I have a wife. (Laughter.)

Mr. T. Chapman-Mortimer : To resume my argument, Sir, the words "directly or indirectly" would affect any one who was a large shareholder in some company. Take for example again the case of a business man who held a large block of share in a coal mine. He may be a director of a jute mill. The coal mine is not in his managing agency ; he is not on the board of directors ; he does not know anybody on the board of directors ; and yet he is indirectly concerned in any contract placed by his jute mill with that coal mine, even though that contract may be in the best interests of his own company. That is to say, they may have called, as every honest company would call, for tenders with regard to their coal supply. The lowest tender might come from the company of which he is not a director nor a large shareholder. He is immediately indirectly concerned. According to my Honourable friend, no director shall be "directly or indirectly concerned", etc. There is no qualifying clause. He does not even suggest, as some others suggest, that as long as he gets the consent of the company in general meeting or something of that kind, then it will be all right. Mr. Satyamurti, it seems to me, is a sort of Mussolini. He would just say with Alice in Wonderland, "Off with his head", the moment any one happened to be indirectly concerned, however innocently, in a contract placed by his company for possibly 20 tons of coal or some trivial thing like that. Sir, I strongly oppose this amendment.

Mr. M. Ananthasayanam Ayyangar : Sir, I am sorry that my Honourable friend had to refer to wives, aunts and daughters for the purpose of interpreting a usual phrase, "directly or indirectly". Without much of a preamble I will refer my Honourable friend to section 91C of the Act. My Honourable friend was horrified at the words "directly or indirectly". Here is section 91C :

"Where a company enters into a contract for the appointment of a manager of the company in which contract any director of the company is directly or indirectly concerned or interested", etc.

Shall we bring in aunts and daughters in this also ? Sir, there are Courts and they can find out indirect transactions also, all we are only legislators ; the arm of the law is long enough to catch any man even by borrowing underneath. The Court can find out whether the

[Mr. M. Ananthasayanam Ayyangar.]

aunt is the *benamidar* of the wife or the wife is the *benamidar* of the husband. There is the evidence : The properties or contracts might stand in the name of one : as a matter of fact these persons the directors would not put their own names : even without such an article or without such a prohibition, a director would ordinarily hesitate to disclose that he is interested in a contract because it would put others on the inquiry. A person who wants to make a profit at the expense of a company would only do it in the name of another person. My Honourable friend, the Leader of the House, knows too well that the law of *benami* transactions has been specialised in India : it does not find a place in other countries, and therefore it is only too common for persons to enter into *benami* transactions and nobody need therefore be struck dumb by the expression "directly or indirectly". As far as I am aware, if all loopholes have to be guarded, if all openings have to be closed against fraud, the only words that can be safely used are "directly or indirectly".

Then as regards the contract, I do not know if the purchase of postage stamp enters into a contract, my belief is that so far as this portion is concerned, it applies only to executed contracts....

Mr. M. A. Jinnah (Bombay City : Muhammadan Urban) : It applies to all contracts—any contract—not only an agency.

Mr. M. Ananthasayanam Ayyangar : The contracts to which it will be applicable according to the circumstances of each case, having regard to its setting. Sir, it will be absolutely in the interests of the company to avoid any kind of contract between a director on the one hand and the company on the other. They must be above board. Pandit Govind Ballabh Pant has given an amendment—No. 121—and Mr. Bajoria has given another—No. 122. I have myself given an amendment which is in the Supplementary List No. 5, and is as follows :

"That in clause 40 of the Bill, after the proposed section 86E, the following new section be inserted :

86EE. Except with the consent of the company in general meeting, a Director of the company, or the firm of which he is a partner or any partner of such firm, or the private company of which he is a Member or Director, shall not enter into any contracts for the sale, purchase or supply of goods and materials with the company, provided that nothing herein contained shall affect any such contract or arrangement for such sale, purchase or supply entered into, before the commencement of the Indian Companies (Amendment) Act, 1936."

As it has been said that we might consider all these amendments together, if a reasonable attitude is taken by the Law Member, it should not be difficult to accept one or the other of these amendments.

Mr. President (The Honourable Sir Abdur Rahim) : There are so many amendments on the same point. I think it would suit the convenience of the House, if there is any chance or possibility of an agreement being arrived at, it will save the time of the House, if these amendments stand over. Is that agreeable to the House?

Honourable Members : Yes.

Mr. President (The Honourable Sir Abdur Rahim) : I think it will save the time of the House a good deal. If there is a possibility of those who have given notice of different amendments coming to an understanding, I will let them stand over.

Pandit Govind Ballabh Pant : Sir, I move :

"That in clause 40 of the Bill, for sub-section (2) of the proposed section 86F, the following be substituted :

(2) The directors of a public company or of a subsidiary company of a public company shall not, except with the consent of the company concerned in general meeting :

(a) sell or dispose of the undertaking of the company ;

(b) issue the unoffered capital of the company ;

(c) write off any debt due by a director."

The Honourable Sir Nripendra Sircar : Loans have now been prohibited.....

Pandit Govind Ballabh Pant : Not by banks : that is the idea. The object of this section is very simple. There are certain matters which either go to the very root of the business of a company or in which the directors are so intimately interested that it would not be safe to leave the decision in these matters with the board of directors. With this object in view I am moving this amendment. It consists of three clauses ; the first one says that directors shall not dispose of the undertakings of a company. As Honourable Members.....

Sir H. P. Mody : Excuse my asking : how does it come under 86F?

Pandit Govind Ballabh Pant : It is a new clause after that. I think I committed some mistake when sending it. My amendment is that after clause 40 of the Bill, after sub-section (2) of the proposed section 86F, the following be inserted : etc., etc. It is not by way of substitution. Either I made some mistake in writing or the man copying it made a mistake.....

Sir H. P. Mody : If I may explain to my Honourable friend my objection : section 86F deals with the removal of directors—that is the marginal note.....

Pandit Govind Ballabh Pant : The last clause relating to directors is about their vacation of office : this comes just above that in order....

Sir H. P. Mody : It does not fit into 86F.

Pandit Govind Ballabh Pant : Sir, I think this amendment is on the whole a very simple one.....

Sir H. P. Mody : Sir, I rise to a point of order.....

Pandit Govind Ballabh Pant : There is no point of order now.

Sir H. P. Mody : Sir, 86F deals with the removal of directors ; that is the marginal note. Now, the amendment moved by my friend, Pandit Govind Ballabh Pant, deals with certain disabilities which he seeks to impose upon directors, namely, that they cannot sell or dispose

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[Sir H. P. Mody.]

of the undertaking of the company, that they cannot issue the unissued capital of the company and that they cannot write off any debt due by a director. Now, how does all that fit in with the amendment just moved by my friend.....

Mr. President (The Honourable Sir Abdur Rahim) : I understand what there is in the amendment, but what is the Honourable Member's objection ?

Sir H. P. Mody : Sir, my objection is this. My friend says that in clause 40 of the Bill for sub-section (2) of the proposed section 86F, the following be substituted....

Mr. President (The Honourable Sir Abdur Rahim) : He says it should be inserted.

Sir H. P. Mody : Very well, Sir, it is not substitution, but even if it is an addition, it is a totally different matter which my friend wishes to introduce by this amendment into section 86F, which deals only with the removal of Directors. This is not an amendment ; this is an addition of a new clause dealing with an absolutely new subject matter.

Pandit Govind Ballabh Pant : I think my friend, Sir Homi Mody, is under a misapprehension, for which I am myself partly responsible. The amendment relates to the powers of the Directors. If Honourable Members will be good enough to look at clause 40, they will see that it covers the subject of Directors completely, and the last clause 86G contains the grounds on which a Director will be required to vacate his office. Now, before reaching 86G, I want to insert a clause to the effect that the Directors will be under a liability in certain cases so that, if they commit a breach in that respect, then they might be removed and such penalty might be included in 86G. Therefore, I want to add at the end of 86F and before 86G....

Mr. President (The Honourable Sir Abdur Rahim) : Where does the Honourable Sir Homi Mody think this amendment should come in ? What is the proper place ?

Sir H. P. Mody : That is for my friend to decide. All I am pointing out is that 86F.....

Pandit Govind Ballabh Pant : It may be 86F or it may be 86X.....

Sir H. P. Mody : Will you please read your amendment now ?

Pandit Govind Ballabh Pant : My amendment is—
That in clause 40 of the Bill, after sub-section (2) of the proposed section 86F, the following be inserted, and then comes the rest. Will this satisfy my friend now ?

Sir H. P. Mody : That is all right now.

Pandit Govind Ballabh Pant : Sir, I am glad that my friend, Sir Homi Mody, had an opportunity for letting his steam off, and hereafter I hope he will be more reasonable in dealing with the subject

matter of this amendment, so I will count upon his support. This amendment, Sir, is, according to me, more or less non-controversial. The directors of a company are appointed with a view to administer the affairs of the company and to carry out its work from day to day. You will be pleased to notice that the first item in the amendment which is entered here as sub-clause (a) relates to the sale or disposal of the undertaking of the company....

Mr. President (The Honourable Sir Abdur Rahim) : You said this will be clause 86FF ?

Pandit Govind Ballabh Pant : Yes, Sir.

Prof. N. G. Ranga : Sir, I rise to a point of order. Neither the Honourable the Law Member nor the Special Officer who is dealing with this Bill is present in his seat now....

Mr. G. H. Spence (Secretary, Legislative Department) : The Honourable the Leader of the House has gone out with the Honourable the Leader of the Opposition.

Mr. President (The Honourable Sir Abdur Rahim) : One of them at least ought to be here.

[At this stage, Mr. Susil Chandra Sen entered the Chamber.]

Pandit Govind Ballabh Pant : Now, Sir, this sub-clause (a) relates to the sale or disposal of the undertaking of a company. The directors, as I was submitting, are appointed to administer the affairs of the company and to carry on its management from day to day. They are certainly not appointed for the purpose of selling or disposing of the undertaking of the company. The sale or the disposal of the undertaking of a company may sometimes amount to the liquidation or winding up of the company. In every case it involves questions of very substantial and enormous value. So I suggest that when such occasions arise, the directors should obtain the sanction of the general body of the shareholders before transferring the whole or any part of the undertaking of the company. As Honourable Members may be aware, a clause has been introduced in the Act by the Bill whereby an entry can now be made in the memorandum enabling a company to sell or dispose of its undertaking, otherwise it was a doubtful point whether a company could in fact sell or dispose of its undertakings. So it is admittedly and evidently a very important function, and no director should be allowed to deal with a matter of this kind except with the consent of the company. I do not want to quote instances unnecessarily, for it is not pleasant to cite cases which are of a doubtful character and which go to discredit the integrity of our responsible and accredited men in business. I shall not recount any cases, as apart from any instances, nobody can dispute that the sale or undertaking of a company is a matter of such vital importance that it should not be done except with the consent of the company. Whenever such an occasion arises, it will be open to the company to authorise the directors to sell or dispose of the undertakings. The directors may do so after such authority has been obtained from the shareholders.

Then, the second thing I have suggested relates to the issue of the unoffered capital of the company. As Honourable Members are aware,

[Pandit Govind Ballabh Pant.] the companies are entitled to fix any fabulous figure as their capital, but the actual capital that they issue is considerably less; sometimes it is not even ten per cent. of the authorised capital. There is quite a good gap between the authorised capital and the issued capital. Now, suppose an occasion arises for issuing new capital. If there were no authorised capital, then the company would have to pass a special resolution in order to raise the limit of its capital. The issued capital is only the real capital with which the company was concerned when it started its undertaking. If later circumstances arose which made it necessary for the company to raise its capital say by 100 or 200 or 500 per cent., then it should not be open to the directors to do so, because it will react on the value of each share. It is likely to affect the dividends paid on each share held previously by the shareholders. There is also the danger that the directors may issue the unoffered capital and attach special rights to the shares then issued and allot such shares to themselves individually. There have been cases like this and they have even gone to the High Courts. I will however not refer to them at any length. As I said, it is not pleasant for me to describe instances of an unpalatable character. I see no reason why anybody should have any objection to a proposition of this type.

Sir Cowasji Jehangir : What is the wording of (b) ?

Pandit Govind Ballabh Pant : Instead of unissued I use the word unoffered, in order to avoid the likely confusion that may be caused by those cases where capital that had been issued had not been subscribed fully and part of it has yet to be subscribed. Suppose a company has an authorised capital of three lakhs and its issued capital is one lakh. It goes to allotment after shares to the tune of Rs. 50,000 only have been subscribed. Then there is a difference of Rs. 50,000 between the issued capital and the subscribed capital. I do not want in any way to restrain the directors so far as the issue of that Rs. 50,000 is concerned, but the difference between the three lakhs authorised capital and one lakh issued capital or the offered capital, Rs. 2 lakhs, if any part of it is to be offered later at any time to the public, then there should be a resolution of the company authorising the directors to offer this capital. The distinction between unoffered and unissued capital is this, there may be capital which is unsubscribed for and which has been issued, and there may be capital which has not been issued at all and which has not been offered to the public. It is with a view to make a distinction between these two cases that I have used the word "unoffered" for the more common expression "unissued". I think there will be no opposition from any quarter to this proposal. The third item that I suggest is that the directors should not write off any debt due by a director. As Honourable Members are aware, the directors will, under the scheme of the present Bill, not be allowed to borrow any money from the company except in the case of banking companies. But banking companies will be lending thousands, lakhs and may be, if they are possessed of them, even crores. So, in case any occasion arises for writing off any debt that has been advanced to a director, then such powers should not be exercised by the directors themselves but the company alone should be seized of such a power. I hope this proposal of mine will be accepted by all Parties in this House.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in clause 40 of the Bill, after the proposed section 86F, the following be inserted :

' 86FF. The directors of a public company or of a subsidiary company of a public company shall not, except with the consent of the company concerned in general meeting :

- (a) sell or dispose of the undertaking of the company ;
- (b) issue the unoffered capital of the company ;
- (c) write off any debt due by a director '."

Mr. T. Chapman-Mortimer : I oppose this amendment. My Honourable friend, Pandit Govind Ballabh Pant, has told the House that, in his opinion, if this amendment is not carried, all sorts of dishonest persons will be able to carry.

Pandit Govind Ballabh Pant : I did not say so.

Mr. T. Chapman-Mortimer : That is the implication of what he said. He suggests that if we do not restrict the right of the directors....

Mr. T. S. Avinashilingam Chettiar : Louder please.

Mr. T. Chapman-Mortimer : He suggests that if we do not restrict the right of the directors in carrying on the business of the company in respect of (a) to sell or dispose of the undertaking of the company, (b) to issue the unoffered capital of the company, (c) to write off any debt due by a director—if these restrictions are not imposed, the company will always be at the mercy of unscrupulous directors. I do deplore the attitude or the view that is taken sometimes in this House that every person who is in control of a company or, at all events, a great many of the persons who control companies are dishonest persons. I for one happen to be associated with men, and I have in the past associated with men, who I believe are certainly not dishonest, and the practical experience of these men is that they are unanimously opposed to the proposals put forward by my Honourable friend.

An Honourable Member : How do you say that.

Mr. T. Chapman-Mortimer : I will explain. Take, for example, my Honourable friend's first point. He suggests that the directors of a public company or of a subsidiary company of a public company shall not, except with the consent of the company concerned in general meeting, sell or dispose of the undertaking of the company. Now, Sir, if it should happen that a favourable chance arises for the directors to sell to another company, or it may happen that they have a suggestion before them to agree to some merger arrangement which amounts to the same thing as disposing of the undertaking of the company. In such circumstances, if my Honourable friend's amendment is carried....

Mr. T. S. Avinashilingam Chettiar : Louder please. We cannot hear.

Mr. T. Chapman-Mortimer : ...they will not be able to take any action at all until they have received the consent of the company concerned in general meeting. Now, I should like to make a few observations before Honourable Members in that regard. First of all, Honourable Members know that in the Bill now under consideration, very careful

[Mr. T. Chapman-Mortimer.]

provisions have been inserted, or in some cases, will be inserted, regarding notices of company meetings. You have to apprise the members of the exact nature of the business to be discussed in the form of a statement which will obviously have to be a true statement. Honourable Members will remember that we opposed that being left in the form in which it has been left, but unfortunately, we on these Benches were defeated on that point. Here is a case where straightaway you can prove how damaging it may be to the interests of the company. Suppose, Sir, that a company has been running for 20 or 30 years, it has been a very profitable company, it was manufacturing cotton goods. Suppose the time comes when the directors managing that company decide that it is in the best interests of their shareholders that they should sell their undertaking to a larger company which is more strongly situated to deal with unsettled economic conditions.

Now, this is a very common thing in business. Any one of my Honourable friends opposite can imagine what the situation would have been during these last ten years if on every occasion on which a weak company had to decide whether or not it is to be sold and if on each of these occasions it had to tell the whole world,—as it will have to do, if the statement is to be issued,—that they were considering the sale of the company and the disposal of the undertaking. I cannot understand how any one can imagine for a moment or argue for one moment that that will not be most damaging to that company. Take the case, as I have just mentioned, of a company that has been for 20 or 30 years a prosperous company. The mere fact that it had sent a notice to its members informing them that a meeting was to be held at which they were to decide whether or not the recommendations of the directors for the sale of the company was to take effect would immediately have a most damaging effect on the shares of that company. It would create uncertainty in the minds of every shareholder as to whether or not the shares were really worth what they thought they were. It has been represented on more than one occasion that the shareholder is a poor innocent creature. Personally I do not share that view, but, Sir, I do say this and I am perfectly certain that any reasonable man would admit the strength of the contention. Shareholders are composed of all sorts of people. They may be Government officials, they may be farmers, they may be planters, they may be lawyers and they may be doing hundred and one other things in life. It is not their business to understand accounts and company law. Therefore it is an extremely difficult thing for them to know and to decide whether or not a balance-sheet really means what experts know it does mean. It is still more difficult when, as in nine cases out of ten, they do not really read the balance-sheet. They only read the directors' report to find out whether or not they are going to get a dividend. If there is a dividend, well and good. If it is a good dividend, so much the better. After they have seen the balance-sheet and the profit and loss account, they go to the waste paper basket and then they confine themselves to a study of the daily papers and see whether their share stands at Rs. 20, Rs. 30 or Rs. 100, as the case may be.

The Honourable Sir Nripendra Sircar : May I put a question to my friend, if he will permit me? I have got an open mind on this question. Now that we have done away with the confirmatory meeting, for an extraordinary resolution you want only three weeks. Is there

any real serious objection in placing the matter before the shareholders. After all one has got to wait only three weeks and the directors will not make up their mind to call a meeting until and unless they have come to a kind of agreement that the property is going to be sold subject to the meeting of the shareholders. What is the practical difficulty?

Mr. T. Chapman-Mortimer : That is what I have been trying to elaborate, apparently not with very much success. The point is this. If you have got to give notice of a meeting, I do not care whether it is a week's notice, three weeks' notice or three months' notice and if to that notice you have got to append a statement to say that the business of that meeting is to dispose of the undertaking or to consider whether the recommendation of the directors for disposal of that undertaking should be accepted, if all that appears in the statement, as it must surely, then you are going to reveal the position straight away.

Mr. M. A. Jinnah : May I interrupt the Honourable Member. I want to be enlightened upon this point. Do you object to the consent of the shareholders or do you object that their consent should be obtained previously to the agreement being concluded.

Mr. T. Chapman-Mortimer : That raises an old question which has been raised a hundred times in the House of Commons, namely, the responsibility of the Government or the executive to have power to take action in the interests of the country or the Board of Directors.

Sir Cowasji Jehangir : You had better think it over overnight.

Mr. T. Chapman-Mortimer : It is a very different thing to go to the shareholders and ask them to approve of what you propose to do, and to go to them to ratify the agreement. That, Sir, is one of the main objections to this amendment.

Mr. M. A. Jinnah : It does not say "previous consent".

Mr. T. Chapman-Mortimer : The point is that it is the directors who must decide. If they don't have that power, then you are going to make it very difficult for company management to go on. It is one of the essential responsibilities of the directors to decide what is in the best interests of the company at that particular moment. No shareholder or few shareholders can possibly know what is in the mind of the directors. In order to know that, they will have to know about all sorts of contracts and so on. All these things take a great deal of time and they are beyond the understanding of the shareholder and if this amendment is approved, it would undoubtedly undermine the authority of the directors. Sir, I oppose the amendment.

STATEMENT OF BUSINESS.

The Honourable Sir Nripendra Sircar (Leader of the House) : Next week, Sir, the House will be asked to dispose of the remaining stages of the Cantonments Bill before proceeding with the Company Bill. The Cantonments Bill will, I hope, be disposed of before the House rises on Monday, and the consideration of the Company Bill will then be resumed and continued on Wednesday and Friday. Tuesday and Thursday, as Honourable Members are aware, are non-official days.

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Mr. President (The Honourable Sir Abdur Rahim) : I have to inform the House that His Excellency the Governor General will address the Assembly and the Council of State together on Monday morning at 11 o'clock. I, therefore, adjourn the House till 2-30 p.m., on that day. I take it that it is the general desire of the House to dispense with questions on that day.

The Assembly then adjourned till Half Past Two of the Clock on Monday, the 21st September, 1936.

LEGISLATIVE ASSEMBLY.

Monday, 21st September, 1936.



SPEECH DELIVERED TO THE COUNCIL OF STATE AND THE
LEGISLATIVE ASSEMBLY BY HIS EXCELLENCY THE
VICEROY.

His Excellency the Viceroy having arrived in procession with the Presidents of the Council of State and the Legislative Assembly took his seat on the Dais at Eleven of the Clock.

His Excellency the Viceroy : Gentlemen, I wish on this, the first occasion on which as Governor General I address the Indian Legislature to say how great a pleasure it is to me to extend my greetings to the Members of that Legislature, and in particular to the distinguished Presidents of the Council of State and of the Legislative Assembly, both of them, I am glad to say, well known to me.

It has, I think, in the past been the custom of my predecessors, in addressing the Legislature, to deal in some detail with the various measures from time to time under the consideration of the Government of India. The occasion on which I now address you is, however, one of a wholly special character and significance. Not only is it the last occasion on which this Legislature will meet as a whole; but my words today are spoken at a time when the elections for the Provincial Legislatures are close upon us, and when we are within a very short distance of the inauguration of Provincial Autonomy. It is my intention therefore to make only a relatively brief reference to those questions which have come under the direct consideration of the Legislature or of the Departments of the Government of India, and to lay before you at somewhat greater length than might otherwise be appropriate the reflections of a general character that suggest themselves to me at this critical juncture in the political development of India.

But before I pass to those matters, since the Session now about to begin will be the last Session of the present Council of State, I would like to take the opportunity to pay a tribute to the invaluable work which the Council of State has done under the sage and experienced guidance of its President, Sir Maneckji Dadabhoy. Consisting as it does of Members of proved experience in many walks of life, its balanced judgment on the problems that have come before it and the pains which it has invariably taken to reach a just and objective decision on the many controversial issues with which it has been faced, entitle it in a high degree to our gratitude and our esteem.

I do not, in the circumstances to which I have already referred, propose to do more than touch on one or two of the more important matters which are at present under the consideration of my Government, and my reference

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even to these will be brief. The first in importance among these matters is unquestionably the problem of middle-class unemployment. I have spared no effort since I assumed office to familiarize myself with the various aspects of this problem and with the possible methods of grappling with it. It is one with the complexity and the difficulty of which you are familiar. My Government are actively investigating the avenues opened up by the very valuable Report of the Sapru Committee, and they are leaving nothing undone to devise methods of dealing with what is one of the fundamental issues of the present day in most countries of the world.

The position and the difficulties of Indians overseas have always been matters in which Indian public opinion and this Legislature have shown the keenest concern. The past months have been marked by several developments of interest and importance. Representatives of the Government and the Parliament of South Africa are already in India, and I take this, the first public opportunity that has presented itself, of extending to them the warmest of welcomes on behalf of India as a whole. My Government have, I am glad to say, been able to afford Indians in Zanzibar the expert guidance and advice of one of my officers in connection with the difficulties which they have been experiencing. The question of the reservation of the Kenya Highlands has been settled on a basis which represents the admission of a principle for which India has consistently contended. The decisions taken as to the future composition of the Legislative Council in Fiji may be regarded as satisfactory from the Indian standpoint. The Transvaal Asiatic Land Tenure Amendment Act of 1936 will be of material benefit to Indians in the Transvaal. It is but natural that India should display a continuing and active interest in the problems affecting her citizens overseas. And it is a source of keen satisfaction to me on this, the first occasion on which I address the Legislature, that the recent record of achievement in safeguarding those interests should have been so encouraging.

Negotiations, as you are aware, are in progress with Representatives of the Japanese Government for the conclusion of a new commercial agreement. It is my earnest hope that those negotiations may in the very near future reach a fruitful outcome. You will, I am sure, welcome the decision which my Government have taken to appoint in the near future an Indian Trade Commissioner to Japan, and, with a view to assisting the development of Indian trade with East Africa, to Mombasa.

The separation of Aden from India will coincide with the inauguration of Provincial Autonomy. The association has been a long one, and I am glad to think that, on its determination, His Majesty's Government have given full weight to Indian feeling in the matter of safeguards for the special Indian interests connected with the Aden Settlement.

As you are I think aware, two problems to which I attach the utmost importance are that of public health, and the problem of nutrition as affecting human beings and animals alike. The problem of nutrition is at all times one of vital concern to any country, and on its solution hinges essentially the future of India as a whole. No effort that can be made to ameliorate

conditions and to assist in the solution of this problem can be too great; and you may rest assured of my own continued and abiding personal interest in it. Hardly less material in its relation to the development and progress of India is the problem of Public Health. In this field, in particular, co-operation and the maximum degree of continued and co-ordinated effort between the Central and the Provincial Governments is essential. I am most anxious that all possible assistance should be available to those concerned with the investigations of the many difficult issues that arise, and with the practical application of such remedial measures as may be required. I am accordingly taking active steps for the establishment of a Central Public Health Advisory Board which, in collaboration with the Provincial Governments, and with a constitution somewhat analogous to that of the Central Advisory Board of Education shall apply itself to the realisation of this ideal.

I have, since I assumed my present office, done all that lies in my power to stimulate and encourage rural development, and the response after even so short a time has in my judgment been most encouraging. But in devoting my attention to agriculture and its problems, I have not ignored the legitimate claims of Industry, and I am taking a close interest in the problems of Industry and in particular in the co-ordination and development of industrial research. In this connection I cannot but affirm my conviction that no steps can be taken which will be more effective in promoting the expansion of commerce and industry than those designed to enhance the purchasing power of the rural population.

Before I pass to a consideration of the great constitutional developments which lie before us, it is proper that I should take the opportunity to mention the debt under which we labour to Sir Laurie Hammond and his Committee, and to Sir Otto Niemeyer. The investigations of Sir Otto Niemeyer have left us fully seized of the financial position of the Centre and the Provinces alike, a state of things essential to the introduction of Provincial Autonomy and of Federation. To Sir Laurie Hammond and his Committee we owe the well-balanced and carefully considered recommendations on which the constituencies for the future legislative bodies will essentially be based.

The stage is now set for Provincial Autonomy, and on the 1st April 1937 that fundamental constitutional change will come into being. With its inauguration takes place the first of the stages in the transmutation of the Indian constitutional position. The second stage, the stage of Federation, lies ahead of the stage of Provincial Autonomy. But, as I have endeavoured on various occasions to make clear, I am myself of opinion that the interval between Provincial Autonomy and Federation must inevitably be a very short one. I am not blind to the difficult and delicate problems which arise in connection with the inauguration of the Federation, and in particular with the accession to it of the Ruling Princes. But I am taking all possible steps to expedite the investigation and disposal of those problems, and to lighten the burden of those on whom there falls the responsibility of a decision so important as that which accession to the Federation constitutes. The question, in all its aspects, is receiving day by day my own close personal attention, and you can rely upon me, Gentlemen, to leave nothing undone that lies within my power,

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to remove any misunderstandings or misapprehensions which may exist, and to facilitate the task of those on whom there fall the momentous responsibilities involved.

Of the intricacy of the problem I am, in the light of my own experience, fully conscious. Indeed I am moved on occasions to ask myself whether those of us who have laboured in India and in London, upon the three Round Table Conferences, upon the Joint Select Committee, or in Parliament itself, as supporters or as critics of the great scheme of constitutional reform enshrined in the Act of 1935, whether we are not in some danger of finding ourselves so engrossed in the multifarious details of the plan as to lose sight of the essential outlines of the structure and, at times, even of the splendid vision that has moved and inspired its inception. And in truth the moment has come for a due appraisal—separates us from the commencement of Provincial Autonomy, while the strong probability is that the transitory period between the achievement of Provincial Autonomy and the inauguration of the Federation of India, will be of short duration.

As we attempt such an appraisal, the spectacle that confronts our eyes is rendered the more impressive by reason of its contrast with the dark and ominous background of contemporary world events. In Europe we see an array of dictatorships risen from the ashes of those liberal systems of government which preceded them, each arming feverishly against a possible crisis that all fear and none desire; while civil war, in its cruellest and most destructive shape, despoils a nation once supreme alike in the Old World and the New. Again, in many parts of the world, we become aware of the recrudescence of the rule of force, and in one guise or another, of the exploitation of the weak by the strong.

These are the world conditions in which, by the joint statesmanship of Britain and India, there is about to be initiated in this country an experiment in representative self-government, which for breadth of conception and boldness of design is without parallel in history; these the circumstances in which the British People and Parliament have seen fit to offer to India a constitution which by its liberal principles, stands in such impressive contrast to those political tendencies which are evident over wide areas of the World. And if the constitutional changes now impending predicate the remarkable growth of Indian political consciousness in terms both of the desire for self-government and of a growing realisation of the essential unity of India, so also those changes connote a profound modification of British policy towards India as a member of the Commonwealth. For indeed by their very nature they involve nothing less than the discarding of the old ideas of imperialism for new ideals of partnership and co-operation.

In April of next year there will come into being eleven autonomous Provinces, some of them as extensive in area and with populations as large as many European countries. Over these great areas Indian statesmen will be called upon to bear the heavy burden of responsibility for the entire field of civil government in the provincial spheres. When the vast electorate,

aggregating some 35 million persons, go to the polls to choose their representatives in their respective Legislatures, to which those Ministers will be responsible the individual voter will have a new duty and a new opportunity. For by their choice the electors will be deciding not merely upon the person to represent them in the Legislature, but they will be contributing directly towards shaping the course of public policy in their Province. For the trend of government, legislative and administrative, must needs move in the direction indicated by the will of a majority of the electorate.

We are witnessing at the moment in every Province in India that which is an essential preliminary to the successful working of democratic constitutions, namely, the formation or development of political parties. Having myself had some share in party management in my own country, I am observing with no little interest the progress of events. My own experience suggests that it is easy, at such a juncture, to over-estimate the power of the party manager to influence the course of party evolution, and to fall into the capital error of forgetting that in these matters it is the electorate that shapes parties as well as policies.

I do not doubt that there will emerge, at the outset of the change, points of difficulty and uncertainty. That in all the circumstances is inevitable. But I am confident that such minor difficulties will early be surmounted. The essential fact is that upon the 1st of April next year we are destined to embark upon the first stage of this remarkable political adventure. From that moment these great political entities will move forward into the future, the objects—we may be sure—of intense local patriotism proud of their history, confident in their future, determined, each one of them, to play a worthy part in that new India which is now taking shape before our eyes.

Such, then, are the eleven autonomous Provinces which, in union with such of the Indian States as may choose to accede, will constitute the Federation of India, that majestic structure which by the statesman like vision of the Indian Princes was transmuted in a moment from what was no more than a dim and uncertain outline into a project firm and practicable—a project which now appears as an essential part of the scheme of constitutional development. Here again, I feel doubt as to whether those of us in day-to-day contact with the complex problems attaching to the launching of such a project are able so far to detach ourselves as to envisage, in all its impressive mass, the mighty work upon which we are privileged to labour. The unitary system of government for so long the supreme authority in India is disappearing as we watch. In its place great autonomous Provinces make their appearance; and finally comes the Federation, crowning the entire structure and embracing and unifying within its bold and ample scope the common life and aspirations of one-fifth of the human race, dispersed over a sub-continent as large as Western Europe. Such will be the structure of government in India which, when the task is completed, will meet the gaze of a watching world: a spectacle whose dignity and grandeur will be not unworthy of this great and famous country.

One word more. It is axiomatic that the spirit in which a constitution is worked must in the long run count for more than the letter in which it is written. For myself I am able to assure you that, for such time as I may hold my present office, it is my intention to interpret my duty with a liberal and sympathetic

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mind. It has been my privilege, through a long and arduous period of work, to apply my mind to every aspect of the new constitution. I am well aware that there are those in this country who are dissatisfied with certain of its provisions. I accept the sincerity of their opinions even though I find myself unable to endorse their views. For my part I shall be found ready and anxious, when the time comes, to work to the best of my power, with any and every political party willing to work the constitution, that may succeed in winning the confidence of the electorates. My heartfelt plea to every man and woman of goodwill and public spirit is that they may give these Reforms a fair and reasonable trial, and that they will join with me and with the Governors of Provinces in an earnest endeavour to work the new Constitution in a spirit of tolerance and co-operation, for the honour and good of their motherland. (Cheers and Loud Applause.)

The Assembly met in the Assembly Chamber at Half Past Two of the Clock, Mr. President (The Honourable Sir Abdur Rahim) in the Chair.

MEMBER SWORN.

Sir Girja Shankar Bajpai, K.B.E., C.I.E., M.L.A. (Secretary, Department of Education, Health and Lands).

SHORT NOTICE QUESTIONS AND ANSWERS.

SYSTEM OF VOTING AT THE COMING PROVINCIAL ELECTIONS BY MEANS OF COLOURED BOXES WITH OR WITHOUT SYMBOLS.

Mr. Mohan Lal Saksena : (a) Will Government state what action, if any, has been taken to give effect to the unanimous recommendation that for purposes of elections under the new Government of India Act, the system of voting should be by means of coloured boxes with or without symbols ?

(b) Have the Government of the United Provinces been consulted in this connection ?

(c) If so, will Government be pleased to state what opinion they have given ?

(d) Will Government be pleased to state which other Local Governments, if any, are not agreeable to accept the system of voting as recommended by the Legislative Assembly, and what are their reasons therefor ?

The Honourable Sir Nripendra Sircar : (a) The Government of India have carefully considered, in consultation with the Local Governments and the India Office, the recommendation of the Legislative Assembly that the system of voting at elections should be by means of coloured boxes with or without symbols. It has been decided that in this matter Provincial Governments should be given latitude themselves to select the system of voting suited to local conditions.

(b) Yes.

(c) and (d). Since the decision has been left to the Provincial Governments, the Government of India would be reluctant to make any statement prior to the announcement by the Provincial Governments of their own decisions. I am, however, able to inform the Honourable Member that he may expect the very early publication by each Provincial Government of its Rules for the conduct of elections, and that it is in those Rules that the arrangement approved by each Provincial Government will be embodied.

Mr. Mohan Lal Saksena : Have the Government of India made any suggestions to the Local Governments ?

The Honourable Sir Nripendra Sircar : The Government of India have received no information about the final decision, and, as regards the negotiations which took place between the two Governments, a final decision not having been arrived at yet, I do not propose to give that information, as I doubt if it is in the public interest.

Mr. Mohan Lal Saksena : Did the Government of India make any recommendation on the recommendation of this Assembly to the Local Governments ?

The Honourable Sir Nripendra Sircar : That is a question which I have answered,—viz., that those recommendations are part of negotiations which I objected to disclosing, and I think I told my Honourable friend—if not, I will do so now—that we have no information about the final decision which has been recommended or adopted by the Local Government.

Qazi Muhammad Ahmad Kazmi : Do the Government of India think that there is any such difference in the local conditions of the Punjab and the United Provinces on the one hand and Madras on the other hand that coloured boxes will not be useful in the United Provinces and the Punjab ?

The Honourable Sir Nripendra Sircar : How does that question arise ? After all, that is a matter of opinion ; and I have said in my answer that the opinion of Local Governments, having regard to the local conditions, will be given effect to by the Government of India. I said that in the first part of my answer to this question.

Qazi Muhammad Ahmad Kazmi : What I want to know is—does any difference lie in the local conditions between the Punjab and Madras according to the Government of India themselves ? Do the Government of India think that the local conditions in the Punjab and the United Provinces are such that coloured boxes cannot be useful, as they are useful in the Madras Presidency ? I want to know the recommendations of the Government of India.

The Honourable Sir Nripendra Sircar : I have answered that question, and as regards the recommendations of the Government of India, I have answered that question also, already.

Pandit Govind Ballabh Pant : Is there any likelihood of the elections to the Federal Legislative Assembly taking place some time during the next five years after the formation of the provincial Legislative Assemblies ? Is there any chance of their coming off within five years of the constitution of the Provincial Assemblies ?

The Honourable Sir Nripendra Sircar : It may be five years, it may be more, it may be less ; we are hoping it will be less.

Pandit Govind Ballabh Pant : Is it possible that it may be less ?

The Honourable Sir Nripendra Sircar : Oh, yes.

Pandit Govind Ballabh Pant : In that case will the Provincial Assembly elect representatives for the Federal Assembly ?

The Honourable Sir Nripendra Sircar : Of course.

Pandit Govind Ballabh Pant : In that case the constitution and composition of Provincial Assembly is sure to affect the structure of the Central Legislature ?

The Honourable Sir Nripendra Sircar : Certainly.

Pandit Govind Ballabh Pant : Is it not a fact that in the United Provinces there are no excluded or backward tracts, as in Bihar and Madras ?

The Honourable Sir Nripendra Sircar : I will accept that from the Honourable Member. I have not looked into it.

Pandit Govind Ballabh Pant : Is it a fact that the people of the rural areas of the United Provinces are not more backward than the people in Bihar or even in the advanced Presidency of Madras ?

The Honourable Sir Nripendra Sircar : Sir, I would not indulge in any invidious comparisons.

Pandit Govind Ballabh Pant : I wanted you to say that they are better.

The Honourable Sir Nripendra Sircar : That is a matter of opinion.

Pandit Govind Ballabh Pant : Is there anything to suggest that the people living in the rural parts of the United Provinces are colour-blind ?

The Honourable Sir Nripendra Sircar : I have very little knowledge of the rural population of the United Provinces, and have never tested their sights.

Mr. President (The Honourable Sir Abdur Rahim) : Next question.

DAMAGES DONE TO RAILWAY LINES IN THE DISTRICTS OF GAYA AND PATNA.

Mr. Ram Narayan Singh : (a) What is the latest and most accurate account of the damages done to the Railway lines on (i) the Gaya-Patna Branch, (ii) the Grand Chord, and (iii) the Main Lines owing to the recent floods in the districts of Gaya and Patna ?

(b) What is the extent of the damages referred to in part (a) above ?

(c) What steps are being taken to immediately restore the regular services of all the trains running on the lines mentioned in part (a) above ?

(d) When do Government expect the services to be restored ?

(e) Has any of the trains on the Grand Chord Line been diverted through Barkakana and Daltonganj ? If not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : Sir, I might indicate that the reply I am about to give to this question will also cover question on the same subject by Babu Kailash Behari Lal of which short notice has been given and which is due to be answered today. With your permission, Sir, that question might also be read out.

Mr. President (The Honourable Sir Abdur Rahim) : Yes. Babu Kailash Behari Lal.

Babu Kailash Behari Lal : (a) Has the attention of Government been drawn to the serious flood situation in Bihar and the consequent threatened inundation of Patna and Gaya towns and the dislocation of traffic by breaches in the Railway line on the Grand Chord between Gaya and Moghul Sarai and between Mokamah and Fatwah on the Chord Line ?

(b) How long is it since the railway traffic on the Grand Chord line stopped ?

(c) What steps have been taken by the authorities to restore the communication and improve the situation ?

The Honourable Sir Muhammad Zafrullah Khan (a), (b) and (d). On the Gaya-Patna Branch, minor wash-outs occurred on the 12th September and through running of trains was resumed at 3 o'clock in the afternoon on the 15th.

On the Grand Chord line, there were minor wash-outs and serious breaches on the morning of the 12th September. The breaches were between Sone East Bank and Rafiganj, both lines between Palmerganj and Sone East Bank being affected. The wash-outs were repaired within 48 hours. The Agent, East Indian Railway, reporting on the 17th instant, stated that all breaches had been repaired, except near Palmerganj station where a single line diversion was being put in owing to the depth of the scour at this breach, the Agent did not expect that through running over the Grand Chord could be resumed much before today.

On the main line, no actual breach occurred, but due to high water levels, between Fatwa and Patna and track subsidences, night running was suspended at 11 o'clock in the night on the 13th September and trains were held up at Mokamah and Patna. Through running on the main line was resumed at 7 hours on the 14th.

(e) and (e). Trains booked to run over the Grand Chord were diverted *via* the main line. Since the 15th, trains have also been diverted over the Barkakana-Daltonganj-Sone East Bank section up to the capacity of that branch. This diversion could not be arranged earlier as the section was breached on the 11th and repairs were not completed till the 14th. One train only, *viz.*, No. 13 Up on the 13th was diverted over the Bengal Nagpur Railway's route.

Pandit Lakshmi Kanta Maitra : Have Government made inquiries into the causes of these floods which have caused damages to the line ?

The Honourable Sir Muhammad Zafrullah Khan : Excessive rain.

Pandit Lakshmi Kanta Maitra : Is the Honourable Member aware that Major William Wilcox reported a few years ago that it is due to the indiscriminate bridges and dams that these frequent floods are caused which give rise to famine and pestilence ?

The Honourable Sir Muhammad Zafrullah Khan : I am not so aware.

Pandit Lakshmi Kanta Maitra : Is the Honourable Member aware that the late Rai Bahadur Ralia Ram, Executive Engineer of Eastern Bengal Railway, was deputed by the Government to hold an inquiry into the frequent floods consequent on light showers—not heavy showers—and the damages done to the railway line and to the people of the surrounding villages ?

The Honourable Sir Muhammad Zafrullah Khan : I would require notice of that question.

Pandit Lakshmi Kanta Maitra : May I know if Government have not applied its mind to the question of preventing these floods in the future ?

Mr. President (The Honourable Sir Abdur Rahim) : That question does not arise.

Mr. Ram Narayan Singh : Is it not the old practice of the Railway Department that when a particular line is broken or is disturbed in any other way, the passengers are allowed to travel to their destination through the longer route by paying the fare of the shorter route ?

The Honourable Sir Muhammad Zafrullah Khan : There is a short notice question with regard to that which I shall answer the day after tomorrow.

Babu Kailash Behari Lal : May I know whether there was any temporary arrangement for the transshipment of passengers so long as the traffic was held up on account of the breaches ?

The Honourable Sir Muhammad Zafrullah Khan : On which particular line ?

Babu Kailash Behari Lal : Between Mokamah and Fatwah ?

The Honourable Sir Muhammad Zafrullah Khan : I have said that certain trains had to be held up on the main line, because the line was not considered safe. That being so, there was no question of transshipment on that line.

Pandit Lakshmi Kanta Maitra : Is the Honourable Member in a position to give us some idea in money of the damages caused to this Railway ?

The Honourable Sir Muhammad Zafrullah Khan : I am afraid it is absolutely impossible to make any estimate.

MOTION FOR ADJOURNMENT.

PROHIBITION OF THE ASSEMBLING OF FIVE OR MORE PERSONS WITHIN A RADIUS OF TWO MILES OF CERTAIN COTTON MILLS AT CAWNPORE.

Mr. President (The Honourable Sir Abdur Rahim) : I have received notice of a motion of adjournment from the Honourable Member, Mr. Mohan Lal Saksena, to this effect :

"The promulgation by the District Magistrate of an order under section 144, Criminal Procedure Code, prohibiting the assembling of five or more persons within a radius of two miles of certain cotton mills at Cawnpore.

The report of the order was published in the *Hindustan Times*, dated the 20th September, 1936."

I should like to know from the Honourable Member if he is aware that an order passed in the ordinary administration of law cannot be the subject of an adjournment motion ?

Mr. Mohan Lal Saksena (Lucknow Division : Non-Muhammadan Rural) : Sir, it is a question which affects labour. There was a report in the newspaper that for the enforcement of this order meetings were dispersed by baton charge. This is a question which affects labour, and, therefore, it is the concern of the Central Government as well.

Mr. President (The Honourable Sir Abdur Rahim) : Many orders are passed under section 144 to prevent certain meetings.

Mr. Mohan Lal Saksena : This is not one of those orders. It is an order which affects the labour.

Mr. President (The Honourable Sir Abdur Rahim) : That makes no difference : it may affect other people as well. I, therefore, rule that the motion is out of order.

THE INDIAN TEA CONTROL (AMENDMENT) BILL.

The Honourable Sir Muhammad Zafrullah Khan (Member for Commerce and Railways) : Sir, I move for leave to introduce a Bill to amend the Indian Tea Control Act, 1933, for certain purposes.

Mr. President (The Honourable Sir Abdur Rahim) : The question is : "That leave be granted to introduce a Bill to amend the Indian Tea Control Act, 1933, for certain purposes."

The motion was adopted.

The Honourable Sir Muhammad Zafrullah Khan : Sir, I introduce the Bill.

THE INDIAN LAC CESS (SECOND AMENDMENT) BILL.

Sir Girja Shankar Bajpai (Secretary, Department of Education, Health and Lands) : Sir, I move for leave to introduce a Bill further to amend the Indian Lac Cess Act, 1930, for a certain purpose.

Mr. President (The Honourable Sir Abdur Rahim) : The question is : "That leave be granted to introduce a Bill further to amend the Indian Lac Cess Act, 1930, for a certain purpose."

The motion was adopted.

Sir Girja Shankar Bajpai : Sir, I introduce the Bill.

THE CANTONMENTS (AMENDMENT) BILL—contd.

Mr. President (The Honourable Sir Abdur Rahim) : The House will now resume consideration of the Bill further to amend the Cantonments Act, 1924, for certain purposes, as reported by the Select Committee for the second time.

Mr. G. R. F. Tottenham (Defence Secretary) : Sir, when the House discontinued discussion of this Bill, we were engaged on clause 67 and the amendment moved by my Honourable friend opposite asked for the deletion of that clause. I may say that I am prepared to accept that amendment, but I think I must say just one or two words, especially with reference to what my Honourable friend, Mr. Satyamurti, said regarding the future constitutional position. I do not, I am afraid, accept the statement of the constitutional position as set forth by my Honourable friend, Mr. Satyamurti, for he seems to have overlooked the fact that, at present, so also under the new constitution, 'cantonments' will be a central subject, exclusively within the executive and legislative authority of the Federation. However, Sir, the future constitutional relations between the Centre and the Provinces in the matter of cantonment administration will be settled by the Constitutional Act and it is perfectly true that this particular clause in the Bill is merely a statement of the existing constitutional position. As such, it is not of great value and will cease to operate from the 1st April 1937. I do not think it is necessary to retain it.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That clause 67 stand part of the Bill."

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim) : The House will now go back to clause 10.

Mr. N. V. Gadgil (Bombay Central Division : Non-Muhammadan Rural) : Sir, I beg leave to withdraw my amendment*.

The amendment was, by leave of the Assembly, withdrawn.

Mr. N. V. Gadgil : Sir, I beg leave to withdraw my amendment†.

The amendment was, by leave of the Assembly, withdrawn.

*"That for sub-clause (a) (i) of clause 10 of the Bill, the following be substituted :

"(i) for sub-clause (iii) of clause (b), the following shall be substituted :

"(iii) is entitled to be on the electoral roll of the Provincial Assembly, by virtue of educational qualifications prescribed for the particular province concerned."

†"That after sub-clause (a) (ii) of clause 10 of the Bill, the following new sub-clause be inserted :

"(iii) after clause (c) the following shall be inserted :

"(d) Every person whose name is entered on the current electoral roll of the constituency of which the particular Cantonment forms a part for the purpose of the Provincial Legislative Assembly."

Mr. N. V. Gadgil : Sir, I beg to move :

" That in sub-clause (a) (i) of clause 10 of the Bill, the word ' and ' be omitted, and, after the sub-clause, the following be added and the existing sub-clause (a) (ii) be re-numbered as (a) (iii) :

" (ii) sub-clause (iv) of clause (b) shall be re-numbered as sub-clause (v) and the following shall be inserted as sub-clause (iv), namely :

" (iv) is a person whose name is entered or is entitled to be entered on the current electoral roll of the constituency of which the cantonment forms part for the purposes of the Central or Provincial Legislatures ; or ' , ' "

Sir, the other day, when these amendments were moved and were under consideration, it was by agreement decided that this clause should stand over to find out some common formula. I submit that the amendment I have moved now is an all-covering general amendment. In clause 10 (a) (i), the literacy qualification of the Matriculation examination remains. I am only adding another clause to the section. All those persons whose names have been entered upon the electoral roll for provincial Assembly or for the Central Legislatures will be automatically put on the electoral roll for the purposes of Cantonment Boards election. The addition of voters will be considerable. Not only will the names include persons who are qualified to be there on account of the literacy qualifications, but what is far more important, members of the scheduled castes will be there on the electoral roll of the Cantonment and also women by virtue of their being the wives of those who are qualified to be voters of the Central as well as the provincial legislatures. There is one part of the amendment which I understand the Honourable Member in charge of the Bill does not want to accept. It is this ; " or is entitled to be entered on the current electoral roll " . My justification for putting in these words is this. The current roll that is prepared either for the provincial Legislative Assembly or for the Provincial Legislative Council or for the Central Legislatures which may come hereafter, will remain in force for at least five years. Those people who earn the qualification after these current electoral rolls are prepared will go unrepresented. Therefore, I have put in those words so as to enable them to be put on the electoral roll for the Cantonment concerned otherwise for five long years they will not be there on account of their literacy qualification unless they are Matriculates for which provision has already been made. For these reasons, I hope the Honourable Member in charge will accept my whole amendment. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

" That in sub-clause (a) (i) of clause 10 of the Bill, the word ' and ' be omitted, and, after the sub-clause, the following be added and the existing sub-clause (a) (ii) be re-numbered as (a) (iii) :

" (ii) sub-clause (iv) of clause (b) shall be re-numbered as sub-clause (v) and the following shall be inserted as sub-clause (iv), namely :

" (iv) is a person whose name is entered or is entitled to be entered on the current electoral roll of the constituency of which the cantonment forms part for the purposes of the Central or Provincial Legislatures ; or ' , ' "

Mr. G. R. F. Tottenham : Sir, I am prepared to accept the amendment moved by my Honourable friend if he would agree to omit those

words which he referred to, that is if he confines the amendment to those persons whose names are entered on the current electoral rolls, instead of those persons who are entitled to have their names entered on the current electoral roll. It may be that for a short time some inconvenience may be caused, as he suggested, but I do submit it would be wrong to put on the statute book permanently a provision making Cantonment authorities responsible for settling disputes whether a person's name ought or ought not be entered on the electoral roll of a Provincial or Central Legislature. I think if any individual is anxious to vote in a Cantonment election, he ought to take the trouble himself to get his name put on the Provincial or Central electoral roll, and then there would be no dispute about it in the Cantonment itself. I do submit that it is entirely outside the province of the Cantonment authority to have to settle questions of entitlement to a place on the electoral roll of a provincial or a central legislature. If the Honourable Member would be prepared to omit those words, I shall be very glad to accept this amendment.

Mr. N. V. Gadgil : I am prepared to accept the suggestion of the Honourable Member and to amend my amendment by deleting the words " or is entitled to be entered " . These words may be omitted from my amendment.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

" That in sub-clause (a) (i) of clause 10 of the Bill, the word ' and ' be omitted, and, after the sub-clause, the following be added and the existing sub-clause (a) (ii) be re-numbered as (a) (iii) :

" (ii) sub-clause (iv) of clause (b) shall be re-numbered as sub-clause (v) and the following shall be inserted as sub-clause (iv), namely :

" (iv) is a person whose name is entered on the current electoral roll of the constituency of which the cantonment forms part for the purposes of the Central or Provincial Legislatures ; or ' , ' "

The motion was adopted.

Mr. Mohan Lal Saksena (Lucknow Division : Non-Muhammadan Rural) : Sir, I beg to move :

" That in sub-clause (b) (i) of clause 10 of the Bill, after the word and figure ' clause (v) ' the words " for the words ' six months ' , the words ' two years ' shall be substituted and " be inserted. "

Sir, my object in moving this amendment is to bring the electoral roll of the Cantonments in conformity with the electoral rolls of the provincial Assembly or the Central Assembly under the Government of India Act. If you refer to section 27 of the Cantonment Act, you will find that under this section there are certain conditions by which a person may be debarred from having his name entered on the electoral roll and among these conditions. Section 27 (2) (v) says :

" A person, notwithstanding that he is otherwise qualified, shall not be entitled to be enrolled as an elector if he on the aforesaid date :

has been sentenced by a Criminal Court to imprisonment for a term exceeding six months or to transportation or has been ordered to find security for good behaviour under the Code of Criminal Procedure, 1898, or has been sentenced by a Criminal Court for any offence under Chapter IX-A of the Indian Penal Code. "

[Mr. Mohan Lal Saksena.]

By this amendment I want to make the operative sentence from six months to two years. That is a person who has been sentenced to more than two years, transportation or imprisonment, shall not be eligible to have his name on the electoral roll. Sir, there is another section in the Cantonment Act, section 28, in which it is laid down that persons subject to certain disqualifications shall be debarred from nomination or election to Cantonment Boards. We have passed the clause of this Bill covering this section. Honourable Members are aware that under the Government of India Act, there are no disqualifications on the ground of conviction for registration of voters, I desire that we should also make this Act on a par with the Government of India Act. In Schedule VI of the Government of India Act, 1935, we find that there is no provision like this by which a person may be disqualified from having his name entered on the electoral roll on these grounds. And just now our Honourable friend has accepted an amendment by which any person whose name is entered on the electoral roll of the provincial Assembly shall automatically be a voter for the cantonment. Therefore, I submit that this amendment should be accepted by Government. As a matter of fact I did not notice it before, but the entire clause (v) of sub-section (2) of section 27 of the Cantonment Act should have been deleted. But since I have not given any notice of that I move this amendment that from six months the period of sentence of transportation should be raised to two years.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in sub-clause (b) (i) of clause 10 of the Bill, after the word and figure 'clause (v)' the words 'for the words 'six months', the words 'two years' shall be substituted and 'be inserted.'"

Mr. G. R. F. Tottenham : Sir, the Honourable Member has read out the clause in the Bill and explained the object of his amendment. I should like to draw the attention of the House to the wording of the section of the Cantonments Act as it stands at present. It reads that a person is disqualified from being on the electoral roll if he has been sentenced by a Criminal Court, provided that the Local Government may, by order in writing, remove any disqualification incurred by a person under the above clause.

At the instance of the All-India Cantonments Association, the Select Committee agreed to amend the existing provision of the law by, in the first place, inserting the words "for an offence which is declared by the Governor General in Council to be such as to unfit him to become an elector". We have also added a proviso that in any case such a disqualification, if it is not removed by the Local Government before that time, shall cease to exist after three years. That, Sir, seems to me a perfectly satisfactory provision and one that ought to be acceptable to all reasonable persons. I have also taken the trouble to look up the more important municipal Acts, and I find that in every Act, i.e., Central Provinces, Madras, Bengal, Bombay and the Punjab, the law is exactly the same as our provision in the Cantonment Act. In the United Provinces it is true that the period of imprisonment is one year instead of six months, but it is certainly not two years. I cannot really understand, Sir, why the Honourable Member should wish to

enfranchise a larger number of criminals than at present. (Mr. Mohan Lal Saksena : "We are all criminals".) He must remember that the qualification of entry on the electoral roll in a cantonment is also the qualification for membership of the board. That is to say, in section 28 (1) it is laid down :

"Save as hereinafter provided, every person whose name is entered on the electoral roll of cantonments shall be qualified for election as member of the board in the cantonment."

That means that under my Honourable friend's amendment a person who has been convicted to two years' imprisonment would be eligible to be a member of the board ; and I really do not think that we want to have bad characters like that as members of the board. I, therefore, regret that I cannot accept this amendment.

Prof. N. G. Ranga (Guntur cum Nellore : Non-Muhammadan Rural) : Sir, I rise to support this amendment. I am glad to be able to associate myself with all those bad characters and criminals whom my Honourable friend does not wish to become members of the board. If the only justification for his opposition to this amendment is that criminals ought not to be allowed to become even voters, or what is more, become members of the cantonment boards, then he will have to go to the Secretary of State for India and Parliament and get a special law passed in order to get rid of a large number of us on this side. Sir, we are all proud to have become in the eyes of this Government, some day or other, criminals as well as bad characters. We were honoured guests of His Majesty's Government.....

Mr. G. R. F. Tottenham : Sir, may I intervene for one moment to explain what perhaps I did not make quite clear before ? The Honourable Member is no doubt referring to what are known as political prisoners. We have actually put an amendment to this clause the intention of which is to enable us to allow persons of that kind to be free from this disqualification.

Prof. N. G. Ranga : Yes, Sir. I noticed that even earlier, during his speech. But even that does not go anywhere to satisfy us. It makes it necessary for every political prisoner to approach the Local Government and get its consent. The only justification for this invidious discrimination shown against us, one set of political agitators, as distinguished from the other set of political agitators known as *Aman Sabhaites* or Liberals, is that in various provincial Acts such a provision exists ; and whenever the necessity arose, the Local Governments had seen it fit to remove that disqualification and enable us to be voters and later on legislators. Sir, all those laws and all those Acts of the provincial Governments had been passed a long time ago without our co-operation and in spite of us in many places. There is no justification really for the Honourable Member to come here now and ask our co-operation for helping him to pass this particular Bill in this fashion.

Mr. G. R. F. Tottenham : Sir, if I may intervene again, I may say that we are not making any alteration whatever in this clause. It is my Honourable friend opposite who wanted an alteration to be made. We are merely maintaining the existing position in the Act.

Prof. N. G. Ranga : We protest against the existing position ; we will have nothing to do with the existing position. And if we can possibly do it, we will try to improve the existing position. We cannot be a party to a law which will make it absolutely necessary for every one of us who has become a criminal in the eyes of this Government some day or other in order to get our deserts and wrest from them the Swaraj that we have been dying for all these years, to get their sanction, and it is for that reason that we want that this amendment should be supported by every Honourable Member of this House. Sir, disqualifications there will have to be and disqualifications there are bound to be. But there is no reason why, even if there were to be a disqualification, such a harmless amendment as my Honourable friend has proposed should not be accepted by this Government. My Honourable friend, Mr. Saksena, does not even seek to remove the whole of that clause from the Bill ; he does not even try to get rid of this disqualification completely. He only wants this particular period to be extended from six months to two years. Where is the objection, where is the harm ? Really speaking, it compromises us even to have to accept this amendment and with that amendment to pass this particular Bill. It puts us in the wrong, in the eyes of our own comrades and thousands of them ; and I can assure you, Sir, that in future there have got to be many more struggles in this country, and every time we expect and confidently hope that many more people will come forward to take part in the struggle that we have got to go through before we can achieve our goal of Swaraj. And are we to be told that even this harmless amendment is not going to be accepted and that this amendment being opposed by this Government we should be prepared to accept this particular Bill ? Certainly not. We cannot make it necessary for our comrades in the country to go to the Local Governments and seek their permission. We know what sort of Local Governments we are having. It may be said that we are soon going to have provincial autonomy but we know what sort of provincial Governments are going to be created by this Government and its agents. And it is no self-respecting thing for any warrior of the country, for any hero and patriot, to come forward and say that he is not going to support this amendment. It is really a harmless amendment, it is a moderate amendment and it does not go anywhere to satisfy anybody here on this side.

Mr. K. Ahmed (Rajahahi Division : Muhammadan Rural) : Sir, I do not know whether my friend is labouring under a misapprehension or it is his case which I have to support. If he means that if anybody within the cantonment area who has been sentenced, not for moral turpitude, but for political reasons, and, according to them, for the uplift of the country, there is a provision from the Secretary of State's office or from the House of Commons as it is in ordinary cases that any such person who has been convicted for not more than the period of one year, he is entitled to get the benefit in the jurisdiction of a non-cantonment area. If that is his amendment, I do not think the Government of India have got any valid ground to raise any objection to uplift their status from six months to one year. But if he meant, as I understood him, to raise it to two years, is it not too much to think of, instead of limiting it to one year's rigorous imprisonment ? May I follow him if he is right ? Let him, in that case, rise from his seat and make

it clear to the House, whether he will be satisfied with what suggestion I have made with regard to his amendment.

Prof. N. G. Ranga : The amendment, as it stands, wants it to be raised to two years. If Government are prepared to extend their period from six months to a year, then I will consult my Honourable friend, the Mover of the amendment, and then submit to you, Sir, our proposal.

Mr. Ram Narayan Singh (Chota Nagpur Division : Non-Muhammadan) : Sir, many members of the Congress Party have been sentenced for more than six months, and for more than once. They may be allowed to be Members of the Central Legislatures, but they cannot be members of a cantonment board.....

Mr. G. R. F. Tottenham : That is wrong, as I have already pointed out. There is a clause in this amending Bill under which the Governor General in Council will be able to remove the disqualification in the cases which the Honourable Member has in mind.

Mr. Ram Narayan Singh : Sir, we know the Honourable gentleman wishes us to approach the Local Government in order that the disqualification may be removed, and we know cases how the Local Government have behaved therein. My friend, Mr. Dwarka Prasad Misra, of the Central Provinces was not allowed to contest this election for the Central Legislature. As my friend, Prof. Ranga, has said, we know what sort of Local Governments we have, and what form of Provincial Autonomy we are going to have : and whether we shall have to approach them or whether our disqualification may be removed or not is a matter for imagination. Sir, this is a very reasonable amendment, and I think the reasonable section of the Government ought to accept this amendment.

Pandit Govind Ballabh Pant (Rohilkund and Kumaon Divisions : Non-Muhammadan Rural) : Sir, I want to invite the attention of the Army Secretary to the difficulties that will arise if he does not consider the suggestion seriously. He has accepted the amendment moved by my friend, Mr. Gadgil, which entitles every person whose name is entered on the electoral roll of the provincial assembly to be an elector in the cantonment. Now, let us see what are the qualifications which entitle a person to be an elector for a provincial assembly. A conviction for six months, or for a year or for any term not exceeding two years is not a disqualification, with the result that all persons who may have to their credit these convictions will be qualified electors for the provincial assembly.....

Mr. G. R. F. Tottenham : May I just draw the Honourable Member's attention to the wording of section 27 (2) which deals with disqualifications ? It says :

"A person, notwithstanding that he is otherwise qualified, shall not be entitled to be enrolled as an elector if he, etc., etc."

that is, if he has any of these disqualifications : therefore I do not think any difficulty will arise legally.

Pandit Govind Ballabh Pant : What I am submitting is this : that having accepted that amendment, it will simplify matters very much if you remove this sub-clause (v) altogether from section 27 ; and if you consider it necessary, insert it in section 28 : that is, you might make it a disqualification for membership or candidature, but remove it so far as

[Pandit Govind Ballabh Pant.]

a person's right to vote is concerned : this arrangement will not affect in reality the constitution of the board for the disqualification will nevertheless attach to candidature if not to a person's right to vote. Otherwise it is bound to give rise to difficulties and complications. If all these names appear in the provincial electoral rolls and they are sought to be removed therefrom on the ground of conviction, an inquiry will have to be made and objections will have to be filed. But I feel that the idea is that a person who is already an elector in the electoral roll of the provincial legislative assembly should be allowed to exercise his vote also in the matter of election of a member of the cantonment board without further enquiry. So it is obviously inconsistent in spirit with the amendment of Mr. Gadgil which the Army Secretary has been pleased to accept. I accordingly suggest that if he considers it essential, he may shift it on from section 27 to section 28. So far as the electoral roll is concerned, the process will be greatly simplified if this disqualification is not attached to anybody. That is the only suggestion I make.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in sub-clause (b) (i) of clause 10 of the Bill, after the word and figure 'clause (v)' the words 'for the words 'six months' the words 'two years' shall be substituted and 'be inserted.'"

The Assembly divided :

AYES—52.

Abdul Matin Chaudhury, Mr.
Abdullah, Mr. H. M.
Aney, Mr. M. S.
Asaf Ali, Mr. M.
Ayyangar, Mr. M. Ananthasayanam.
Bhagavan Das, Dr.
Chaliba, Mr. Kuladhar.
Chattopadhyaya, Mr. Amarendra Nath.
Chettiar, Mr. T. S. Avinashilingam.
Chetty, Mr. Bami Venkatachalam.
Das, Mr. Basanta Kumar.
Das, Pandit Nilakantha.
Datta, Mr. Akhil Chandra.
Desai, Mr. Bhulabhai J.
Gadgil, Mr. N. V.
Giri, Mr. W. V.
Govind Das, Seth.
Hans Raj, Raizada.
Hoemani, Mr. S. K.
Jedhe, Mr. K. M.
Jehangir, Sir Cowasji.
Jogendra Singh, Sardar.
Kailash Behari Lal, Babu.
Khan, Sahib, Dr.
Khare, Dr. N. B.
Lalchand Navarai, Mr.

Laljee, Mr. Husenbhai Abdullahai.
Maitra, Pandit Lakshmi Kanta.
Malaviya, Pandit Krishna Kant.
Mangal Singh, Sardar.
Mudaliar, Mr. C. N. Muthuranga.
Muhammad Ahmad Kazmi, Qazi.
Paliwal, Pandit Sri Krishna Dutta.
Pant, Pandit Govind Ballabh.
Parma Nand, Bhai.
Raghubir Narayan Singh, Choudhri.
Raju, Mr. P. S. Kumaraswami.
Ranga, Prof. N. G.
Saksena, Mr. Mohan Lal.
Sant Singh, Sardar.
Satyamurti, Mr. S.
Sham Lal, Mr.
Shauket Ali, Maulana.
Sheodass Daga, Seth.
Siddique Ali Khan, Khan Sahib Nawab.
Singh, Mr. Ram Narayan.
Sinha, Mr. Satya Narayan.
Som, Mr. Surya Kumar.
Sri Prakasa, Mr.
Thein Maung, Dr.
Thein Maung, U.
Umar Ali Shah, Mr.

NOES—44.

Abdul Hamid, Khan Bahadur Sir.
Acott, Mr. A. S. V.
Ahmad Nawas Khan, Major Nawab Sir.
Ahmed, Mr. K.
Ayyar, Diwan Bahadur B. V. Krishna.

Bajpai, Sir Girja Shankar.
Bhat, Mr. M. D.
Buss, Mr. L. C.
Chapman-Mortimer, Mr. T.
Crack, The Honourable Sir Henry.

NOES—contd.

Dalal, Dr. B. D.
Das-Gupta, Mr. S. K.
Ghuznavi, Sir Abdul Halim.
Grant, Mr. C. F.
Griffiths, Mr. P. J.
Grigg, The Honourable Sir James.
Hudson, Sir Leslie.
James, Mr. F. E.
Jawahar Singh, Sardar Bahadur Sardar Sir.
Khurshaid Muhammad, Khan Bahadur Shaikh.
Lloyd, Mr. A. H.
Metcalfe, Sir Aubrey.
Mody, Sir H. P.
Morgan, Mr. G.
Mudie, Mr. R. F.
Mukherjee, Rai Bahadur Sir Satya Charan.

Naydu, Diwan Bahadur B. V. Sri Hari Rao.
Rajah, Rao Bahadur M. C.
Rau, Mr. P. S.
Robertson, Mr. G. E. J.
Sarma, Sir Srinivasa.
Scott, Mr. J. Ramsay.
Sen, Mr. Susil Chandra.
Sharma, Mr. D.
Sher Muhammad Khan, Captain Sardar.
Singh, Rai Bahadur Shyam Narayan.
Sircar, The Honourable Sir Nripendra.
Spence, Mr. G. H.
Thorne, Mr. J. A.
Tottenham, Mr. G. R. F.
Witherington, Mr. C. H.
Yakub, Sir Muhammad.
Yamin Khan, Sir Muhammad.
Zafrullah Khan, The Honourable Sir Muhammad.

The motion was adopted.

Mr. Mohan Lal Saksena : Sir, I beg to move :

"That in sub-clause (b) (i) of clause 10 of the Bill, for the words 'for the word 'under' the words 'in consequence of proceedings taken under section 109 or section 110 of' shall be substituted 'the following be substituted : 91"

"the words 'or has been ordered to find security for good behaviour under the Code of Criminal Procedure, 1898' shall be omitted."

Now, Sir, if we refer to clause 5 of sub-clause (2) of section 27, we find it is stated there as follows :

"has been sentenced by a Criminal Court to imprisonment for a term exceeding six months or to transportation or has been ordered to find security for good behaviour under the Code of Criminal Procedure, 1898, or has been sentenced by a Criminal Court for any offence under Chapter IXA of the Indian Penal Code."

Under the existing Act, all those, who have been ordered to find security under the Criminal Procedure Code, are debarred from being enrolled as voters, but in the amending Bill they have provided that only those who have been ordered to find security under section 109 or 110 will be debarred from being enrolled as voters. Sir, the object of my amendment is to bring the provisions into line with those under the Government of India Act. Just now Mr. Tottenham pointed out that this section is exactly on the lines of the Municipalities Acts in the Punjab, Central Provinces and other provinces, but he must remember that those Acts were passed long ago, and since then much water has flown under bridges, and it will not be proper for a popular House like this to be a party to any enactment which is not on the lines of the Government of India Act which itself we consider to be retrograde, and therefore, Sir, I move that these words disqualifying a person "who has been ordered to find security under the Criminal Procedure Code should not be registered as a voter" should be deleted. One thing more, Sir. Those of us who have been to jails know how these sections have been misused. We know that hundreds and thousands of persons are rotting in jails today simply because of the abuse of sections 109 and 110 of the Criminal Procedure Code. We also know that in these days of unemployment it is not very difficult to lodge any person in jail under section 109. If I may inform the House, our revered

[21st SEPT. 1936.]

[Mr. Mohan Lal Saksena.]

leader and friend, Dr. Bhagavan Das, was ordered to find security under section 107, Criminal Procedure Code. So if a man of that sterling worth and character, a man who is respected by all parties and all sections can be ordered to find security under the Criminal Procedure Code, the less said about smaller persons the better. With these words, I move my amendment, and I hope the House will unanimously support it.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in sub-clause (b) (i) of clause 10 of the Bill, for the words "for the word 'under' the words 'in consequence of proceedings taken under section 109 or section 110 of ' shall be substituted " the following be substituted :

"the words 'or has been ordered to find security for good behaviour under the Code of Criminal Procedure, 1898' shall be omitted ""

Mr. G. R. F. Tottenham : Sir, I regret that I am unable to accept this amendment of my Honourable friend for exactly the same reason as I was unable to accept the previous amendment. I would also point out that this particular clause in the Bill is based on the provisions of the United Provinces Municipal Act, an Act of a province from which the Honourable Member comes. Local self-government has been a transferred subject for many years.....

Pandit Lakshmi Kanta Maitra (Presidency Division : Non-Muhamadan Rural) : That is an anachronism now.

Mr. G. R. F. Tottenham : ...and if the arguments that my Honourable friend has produced had really carried weight with the Ministers in the provinces, it is very difficult for me to understand why they did not amend these particular provisions in the Municipal Acts long ago.

An Honourable Member : They are all your creatures !

Mr. G. R. F. Tottenham : In the provinces it has been thought necessary to retain a provision of this kind for municipalities, and it is our policy generally to base our cantonment practice on municipal practice. I see no reason to depart from that principle which I consider is a sound principle.

Sir Cowasji Jehangir (Bombay City : Non-Muhammadan Urban) : May I ask my Honourable friend how it compares with the Government of India Act ?

Mr. G. R. F. Tottenham : I think that the new Government of India Act deals with the qualifications of voters for the provincial and central legislatures. That is one thing. This section deals with the qualifications of voters for cantonment boards but it also provides the same qualification for membership of cantonment boards. I think that that may be one reason—that we want a higher standard of moral probity in those who are going to be members of our cantonment board. That I think makes a certain amount of difference.

Mr. M. S. Aney (Berar Representative) : The ground on which the Army Secretary tried to defend the distinction between the provision of this Bill and that existing in the Government of India Act is my main excuse for getting up. He told us that the provisions that are laid down in the Government of India Act are for voters for the provincial and central legislatures and that the provisions of this Bill are intended for

voters and members of the cantonment boards. According to him a greater degree of probity is required in the case of persons who are serve on and who are to be enfranchised as voters for cantonment boards than in the case of those who are going to be voters for the provincial and central legislatures I think this argument only requires to be stated to be rejected by this House, as it carries with it its own condemnation. For this very reason I hope the House will accept this amendment.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in sub-clause (b) (i) of clause 10 of the Bill, for the words "for the word 'under' the words 'in consequence of proceedings taken under section 109 or section 110 of ' shall be substituted " the following be substituted :

"the words 'or has been ordered to find security for good behaviour under the Code of Criminal Procedure, 1898' shall be omitted ""

The Assembly divided :

AYES—53.

Abdul Matin Chaudhury, Mr.
Abdullah, Mr. H. M.
Aney, Mr. M. S.
Asaf Ali, Mr. M.
Ayyangar, Mr. M. Ananthasayanam.
Azhar Ali, Mr. Muhammad.
Bhagavan Das, Dr.
Chaliha, Mr. Kuladhar.
Chattopadhyaya, Mr. Amarendra Nath.
Chettiar, Mr. T. S. Avinashilingam.
Chetty, Mr. Sami Vencatachelam.
Das, Mr. B.
Das, Pandit Nilakantha.
Datta, Mr. Akhil Chandra.
Desai, Mr. Bhulabhai J.
Fazli-Haq Piracha, Khan Bahadur
Shaikh.
Gadgil, Mr. N. V.
Giri, Mr. V. V.
Govind Das, Seth.
Gupta, Mr. Ghansham Singh.
Hans Raj, Raizada.
Hosmani, Mr. S. K.
Jedhe, Mr. K. M.
Jehangir, Sir Cowasji.
Jogendra Singh, Sirdar.
Kailash Behari Lal, Babu.

Khan Sahib, Dr.
Khare, Dr. N. B.
Lalchand Navarai, Mr.
Laljee, Mr. Husenbhai Abdullabhai.
Maitra, Pandit Lakshmi Kanta.
Malaviya, Pandit Krishna Kant.
Mangal Singh, Sardar.
Mudaliar, Mr. C. N. Muthuranga.
Muhammad Ahmad Kazmi, Qazi.
Paliwal, Pandit Sri Krishna Dutta.
Pant, Pandit Govind Ballabh.
Parma Nand, Bhai.
Raghubir Narayan Singh, Choudhri.
Raju, Mr. P. S. Kumaraswami.
Ranga, Prof. N. G.
Saksena, Mr. Mohan Lal.
Sant Singh, Sardar.
Satyamurti, Mr. S.
Sham Lal, Mr.
Shaukat Ali, Maulana.
Sheodass Daga, Seth.
Siddique Ali Khan, Khan Sahib Nawab.
Singh, Mr. Ram Narayan.
Sinha, Mr. Satya Narayan.
Som, Mr. Suryya Kumar.
Sri Prakasa, Mr.
Thein Maung, U

NOES—46.

Abdul Hamid, Khan Bahadur Sir.
Acott, Mr. A. S. V.
Ahmed Nawaz Khan, Major Nawab Sir.
Ayyar, Diwan Bahadur R. V. Krishna.
Baipai, Sir Girja Shankar.
Bhat, Mr. M. D.
Buss, Mr. L. C.
Chapman-Mortimer, Mr. T.
Orlik, The Honourable Sir Henry.
Dalal, Dr. R. D.
Das Gupta, Mr. S. K.
Dey, Mr. R. N.
Ghuznavi, Sir Abdul Halim.

Grant, Mr. C. F.
Griffiths, Mr. P. J.
Grigg, The Honourable Sir James.
Hudson, Sir Leslie.
James, Mr. F. F.
Jawahar, Singh, Sardar Bahadur Sardar
Sir.
Khurshaid Muhammad, Khan Bahadur
Shaikh.
Lloyd, Mr. A. H.
Metcalfe, Sir Aubrey.
Mody, Sir H. P.

NOES—contd.

Morgan, Mr. G.
 Mudie, Mr. R. F.
 Mukherjee, Rai Bahadur Sir Satya Charan.
 Naydu, Diwan Bahadur B. V. Sri Hari Rao.
 Noyce, The Honourable Sir Frank.
 Rajah, Rao Bahadur M. C.
 Rau, Mr. P. S.
 Robertson, Mr. G. E. J.
 Roy, Mr. S. N.
 Sarma, Sir Srinivasa.
 Scott, Mr. J. Ramsay.

Sen, Mr. Susil Chandra.
 Sharma, Mr. D.
 Sher Muhammad Khan, Captain Sardar Singh, Rai Bahadur Shyam Narayan.
 Sircar, The Honourable Sir Nripendra.
 Spence, Mr. G. H.
 Thorne, Mr. J. A.
 Tottenham, Mr. G. R. F.
 Witherington, Mr. C. H.
 Yakub, Sir Muhammad.
 Yamin Khan, Sir Muhammad.
 Zafrullah Khan, The Honourable Sir Muhammad.

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That clause 10, as amended, stand part of the Bill.”

The motion was adopted.

Clause 10, as amended, was added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : The House will now go back to clause 22.

Mr. G. R. F. Tottenham : This amendment* was moved by Mr. Saksena on the last occasion and it was left over to see whether we could devise some formula which would meet the purpose which the Honourable Member had in view. In accordance with that undertaking, we have examined the matter and, as I thought, we have found it impossible to devise a satisfactory amendment to give effect to what was the Honourable Member's intention, namely, that the classes of taxation permissible in different classes of cantonments should correspond with the classes of taxation permissible in different classes of municipalities. We have looked through the municipal Acts and we find that only in certain provinces are municipalities divided into classes. In no province are the classes into which municipalities are divided the same as the classes into which cantonments are divided ; and in no province that I can discover is there any limitation on the classes of taxation that may be imposed in different classes of municipalities ; and therefore, Sir, it is impossible for us to accept the amendment proposed by my Honourable friend. At the same time, as I said before, I understand that the Honourable Member's real intention is that the incidence of taxation in cantonments should not be largely different from the incidence of taxation in municipalities ; and if the Honourable Member wishes I am quite prepared to bring that to the attention of cantonment authorities. It is a matter of fact the actual principle on which cantonment taxation is based at the present moment. I think last year we made detailed inquiries and found out how the incidence of taxation in cantonments compared with the incidence of taxation in neighbouring municipalities. We discovered that in quite a large number of cases the incidence of taxation in cantonments was lower than the incidence of taxation in the neighbouring municipalities. There

* “ That in clause 22 of the Bill, in the proposed section 60 (1), after the words ‘ any municipality ’ the words ‘ of the same class ’ be inserted.”

were a few cases in which it was higher, but the general average was about the same and in a good many cases it was lower. If it will satisfy the Honourable Member I will certainly bring the point to the attention of cantonment authorities ; but they must, of course, be responsible for seeing that the standard of municipal administration in cantonments is not lowered in this Bill as she may desire. Sir, I move.

Mr. Mohan Lal Saksena : In view of the Defence Secretary's statement, I withdraw my amendment.

The amendment was, by leave of the Assembly, withdrawn.

Clause 22 was added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : The House will now take up clause 68.

The question is :

“ That clause 68 stand part of the Bill.”

Mr. Mohan Lal Saksena : Sir, I move :

“ That in sub-clause (a) of clause 68 of the Bill, after the word ‘ other ’ the word ‘ civil ’ be inserted.”

Honourable Members will note that by the present Bill the Officer Commanding-in-Chief has been authorised to delegate his appellate powers to any other authority. Up till now, because of the long experience of the Officer Commanding-in-Chief there was a safeguard against miscarriage of justice and therefore if this power is to be delegated to subordinate military officers who will not have as much experience as the Officer Commanding-in-Chief, it will be prejudicial to the interests of the litigants. Therefore I have moved that the word ‘ civil ’ be substituted. If he is going to delegate the power to anybody, it should be to a civil authority and not a military authority. With these words I move my amendment.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

“ That in sub-clause (a) of clause 68 of the Bill, after the word ‘ other ’ the word ‘ civil ’ be inserted.”

Mr. G. R. F. Tottenham : I am afraid I shall be unable to accept this amendment.

Mr. S. Satyamurti (Madras City : Non-Muhammadan Urban) : This is the last amendment. Accept it.

Mr. G. R. F. Tottenham : To anyone who reads the Cantonments Act it will be quite clear that the supreme controlling authority of cantonments is the General Officer Commanding-in-Chief, the Command, and therefore it is only right theoretically that the General Officer Commanding-in-Chief, the Command, should be the supreme appellate authority from orders passed by the Cantonment Board. In practice, however, and especially in the Northern Command, where there are a very large number of cantonments and where the Army Commander is an extremely busy man and has most onerous military duties to carry out, it has been found almost a physical impossibility for him to give a personal hearing to every appellant who appeals against an order by a cantonment authority. Therefore, Sir, after considerable discussion in Select Committee, we agreed upon this formula that the appellate authority should be

[Mr. G. R. F. Tottenham.]
 the General Officer Commanding-in-Chief, the Command, or such other authority as the Government of India may appoint. That of course does not mean that in future the General Officer Commanding-in-Chief, the Command, is not going to hear any appeals at all. I imagine he will still hear important appeals and possibly, in some commands, he may be able to hear a considerable proportion of the appeals. But some relief is absolutely necessary if the work is to be carried on properly, and I may add if the appeals themselves are to be given a careful hearing. The proposal is, not that the power should be delegated to some subordinate military authority, but that it should be delegated to the Inspecting Officer of Military Lands and Cantonments who is a military officer in civil employ and is the chief adviser of the Army Commander on cantonment affairs. He is a senior officer, and one advantage of this proposal is—and this I may say is an advantage that has appealed particularly to the All-India Cantonments Association as being in the interests of the appellants—that if we make use of the Inspecting Officer to hear appeals, and especially petty appeals, he may be able to hear them in the cantonments in which they arise and thus avoid the necessity under which appellants suffer at present of having to undertake long journeys to the headquarters of the Command in order to get a personal hearing from the Army Commander. For these reasons, Sir, because there was an agreement reached in Select Committee after considerable discussion, in the course of which Mr. Saksena's proposal was fully canvassed and discussed, and because that agreement I think was a reasonable agreement, I regret I am unable to accept this amendment.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That in sub-clause (a) of clause 68 of the Bill, after the word ‘ other ’ the word ‘ civil ’ be inserted.”

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That clause 68 stand part of the Bill.”

The motion was adopted.

Clause 68 was added to the Bill.

Clause 69 was added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That clause 1 stand part of the Bill.”

Mr. Spence.

Mr. G. H. Spence (Secretary, Legislative Department) : Sir, with your permission, in moving this amendment I will omit the words “ and the Sonthal Parganas ” which have been included by an oversight. Sir, I move :

“ That after sub-clause (1) of clause 1 of the Bill, the following sub-clause be inserted and sub-clause (2) be re-numbered as sub-clause (3) :
 “ (2) It extends to the whole of British India, including British Baluchistan but excluding Burma.”

The object of this amendment is to exclude the application of the Bill to Burma, as it is desired that the separated Burma should have a free hand to make such amendments, if any, corresponding to those made in this Bill as she may desire. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That after sub-clause (1) of clause 1 of the Bill, the following sub-clause be inserted and sub-clause (2) be re-numbered as sub-clause (3) :

“ (2) It extends to the whole of British India, including British Baluchistan but excluding Burma.”

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That clause 1, as amended, stand part of the Bill.”

The motion was adopted.

Clause 1, as amended, was added to the Bill.

Mr. G. H. Spence : Sir, I move :

“ That the clauses be re-numbered, and that all corrections consequential on the amendments now made be carried out.”

Sir, the object of this amendment is to authorise the officer who will prepare the Bill for printing to re-number the clauses and carry out consequential corrections. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That the clauses be re-numbered, and that all corrections consequential on the amendments now made be carried out.”

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That the Title and the Preamble stand part of the Bill.”

The motion was adopted.

The Title and the Preamble were added to the Bill.

Mr. G. R. F. Tottenham : Sir, I do not propose to move that the Bill be passed today in view of the amendments that have been carried against Government. Government will have to take time to consider the position.

THE INDIAN COMPANIES (AMENDMENT) BILL—contd.

Mr. President (The Honourable Sir Abdur Rahim) : The House will now resume consideration of the Bill to amend the Indian Companies Act, 1913, for certain purposes, as reported by the Select Committee.

The Honourable Sir Nripendra Sircar (Law Member) : Sir, I think the House was considering amendment No. 124* in the old Final List which is, I think, No. 10 in the revised Final List. Sir, during the week end I tried to look up the law on the subject and the proposal which is contained in paragraph (a), viz., that :

" the directors of a public company or of a subsidiary company of a public company shall not, except with the consent of the company concerned in general meeting :—
(a) sell or dispose of the undertaking of the company ; "

is one which I have no hesitation in accepting. As a matter of fact, I do not want to go into a series of cases, and so on. I have great doubts as to what they have been doing so far is strictly legal or not. But to make the matter absolutely clear, I would welcome the inclusion of part (a) sell or dispose of the undertaking of the company. Sir, I do not agree to parts (b) and (c), and I will tell the House my reasons. As regards the issue of the unoffered capital of the company, I admit that there are arguments which can be advanced both ways. Arguments which can be advanced in support of this amendment, part (b), have been put before the House by my Honourable friend, Pandit Govind Ballabh Pant, the main argument being that instances have occurred where unoffered capital has been offered by the directors not in the interests of the company but from some indirect or improper motive. For instance, a case where you do not really want Rs. 5 lakhs for your business but that has been done from other motives. We know of two cases at least where extra capital was issued simply to give the directors and the managing agents additional voting rights, so that abuses have occurred and that there are arguments in favour of it, I am not prepared to deny. But what I have got also to consider on the other side is this. I do think that in the case of dishonest directors it is a good argument, but assuming that the directors are a body of honest men who have the interests of the company at heart, then it will lead often to difficulties as also to embarrassing positions. I will give an example.

Supposing a sugar company has come to know that a thousand acres of land on the riverside are available on fairly good terms. The directors want to close the bargain and these things have got to be done by delicate negotiations which do not allow of time being wasted over it. Now, if a matter like that comes before the shareholders, then the whole object may be frustrated. Another point which strikes me is this that if the matter comes before shareholders—I am not thinking of the particular example which I gave, but I am speaking generally—as to whether they should issue an unoffered capital or not, a shareholder is likely to be influenced by the point of his immediate interest, his immediate interest being that capital should not be issued

* That in clause 40 of the Bill, after the proposed section 86F, the following be inserted :

" 86FF. The directors of a public company or of a subsidiary company of a public company shall not, except with the consent of the company concerned in general meeting :

- (a) sell or dispose of the undertaking of the company ;
- (b) issue the unoffered capital of the company ;
- (c) write off any debt due by a director "

because, as we know, that has an effect on (at any rate to start with), the shares by lowering their value, he is confronted with the situation that if he agrees to this he may be faced with the depreciation of the shares. That is a matter which I also ask the House to consider seriously. Then, it is also to be remembered that the directors are also shareholders. They must have some qualifying shares which depends on the nature of the articles which govern the company. If it is not in the shareholders' interest, then they will to that extent not issue the unoffered capital unless really wanted for the development of a scheme and so on. Therefore, if their immediate interests are against the issue of a new capital and if they still desire or intend to issue new capital, then that should be some guarantee of necessity of issuing fresh capital. In the average normal case of fairly honest directors it will be really putting on fetters which are not required. I do not brush aside my Honourable friend's argument by saying that this is not liable to abuse but balancing the two opposing considerations, I have personally come to the conclusion that I would not agree to (b). About part (c), writing off any debt due by a director, the point which strikes me is this. Now, what is a writing off ? A writing off means that in your books you record a debt as doubtful. Supposing Rs. 5,000 is due from a director and, as my Honourable friend pointed out, we are now confined to directors of banks, loans to other banks not being permissible. Suppose a sum of Rs. 5,000 is not realisable from a particular director A having regard to his financial embarrassment or whatever may be the case. Now, it is proposed to write it off. Writing it off means that in his books he writes that, at any rate for the time being, it is an unrecoverable debt. That does not give any right to the debtor, to claim remission, after the writing off has taken place. Supposing the next day the debtor gets a rich legacy from his widowed aunt or he wins the Derby, there is nothing to prevent the directors from proceeding against the debtor in spite of his having treated the debt as a bad debt in his own books. What my Honourable friend's amendment means is this. The directors meet before the shareholders and say : " We propose to write this off." The shareholders say : " No ; we will not allow you to write it off." What would be the effect of that ? The books will be really inaccurate ; they will give a false impression. A debt which the directors have decided is doubtful, unrealisable, will be continued to be shown as a good debt. Secondly, in a matter of this kind, is it likely that the shareholders would be in a better position to know whether any assets will be realisable from this particular director rather than the directors themselves ? I submit it is not really necessary to have part (c). If I may explain the position which I am taking up, it is this. I wholeheartedly support part (a) and I object to parts (b) and (c). It will be for my Honourable friend's consideration—he is the Mover of the amendment—whether he will insist on putting the whole amendment as it has been drafted including parts (a), (b) and (c) to the vote or whether he would be prepared to be satisfied with part (a) only. That is a matter which is entirely for my Honourable friend to decide. I have only pointed out what my personal opinion is. That, Sir, is my position. But I must say one word about the arguments which were advanced by one member of the European Group, I believe it was Mr. Chapman-Mortimer. I think those arguments are, with all respect to him, entirely fallacious. He opposed part (a) on the ground that issue of capital is very often wanted for reconstruction or amalgamation. As anyone will find from

[Sir Nripendra Sircar.]

any standard book on company law, neither amalgamation nor reconstruction is a technical word of art, although their meanings are well understood. How do you propose to have a reconstruction? What is the normal way of having reconstruction and amalgamation? Surely by voluntary liquidation. If it is by voluntary liquidation, you must come up before the shareholders. I submit to the House, therefore, that there is really no force, at any rate according to my submission, in the arguments which have been advanced, I believe, by Mr. Chapman-Mortimer and I am unable to agree with him that the deletion of (a) is very necessary. On the other hand, I think it is a very salutary measure. That is all I have to say.

Mr. Bhalabhai J. Desai (Bombay Northern Division : Non-Muhamadan Rural) : Sir, in this matter I find myself in complete disagreement with what has fallen from the Leader of the House as regards items (b) and (c). As regards item (a), I would not have thought it necessary to occupy some time of the House but for a real difficulty which presents itself to me and which I ask the Leader of the House to seriously consider. I invite his attention to section 5 of the English Act which runs this way :

"subject to the provisions of this section a Company may by special Resolution alter the provisions of its Memorandum in respect of the objects of the Company so far as may be required to enable it :

(f) to sell or dispose of the whole or any part of the undertaking of the company ;

(g) to amalgamate with any other company or body of persons."

If you turn to the relative corresponding section of the Indian Act, you do not find these two provisions at all and the addition is now sought to be made by the present clause (6). The only question, therefore, is whether this could be objected to at all having regard to the opening part of our clause (6) to which (f) and (g) have been added. Any provision to the contrary would have been inconsistent. In fact, I would respectfully submit that this really was not required at all, and any opposition to it would have been contrary to the terms of the Act, and, therefore, would not have been allowed.

So far as parts (b) and (c) of this amendment are concerned, the position stands in this way. I wish to make one or two general observations with regard to the approach which has hitherto been made towards the consideration of this amending Bill. I beg leave to do so, because hitherto I have rarely intervened in a debate except for the purpose and to the extent to which it was possible to reconcile two apparently opposing views. But it must be distinctly understood that the mere instance of experience of a company "A" or a company "B" was the mere inconvenience of a particular managing agency or a board of directors is an entirely wrong point of view from which to approach any measure of general legislation. I think it is time that the House was warned that most of these questions are brought up and decided by reference to some possible logical absurdities of that kind, or to make this Act the means for legalising a practice which has been going on for some time. That, I submit, should never be the object of a legislation of this kind and the matter must be approached from larger and broader principles underlying the company law and the rela-

tions of the shareholders so far as they are concerned in the matter of their rights and obligations. It is in that light and it is in that spirit and not in any attempt to meet what a particular agency finds it inconvenient or attempt to meet what a particular board of directors might find inconvenient that the matter has got to be looked at. After all is said and done, as I have pointed out, this idea of agents, who have hitherto regarded themselves as the owners of concerns, must be completely set aside before we can get to the reality of the discussion in measures of this kind. It may easily be that particular managing agents or particular board of directors may find themselves in a very difficult position as a result of the provision of law which is made solely and entirely in the interests of those who have invested their money in that concern. After all, it is difficult to be persuaded by the fact that whereas those who are true owners of the concern should have no say in the matter because those for the moment who dominate or control say "it is very inconvenient to ourselves and it is not in your interest"—this is a kind of argument which I have repelled in larger aspects of life, where I refuse to be allowed to be told, "you do not understand your interests, I will look after them, if you leave them to me". This is a form of argument which, I think, is entirely wrong and in the consideration of the remaining provisions of the Act, this matter should be very carefully borne in mind. It is with these observations that I bring myself to part (b) of this amendment.

Part (b) of this amendment says : "issue the unoffered capital of the company", and for this purpose I respectfully submit that the opinion of the company in a general meeting should prevail over whatever may be the contrary opinion of the board of directors. That is the short and neat issue before the House. It often happens that you have three or four lakhs of rupees capital which has been subscribed and another three or four lakhs capital which has not yet been offered. The result very often is that the company starts working, and it is during the course of the working that a question of that kind is likely to arise, and when it arises, who is it to judge whether the money is required by offering those shares either for the purpose of expanding business or for the purpose of any other requirement which must be a matter of permanent utility. If money is merely required for the purpose of working capital of the company, it may or may not be necessarily required for all time. It may be a temporary need which may easily be satisfied by a borrowing, and, therefore, it ought not to be made easy to get money except for the purpose of what I may call the more permanent requirements of the company by offering a capital which has not been offered, the very argument which the Honourable the Law Member advanced is an argument, which, I respectfully submit, points to the opposite conclusion. He said it is true to say that perhaps when you consider the immediate necessities, the shareholders, who are then the shareholders of the company, finding perhaps that their dividends may suffer in quantity may not want to agree to this proposition. But assuming, for the purposes of argument, that that motive was their impelling or even a compelling motive, who are the directors to tell them, "your concern is such that notwithstanding your opinion to the contrary, I wish to expand by getting more money into it by offering shares to the public". I think a time always arises when the rights of these shareholders have been so crystallised that they are the only fit persons to judge whether further money is to be brought into the com-

[Mr. Bhulabhai J. Desai.]

pany by offering further capital amount for payment by the public. For if it were otherwise done, the directors in their discretion may easily improve you out of what may be a very beneficial concern. They may easily over-capitalise it, they may easily take in capital which may not be necessary, and I am not one of those who is obsessed with the idea that the directors are the persons who have a monopoly of wisdom, and, even if they had it, it is not so much a monopoly of wisdom as the question as to whose rights are being affected. Assuming that directors are able to convince the shareholders that expansion is useful *pari passu* with the new comers,—the old shareholders will have not only the then advantage, but future growth of the company there should not be any difficulty; on the other hand, if they are so unable to persuade the shareholders that their interests are likely to advance, there is no reason why the further capital should be offered. I have heard the argument that this is a measure for the purposes of protection to the ignorant shareholders, but unfortunately so far as this particular case is concerned, even that argument cannot be used. The stick has been used long enough, but in this particular case, it is not a question of the ignorant whom you are protecting, because if you mean to advance the argument, you must mean this, that the shareholders have put the money at the disposal of the directors in order that they may add to the capital, whenever they wish to do according to their judgment of the matter.

I do respectfully say that the House would be committing a grave blunder in allowing the directors to add to the capital of the company without the consent of the shareholders in a general meeting. It is a very serious matter in which you affect the rights, it is not a mere matter of daily administration, it is a matter of permanently affecting the rights of those who have already put in money into the concern, as already going. I, therefore, respectfully submit that to tell me that the shareholders may not understand their own interests, and, therefore, may vote against an increase of capital is not an argument that appeals to me. And, if they so wish it, it is not for the directors to tell them, "You have given us four lakhs. We, in our wisdom, say that if you put in another three lakhs, the business would prosper better, and whether you like it or not, whether your money increases or decreases, we want to add another three lakhs to it as a speculative concern". I, therefore, suggest and respectfully submit to the House to pause here and consider whether the argument based on the supposed protection of the ignorant in this particular case would not be carried too far, unless you submit to this proposition that all that the shareholders have got to do is to leave the money to the managing agents and the directors on the view, as used to be said in the early days in a very popular topical song in my part of the world, the trustees are the owners of the properties of their beneficiaries. And if that is going to be the future situation of shareholders, I for one would be no party to it. And I may also tell them that I am in a position to fully consider the effects of rights of this kind. Conferring drastic powers on a body of men who may err in their judgment at the cost of other people. To be told that they have qualifying shares means nothing, because qualifying shares may be in some cases five or ten out of perhaps several thousands. So that that again is not really the

matter that clinches this particular issue. The true issue is this. Are the shareholders going to leave their money at the mercy of those who are going, so to say, to improve them out of their own money, if their view was different to those who have put in money. It should not be required for any other purposes except addition to permanent capital, and having regard to the conditions of business or the expansion of the business. There is no third possible object that I can imagine for issuing a further lot of shares after the first lot has been offered to the public and the business has commenced.

As regards (c), I recognise the force of the argument of the Honourable the Law Member. I agree that the proper word there should have been "remit" and not "write off". I agree that to write off is more a matter of mere auditing. It is also true to say that notwithstanding the fact that a debt may be written off,—though there has been an argument in one or two cases to the contrary,—that notwithstanding the fact that a debt has been written off, the creditor does not lose the right of enforcing it against the debtor, the creditor in this case being the company. But so far as the substance of that particular objection is concerned, the substance is whether a debt of a director should be remitted by his brethren; and whether, representing the class of shareholders to which I belong, and never having been or wanting to be a director of a company, we are to be told that we are the only people who cannot be trusted to look after ourselves. But supposing a director owes a debt, with all the care that is taken, of which a picture was given the other day, is it not very likely that the fellow directors even sub-consciously, having to associate themselves every day, having to work with them every day, are sure to have a bias; I think you must remember that there is such a thing as an unconscious give and take without imputing dishonesty. And there is a considerable amount of facility in these matters, where more firmness is required than I know it to exist in many boards of directors.

The Honourable Sir Nripendra Sircar : Sir, may I put in a word? If the word "remit" is substituted for "write off" I would not object. But I am still objecting to (b).

Mr. Bhulabhai J. Desai : If the word "remit" is there, I have nothing more to say.

Mr. T. S. Avinashilingam Chettiar (Salem and Coimbatore *own* North Arcot : Non-Muhammadan Rural) : Sir, may I make one small suggestion? I do not know whether this suggestion will satisfy the Leader of the House. His only point was that there may be occasions when delicate negotiations may be necessary or it may not be profitable to put it before the shareholders. Will it suit him if it is made subject to the ratification of the shareholders in general meeting? The idea is that instead of putting it before the shareholders beforehand, this will give them an opportunity of negotiating afterwards.

The Honourable Sir Nripendra Sircar : I venture to submit that that makes no difference, because, if it comes up for ratification, it may be rejected.

Mr. Sushil Chandra Sen (Government of India : Nominated Official) : Sir, as we are now more or less agreed about clauses (a) and

[Mr. Susil Chandra Sen.]

(c), I will only confine my remarks to clause (b), on which both sides have had their say. The point of view from which I want my Honourable friends opposite to look at it is first of all that once a company is incorporated, there is in the memorandum an indication of what the capital is to consist of, the shares or the classes of shares into which it is to be divided, so that any prospective shareholder when he goes in to buy the shares of a company knows exactly to what extent the capital may expand and in what classes of shares it may be divided. I quite admit, Sir, that for purposes which we need not speculate about, the promoters may fix that out of the total authorised capital a certain amount is to be offered to the public for the present. The question is when necessities occur, who are the best persons to judge whether the rest of the authorised capital is to be let off in the market. The question has to be judged regard being had to the fact that we have now adopted in this Bill the principle that a company is to be managed by directors. What I mean is the compulsory adoption of article 71 in Table A which was not there in the old Act. Once having done that we are committed to the principle that the business is to be ordinarily left to the directors to carry on, and it would be an utter inconsistency to say that in matters like this, namely, whether a certain amount of more capital is to be needed or not, the directors are not to be trusted. Although for all purposes you have by statute put them in charge of the business, and then to say that it is the shareholders who are the owners of the business and therefore they must be resorted to in the matter of issue of the unsubscribed capital. It is said it is necessary to do so in order to avoid probable abuse. But let us analyse whether the directors are at liberty under the law as it now stands to act indiscriminately in the matter of raising the capital. My answer is, no; and I will refer my Honourable friend, Mr. Desai, to the last case on the point, the decision of Lord Justice W. Renbury reported in 1908, 2 Chancery, 506, where the learned Lord Justice laid down this salutary principle that if in any particular case the directors who did not want capital for purposes of the business *bona fide* but merely for the purpose of increasing their voting rights or any other ulterior objects issued new shares, they would be guilty of a breach of trust. Any ulterior motive is thus put out of action altogether. If that is a fetter which already remains in the existing law on the rights of the directors to issue fresh capital, what is the apprehension? I again ask, what is the apprehension which you want to provide against? It may possibly be said that although it may be *bona fide* wanted for business purposes, the directors may possibly limit the new shares in a coterie of which they and their confederates are the members. But as against that I beg to remind my Honourable friend that in every decent business company, any company worth the name, the articles provide that in the matter of a new issue of shares they have got to be offered in the first instance to the existing shareholders in proportion to their holding, and it is only in the case when they do not want to utilise their offer and choose not to avail themselves of this opportunity of acquiring further shares, that it goes out to outsiders. Looked at from this point of view, I submit that there is practically no case made out for this provision.

To sum up, in my humble judgment firstly it is inconsistent with the principle to which we are committed by the adoption of Article 71 in Table A, namely, that the carrying on of the business is to be left to the directors; secondly, having regard to the existing fetters which already exist in law,

I submit that there are proper safeguards already in existence against possible abuses of this power and the change which is sought is not really necessary.

Mr. Akhil Chandra Datta (Chittagong and Rajshahi Divisions : Non-Muhammadan Rural) : Sir, I rise to meet only one point made by Mr. Sen. He points out that this amendment to clause (b) would be inconsistent with Article 71 of Table A, which has been made compulsory. My submission is, it will not be inconsistent. In article 71, it is distinctly laid down that although the business of the company shall be managed by the directors that power is expressly subject to all such powers as are required to be exercised by the company in general meeting. Therefore, there is no inconsistency at all.

Babu Baijnath Bajoria (Marwari Association : Indian Commerce) : Sir, I want to speak only about one point which was touched by my Honourable friend, Mr. Sen, about the issue of unoffered capital by the company. He has mentioned that in decent companies when new shares are issued they are offered in the first instance to the existing shareholders in the proportion of the shares held by them. But this is not always the case. If this provision is made compulsory, then it will meet the case of the existing shareholders. Otherwise, the existing shareholders will be hard hit. I will give one small instance : suppose the present value of a Rs. 10 share is Rs. 40 : and suppose the same amount of capital is issued and offered at Rs. 10, then the value of the share will go down to Rs. 25—Rs. 40 plus Rs. 10 divided by 2. I say, if those shares are not given to the existing shareholders or if they are not given the first refusal of these shares, then the existing shareholders will lose Rs. 15 per share, whereas the new shareholders will gain Rs. 15 per share. We have got this apprehension that the fresh shares may be issued to a coterie of the friends of the directors—the apprehension which my Honourable friend, Mr. Sen, has—friends or relatives of the managing agents. If this provision is made clear that the newly issued capital should be offered in the first instance to the existing shareholders, then I think all sections of this House will agree. If that is not agreed to, I think this right must rest with the shareholders because their interest is greatly at stake. I would request my Honourable friend, the Leader of the House, to consider this point.

Pandit Govind Ballabh Pant (Rohilkund and Kumaon Divisions : Non-Muhammadan Rural) : Sir, may I suggest that in place of “write off” the word “remit” be substituted, and that clauses (a) and (c) of the proposed amendment be put together, and (b) separately? I understand Government are agreeable to this course.

Mr. President (The Honourable Sir Abdur Rahim) : I shall now put clauses (a) and (c) together, substituting the word ‘remit’ for the words ‘write off’. The question is :

“That in clause 40 of the Bill, after the proposed section 86F, the following be inserted :

‘86FF. The directors of a public company or of a subsidiary company of a public company shall not, except with the consent of the company concerned in general meeting :

- (a) sell or dispose of the undertaking of the company ;
- (c) remit any debt due by a director.”

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :
 "That in clause 40 of the Bill, in the new section 86FF, the following be inserted :
 '(b) issue the unoffered capital of the company'."

The Assembly divided :

AYES—50.

Abdullah, Mr. H. M.
 Aney, Mr. M. S.
 Asaf Ali, Mr. M.
 Ayyangar, Mr. M. Ananthasayanam.
 Azhar Ali, Mr. Muhammad.
 Bajoria, Babu Baijnath.
 Bhagavan Das, Dr.
 Chaliha, Mr. Kuladhar.
 Chattopadhyaya, Mr. Amarendra Nath.
 Chettiar, Mr. T. S. Avinashilingam.
 Chetty, Mr. Sami Venkatachalam.
 Das, Mr. Basanta Kumar.
 Das, Pandit Nilakantha.
 Datta, Mr. Akhil Chandra.
 Desai, Mr. Bhulabhai J.
 Dehmukh, Dr. G. V.
 Gadgil, Mr. N. V.
 Giri, Mr. V. V.
 Govind Das, Seth.
 Gupta, Mr. Ghansham Singh.
 Hans Raj, Raizada.
 Hesmani, Mr. S. K.
 Jedhe, Mr. K. M.
 Jogendra Singh, Sirdar.
 Joshi, Mr. N. M.

Kailash Behari Lal, Babu.
 Khan Sahib, Dr.
 Khare, Dr. N. B.
 Lalchand Navalrai, Mr.
 Maitra, Pandit Lakshmi Kanta.
 Malaviya, Pandit Krishna Kant.
 Mangal Singh, Sardar.
 Mudaliar, Mr. C. N. Muthuranga.
 Muhammad Ahmad Kazmi, Qazi.
 Paliwal, Pandit Sri Krishna Dutta.
 Pant, Pandit Govind Ballabh.
 Raghbir Narayan Singh, Choudhri.
 Raju, Mr. P. S. Kumaraswami.
 Ranga, Prof. N. G.
 Saksena, Mr. Mohan Lal.
 Satyamurti, Mr. S.
 Sham Lal, Mr.
 Sheodass Daga, Seth.
 Singh, Mr. Ram Narayan.
 Sinha, Mr. Satya Narayan.
 Sinha, Mr. Shri Krishna.
 Som, Mr. Suryya Kumar.
 Sri Prakasa, Mr.
 Thein Maung, Dr.
 Thein Maung, U

NOES—55.

Abdooli Haroon, Seth Haji.
 Abdul Hamid, Khan Bahadur Sir.
 Abdul Matia Chaudhury, Mr.
 Acott, Mr. A. S. V.
 Ahmad Nawaz Khan, Major Nawab Sir.
 Ayyar, Diwan Bahadur R. V. Krishna.
 Bajpai, Sir Girja Shankar.
 Bhat, Mr. M. D.
 Buss, Mr. L. C.
 Chapman-Mortimer, Mr. T.
 Craik, The Honourable Sir Henry.
 Dalal, Dr. R. D.
 Das-Gupta, Mr. S. K.
 DeSouza, Dr. F. X.
 Dey, Mr. R. N.
 Fazli-Haq Pirscha, Khan Bahadur Shaikh.
 Ghiasuddin, Mr. M.
 Ghaznavi, Sir Abdul Halim.
 Grant, Mr. C. F.
 Griffiths, Mr. P. J.
 Grigg, The Honourable Sir James.
 Hudson, Sir Leslie.
 James, Mr. F. E.
 Jawahar Singh, Sardar Bahadur Sardar Sir.

Jehangir, Sir Cowasji.
 Khurshaid Muhammad, Khan Bahadur Shaikh.
 Laljee, Mr. Husenbhai Abdullabhai.
 Lloyd, Mr. A. H.
 Metcalfe, Sir Aubrey.
 Mody, Sir H. P.
 Morgan, Mr. G.
 Mudie, Mr. R. F.
 Mukherjee, Rai Bahadur Sir Satya Charan.
 Murid Hossain Qureshi, Khan Bahadur Nawab Makhdom.
 Naydu, Diwan Bahadur R. V. Sri Hari Rao.
 Noyce, The Honourable Sir Frank.
 Rajah, Rao Bahadur M. C.
 Rau, Mr. P. S.
 Robertson, Mr. G. E. J.
 Roy, Mr. S. N.
 Sarma, Sir Srinivasa.
 Scott, Mr. J. Ramsay.
 Sen, Mr. Susil Chandra.
 Sharma, Mr. D.
 Shaikat Ali, Mahant.
 Sher Muhammad Khan, Captain Sardar.

NOES—contd.

Siddique Ali Khan, Khan Sahib Nawab.
 Singh, Rai Bahadur Shyam Narayan.
 Sircar, The Honourable Sir Nripendra.
 Spence, Mr. G. H.
 Thorne, Mr. J. A.

Tottenham, Mr. G. R. F.
 Witherington, Mr. C. H.
 Yamin Khan, Sir Muhammad.
 Zafrullah Khan, The Honourable Sir Muhammad.

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim) : Now, we will take up amendments Nos. 5 and 6 in the Revised Final List, relating to Directors and Contracts.

Sir Cowasji Jehangir (Bombay City : Non-Muhammadan Urban) : What about No. 4 ?

Mr. President (The Honourable Sir Abdur Rahim) : We will come back to it later. As I have already mentioned, we shall now take up Nos. 5 and 6 in the Revised Final List.

Mr. F. E. James (Madras : European) : May I point out one thing, Sir, that in regard to section 86E and the amendments thereto....

Mr. President (The Honourable Sir Abdur Rahim) : We are now discussing Nos. 5 and 6, and these two relate to the same subject. Does Pandit Pant want to move No. 6 ?

Pandit Govind Ballabh Pant : No. 6, Sir.

The Honourable Sir Nripendra Sircar : Are you taking it up today ? I understood that this matter was not going to be taken up till Wednesday.

Mr. President (The Honourable Sir Abdur Rahim) : If you are not prepared to go on with Nos. 4, 5 and 6.....

The Honourable Sir Nripendra Sircar : No, Sir, I would prefer not to go on with those today.

Mr. President (The Honourable Sir Abdur Rahim) : Then we go on to No. 4 in the Revised Final List.

Mr. F. E. James : This was an amendment with regard to which there was some discussion on Friday, and it was decided by general agreement to postpone this until we had an opportunity of submitting another amendment in a more suitable form. That we have done, but it has not so far been circulated. Therefore, I would submit that this may stand over till Wednesday, which, I think, was our original intention.

Mr. President (The Honourable Sir Abdur Rahim) : Very well. It will stand over till Wednesday. No. 7 is not moved. No. 8.

Mr. M. Ananthasayanam Ayyangar (Madras ceded Districts and Chittoor : Non-Muhammadan Rural) : This follows Nos. 5 and 6, and may stand over.

Mr. President (The Honourable Sir Abdur Rahim) : Very well. No. 9.

Pandit Sri Krishna Dutta Paliwal (Agra Division : Non-Muhammadan Rural) : I do not move No. 9.

Mr. President (The Honourable Sir Abdur Rahim) : I understand that there is an amendment by Sir H. P. Mody.

Sir H. P. Mody (Bombay Millowners' Association : Indian Commerce) : It deals with the question of the right of directors to contract with the company in respect of which several amendments have been left over. So, I suggest that this also might stand over, and it will be circulated in the meantime.

The Honourable Sir Nripendra Sircar : They are all connected together.

Mr. President (The Honourable Sir Abdur Rahim) : Then, No. 11.

Pandit Sri Krishna Dutta Paliwal : I do not move No. 11.

Pandit Govind Ballabh Pant : Sir, I move No. 12 :

"That in clause 40 of the Bill, in sub-section (e) of sub-section (1) of section 86G, before the words 'without the sanction' the words 'or any firm of which such director is a partner or any private company of which such director is a director' be inserted."

It is only a consequential amendment.

The Honourable Sir Nripendra Sircar : It will shorten matters if I say that I have no objection to that amendment.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in clause 40 of the Bill, in sub-section (e) of sub-section (1) of section 86G, before the words 'without the sanction' the words 'or any firm of which such director is a partner or any private company of which such director is a director' be inserted."

The motion was adopted.

Pandit Govind Ballabh Pant : Sir, I move :

"That in clause 40 of the Bill, in clause (g) of sub-section (1) of section 86G, before the words 'accepts a loan' the words 'or any firm of which such director is a partner or any private company of which such director is a director' and after the words 'a loan' the words 'or guarantee' be inserted."

This is also consequential like the previous amendment of mine.

The Honourable Sir Nripendra Sircar : I have no objection to this amendment, Sir.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in clause 40 of the Bill, in clause (g) of sub-section (1) of section 86G, before the words 'accepts a loan' the words 'or any firm of which such director is a partner or any private company of which such director is a director' and after the words 'a loan' the words 'or guarantee' be inserted."

The motion was adopted.

Mr. S. Satyamurti (Madras City : Non-Muhammadan Urban) : Amendment No. 18 is consequential. It relates to contracts of directors.

Pandit Govind Ballabh Pant : As regards No. 19, my amendment will read thus :

"That in clause 40 of the Bill, after clause (g) of sub-section (1) of section 86G, the following be inserted :

'or (h) acts in contravention of section 86FF'."

I have changed FFE into FF, because it is now FF.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in clause 40 of the Bill, after clause (g) of sub-section (1) of section 86G, the following be inserted :

'or (h) acts in contravention of section 86FF'."

Pandit Govind Ballabh Pant : I beg leave to withdraw this amendment.

The amendment was, by leave of the Assembly, withdrawn.

Mr. President (The Honourable Sir Abdur Rahim) : No. 20.

Pandit Govind Ballabh Pant : I hope No. 19 also stands over. The amendment that I have just been allowed to withdraw is a new amendment, and No. 19, as it stands here as printed, will have to stand over, Sir.

Mr. President (The Honourable Sir Abdur Rahim) : No, that won't be allowed. The Honourable Member will have to give fresh notice. Amendment No. 20.

Pandit Govind Ballabh Pant : I would suggest that amendment 5 P.M. No. 20 may also stand over till Wednesday.

Mr. President (The Honourable Sir Abdur Rahim) : No. 20 will also stand over till Wednesday.

The Assembly then adjourned till Eleven of the Clock on Tuesday, the 22nd September, 1936.

(c) Yes.

(d) The Government of India have not been asked by the Indian community in Kenya to make any representations regarding this measure.

(e) The Government of India are not aware of any such proposal.

(f) It is understood that the East African Indian Congress considered a proposal to send a deputation to England, but later dropped it.

(g) Does not arise.

Mr. S. Satyamurti : With reference to the answer to clauses (c) and (d) of this question, may I know if Government have examined the provisions of this Bill ?

Sir Girja Shankar Bajpai : Yes, Sir. As a matter of fact, Mr. Bozman, on his way back from Zanzibar, managed to obtain a copy of this Bill and also to discuss it with the representatives of the community in Kenya.

Mr. S. Satyamurti : Are Government satisfied, on the examination of this Bill, that it does not contain any provisions involving inequality or discrimination ?

Sir Girja Shankar Bajpai : That is so.

Mr. S. Satyamurti : With reference to the answer to clauses (f) and (g) of this question, may I know if, apart from the East African Indian Congress not sending a deputation to England, Government are taking necessary adequate steps to expose the mischievous attempts of the settlers ?

Sir Girja Shankar Bajpai : Sir, my Honourable friend will probably recall to memory the Despatch from the Secretary of State for the Colonies which I read out in answer to another question the other day. The propaganda, to which he refers, in regard to such matters as the creation of a Finance Committee with a non-official European majority, and so on, ought to be set at rest by the Despatch of Mr. Malcolm MacDonald which I read out.

Mr. S. Satyamurti : Will Government keep in touch with such further activities of the settlers in this direction, designed to influence the Colonial Office against Indians ?

Sir Girja Shankar Bajpai : My Honourable friend may rest assured that the Indian community in Kenya is fairly wide awake in this matter and if there are any developments which need the attention of the Government of India, they will be reported promptly.

Mr. K. Ahmed : Is it not a fact that some deputation or Commission came the other day to this country and the Honourable Member received them at Bombay last week, and has not that deputation or Commission got any hand in the matter, directly or indirectly ?

Sir Girja Shankar Bajpai : Sir, that deputation came from South Africa, and the question relates to East Africa. (Laughter.)

POSSIBILITY OF FURTHER EXTENSION OF THE MORATORIUM IN ZANZIBAR.

449. **Mr. S. Satyamurti :** Will Government be pleased to state :

(a) whether they have received any information on the possibility of further extension of the moratorium in Zanzibar ;

(b) whether they have conveyed the feelings of the Assembly in this matter ;

(c) whether they are aware that the time factor is very essential in this matter ; and

(d) whether they propose to take steps to vindicate the feeling of the Indian community on the repercussions of the proposed extension of the moratorium ?

Sir Girja Shankar Bajpai : (a) The moratorium has been extended till such date, not later than the 1st January, 1937, as His Highness the Sultan in Executive Council may, by Proclamation, permit.

(b) Yes.

(c) and (d). The attention of the Honourable Member is invited to my reply to Mr. T. S. Avinashilingam Chettiar's starred question No. 28 asked on the 31st August, 1936.

Mr. S. Satyamurti : Have Government any information in their possession which will justify them in answering "yes" to my question, that before at least the next season commences this matter will be settled satisfactorily from the Indian point of view ?

Sir Girja Shankar Bajpai : Well, Sir, I have not, as it were, any definite undertaking from the Colonial Office to that effect, but all the indications point to it, because whereas till recently only we sent representations, we have now an indication of the attitude of the Colonial Office in regard to the main points of the problem.

Mr. S. Satyamurti : Will Government continue to press on the Colonial Government the imperative need of settling this question satisfactorily, at least before the next season ?

Sir Girja Shankar Bajpai : As a matter of fact, we addressed a Despatch to the Colonial Office just a few days ago before the session began and we said that for various reasons it was necessary that this matter should be settled before the end of the extended moratorium which, as my Honourable friend is aware, extends to the end of the current year.

ARTICLE ENTITLED " UNEMPLOYMENT " PUBLISHED IN THE *Hindu* REGARDING EDUCATIONAL RECONSTRUCTION.

450. **Mr. S. Satyamurti :** Will Government be pleased to state :

(a) whether their attention has been drawn to a leading article, entitled " Unemployment ", in the *Hindu*, dated the 13th June, 1936 ; and

(b) whether they propose to bring out British experts to advise on the reform of Secondary Education, involving the introduction of vocational education ?

Sir Girja Shankar Bajpai : (a) Yes.

LEGISLATIVE ASSEMBLY.

Tuesday, 22nd September, 1936.



The Assembly met in the Assembly Chamber at Eleven of the Clock,
Mr. President (The Honourable Sir Abdur Rahim) in the Chair.

MEMBER SWORN.

Mr. John Bartley, C.I.E., M.L.A. (Government of India : Nominated
Official).

QUESTIONS AND ANSWERS.

Mr. President (The Honourable Sir Abdur Rahim) : Questions.
Some questions were held over for Sir Girja Shankar Bajpai. Those will
now be put and answered.

ARTICLE ENTITLED "RACIALISM IN EAST AFRICA" PUBLISHED IN THE *Hindu*.

447. *Mr. S. Satyamurti : Will Government be pleased to state :

- (a) whether their attention has been drawn to a leading article entitled "Racialism in East Africa", in the *Hindu*, dated the 24th June, 1936 ;
- (b) whether an Order-in-Council reserving the Highlands to Europeans is about to be issued ;
- (c) whether their attention has been drawn to the Specific Loan Bill passed by the Kenya Council ;
- (d) whether they propose to make any representation against inequality and discrimination appearing on the face of the measure ;
- (e) whether there is any proposal to have an Executive Council, excluding Indians from that Council ;
- (f) whether they are aware that the East African Congress has decided to send a deputation to England ; and
- (g) what steps they have taken to support the deputationists and to expose the mischievous character of the demands made on behalf of the settlers ?

Sir Girja Shankar Bajpai : (a) Yes.

(b) The Honourable Member's attention is invited to the reply given by me on the 1st of this month to part (a) of his starred question No. 42.

(1591)

(b) I would invite the attention of the Honourable Member to the answer given to parts (b) and (c) of his question No. 295 on the 10th of this month.

Mr. S. Satyamurti : May I know the reasons why Government want to import British experts to advise on the reform of Indian secondary education ?

Sir Girja Shankar Bajpai : Well, Sir, it is a matter which Government have considered not only in consultation with Local Governments or their own experts but also in consultation with the Central Advisory Board of Education on which there are representatives of universities and other distinguished non-official Indians, such as the Right Honourable Sir Tej Bahadur Sapru ; their opinion was that inasmuch as the main idea now is to blend purely literary education with technical education, it was desirable to obtain expert advice from a country where technical education is much more advanced than here.

Mr. S. Satyamurti : Have Government found out and come to the conclusion that, in India itself, there are no Indian experts of high educational standing, who can usefully advise the Government on this purely Indian question ?

Sir Girja Shankar Bajpai : Perhaps my Honourable friend has not quite appreciated the *modus operandi*. The idea is that there should be in each province a committee appointed by the Local Government consisting of local experts including technical experts to explore all the facilities there are for different kinds of education, and these other people really will be able to advise on the basis of the material collected by them. There is no idea of leaving it exclusively to the experts from abroad.

Mr. S. Satyamurti : May I know whether Government have laid down any qualifications for the experts to be imported, especially in regard to any knowledge of Indian conditions, of Indian pupils, and of Indian surroundings ?

Sir Girja Shankar Bajpai : Well, Sir, my Honourable friend will appreciate the fact that it would not be possible to insist upon those who come out from England having a knowledge of Indian conditions and Indian surroundings. The knowledge of Indian conditions and Indian surroundings will be supplied by the experts selected in India. These other people will be able to advise (on the basis of the information supplied by our experts) as to what might be feasible, considering the result of experimentation elsewhere.

Mr. N. M. Joshi : May I ask whether the Government of India propose to consult some experts in the matter of unemployment insurance and other methods of relief of unemployment ?

Sir Girja Shankar Bajpai : Sir, I am talking now about educational reconstruction, and I think unemployment insurance does not come within the purview of educational reconstruction.

Mr. N. M. Joshi : May I ask whether the Honourable Member has read part (a) of question No. 450 ?

Sir Girja Shankar Bajpai : Yes, I have, but, as my Honourable friend will see if he will get hold of this particular article and read it, it

is primarily devoted to the question of importing experts to assist in educational reconstruction.

Pandit Lakshmi Kanta Maitra : May I ask if it is in the contemplation of Government to start something like a Central Advisory Committee to deal with all these matters, with the expert imported from outside ?

Sir Girja Shankar Bajpai : In so far as education is concerned, the Central Advisory Committee already exists.

Mr. T. S. Avinashilingam Chettiar : May I know whether the person who is to be invited to go into this question has been settled ?

Sir Girja Shankar Bajpai : Not yet.

Prof. N. G. Ranga : Why is it that Government have not thought of appointing a Committee on the lines of the Sadler Commission, in view of the fact that that Commission has turned out a very good report and some distinguished Indians served on it quite satisfactorily ?

Sir Girja Shankar Bajpai : My Honourable friend probably remembers that the Sadler Commission took something like three years to report on university education and we do not want an All-India Committee because an All-India Committee would probably take three or four years, by which time any recommendations they may make will probably be out of date.

Pandit Lakshmi Kanta Maitra : Do I understand from the Honourable Member that the Central Board of Education, together with the foreign expert, will go into the question of unemployment and reform at these various educational institutions ?

Sir Girja Shankar Bajpai : I think my Honourable friend ought to draw a distinction between "unemployment", which has very many aspects and educational reconstruction which is one of the methods suggested for dealing with unemployment by the Sapru Committee. The Central Advisory Board is going to limit its activities to the examination of any advice that is furnished by these experts in regard to educational reconstruction.

Mr. N. M. Joshi : May I ask whether the Government of India are aware that very few of the Provincial Governments have got money for the reform of the secondary education, and, in view of that fact, are the Government of India aware that the spending of money on bringing out an expert is a waste of public money ?

Sir Girja Shankar Bajpai : I should have thought that Local Governments would be alive to that particular consideration and seeing that they have all, with one exception, cordially accepted the idea of the Central Advisory Board that these experts should be invited, I do not think that they do not regard expense as an impediment.

Mr. M. Ananthasayanam Ayyangar : May I ask, Sir, why should we not send educational experts from India to various countries in the world to study their educational system and other things ?

Sir Girja Shankar Bajpai : The same consideration which stands in the way of our appointing new Sadler Commission, the consideration of time.

Mr. M. Ananthasayanam Ayyangar : Are these experts who are coming from England expected to know first-hand the conditions prevailing in various other progressive countries, such as, America, Germany, France and Japan ?

Mr. N. M. Joshi : In their case, ignorance is the qualification !

Sir Girja Shankar Bajpai : My Honourable friend, Mr. Joshi, says: "Ignorance is the qualification". I do not agree with him at all. It is impossible to get an expert who has knowledge of all the advanced countries in the world.

Mr. M. Ananthasayanam Ayyangar : Then, is it not desirable that we should send a number of persons to Japan and other countries of the world ?

Mr. President (The Honourable Sir Abdur Rahim) : Order, order. That question does not arise.

Mr. M. Ananthasayanam Ayyangar : Why does it not arise ?

Mr. President (The Honourable Sir Abdur Rahim) : Order, order.

Mr. M. Ananthasayanam Ayyangar : I am sorry, Sir. I withdraw my words.

Mr. S. Satyamurti : May I know when are these experts expected to come and when do Government expect their report ?

Sir Girja Shankar Bajpai : The experts are expected some time in October or November of the current year.

Mr. S. Satyamurti : How many experts are coming ?

Sir Girja Shankar Bajpai : Two.

Mr. President (The Honourable Sir Abdur Rahim) : Next question.

ARTICLE ENTITLED "INDIAN SUGAR INDUSTRY" PUBLISHED IN THE *Amrita Bazar Patrika*.

454. ***Mr. S. Satyamurti :** Will Government be pleased to state :

(a) whether their attention has been drawn to a leading article entitled "Indian Sugar Industry", in the *Amrita Bazar Patrika* of the 19th June, 1936 ;

(b) whether they are examining the allegations and statements contained therein, and have satisfied themselves whether they are accurate ; and

(c) whether they propose to take steps to meet the needs of the sugar industry, so that India may become one of the largest sugar-producing countries in the world, supplying not only her home requirements but exporting a good surplus of her products ?

Sir Girja Shankar Bajpai : (a) Yes.

(b) The article does not state the position correctly.

(c) The Honourable Member will appreciate that no industry can be made efficient by Government action alone. The sugar industry, like

any other, must take itself the main steps in this direction. In so far as Government are concerned they are already doing whatever is possible to promote the development of the industry. For an account of what they have done I would invite the Honourable Member's attention to the answer given to part (e) of his question No. 414 asked on the 16th September, 1935, and to the report of the Imperial Council of Agricultural Research for 1935-36, copies of which are available in the Library. An amount equal to one anna per cwt. of excise duty imposed on sugar is being set apart and distributed to Local Governments for expenditure on the improvement of sugar-cane supplies. A central Institute of Technological Research is being established at Cawnpore at a cost of Rs. 2½ lakhs per annum.

As regards the suggestion that export markets should be found for Indian sugar, the Honourable Member will realise that this is quite impossible so long as Indian production costs continue to be something like 200 per cent. above the world prices of sugar.

Mr. S. Satyamurti : I do not know if my Honourable friend can answer this question or some other Member of the Government will have to. May I know if there is any proposal to reduce protection to sugar either by reducing the import duties, or by increasing the excise duty ?

Sir Girja Shankar Bajpai : That is perhaps asking Government to anticipate Budget proposals. I am not in a position to answer that.

Mr. S. Satyamurti : May I know if there is any proposal pending before the Government to reduce the production cost of sugar, by increasing the efficiency of production in various ways ?

Sir Girja Shankar Bajpai : The two main lines of research which Government are pursuing—one agricultural and the other technological—aim at reduction of costs of production.

Mr. S. Satyamurti : Have Government taken any steps to increase the sugar-content of cane in this country by improved methods of cultivation, so that we may compete on more and more equal terms with Java ?

Sir Girja Shankar Bajpai : That is a point which relates to the genetics of sugar-cane. Some research has probably been devoted to it but hitherto the main work has been on the evolution of varieties of cane which will be resistant and adapted to different climates. The actual problem of increasing the sucrose content is, I believe, receiving attention or shortly will.

Mr. S. Satyamurti : May I know if Government will bring together the various interests engaged in sugar production, with a view to avoiding wasteful competition, and increasing the efficiency of production ?

Sir Girja Shankar Bajpai : Is my Honourable friend speaking of the manufacturing or the agricultural side ? I presume he is speaking about the manufacturing side of it. As far as I know, the Sugar Committee of the Imperial Council of Agricultural Research have had that point in view and my Honourable friend is probably also aware of the fact that recently sugar manufacturers and sugar associations had a Conference in Calcutta to consider this question.

Mr. T. S. Avinashilingam Chettiar : May I ask whether they have found any better use for molasses ?

Sir Girja Shankar Bajpai : That question does not arise out of the question that I have answered.

Mr. S. Satyamurti : You cannot make India one of the largest sugar producing countries in the world, supplying not only her home requirements but exporting a good surplus of her products, unless you are able to make economic use of molasses. That question arises out of this part of the question.

Mr. President (The Honourable Sir Abdur Rahim) : It is not a specific question.

Mr. S. Satyamurti : Molasses is a bye-product of sugar. You cannot manufacture sugar without producing molasses.

Mr. President (The Honourable Sir Abdur Rahim) : It is not a specific question : it arises incidentally. If the Honourable Member wants an answer to a specific question like that, he must put a separate question.

Mr. M. Ananthasayanam Ayyangar : May I know if any portion of the excise duty is used for this research in the Madras Presidency ?

Sir Girja Shankar Bajpai : I do not think that any proportion of the excise duty is used for purposes of research. There was a question asked on this subject last year and I said that Government were not prepared to earmark the yield of a particular tax for a particular purpose, but where research is needed Government make grants for that purpose.

Mr. M. Ananthasayanam Ayyangar : Is any research going on with respect to sugar-cane production of a superior quality in the Madras Presidency at the cost of Government ?

Sir Girja Shankar Bajpai : My Honourable friend may know that at Coimbatore research is done at the expense of Government.

Mr. M. Ananthasayanam Ayyangar : May I know how much is spent per annum ?

Sir Girja Shankar Bajpai : I am afraid my Honourable friend must give himself the trouble of looking up the report of the Imperial Council of Agricultural Research which gives the information required.

ARTICLE ENTITLED " LORD LINLITHGOW AND MILK DIET " PUBLISHED IN THE *Amrita Bazar Patrika*.

455. ***Mr. S. Satyamurti :** Will Government be pleased to state :

(a) whether their attention has been drawn to a leading article, entitled " Lord Linlithgow and Milk Diet ", in the *Amrita Bazar Patrika* of the 13th June ;

(b) whether they propose to take any steps to find out how many men and women in the country buy milk every day ; and

(c) whether they propose to take steps to give means to the villagers to secure at least two meals a day ?

Sir Girja Shankar Bajpai : (a) Yes.

(b) A milk survey regarding the production, consumption and disposal of milk in certain cattle breeding areas is contemplated.

(c) So far as the action of the Government of India in respect of improving the condition of the masses is concerned, I would refer the Honourable Member to the statements already made in this House regarding rural uplift grants and to the account that I gave of the efforts of the Imperial Council of Agricultural Research for agricultural improvement in reply to parts (i) and (ii) of Mr. Akhil Chandra Datta's question No. 312 on the 12th February, 1936.

Mr. S. Satyamurti : With reference to the answer to clause (b) of this question, may I know if Government have any information in their possession, from which they can give us any information as to the subject-matter, namely, how many men and women in the country buy milk every day ?

Sir Girja Shankar Bajpai : I was just going to say that at the present moment that information is not available. The milk survey, which I have referred to, is aiming at ascertaining this information in regard to certain milk producing areas.

Mr. S. Satyamurti : Will Government then suggest to the high quarters which are carrying on ' drink more milk ' propaganda to stay their hands, and not add insult to injury by calling upon people to drink more milk, when they cannot get even one square meal a day ?

Sir Girja Shankar Bajpai : My Honourable friend is asking us to express an opinion on the question whether the advice to which he has referred is intended for those who can afford milk or it is intended for everybody.

Mr. S. Satyamurti : May I know what is the intention of this propaganda ? Is it to ask those who can afford to buy milk to drink more milk, or is to apply to men who cannot afford even a meal per day, to give up that meal and buy milk instead ?

Sir Girja Shankar Bajpai : My Honourable friend with his acute intelligence, which everybody in this House admires, is really indulging in dialectics. The position is that the advice to which he has referred is a very straightforward piece of advice, namely, that milk because of its chemical and bio-chemical composition is an extraordinarily nourishing element of diet and whosoever can afford it ought to use it.

Qazi Muhammad Ahmad Kazmi : Is it the information of the Government that people who can afford to drink milk do not drink milk in India ?

Mr. President (The Honourable Sir Abdur Rahim) : Next question.

ARTICLE ENTITLED " HEALTH AND NUTRITION " PUBLISHED IN THE *Indian Express*.

463. ***Mr. S. Satyamurti :** Will Government be pleased to state :

(a) whether their attention has been drawn to a leading article, entitled " Health and Nutrition ", in the *Indian Express*, dated the 20th June, 1936 ;

(b) whether they have considered the question that the central problem of the peasant is poverty ; and

(c) whether they propose to deal with it, if so, how ?

Sir Girja Shankar Bajpai : (a) Yes.

(b) and (c). The question of improving the condition of the Agriculturist, to the extent that it lies within the competence of the Government of India, is constantly receiving attention and the action taken by them is explained to the House from time to time.

Mr. S. Satyamurti : May I know whether the Government are taking any specific steps to deal with the central problem of the peasant, namely, poverty ?

Sir Girja Shankar Bajpai : There is no one specific plan of which it can be said directly that this is aimed at removing the poverty of the peasants. The whole series of measures which have the effect of increasing the purchasing power of the cultivator is designed to alleviate so far as possible the poverty of the peasant.

Mr. S. Satyamurti : What steps are Government taking to increase the purchasing power of the peasant ? Are they taking any steps to increase the price of primary products, on which the purchasing power of the peasant wholly depends ?

Sir Girja Shankar Bajpai : My Honourable friend will appreciate the fact that it is not possible in the course of a reply to a supplementary question to give a comprehensive account of all that has been done. But to take one instance, in these very Indo-Japanese trade negotiations that are in progress at the present moment, the question of finding a safe and suitable outlet for Indian cotton is designed to help the Indian cotton grower.

Mr. S. Satyamurti : Apart from these trade negotiations, which are now at a stand still, may I ask whether Government in the Honourable Member's Department are taking any steps to deal with the problem of giving a little more purchasing power to the peasants ?

Sir Girja Shankar Bajpai : To the extent that we can assist in raising the margin of profits for the cultivator by reducing the cost of cultivation, our Department is doing or trying to do what it can.

Mr. S. Satyamurti : Do Government realise that the taxes levied on the peasants are much too high and this Government costs too high, and unless the whole problem is radically solved, the question of poverty will remain unsolved ?

Sir Girja Shankar Bajpai : My Honourable friend is raising the main issue of retrenchment which I submit we cannot discuss in answer to a supplementary question.

Mr. President (The Honourable Sir Abdur Rahim) : That is a very wide problem which cannot be discussed in question hour.

DELEGATION FROM SOUTH AFRICA.

467. ***Mr. S. Satyamurti :** Will Government be pleased to state :

(a) the information they have about the delegation from South Africa ;

(b) what the above delegation is ;

(c) the purpose of their visit ;

(d) their programme ;

(e) whether it is proposed to discuss the difficulties of the Indian settlers in South Africa ; and

(f) if not, why not ?

Sir Girja Shankar Bajpai : (a), (b), (c) and (d). The attention of the Honourable Member is invited to the Press Communiqués, dated the 16th and 22nd June, and 3rd September, 1936, copies of which have been placed in the Library of the House.

(e) and (f). The visit is solely one of courtesy and good-will.

ARTICLE ENTITLED " RYOTS AND RESEARCH " PUBLISHED IN THE *Hindu*.

469. ***Mr. S. Satyamurti :** Will Government be pleased to state :

(a) whether their attention has been drawn to a leading article, entitled, " Ryots and Research ", in the *Hindu* of the 9th June, 1936 ;

(b) whether they have examined or propose to examine how far the results of the research carried on by the Imperial Council of Agricultural Research have been of use to the ryots ; and

(c) whether the Council will be asked to take steps to collect information about this, and place it on the table of the House ?

Sir Girja Shankar Bajpai : (a) Yes.

(b) The Imperial Council of Agricultural Research maintains a continuous examination of this question. The ultimate objective of all research grants is practical benefit to the cultivator.

(c) In view of the reply to part (b) this question does not arise.

Mr. S. Satyamurti : May I know how much of the expenditure of the Imperial Council of Agricultural Research is spent on the publication of pamphlets in one or more Indian languages ?

Sir Girja Shankar Bajpai : The Imperial Council of Agricultural Research does not directly undertake propaganda. The division of labour between the Council and the Provinces is that the result of research conducted and completed at the expense of the Council, if of practical value, is made the subject of propaganda by Local Governments.

Mr. S. Satyamurti : May I know if Government have any information—if they have not, I will put down a question and it can be answered after notice—I should like to know if they have any information as to how much of this propaganda is done by Local Governments by means of pamphlets inside the country ?

Sir Girja Shankar Bajpai : I was going to ask my Honourable friend to be good enough to go through a publication entitled, " The Review of Agricultural Operations in India " for the period 1931-33—I am afraid the next one for 1933-35 is not yet ready, though it will be ready shortly—he will find information there as regards both the number of pamphlets put out by provincial departments of agriculture in each province and the languages in which it is put out.

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Mr. S. Satyamurti : Are these publications sent to Honourable Members of this House ?

Sir Girja Shankar Bajpai : I do not think they are sent to Honourable Members of this House ; but they are placed in the Library of the House.

Mr. M. Ananthasayanam Ayyangar : May I ask whether the Imperial Council of Agricultural Research have made researches into the production of cheap manure suitable to the conditions of this country ?

Sir Girja Shankar Bajpai : They have a Fertilizers' Committee which is concerning itself with one or two manurial problems, but I cannot say off-hand as to what exactly the scope of its investigations is and what exactly are the results achieved till now.

Mr. M. Ananthasayanam Ayyangar : Is the Honourable Member aware that large quantities of bone manure are being exported from the Madras Presidency ?

Sir Girja Shankar Bajpai : The question in regard to the export of bone manure was asked in the past, and speaking from memory—I do not claim complete accuracy for what I say now—I believe the notion as to the extent of export of bone manure that takes place from this country is somewhat exaggerated.

Prof. N. G. Ranga : Will the Government consider the advisability of supplying these publications of the Imperial Council of Agricultural Research and other publications published by the Government of India in regard to agriculture to all the vernacular papers in India so that they may publish relevant extracts from these publications for the benefit of the masses ?

Sir Girja Shankar Bajpai : I will have that suggestion of my Honourable friend considered in consultation with the Director of Publicity.

Mr. K. Ahmed : In view of the fact that the Ministers from the Provinces are invited to come to the heights of Simla or to come to Delhi from the remotest corners of India, and in view of the fact that a lot of money is wasted towards their travelling expenses, and in view of the fact that these Ministers, not having enough education, are called upon to judge research problems relating to agriculture, do Government realise that it is worthless to bring these Ministers here for the purpose of research ?

Sir Girja Shankar Bajpai : My Honourable friend's question is a blend of insinuations and information given *ex-cathedra*, and I do not think that calls for any answer.

Mr. K. Ahmed : What are the qualifications of these gentlemen who hold the portfolios of Local Self-Government in the Provinces and who are invited here to take part in discussions relating to agricultural research. Most of them have no education at all.

Mr. President (The Honourable Sir Abdur Rahim) : Next question.

ARTICLE ENTITLED " BRITISH COLONIAL POLICY AND RACIAL DISCRIMINATION "
PUBLISHED IN THE *Hindu* REGARDING KENYA HIGHLANDS.

483. ***Mr. S. Satyamurti** : Will Government be pleased to state :

- (a) whether their attention has been drawn to a leading article, entitled " British Colonial Policy and Racial Discrimination ", published in the *Hindu* of the 8th June, 1936 ;
- (b) whether they propose to take prompt and effective steps to prevent the enforcement of this racial discrimination policy ; and
- (c) whether they are carefully watching the position in Kenya, and propose to take prompt steps to prevent the agitation, now being led by Lord Francis Scott on behalf of the European settlers of Kenya, having any effect ?

Sir Girja Shankar Bajpai : (a) to (c). The article in question relates to the issue of an Order in Council regarding the Kenya Highlands. I would refer the Honourable Member to my answer to his question No. 42.

POSITION OF INDIANS IN DURBAN.

491. ***Mr. S. Satyamurti** : Will Government be pleased to state :

- (a) whether their attention has been drawn to a report of the speech of Mr. A. A. Hayles, Editor, the *Madras Mail*, published in that paper of the 26th June, 1936 ;
- (b) whether their attention has been drawn particularly to the statement referring to Indians as " hard-working and relatively prosperous community, entitled to greater consideration than they received from the Union Government or the Durban Municipality " ; and
- (c) whether they propose to take steps to make the position of Indians there better ?

Sir Girja Shankar Bajpai : (a) and (b). Yes.

(c) It is the constant endeavour of the Government of India, through the Agent General, to improve the position of Indians in the Union.

Mr. S. Satyamurti : I do not want to embarrass my Honourable friend, but may I know whether he will bring such aspects of this question to the notice of the South African delegation ?

Sir Girja Shankar Bajpai : I have answered a previous question regarding the scope of the visit of the South African Ministers and I pointed out then that the visit was purely one of courtesy and good-will. The initiative in this matter really rests with them.

POSITION OF INDIANS OUTSIDE INDIA

493. *Mr. S. Satyamurti : Will Government be pleased to state :

- (a) whether their attention has been drawn to a recent statement by the Secretary of the All-India Congress Committee, Foreign Department, on the position of Indians outside India ;
- (b) whether they have examined the facts and allegations contained therein ; and
- (c) whether they propose to take steps to improve the position of Indians in the light of that statement ?

Sir Girja Shankar Bajpai : (a) and (b). Yes.

(c) The attention of the Honourable Member is invited to the reply just given by me to part (c) of his question No. 491.

Mr. S. Satyamurti : May I ask whether the Government have any idea of issuing from time to time communiqués on these lines, explaining the position of Indians in various foreign countries, as the public of India are very much concerned with that ?

Sir Girja Shankar Bajpai : My Honourable friend is probably aware of the fact that we publish annual reports of the Agents of the Government of India in South Africa, in Ceylon and in Malaya and in regard to other countries as and when occasion arises important facts become the subject of communiqués by the Government of India.

Mr. S. Satyamurti : Will the Government consider the desirability of publishing, once a quarter or once in six months or at least once a year, a comprehensive pamphlet or communiqué summarising the position of Indians in all those countries—I am asking only with regard to countries inside the British Empire, because my Honourable friend is only concerned with that ?

Sir Girja Shankar Bajpai : My Honourable friend's suggestion comes to this that there might be published annually some sort of comprehensive note stating important events relating to or affecting Indians in different parts of the British Empire. I will consider that suggestion.

RELIEF GIVEN TO THE PEASANTS OF BENGAL IN THE FAMINE-RIDDEN AREAS.

503. *Prof. N. G. Ranga : Will Government be pleased to state the measures taken including the extension of the salt concessions, reduction of railway freights, by the Governments concerned to relieve the distress of the peasants of Bengal in the famine-ridden areas ?

Sir Girja Shankar Bajpai : I made a statement in this House on the 22nd and 23rd April, 1936, on the subject of distress caused by scarcity in Bengal. That statement has now been brought up to date and is placed on the table of the House.

Statement giving particulars of scarcity conditions in Bengal.

The latest information from Bengal indicates that the distress to which the Honourable Member refers was due to insufficient rainfall in 1935 at the time of transplantation and almost total cessation of rainfall from September, 1935. This led to partial failure, in most of the districts in Western Bengal, of winter paddy, the main crop on which the people in these districts depend. The outturn of sugarcane and other kharif crops was also unsatisfactory.

2. Following a similar partial failure in the previous year the situation became acute in January. Not only the cultivators who had already exhausted their resources, both in cash and kind, and the landless labourers were severely hit by this failure of crops, but other classes who depend largely on rent.

3. Nine of the eleven districts affected with drought suffered the most. Conditions in the remaining two districts have since improved. The worst affected districts were Birbhum, Bankura, Burdwan, Hooghly, Murshidabad, 24-Parganas, Khulna, Nadia and Jessore. In the first named six districts the distress became so acute that scarcity had to be declared under Section 74 of the Bengal Famine Code, 1913, at the beginning of the current financial year in the whole of the Birbhum district and in parts of other five districts.

4. In order to relieve distress an Additional Commissioner was appointed in January, test works were re-started in February on a very extensive scale in the areas affected by scarcity. Large numbers of labourers attended the test works which consisted of the construction of and repairs to roads, re-excavation of silted up irrigation tanks and erection of and repairs to irrigation bundhs.

5. During the last financial year a sum of Rs. 96,280 was advanced under the Land Improvement Loans Act and a sum of Rs. 8,11,052 distributed as agricultural loans. In addition to these a sum of Rs. 2,30,424 was sanctioned for test works including Rs. 18,000 for the special scheme organised for the relief of weavers in Bankura. A sum of Rs. 47,262 was given as gratuitous relief from the Trust Funds under the administrative control of the Local Government and a sum of Rs. 24,500 out of the money (Rs. 30,000) received from the Indian People's Famine Trust.

6. During the current financial year the Local Government have allotted up to date a total sum of Rs. 37,65,865, for land improvement and agricultural loans and a sum of Rs. 8,06,040 for test works and gratuitous relief. A sum of Rs. 50,000 has been granted from the Indian People's Famine Trust Fund for the relief of distress in Bengal.

7. The East Indian Railway and the Eastern Bengal Railway have sanctioned concessions in freight for the carriage of foodstuff for free distribution in the affected districts of Western Bengal. No salt concessions have been made as none are feasible in the affected area. Government have received no report of death from starvation or suicide from starvation.

8. The highest number of persons on test works and in receipt of gratuitous relief was 1,78,732 on the 27th May, 1936. All test works have now been closed, but the weekly report for 2nd September, 1936, shows that there are 14,164 people in receipt of gratuitous relief in three districts, viz., 1,049 in Nadia, 4,925 in Murshidabad and 8,190 in Burdwan.

Prof. N. G. Ranga : Is it not a fact that famine conditions continue to prevail in Bengal even now ?

Sir Girja Shankar Bajpai : According to the statement, which I hope my Honourable friend will read, he will find that conditions now have improved and that the present expectation is that the autumn paddy crop is going to be a fairly good one. In the event of that expectation not being realised, the Government of Bengal propose to continue both gratuitous relief and test works.

Mr. K. Ahmed: Is the Honourable Member aware, that during these floods the whole of Bengal was drained with water, and that there is no chance of getting or expecting any crop whatever from the land?

Sir Girja Shankar Bajpai: I am quite sure that if there has been an unexpected emergency such as that referred to by my Honourable friend and that emergency adversely affects the agricultural situation, the Government of Bengal will take it into account and deal with it.

Pandit Lakshmi Kanta Maitra: Is the Honourable Member aware that in as many as eleven districts in Bengal famine is raging furiously and in several districts famine under the Famine Code has been declared, and that in some of the districts, particularly in the 24 Parganas, the situation is so critical that far from improving it is worsening day by day?

Sir Girja Shankar Bajpai: Sir, I can merely submit to the House the report which I have received from the Government of Bengal. If my Honourable friend wishes me to pursue the matter as regards the worsening of the situation with the Government of Bengal, I am quite prepared to do it.

Pandit Lakshmi Kanta Maitra: Is the Honourable Member also aware that in some districts of Bengal, owing to the devastating floods the prospects of crops have been completely blighted and the situation is still further deepening from bad to worse?

Sir Girja Shankar Bajpai: I have already answered that question. I said that any fresh development which affects the agricultural situation is sure to be taken into account by the Government of Bengal.

Pandit Lakshmi Kanta Maitra: May I know if Government are aware that flood also is doing havoc to the crops?

Sir Girja Shankar Bajpai: That is a recent development. I have read reports to that effect in the press.

Prof. N. G. Ranga: Have Government received any recent reports from the Government of Bengal in regard to the damage caused to the peasants and their crops by floods?

Sir Girja Shankar Bajpai: The Government of India,—I am speaking from memory,—have recently received an application from the Government of Bengal for the requisite notification to enable the Indian People's Famine Trust Fund being able to give some assistance to the Government of Bengal, and that relates to the recent floods. But I do not know any details.

Pandit Lakshmi Kanta Maitra: What is the position now after the receipt of this application by the Government of India?

Sir Girja Shankar Bajpai: The Government of India do not allot any money out of the Indian People's Famine Trust Fund. It is done by the managing committee.

Mr. K. Ahmed: In view of the fact that salt is an essential ingredient required by the cultivators who are famine-stricken, half clothed and unclothed, at this disastrous time, do Government propose to allow reduction or non-payment of the tax with regard to salt?

Sir Girja Shankar Bajpai: The salt question is not one for consideration at present, but I should like to draw the attention of the House to the fact that my Honourable friend is not what might be called a convincing specimen of famine-stricken Bengal. (Loud laughter.)

Mr. K. Ahmad: In view of the fact that the Honourable Member is not true to his salt (Laughter), may I.....

Mr. President (The Honourable Sir Abdur Rahim): Order, order; next question.

PAUCITY OF DRINKING WATER TAPS AT STREET CORNERS OR ROAD CROSSINGS IN NEW DELHI.

515. ***Mr. C. N. Muthuranga Mudaliar:** (a) Are Government aware of the fact that there are few, if any, drinking water taps at any of the street corners or road crossings in New Delhi?

(b) Are Government prepared to take the necessary steps to erect at suitable places, especially at street crossings, small wooden or cement shelters where plain drinking water or mineral waters and ice could be provided?

(c) Are Government aware that owing to want of such shelters, vendors of mineral waters and ice have to pitch their stands open to the sun and wind and dust, or possibly under some trees involving considerable risk of infection?

(d) Are Government prepared, following the example of modern cities, to provide suitable bathing and other facilities at all important road junctions in New Delhi?

Sir Girja Shankar Bajpai: (a) The Honourable Member is referred to the answer given to his starred question No. 356 on the 13th February, 1936.

(b) and (c). Government have no information. The Honourable Member's suggestion will be brought to the notice of the New Delhi Municipal Committee whom it concerns.

(d) Government are not aware that bathing facilities are provided at all important road junctions in modern cities. The Honourable Member's suggestion will, however, be passed on to the New Delhi Municipal Committee.

IMPORTATION OF VEGETABLE Ghee INTO INDIA.

532. ***Mr. Sri Prakasa:** (a) Are Government aware of large importations of vegetable ghee into India from foreign countries?

(b) What was the amount of such ghee imported during the financial year of 1935-36 and what, if any, is the rate of custom charged on the same?

(c) Is it a fact that this ghee looks very much like the genuine ghee manufactured in India and that it is very often passed as such?

(d) Have Government got this ghee analyzed, and if so, what is the conclusion they have come to regarding its nutritive value as compared with the Indian ghee?

(e) Are Government prepared to make a rule that such imported vegetable ghee must always have a specified colour in order to prevent its being mixed up with ordinary ghee?

(f) What is the average rate at which the vegetable ghee is sold in the Indian market? And how does that compare with the average price of the Indian ghee?

Sir Girja Shankar Bajpai: (a) Yes.

(b) Total imports of vegetable ghee and analogous products amounted in 1935-36 to 5,144 hundred-weights. An *ad valorem* import duty of 25 per cent. is at present levied.

(c) Yes. Government understand that the position is as stated by the Honourable Member.

(d) The so-called vegetable ghee has been analysed at various times. Government are advised that, unlike pure ghee, vegetable ghee contains no fat-soluble vitamins and that its food-value is only that of fat.

(e) I would invite attention to the reply given by me to parts (a) and (c) of Mr. Sham Lal's question No. 149 on the 12th February, 1935.

(f) A statement containing such information as is available is laid on the table.

Statement.

I. Wholesale prices of ghee at the different centres in India during 1935-36.

Centres.	Trade description.	Rate per	Prices.		
			Annual average (1935-36).	April 1936.	May 1936.
			Rs. A. P.	Rs. A. P.	Rs. A. P.
Calcutta	Pure quality	Bazar maund	50 5 4	48 0 0	46 0 0
	Ordinary shipment quality.	"	46 1 4	44 0 0	42 0 0
Bombay	Deeshi	Indian maund	57 6 1	54 4 7	54 4 7
Karachi	Average Sind	Maund (82-2/7 lbs.)	43 6 0	46 0 0	41 12 0
Patna	"	Maund	43 10 0	40 0 0	40 0 0
Bangalore	Ordinary quality	26½ lbs.	14 13 5	14 8 0	14 14 0
			(46 8 3 or per md. of 82-2/7 lbs.)	(45 7 3 or per md. of 82-2/7 lbs.)	(46 10 1 or per md. of 82-2/7 lbs.)
Hyderabad City.	1st quality	Maund = 80 lbs.	45 2 0	44 0 0	41 0 0
			(46 7 0 or per md. of 82-2/7 lbs.)	(45 4 1 or per md. of 82-2/7 lbs.)	(42 2 9 or per md. of 82-2/7 lbs.)

II. Price of ghee per lb. in Provinces, etc.

No.	Provinces.	In Cities.		In Mofussil Towns.		In Villages.	
		From	To	From	To	From	To
		Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1	Madras	0 12 0	1 0 0	0 12 0	1 0 0	0 9 1	0 10 8
2	Bombay	0 10 8	0 12 10	0 9 7	0 12 2	0 8 0	0 10 8
3	Bengal	0 10 0	1 0 0	0 9 0	0 9 0	0 8 0	0 10 8
4	Punjab	0 8 0	0 8 0	0 8 0	0 8 0	0 6 5	0 8 0
5	United Provinces	..	..	..	..	..	..
6	Central Provinces	..	..	..	..	..	..
7	Bihar	..	..	..	..	..	..
8	Assam	..	..	..	..	..	..
9	North West Frontier Province	0 9 2	0 11 8	0 9 0	0 12 0	0 8 0	0 11 0
10	Orissa	..	..	..	..	..	..
11	Sind	..	..	..	..	..	..
12	Burma	..	..	..	..	..	..
13	Delhi	0 7 10	0 11 8	..	..	..	..
14	Coorg	..	..	..	..	..	..
15	Baluchistan	..	..	..	..	..	..
16	Ajmer-Marwar	..	..	No figures.	No figures.	0 10 5	0 15 7

Country.	Country of origin.	Annual average C. I. F. prices (1935-36).	Amount of duty.	Average C. I. F. cum-duty price in 1935-36.	Average C. I. F. cum-duty price in 1935-36.	C. I. F. Prices.				C. I. F. cum-duty prices per md. of 82.2/7 lbs.			
						April 1936.	May 1936.	June 1936.	July 1936.	April 1936.	May 1936.	June 1936.	July 1936.
Calcutta	Holland	Rs. A. P. \$3 6 0 per cwt.	Rs. A. P. 7 7 0 per cwt.	Rs. A. P. 40 13 0 per cwt.	Rs. A. P. 29 15 9	Rs. A. P. ..	Rs. A. P. 47 6 0 per cwt.	Rs. A. P. 47 8 0 per cwt.	Rs. A. P. ..	Rs. A. P. 40 4 4	Rs. A. P. 40 5 10	Rs. A. P. ..	Rs. A. P. ..
Madras	..	34 8 3 per cwt.	7 7 0 per cwt.	41 15 3 per cwt.	30 13 2	36 0 0 per cwt.	38 0 0 per cwt.	39 10 0 per cwt.	..	31 14 7	33 6 1	27 3 8	..
Bombay	Holland	25 3 8 per 80 lbs.	5 5 0 per 80 lbs.	30 8 8 per 80 lbs.	31 6 8	25 3 0 per 80 lbs.	25 3 0 per 80 lbs.	25 3 0 per 80 lbs.	25 3 0 per 80 lbs.	31 5 11	31 5 11	31 5 11	31 5 11

IV. Retail price of vegetable ghee in Simla.
Rampurahi ghee (best quality) Rs. 80.40 Re. 40 per md.

QUESTIONS AND ANSWERS.

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Pandit Lalchand Kanta Mahtia : Is it not a fact that some species of this imported vegetable *ghee* are injurious to health ?

Sir Girja Shankar Bajpai : That is not so, because I have had results of analysis from provincial laboratories and they say there is nothing deleterious in it.

Prof. N. G. Ranga : Are these imports increasing ?

Sir Girja Shankar Bajpai : No, Sir ; on the contrary they have considerably gone down. In 1931-32, for example, the import figures were 116,942 cwt. as against 5,144 which are the figures for 1935-36.

Mr. K. Ahmed : In view of the fact that this kind of imitation of real ghee has fomented litigation and increased the number of prosecutions unnecessarily and the public have squandered money over cheating charges under section 420, I. P. C., do Government propose, for the benefit of the country, to take sufficient steps to protect the people, so that this imitation ghee may not be sold as genuine stuff ?

Sir Girja Shankar Bajpai : As far as I can make out, my Honourable friend's suggestion is that the penal clauses of the Food Adulteration Act should be suspended. The result of that will be that more rather than less false *ghce* will be sold in the markets.

Pandit Lakshmi Kanta Maitra : May I know whether Government propose to encourage imports of this stuff from foreign countries ?

Sir Girja Shankar Bajpai : No, Sir ; there is no question of Government encouraging imports of this stuff from foreign countries. I have quoted figures to show that the imports have been substantially reduced.

Pandit Lakshmi Kanta Maitra : But in view of the fact that it is not quite a good substitute for the ordinary pure *ghee*, do Government propose to stop it by discouraging the imports of this stuff ?

Sir Girja Shankar Bajpai : I do not really think that that problem arises. For example, has my Honourable friend considered the proportions. I had the matter looked up and I find that the internal production of pure *ghee* is as much as in the neighbourhood of one million tons as against the imports of artificial *ghee* into this country, according to the 1935-36 statistics, of 5,144 cwt. I do not think myself that the proportion would justify our considering the problem as a serious problem at all.

Mr. K. Ahmed : In view of the fact that my Honourable friend has admitted himself that there are *ghees* of the kind imported into India which brings a lot of trouble to the people and adds to the miseries of the poor and which is really against public policy, do Government propose to take proper steps to put a stop to the import of this kind of *ghec* altogether ?

Sir Girja Shankar Bajpai : I have not admitted that there are large imports and I have not admitted that they add, as my Honourable friend said, to the miseries of the people.

Mr. K. Ahmed : I did not say either that it is a large import but let it be even a small import. It is an evil which should be eradicated as early as possible for the benefit of the country.

Sir Girja Shankar Bajpai : Sir, as my Honourable friend seems to suffer from momentary attacks of amnesia, it is impossible for me to help him. (Laughter.)

ABSENCE OF STORM WATER AND SULLAGE DRAINS IN KAROL BAGH, DELHI.

533. ***Mr. M. Asaf Ali :** Has Government's attention been drawn to various representations made by the residents of Karol Bagh, Delhi, who live on Government's Estate, during the last six months, and particularly their grievances about the serious inconvenience caused during the rainy season owing to the total absence of storm-water and sullage drains? If so, what steps, beyond granting money for the development of the area and calling for schemes of development, have Government taken to redress the grievances of their tenants demanding immediate attention?

Sir Girja Shankar Bajpai : The Honourable Member is referred to the reply given to his starred question No. 358 of the current Session.

HIGH PROPORTION OF THE NUMBER OF MEDICAL OFFICERS OF THE BRITISH ARMY IN INDIA AND THE INDIAN ARMY.

536. ***Mr. M. Asaf Ali :** (a) Will Government be pleased to state if it is a fact that, as compared with similar arrangements in Great Britain, the Dominions, and other European countries, like Germany, France, Russia, and Italy, which maintain large standing armies, the number of medical officers of the British Army in India and the Indian Army is proportionately high?

(b) Will Government please lay on the table a comparative statement showing the number of medical officers to every thousand of the armies of the various countries enumerated in part (a) and further state the reasons for the excessive number of medical officers in the armies in India?

Mr. G. R. F. Tottenham : (a) and (b). In Great Britain there are approximately four medical officers to every thousand troops. In India there are only about 2½. Government have no information regarding the other countries mentioned by the Honourable Member. Its collection would involve an expenditure of time and labour which would be incommensurate with the value of the results, especially as the comparison with Great Britain that I have just mentioned tends to show that the number of medical officers in the Army in India is not excessive.

Mr. K. Ahmed : In view of the fact that in India, not only the military people, but the people in general, including Honourable Members of this Assembly, do get more attacks of diseases, India being a warm country, is it not proper to appoint a larger number of medical officers for the army in India also?

(No reply.)

BHONSLA SCHOOL OF MILITARY TRAINING.

537. ***Mr. M. Asaf Ali :** (a) Will Government be pleased to state if the Bhonsla School of Military Training is a private but Government-aided institution?

(b) If so, are Government prepared to recognise the cadets trained in this school, and admit them to the Indian Army on the same conditions as cadets of the Dehra Dun School?

(c) Are Government prepared to recognise and aid other private military training institutions started in other parts of the country, exactly on the lines of the Bhonsla Military Training School?

Mr. G. R. F. Tottenham : (a) So far as I know the school is not yet in existence, but it is to be a private institution and will receive no financial aid from Government.

(b) The Honourable Member is presumably referring to the Prince of Wales' Royal Indian Military College; boys from this school compete with other candidates for the Indian Military Academy on equal terms and receive no special consideration from Government. Boys from the Bhonsla School will be in the same position.

(c) The question is to some extent hypothetical, but I may say that Government would welcome any effort on the part of private persons to provide the right kind of education for those who wish to take up the Army as a career.

Mr. T. S. Avinashlingam Chettiar : May I know why Government say that they will not get any grant from the Government? Has it been considered by the Government and decided?

Mr. G. R. F. Tottenham : I do not think they have asked for it.

Mr. T. S. Avinashlingam Chettiar : Is it because they have not asked for it or is it because Government have decided in advance that they would not give any grant if one was asked?

Mr. G. R. F. Tottenham : Why should we decide in advance? The school has not asked for financial assistance from us and we have not made any decision on the subject.

Mr. N. V. Gadgil : May I know if any application was received from the Shivaji Military School, Poona, for any similar recognition and grant?

Mr. G. R. F. Tottenham : Not, as far as I know.

Mr. N. V. Gadgil : Will Government consider the matter if such an application is presented by the authorities of the Shivaji Military School, Poona?

Mr. G. R. F. Tottenham : If an application is received, it will be considered on its merits.

Mr. M. Asaf Ali : Are there any rules in existence which govern the question of grant-in-aid to such training schools?

Mr. G. R. F. Tottenham : There are no rules.

Mr. M. Asaf Ali : Do Government propose to make any rules about it?

Mr. G. R. F. Tottenham : No.

Mr. Laichand Navalrai : May I know if Government are ready to give grants to other training schools if they ask for it?

Mr. G. R. F. Tottenham : That is a hypothetical question.

Mr. President (The Honourable Sir Abdur Rahim) : It is a hypothetical question.

Mr. Lalchand Navalrai : In view of the fact that Government are prepared to give help as the Honourable Member said, will they help in respect of funds ?

Mr. G. R. F. Tottenham : That is exactly the same question in another form : it is a hypothetical question which has not yet arisen.

APPLICATIONS FOR THE GRANT OF EXPORT QUOTAS OF TEA BY THE TAWNPENG AND OTHER STATES.

538. ***Dr. Thein Maung** : In continuation of the answer to starred question No. 1115 of the 11th March, 1936, will Government be pleased to state when a decision is to be expected with regard to the applications for the grant of export quotas of tea by the Tawnpeng and other States ?

The Honourable Sir Muhammad Zafrullah Khan : The Indian Tea Control Act does not apply to the Shan States and consequently, no export quotas under the Act can be allotted to the tea estates in the Shan States.

Mr. S. Satyamurti : May I know why the Act does not apply to the Shan States ?

The Honourable Sir Muhammad Zafrullah Khan : It was not originally extended to the Shan States : they were not brought within the operation of the restriction scheme.

Mr. S. Satyamurti : Do they not form part of British India ?

The Honourable Sir Muhammad Zafrullah Khan : I cannot answer the technical question whether constitutionally they do or not.

Mr. S. Satyamurti : Apart from the constitutional position, do Government propose to allow the Shan States to export their tea to foreign countries, from the port of Rangoon ?

The Honourable Sir Muhammad Zafrullah Khan : No tea can be exported from a British Indian port without a licence.

Mr. S. Satyamurti : May I know if the Act has or has not been extended to the Chittagong hill tracts ?

The Honourable Sir Muhammad Zafrullah Khan : I could not answer that without notice.

Mr. S. Satyamurti : May I know whether, in view of the fact that the Shan States produce about 12 million pounds of tea, the Government propose to extend the application of the Act to the Shan States ?

The Honourable Sir Muhammad Zafrullah Khan : The Shan States have never exported any tea at all, and therefore, I do not think there would be any point in extending the Act to the Shan States ; in any case the present control scheme comes to an end at the end of March, 1938 ; and Burma will be separated in April, 1937 ; and it will be a question for the new government of Burma to take up in case it is proposed to extend the control scheme.

Mr. S. Satyamurti : May I know whether this Government will, in the meantime, take steps to amend the Act, so as to make it applicable to the Shan States also ?

The Honourable Sir Muhammad Zafrullah Khan : No.

Prof. N. G. Ranga : Is it permissible for the Shan States to export black and green tea without taking an export licence ?

The Honourable Sir Muhammad Zafrullah Khan : No tea can be exported from a British Indian port without a licence ; but if they have means of exporting it overland, though I have not studied the question, my impression is that they can do so without licence.

Mr. S. Satyamurti : Are Government aware of the losses to the Burmese traders, owing to the refusal of this licence ?

The Honourable Sir Muhammad Zafrullah Khan : No ; the Shan States never exported any tea outside Burma and therefore there is no question of any loss.

INDIANISATION OF THE INDIAN MEDICAL SERVICE.

539. ***Khan Bahadur Nawab Makhdum Murid Hossain Qureshi** : (a) Are Government aware of the fact that according to the scheme of Indianisation of the Indian Medical Service, the number of Indians should be 210, but this at present is only 190 ? If so, are Government taking any steps to recruit 20 Indians so as to bring the ratio according to the aforesaid scheme ?

(b) Are Government aware of the fact that out of 190 Indians, there are only 27 Muslims at present ? If so, do Government propose to take any step so as to bring up the ratio of the Muslims in the Indian Medical Service to the ratio as laid down in the Government of India Notification ?

Mr. G. R. F. Tottenham : (a) There are 207 Indian officers holding permanent commissions in the Indian Medical Service and not 190 as stated by the Honourable Member. There are also 56 Indians with temporary commissions. In fact at present the ratio of Indian to British officers in the service is considerably more than 1 : 2.

(b) There are at present only 27 Muslims in the Indian Medical Service.

There is no Government resolution prescribing percentage of communal representation in the Indian Medical Service, but Government are fully alive to the desirability of recruiting Muslims possessing the necessary qualifications.

PREPARATION OF AN ESTABLISHMENT MANUAL FOR THE RAILWAY DEPARTMENT.

540. ***Mr. Amarendra Nath Chattopadhyaya** : (a) With reference to the reply given in this House to starred question No. 562 on the 26th February, 1935, that an "Establishment Manual" for the Railway Department is under preparation, will Government please state :

(i) when the preparation of this Manual was taken in hand by the Railway Board ;

(ii) whether the same has since been prepared ; if so, when ,

- (iii) whether a sum of Rs. 3,000 was sanctioned for the preparation of the Manual; if so, when was the amount sanctioned;
- (iv) the reasons for the inordinate delay in making available to the non-gazetted staff the rules which govern their conditions of service;
- (v) whether the Manual will be available to the staff either by sale or by free distribution departmentally to all those who may apply for the same; if not, why not; and
- (vi) whether the rules which govern the gazetted staff are available on sale at annas two per copy and all amendments are published in the Gazette of India, as well, as are available on sale?
- (b) Will Government please state why the establishment rules which govern the gazetted staff are published in the Gazette of India while those which govern the non-gazetted staff are not published either in the Gazette of India or their own Railway's Gazette?
- (c) What is the number of gazetted and non-gazetted staff on the State-managed Railways for the year ending on the 31st March, 1936?
- The Honourable Sir Muhammad Zafrullah Khan:** (a) (i) and (ii). The compilation of the manual was taken in hand in August, 1934, and is still under preparation.
- (iii) I would invite the Honourable Member's attention to item (3) of Annexure I to Demand No. 3-Railways for 1935-36 on page 20 of the Book of Demands for Grants for Railways, a copy of which is in the Library of the House.
- (iv) The non-gazetted staff are already aware of their conditions of service, and the manual referred to in part (a) (i) of the question is, more or less, a compilation of the rules already existing.
- (v) The manual will be a priced publication and will be available for sale.
- (vi) I presume the Honourable Member is referring to the Railway Services (Classification, Control and Appeal) Rules which are on sale at As. 2 per copy. All amendments to these rules are published in the Gazette of India.
- (b) So far as the Government of India are aware, rules relating to the terms of service of the non-gazetted staff are usually published in local railway gazettes, but they are addressing the Railways to ascertain the position.
- (c) The available information will be found in paragraph 70 on page 56 of Volume I of the Report by the Railway Board on Indian Railways for 1934-35, a copy of which is in the Library of the House.
- Mr. Lalchand Navalrai:** With reference to part (i), will Government say whether the preparation of the manual will take a very long time or whether it is ready for issue.
- The Honourable Sir Muhammad Zafrullah Khan:** I am afraid I am not able to specify the exact date by which it may be ready.

Mr. Lalchand Navalrai: Even approximately? Will it be a year?

The Honourable Sir Muhammad Zafrullah Khan: I could not say.

PROPAGANDA FOR MUSLIM RELIGION THROUGH THE DELHI BROADCASTING STATION.

541. *Bhai Parmia Nand: (a) Is it a fact that the radio programme of Delhi Broadcasting Station as indicated in the official organ of the All-India Radio (*Indian Listener*) is filled mostly with the Muslim speakers.

(b) Are Government aware that quite a good number of these singers and speakers use this occasion for doing propaganda for Muslim religion and in some cases create anti-Hindu feeling, as in the couplet 'hundreds and thousands of kafirs were put to sword'?

(c) Are Government aware that the Hindu papers have written articles protesting against such propaganda by means of Government Broadcasting Stations?

The Honourable Sir Frank Noyce: (a) No. During the period 1st January to 23rd August, 1936, Muslims constituted only 43 per cent. of the total number of speakers.

(b) The reply to the first part of the question is in the negative. The couplet referred to occurred in a mystic song eulogising the Prophet of Islam in connection with battles fought by him during his lifetime which was broadcast, as Hindu and Christian religious songs also are, from the Delhi Station. I do not myself think that the song referred to could, if read in its context, be regarded as creating anti-Hindu feeling.

(c) I saw the articles referred to in connection with this song and while not agreeing with them have directed that special care should be taken to ensure that no matter likely to injure the feelings of any community shall be broadcast.

Mr. K. Ahmed: Are Government aware that the questioner, Bhai Parmia Nand, has neither got any taste for music nor for broadcasting, owing to a weakness in the ear, and that is why he has put this question?

Mr. President (The Honourable Sir Abdur Rahim): Order, order: next question.

Sir Cowasji Jehangir: Sir, I rise to a point of order. Is it permissible for an Honourable Member in a supplementary question to make a personal attack against another Honourable Member of this House?

Mr. President (The Honourable Sir Abdur Rahim): I said he could not do it, and I stopped him.

PROHIBITION OF MONEY-LENDING BY RAILWAY EMPLOYEES.

542. *Bhai Parmia Nand: (a) Is it a fact that under the railway rules money-lending is prohibited by Government servants?

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(b) Is it a fact that in the railway workshops most of the employees are illiterate persons, and who are not expected to be fully aware of the significance of these rules?

(c) Is it a fact that having regard to the above, some cases of money-lending, even when fully proved in the mechanical workshop, were let off simply with a warning?

The Honourable Sir Muhammad Zafrullah Khan : (a) I presume the Honourable Member is referring to the North Western Railway. If so, there is a clause in the service agreement of the workshop staff under which an employee engaging himself in the business of money lending or other business either direct or indirect renders himself liable to summary dismissal.

(b) and (c). These are matters of detailed administration within the competence of the Agent, to whom a copy of the question has been sent for information and such action as he may consider necessary.

Prof. N. G. Ranga : May I know, Sir, what steps are being taken by the Government to see that the illiterate and low paid employees in the railway service are made acquainted with some of the most important rules which guide their conduct?

The Honourable Sir Muhammad Zafrullah Khan : When they sign their service agreements, I suppose they try to find out what is contained in the agreements.

Prof. N. G. Ranga : May I know if a copy of these rules is supplied to each and every one of the employees?

The Honourable Sir Muhammad Zafrullah Khan : That would not help an illiterate employee, as the Honourable Member himself puts it.

Prof. N. G. Ranga : It is quite possible for an illiterate employee to take a copy of the rules, if he is supplied with one, to a literate person and get some guidance from him, and so will Government consider the advisability of supplying a copy of the rules to each one of the employees?

The Honourable Sir Muhammad Zafrullah Khan : I said this matter is contained in a clause in the service agreement, and as the Honourable Member himself suggests, a literate person could read out these rules to an illiterate employee before the latter signs the agreement, and therefore no further question arises.

CONCESSIONAL RATES ALLOWED TO RAILWAY SERVANTS FOR THE CARRIAGE OF DEAD BODIES.

543. ***Qazi Muhammad Ahmad Kazmi :** (a) Will Government be pleased to state whether any concessional rates are allowed to railway servants for the carriage of dead bodies of the railway servants and their near relations? If so, what are those rates?

(b) If the answer to part (a) be in the negative, have Government considered the advisability of allowing such concessional rates for railway servants? If not, why not?

(c) Is it a fact that dead bodies of relations of European railway servants are sometimes carried free on the East Indian Railway, such case

(instance being the carriage of a dead body from Luksar to Moradabad about three months ago?)

The Honourable Sir Muhammad Zafrullah Khan : (a) On the Eastern Bengal, East Indian and North Western Railways, free carriage is allowed for the dead bodies of railway employees and members of their families, but not on the Great Indian Peninsula Railway.

(b) Government have had no occasion to consider this question. The matter is one which can be left to the discretion of individual Railway Administrations.

(c) I understand that the dead body of a relative of a European railway servant was carried free from Luksar to Moradabad.

Qazi Muhammad Ahmad Kazmi : Is there any rule on the East Indian Railway to carry dead bodies of railway employees and members of their families free of charge?

The Honourable Sir Muhammad Zafrullah Khan : I said there was.

Qazi Muhammad Ahmad Kazmi : I suppose there is no discrimination between a Hindu or Muslim or an English man in regard to carrying dead bodies of railway employees free of charge?

The Honourable Sir Muhammad Zafrullah Khan : I believe not.

RATES OF EDIBLES IN INDIAN REFRESHMENT ROOMS ON THE EAST INDIAN RAILWAY.

544. ***Qazi Muhammad Ahmad Kazmi :** (a) Will Government be pleased to state whether it is a fact that the rates of edibles in Indian Railway refreshment rooms on the East Indian Railway are generally higher, and are especially 33 per cent. higher in the case of meat plates, 50 per cent. in the case of vegetables, 70 per cent. in the case of dal and 83 per cent. higher in the case of lemonade drinks, than the rates of similar articles in the North Western Railway refreshment rooms?

(b) Is it a fact that the rates in European refreshment rooms are almost the same on both of the two Railways? If not, in what material does the difference lie?

(c) What are the reasons for the variation in these rates?

(d) Have Government considered the advisability of making the East Indian Railway authorities bring down the rates of edibles at least to the level of the North Western Railway rates? If not, why not?

The Honourable Sir Muhammad Zafrullah Khan : (a) The tariffs for refreshment rooms as published in the time tables of the East Indian and North Western Railways, copies of which are in the Library of the House, show differences of the nature referred to, except as regards lemonade, which does not appear in the East Indian Railway's tariff for Indian refreshment rooms.

(b) No, there are differences in the charges for soup, curry and rice and various other articles.

(c) The Honourable Member may have observed that the tariff of charges for Indian refreshment rooms on three Divisions on the East Indian Railway is different from that on three other Divisions on the same

railway. Similarly, the tariff of charges on the North Western Railway for European refreshment rooms worked by the catering contractor is different from that for refreshment rooms worked by *khansamas*. These variations are due to local conditions.

(d) I am communicating the Honourable Member's suggestion to the Agent of the East Indian Railway for consideration.

Qazi Muhammad Ahmad Kazmi : Are the Government aware that local conditions in the same district cannot vary? While the rates at Laksar station in Saharanpur district are higher, in Saharanpur station itself, which is in the same district, and which is only at a distance of 30 miles from Laksar, the rates are different, and so it is not on account of any variation of local conditions, but on account of the different contractors to whom contracts are given by the different Railways that these rates differ. I want to know if it is a fact or not?

The Honourable Sir Muhammad Zafrullah Khan : The Honourable Member is really arguing the point. Local conditions do not merely mean the difference in prices of commodities in the local market, and even those may differ from town to town; local conditions also include the amount of custom that is likely to be attracted on any railway station.

Qazi Muhammad Ahmad Kazmi : Both in the bigger stations as well as in the smaller stations the prices are higher than these ruling in the towns?

The Honourable Sir Muhammad Zafrullah Khan : As I have said there can be differences in various matters with regard to local conditions, and therefore there might be a variation in the rates at the different stations.

Qazi Muhammad Ahmad Kazmi : Will Government take steps to bring down these rates?

The Honourable Sir Muhammad Zafrullah Khan : As I have said, I am sending down the Honourable Member's question to the Agent of the East Indian Railway for his consideration.

Prof. N. G. Ranga : In view of the fact that the rates charged by these refreshment rooms are usually more than 100 per cent. higher than the rates charged just outside the railway stations, will Government consider the advisability of reviewing the general schedule of rates for all articles supplied by refreshment rooms and see that a reduction is made?

The Honourable Sir Muhammad Zafrullah Khan : I am afraid I am not prepared to admit as a general principle that the rates charged are one hundred per cent. higher.

Mr. N. V. Gadgil : Is the Honourable Member aware that at Poona, Sholapur and Victoria Terminus the rates charged outside the railway station premises are fifty per cent. less than the rates charged at the station premises?

The Honourable Sir Muhammad Zafrullah Khan : I am afraid I have no information, but I am glad to hear that the difference is only 50 per cent. as compared with the 100 per cent. difference suggested by the Honourable Member who put the last question.

Mr. N. V. Gadgil : If the Honourable Member will kindly make inquiries, I am sure he will find it correct.

Qazi Muhammad Ahmad Kazmi : Can the Honourable Member tell me whether these rates are fixed after calling for tenders from contractors or the Railways themselves fix these rates?

The Honourable Sir Muhammad Zafrullah Khan : I would require notice of that question, but I imagine the rates are fixed by the Railway administration after considering the local conditions that prevail.

Qazi Muhammad Ahmad Kazmi : After considering the local conditions, I suppose the contractors are asked to send in their tenders?

The Honourable Sir Muhammad Zafrullah Khan : I said I would require notice.

Pandit Lakshmi Kanta Maitra : Is it not a fact, Sir, that similar complaints were addressed to the Honourable Member last year and he said that the matter was engaging the attention of the Central Advisory Council? We do not know the result yet.

The Honourable Sir Muhammad Zafrullah Khan : The matter is still engaging their attention.

Prof. N. G. Ranga : Will the Honourable Member examine this question of rates?

The Honourable Sir Muhammad Zafrullah Khan : As the last question indicates, the matter is under the consideration of or is about to come under the consideration of the Central Advisory Council.

Pandit Lakshmi Kanta Maitra : I only said that last year similar complaints were addressed to the Honourable Member, and that we were given to understand that the matter had been engaging the attention of the Honourable Member. How long will the matter be under consideration?

The Honourable Sir Muhammad Zafrullah Khan : I never said that the matter had been engaging my attention. I may have said that it was to come up before the Central Advisory Council.

CONTRACT FOR ICE AND AERATED WATER ON THE EAST INDIAN RAILWAY.

545. ***Qazi Muhammad Ahmad Kazmi :** (a) Will Government be pleased to state whether it is a fact that the contract for ice and aerated water on the East Indian Railway is with one European contractor, who is allowed free carriage to all the stations on the said Railway for the said commodities?

(b) Is it a fact that the said contractor sells only aerated waters manufactured by 'Carlsbad' and sells lemonade and soda with ice at the rates of two annas nine pies and one anna nine pies per bottle, respectively?

(c) Is it a fact that all the refreshment rooms on the East Indian Railway are bound to sell the same kind of aerated waters purchased through the said contractor, who gives the said waters with a reduction of three pies per bottle only?

(d) Are Government aware that these rates for aerated waters are much higher than the ordinary market rates for these commodities and exceed the latter by more than one hundred per cent.?

(e) Are Government aware that aerated waters of similar quality on the North Western Railway is sold with ice at one anna six pies and one anna three pies per bottle of lemonade and soda, respectively?

(f) Have Government considered the advisability of bringing down the rates of aerated waters and ice on the East Indian Railway at least to the level of the North Western Railway rates? If not, why not?

The Honourable Sir Muhammad Zafrullah Khan: (a) Yes: the contract is for the supply of ice and aerated waters on all trains (except in dining cars) and on the platforms at certain depôt stations. The proprietor of the firm is, however, a Parsee and not a European.

(b) Yes.

(c) No. Contractors of dining cars and refreshment rooms are permitted to sell aerated waters obtained from other manufacturers.

(d) Local market rates vary so considerably in different localities that any comparison of prices and quality is not practicable.

(e) and (f). I am placing on the table a statement comparing the rates on the East Indian Railway with those on the North Western Railway. The question of a reduction in the rates over the East Indian Railway is under consideration by the Administration.

Statement.

On the North Western Railway.			On the East Indian Railway.		
(a) Rate for Aerated Waters on Passenger trains and on platforms.			(a) Rate for Aerated Waters on Passenger trains and on platforms.		
	Rs. A. P.			Rs. A. P.	
Soda Water 12 oz. bottle	0	1 0	Soda Water per 14 oz. Crown Cork bottle.	0	1 6
Sweet Beverages per 10 oz. bottle	0	1 3	Sweet Beverages per 12 oz. Crown Cork bottle.	0	2 6
Extra for Ice	0	0 3	Extra for Ice	0	0 3
(b) Messrs. Spencer & Co.'s Refreshment Rooms and Cars.			(b) Messrs. G. F. Kellner & Co.'s Refreshment Rooms and Cars.		
Soda Water chilled or unchilled.	0	2 6	Same rates as shown in (a) above.		
Sweet Beverages chilled or unchilled.	0	2 6			

Qazi Muhammad Ahmad Kazmi: May I enquire if there is any particular reason why the whole contract is given to one man only?

The Honourable Sir Muhammad Zafrullah Khan: That is a question to be decided by the Railway Administration.

Mr. Sri Prakasa: Are the Government aware that many vendors complain that owing to the very high price fixed for lemonade and soda, they are able to get but little custom in running trains?

The Honourable Sir Muhammad Zafrullah Khan: I am not aware of it.

Qazi Muhammad Ahmad Kazmi: If the rates are so high,—and probably the Honourable Member knows they are certainly higher than the ordinary market rates,—does he expect the passengers to purchase soda and lemonade more freely than they would otherwise have done?

The Honourable Sir Muhammad Zafrullah Khan: If the implication is that there would not be enough custom, that would be an argument in favour of the contractor reducing the prices to get more custom.

Qazi Muhammad Ahmad Kazmi: Passengers have got only a limited source from where to buy soda and lemonade, and it is for the railway authorities to see that the beverages are supplied at sufficiently liberal rates to the passengers.

The Honourable Sir Muhammad Zafrullah Khan: Have I not said that the question is engaging the attention of the E. I. Railway?

RUNNING OF DINING CARS FOR INDIANS ON THE 17-UP AND 18-DOWN EXPRESSES BETWEEN HOWRAH AND SAHARANPUR.

546. ***Qazi Muhammad Ahmad Kazmi:** (a) Are Government aware that for sometime past East Indian Railway has started running dining cars for Indians on the 17-Up and 18-Down Howrah to Saharanpur trains?

(b) Are Government aware that these cars do not observe the customary distinction of preparing food separately for Hindus and Muslims?

(c) Are Government aware that this abolition of distinction is very much resented to by the travelling public, and for this reason they do not supply the needs of the largest class of travelling public?

(d) Have Government considered the advisability of pressing upon the East Indian Railway authorities to make separate arrangements for Hindus and Muslims in these restaurant cars? If not, why not?

The Honourable Sir Muhammad Zafrullah Khan: (a) and (b). Yes.

(c) I understand the Administration have received complaints on this point.

(d) The Agent states that the matter is under consideration and will be discussed at the next meeting of his Advisory Committee.

SHORT NOTICE QUESTION AND ANSWER.

CIRCULAR ISSUED BY THE INSPECTOR GENERAL OF POLICE, PUNJAB, TO REGULATE THE NUMBER OF PASSENGERS IN MOTOR BUSES.

Mr. Sham Lal : (a) Have Government issued any direction to the Inspectors General of Police of Provinces to regulate the number of passengers in motor buses ?

(b) If so, have these directions been issued in pursuance of the policy underlying the Motor Vehicles Bill ?

(c) Will Government be pleased to state if it is a fact that the Inspector General of Police, Punjab, has recently issued a circular that no licence should be given to a bus to carry more than 25 passengers ?

(d) Has this circular been issued in accordance with the directions of the Government of India ?

(e) Will Government state the law under which the Inspector General of Police has issued the circular ?

(f) Is it a fact that there is a great resentment among the bus drivers over this circular, and they are being put to heavy losses from day to day ?

(g) What steps, if any, do Government propose to take to remedy the grievances of bus drivers ?

(h) Are Government prepared to issue a direction to the Provinces that no restriction contemplated by the Motor Vehicles Bill should be imposed until the Bill becomes law ?

The Honourable Sir Frank Noyce : (a) No.

(b) Does not arise.

(c) to (f). The Government of India have no information.

(g) The matter is entirely one for the Provincial Government.

(h) No.

Mr. Sham Lal : Will Government of India make enquiries whether such a circular has been issued by the Inspector General of Police, Punjab ?

The Honourable Sir Frank Noyce : As I have said, the matter is entirely one for the Provincial Government and I do not see what would be gained by the Government of India calling for information on the subject.

Mr. Sham Lal : If the restrictions contemplated by the Indian Motor Vehicles Bill could be imposed by the Inspector General of Police, where is the necessity of introducing an Indian Motor Vehicles Bill at all ?

The Honourable Sir Frank Noyce : The Local Government have certain powers under the existing Motor Vehicles Act and I presume that restrictions, if any, have been imposed under those powers.

Mr. S. Satyamurti : Are Government aware that policemen themselves very often contribute to overcrowding in buses ? (Laughter.)

Prof. N. G. Ranga : And Police Sub-Inspectors also.

Mr. President (The Honourable Sir Abdur Rahim) : Order, order.

MOTION FOR ADJOURNMENT.

NON-REPRESENTATION OF ABYSSINIAN DELEGATES IN THE MEETING OF THE LEAGUE OF NATIONS.

Mr. President (The Honourable Sir Abdur Rahim) : I have received notice of an adjournment motion from Pandit Krishna Kant Malaviya to the following effect :

"That the House do adjourn to consider a definite matter of urgent public importance, viz., that it has been practically decided (or is likely to be decided) that Abyssinian delegates should have no place or representation in the meeting of the League of Nations and that Italy shall be allowed to join the League of Nations."

First of all, I should like to know from the Honourable Member how he makes it a definite matter of urgent public importance. Apparently he has no information whether a decision has been arrived at. He says, "or is likely to be decided". I do not know what information is before him. I may point out that there are rulings to the effect that upon such material there should be no motion for adjournment. Has the Honourable Member anything to say about it ? That is my first difficulty.

Pandit Krishna Kant Malaviya (Benares and Gorakhpur Divisions : Non-Muhammadan Rural) : So far as the question whether it has been practically decided or not that Abyssinian delegates should not be allowed to represent Abyssinia in the League of Nations is concerned, I want to read to you some of the telegrams which have appeared in the newspapers yesterday, the day before yesterday and today and that will decide the question whether they will be prevented from attending the meeting of the League of Nations or not. In the *Hindustan Times* there is a Reuter's telegram to the effect :

"An anomalous position is likely to arise in the League Assembly on Monday owing to the fact that the Negus has decided to send a delegate. It is generally believed that the Credential Committee will refuse recognition of the Ethiopian delegates. The status of the Negus will almost certainly be questioned and his existence in any form independent of the Italian claim to represent Ethiopia will be ignored."

Mr. President (The Honourable Sir Abdur Rahim) : I understand that a Committee has been set up.

Pandit Krishna Kant Malaviya : Yes.

Mr. President (The Honourable Sir Abdur Rahim) : That Committee will decide.

Pandit Krishna Kant Malaviya : The telegram says :

"It is generally believed that the Credential Committee will refuse recognition of the Ethiopian delegates."

After that, in the newspaper, dated the 20th September, 1936, we find :

".....Mussolini made it a condition of Italy's participation in the work of the present assembly that no Abyssinian delegation should be present and reported that he had told Signor Mussolini that this was a question to be decided by the Credential Committee of the Assembly. The Council held no discussion on this point."

It is understood that the Credential Committee will find that the Ethiopian Government does not fulfil the conditions laid down in the Covenant and there is little doubt that majority of the Assembly will endorse the recommendation, thus clearing the path for readmission of Italy."

(At this stage, Prof. N. G. Ranga interrupted with a remark which was heard at the Reporters' table.)

Mr. President (The Honourable Sir Abdur Rahim) : Let the Honourable Member hear what the Honourable Member (Pandit K. K. Malaviya) is saying, instead of interrupting him.

Pandit Krishna Kant Malaviya : In today's issue, we find the following telegram :

"The eleventh hour hitch over Abyssinia's demand for representation is likely to prevent the opening of the League Assembly at 10-30 to-morrow morning.

The difficulty has arisen owing to the disinclination of the members to take responsibility of serving on the Credential Committee which was expected to reject Abyssinia's claim to be represented in the Assembly. The feeling of some delegates is that....."

Mr. President (The Honourable Sir Abdur Rahim) : I want to know whether any decision has been arrived at. Only a Committee has been set up.

Pandit Krishna Kant Malaviya : From the telegrams we know that a decision has been practically arrived at and therefore the Abyssinian delegates are anxious to force their way into the meeting of the Assembly.

Mr. President (The Honourable Sir Abdur Rahim) : Next I should like to know how the matter is of public importance to India.

Pandit Krishna Kant Malaviya : It is a matter of public importance to India. Firstly, we are an original member of the League of Nations. We as Indians have a voice. We want to voice our feelings that the aggressor Italy should not be allowed to rejoin the League and that the claim of the Abyssinian delegates to represent Abyssinia should be recognised by the members of the League. So long as we are a member of the League we want to place our views before the League. Again, Abyssinia itself is a member of the League.

Mr. President (The Honourable Sir Abdur Rahim) : I have no doubt, according to the practice of this House and the rulings of the Chair, that this is not a definite matter of urgent public importance within the meaning of the Rules and Standing Orders. I would refer only to two rulings on the point. One is reported at Volume III, Part VI, page 4183 of the Legislative Assembly Debates, 1923. There the motion was :

"to call attention to a matter of urgent public importance, namely, the recent announcement that the Duke of Devonshire is going to disclose in the House of Commons, before the middle of July, a settlement of the Kenya question."

The Chair ruled :

"I am afraid I must rule that an announcement which is going to be made cannot be a matter of recent occurrence, and, therefore, the Honourable Member's request is not in order."

The other is reported at page 37 of Volume V of the Legislative Assembly Debates, 1933. The Chair asked :

"Does the Chair understand him (the Honourable Member who wanted to move the adjournment motion) to say that he has got definite information in his possession that the Government of India have taken a decision that with regard to the recruitment of services the principles laid down in his Resolution now should be adopted in future?"

The Member replied : "That is my information". But the Leader of the House said : "The Government have taken no decision in regard to that matter". Whereupon, as no definite information was available, the motion was withdrawn.

For these reasons I rule the present motion as out of order.

THE HINDU MARRIAGE VALIDITY BILL.

PETITIONS LAID ON THE TABLE.

Secretary of the Assembly : Sir, under Standing Order No. 78, I have to report that 87 petitions, as per statement laid on the table, have been received relating to the Bill to validate marriages between different castes of Hindus, which was introduced in the Legislative Assembly on the 26th September, 1935, by Dr. Bhagavan Das.

Petitions relating to the Bill to validate marriages between different castes of Hindus which was introduced in the Legislative Assembly on the 26th September, 1935.

Number of Signatories.	District or Town.	Province.
268	Darbhanga.	Bihar.
388	do.	do.
423	do.	do.
172	do.	do.
120	do.	do.
219	do.	do.
41	do.	do.
30	do.	do.
21	do.	do.
91	do.	do.
100	do.	do.
128	do.	do.
205	do.	do.
180	do.	do.
145	do.	do.
87	do.	do.
144	do.	do.
177	do.	do.
163	do.	do.
139	do.	do.
166	do.	do.
144	do.	do.
287	do.	do. (1)
61	do.	do.
87	do.	do.
112	do.	do.
210	do.	do.
65	do.	do.
58	do.	do.
71	do.	do.

Number of Signatories.	District or Town.	Province.
108	Darbhanga.	Bihar.
64	do.	do.
80	do.	do.
104	do.	do.
99	do.	do.
46	do.	do.
56	do.	do.
49	do.	do.
61	do.	do.
75	do.	do.
40	do.	do.
44	do.	do.
25	do.	do.
53	do.	do.
43	do.	do.
59	do.	do.
26	do.	do.
55	do.	do.
58	do.	do.
57	do.	do.
106	do.	do.
81	do.	do.
28	do.	do.
23	do.	do.
51	do.	do.
20	do.	do.
31	do.	do.
18	do.	do.
45	do.	do.
75	do.	do.
49	do.	do.
50	do.	do.
100	do.	do.
111	do.	do.
100	do.	do.
47	do.	do.
47	do.	do.
21	do.	do.
22	do.	do.
35	do.	do.
43	do.	do.
25	do.	do.
22	do.	do.

Number of Signatories.	District or Town.	Province.
30	Darbhanga.	Bihar.
9	do.	do.
70	do.	do.
45	do.	do.
46	do.	do.
55	do.	do.
46	do.	do.
47	do.	do.
49	do.	do.
67	do.	do.
51	do.	do.
64	do.	do.
28	do.	do.
37	do.	do.
Total	2,503	

THE CHILD MARRIAGE RESTRAINT (AMENDMENT) BILL.

PETITIONS LAID ON THE TABLE.

Secretary of the Assembly : Sir, under Standing Order No. 78, I have to report that four petitions, as per statement laid on the table, have been received relating to the Bill to amend the Child Marriage Restraint Act, 1929, which was introduced in the Legislative Assembly on the 26th September, 1935, by Mr. B. Das.

Petitions relating to the Bill to amend the Child Marriage Restraints Act, 1929, which was introduced in the Legislative Assembly on the 26th September, 1935.

Number of Signatories.	District or Town.	Province.
1,273	Burdwan, Dacca, etc.	Bengal.
715	Howrah, Hooghly, etc.	do.
773	do.	do.
642	do.	do.
Total	3,403	

THE CODE OF CRIMINAL PROCEDURE (AMENDMENT) BILL.

(AMENDMENT OF SECTION 167.)

Sardar Sant Singh (West Punjab : Sikh) : Sir, I beg to move :
 "That the Bill further to amend the Code of Criminal Procedure, 1898 (Amendment of section 167) be continued."

Honourable Members will please note that four identical motions stand in my name with respect to the amendment of various sections of the Criminal Procedure Code. I want the leave of the House with respect

[Sardar Sant Singh.]

to all, and I should like to make only one submission with respect to all of them. I will formally move each of them in turn. The position is that I gave notice of these Bills at the commencement of the present Assembly, and I introduced these Bills in accordance with the procedure prescribed in the Standing Orders.

Mr. K. Ahmed (Rajshahi Division : Muhammadan Rural) : You must thank your stars that I was not here.

Sardar Sant Singh : Many people will be glad if you are not here even now. These Bills lapsed under Standing Order 4. If you will kindly turn to page 101, Appendix III, you will see that the proviso to (2) reads thus :

"Provided that, if the member in charge of a Bill makes no motion in regard to the same during two complete sessions, the Bill shall lapse, unless the Assembly, on a motion by that member in the next session, makes a special order for the continuance of the Bill."

Honourable Members of this House will remember that during the last Session at Delhi, I had given notice of a motion for the circulation of these Bills for the purpose of eliciting public opinion thereon. But the persuasive tongue of my Honourable friend, Dr. Deshmukh, joined with the zeal of my friend, Rao Bahadur M. C. Rajah, and the Rishi-like appearance of Dr. Bhagavan Das was sufficient to induce me not to make that motion for circulation, in order to make room for social reform and in order the movers of these Bills may get an opportunity for their Bills to send them for circulation for eliciting public opinion thereon. I yielded to the demand of my friends and I did not make my motions till I discovered later on that under this proviso my Bills have lapsed. Now, I want the special permission of this Honourable House to continue my Bills. I have nursed these Bills from 1931 and it will be very hard on me if they lapse for no fault of mine, but rather to my yielding to the persuasion of my friends in this House. Therefore, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Motion moved :

"That the Bill further to amend the Code of Criminal Procedure, 1898 (Amendment of section 167), be continued."

Mr. K. Ahmed : I oppose the introduction of this Bill at this stage. I oppose also the three other Bills sought to be introduced. It is contrary not only to human character, but it is an insult to the Code, called the Criminal Procedure Code, which was passed originally in the year 1898 and amended in the year 1923. We never thought of the grounds that have been stated in the Objects and Reasons in the Bill which the Honourable Member pretended to introduce in the last Session. He should thank his stars that I was not here. My Honourable friends, Dr. Deshmukh and two other gentlemen, gave him some advice. In 1923, we amended the Code of Criminal Procedure when men and great jurists like the late Mr. Justice Seshagiri Ayyar and Sir P. S. Sivaswami Aiyer were in the House and also Sir Hari Singh Gour, the author of the Code. I find from the Statement of Objects and Reasons...

Sardar Sant Singh : On a point of order. Is the Honourable Member in order in referring to the provisions of the Bill, while discussing a motion which has nothing to do with the merits of the Bill?

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member is stating his reasons as to why he objects to the introduction of the Bill.

Mr. K. Ahmed : In the Statement of Objects and Reasons, it is stated that in the interests of justice the accused should have a right to be heard before he is remanded. Now, take the case where a person is brought to a police station, and the officer in charge of the police station got some proof, *prima facie* proof, that this man has committed a certain offence, for instance, of killing a man or committing a theft when he was caught red handed. If the offence was committed in Calcutta and he was arrested there and if he were to be produced in Delhi, that would certainly require more than 24 hours. Even under the Police Act, you cannot keep a man for more than 24 hours in the lock-up. Does it show proper sense on the part of my Honourable friend that he should come to the rescue of a man who has committed such an offence? Even if I get Rs. 1,000 a day, I would not, against my conscience, undertake such a duty. I, therefore, join hands with my friends, Dr. Deshmukh and the other friends who took objection to the introduction of this Bill, and somebody advised him not to bring in such a Bill because it is not a proper one. Then, my friend says in the Statement of Objects and Reasons something. Well, he is putting the horse behind the cart, that is how he has done it, and as a lawyer he says that English jurisprudence is such that according to its interpretation a man *ipso facto* is supposed to be innocent until his guilt is proved. Well, the *prima facie* proof is there what the police has already got and grounds stated for extension of time for further remand. Sir, I oppose the motion. (Ironical Cheers.)

Mr. Lalchand Navarai (Sind : Non-Muhammadan Rural) : Sir, I rise to support this motion. I think the objection raised was an absolutely futile one, coming as it did especially from the Honourable Member who I believe belongs to the Democratic Party—as I am told. (An Honourable Member : "Dramatic Party")—(Laughter.) Yes, "Dramatic Party", I think he may properly be said to belong to the "Dramatic Party".

Mr. K. Ahmed : Better than the Nationalist Party—if that is your nationhood!

Mr. Lalchand Navarai : Sir, I do not see that there is any substantial objection to the Bill being continued. These were Bills that were actually introduced into this House at one time and it was only by negligence, culpable negligence that they lapsed. It was only because, as the Honourable Member explained, he was generous enough to realise that certain Bills which were also private Bill should be given preference that he gave way, although he subsequently realised that his Bills on that account lapsed. Now, I cannot understand for a moment why the power that is given to the House for continuing them should not now be made use of, and it must be realised by the House that these non-official Bills are generally very difficult to get through the Legislature, and if on certain technical grounds objections are raised for not continuing them, then I think no non-official Bill can ever be passed. Sir, these are very important Bills concerning criminal procedure and an attempt is being made to give certain conveniences to the people and to remove certain

[Mr. Lalchand Navarai.]

defects which are troubling the people and inconveniencing them. Now with that object these Bills have been introduced and, as I said, they lapsed only on the ground that my Honourable friend gave way in order to afford convenience for other Bills being taken up. Standing Order 4 at page 101 of the Manual says that :

".....if the member in charge of a Bill makes no motion in regard to the same during two complete sessions, the Bill shall lapse, unless the Assembly, on a motion by that member in the next session, makes a special order for the continuance of the Bill."

Now, this has been complied with. The Honourable Member has come forward and is now asking for your permission. Sir, there have been many such instances and it is not a singular case, where Bills have been continued like that and I cannot see any substantial reason why this Bill should not be continued.

Mr. N. M. Joshi (Nominated Non-Official) : There is no opposition.

Mr. Lalchand Navarai : If there is no opposition generally and if the opposition was only from the Honourable Member, Mr. K. Ahmed, I trust that the House will, without any hesitation, allow these Bills to be continued.

Several Honourable Members : The question may now be put.

Dr. G. V. Deshmukh (Bombay City : Non-Muhammadan Urban) : Sir, I do not look at the suggestion of my Honourable friend, Sardar Sant Singh, from any legal point of view. I leave all that to the vast erudition of my colleague in the Assembly who spoke a little while ago. I may inform him that it was not because of any objections on our part, but it was because of obligation (Hear, hear) on the part of my Honourable friend (Hear, hear) and that, really speaking, we were obliged by my Honourable friend, Sardar Sant Singh. Besides, I want to bring it to the notice of this House that it was very graceful of him to have paved the way for the social legislation, because, but for the help of the Leader of the House and of his colleagues, and, at the same time, but for the courtesy of Sardar Sant Singh that social legislation that might now come before this Assembly would not have been possible. Not only that, but it would not have been possible to bring to the notice of the Government what change in the public opinion has taken place, and that it certainly would not have been possible for the progressive element in this country both to bring to the notice of the Government as well as of the public the vast change that has taken place in the social consciousness of the people, and, therefore, my Honourable friend, Sardar Sant Singh, deserves the thanks of all of us. (Hear, hear.) I say that, in fairness—because it was with the sanction of this House that that Bill was postponed to the Simla Session—this House should now give permission to Sardar Sant Singh to continue his Bill. (Loud Applause.)

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That the Bill further to amend the Code of Criminal Procedure, 1898 (Amendment of section 103), be continued."

The motion was adopted.

THE CODE OF CRIMINAL PROCEDURE (AMENDMENT) BILL.

(AMENDMENT OF SECTION 103.)

Sardar Sant Singh (West Punjab : Sikh) : Sir, I move :

"That the Bill further to amend the Code of Criminal Procedure, 1898 (Amendment of section 103), be continued."

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That the Bill further to amend the Code of Criminal Procedure, 1898 (Amendment of section 103), be continued."

The motion was adopted.

THE CODE OF CRIMINAL PROCEDURE (AMENDMENT) BILL.

(AMENDMENT OF SECTION 205.)

Sardar Sant Singh (West Punjab : Sikh) : Sir, I move :

"That the Bill further to amend the Code of Criminal Procedure, 1898 (Amendment of section 205), be continued."

Mr. President (The Honourable Sir Abdur Rahim) : Motion moved :

"That the Bill further to amend the Code of Criminal Procedure, 1898 (Amendment of section 205), be continued."

Mr. H. Ahmed (Rajshahi Division : Muhammadan Rural) : Sir, I oppose the motion, and my grounds of opposition are these. My friend proposes that in sub-section (1) of section 205 of the Code of Criminal Procedure, for the words "Whenever a Magistrate issues a summons, he may", the words "A Magistrate may" should be substituted, and, in the Statement of Objects and Reasons, my friend says :

"The Courts had to circumvent these provisions by adopting the procedure of first cancelling the warrants and then ordering the issue of the summons in order to make the section cover the case."

Now, Sir, there are three stages. The first stage is when the question of issuing a warrant arises and when the stage of issuing a summons arises, and all these stages come one by one. This has been defined in section 204. Section 204 says :

"If in the opinion of a Magistrate taking cognizance of an offence there is sufficient ground for proceeding, and the case appears to be one in which, according to the fourth column of the second schedule, a summons should issue in the first instance, he shall issue his summons for the attendance of the accused. If the case appears to be one in which, according to that column a warrant should issue in the first instance, he may issue a warrant, or, if he thinks fit, a summons, for causing the accused to be brought or to appear at a certain time before such Magistrate as (if he has not jurisdiction himself) some other Magistrate having jurisdiction."

Now, Sir, section 205 suggests the issuing of summons and sub-clause (2) of this section relates to the inquiry stage. With regard to the issue of summons to the witnesses it is absolutely necessary.....

Mr. Sham Lal (Ambala Division : Non-Muhammadian) : Not to the witnesses but to the accused.

Mr. K. Ahmed : Yes, whatever it is and whenever it is necessary. Now, Sir, the man for whom summons have been issued may be exempted from personal appearance. He will at once say that I am a son of a Maharaja or a nephew of a Maharaja over there. Therefore, he may be exempted. Then, the Magistrate says that he has to make an inquiry for trying the case. Do you think any son of a Raja or a Raja Bahadur behind me will be arrested and put under lock and chain or handcuffed and dragged to the Patna district in Bihar or Mymensingh district in Bengal? Therefore, I say that the change proposed is not desirable. The wording of the present section is quite accurate, because this section was drafted by great jurists. It was amended in 1923, 13 years ago, when we had in this Assembly men, like Mr. Justice Seshagiri Ayyar, Sir Siwaswamy Iyer and Sir Hari Singh Gour.

Mr. N. M. Joshi (Nominated Non-Official) : I rise to a point of order, Sir. May I ask your ruling whether this discussion, which no doubt is very interesting, is relevant to the point which has been raised by my Honourable friend?

Mr. President (The Honourable Sir Abdur Rahim) : I have already given my ruling that the motion being that the Bill be continued, any Honourable Member is entitled to take objection on the merits of the question.

Mr. K. Ahmed : I am thankful to you, Sir. The representative of the labour does not understand what the law is. Section 205 of the Criminal Procedure Code says : "Whenever a Magistrate issues a summons...." My friend says in his Bill that he wants "he may", only instead of "Whenever a Magistrate issues a summons". He would not put the word "Whenever". My friend over there, who is very fond of grammar, probably like my Honourable friend, Mr. Sri Prakasa, who is also a bit dramatic in his ideas, had said the other day, that the rules of grammar must be followed while he is travelling in the third class compartment. That is what I heard from him last week at the time of interpellations when he said why the Railway Department does not take step to write grammatically correct the caution notice to the passengers in the compartment of the railway carriages.

Mr. President (The Honourable Sir Abdur Rahim) : All these remarks have nothing to do with the Bill.

Mr. K. Ahmed : Yes, Sir, that is exactly the position of my Honourable friend who comes from the Lyallpur district in the Punjab. Sir, he is asking for a thing which is impossible and impracticable.

Mr. President (The Honourable Sir Abdur Rahim) : I think the Honourable Member has made his point clear.

The question is—
That the Bill further to amend the Code of Criminal Procedure, 1898 (Amendment of section 205), be continued.

The motion was adopted.

THE CODE OF CRIMINAL PROCEDURE (AMENDMENT) BILL. (AMENDMENT OF SECTION 386.)

Sardar Sant Singh (West Punjab : Sikh) : Sir, I move :

"That the Bill further to amend the Code of Criminal Procedure, 1898 (Amendment of section 386), be continued."

I only want to say one word with regard to my Honourable friend, Mr. Kabeer-ud-Din Ahmed. (Honourable Members : "Don't say anything about him.") I will meet his objections at the time when these Bills come under discussion, if they are objections at all.

Mr. President (The Honourable Sir Abdur Rahim) : Motion moved :

"That the Bill further to amend the Code of Criminal Procedure, 1898 (Amendment of section 386), be continued."

Mr. K. Ahmed (Rajshahi Division : Muhammadan Rural) : Sir, I oppose the continuation of this Bill. I think my friend was allowed in the Delhi Session to continue the further discussion of this Bill in Simla. Now, Sir, my learned friend from Lyallpur probably said that I had no *locus standi* in the matter.

Sardar Sant Singh : I said that I will meet your legal knowledge when the proper time comes.

Mr. K. Ahmed : I am now imparting the legal knowledge to you. (Laughter.) The Home Member, Sir Alexander Muddiman, and the President, Sir Frederick Whyte, have upheld that if there is any opposition in the Assembly to the introduction of a Bill, it can be validly taken. Now, Sir, what section 386 says is this :

"Whenever an offender has been sentenced to pay a fine, the Court passing the sentence may take action for the recovery of the fine in either or both of the following ways, that is to say, it may—

- (a) issue a warrant for the levy of the amount by attachment and sale of any moveable property belonging to the offender ;
- (b) issue a warrant to the Collector of the District authorising him to realise the amount by execution according to civil process against the moveable or immoveable property, or both, of the defaulter :

Provided that, if the sentence directs that in default of payment of the fine the offender shall be imprisoned, and if such offender has undergone the whole of such imprisonment in default, no Court shall issue such warrant unless for special reasons to be recorded in writing it considers it necessary to do so."

My Honourable friend wants that the words,

—"unless for special reasons to be recorded in writing it considers it necessary to do so"—

shall be omitted. Honourable Members will remember that the object of punishment is that the guilty person may not repeat the offence again. That is the essence of criminal jurisprudence. Courts have been levying fine and in default a certain term of imprisonment. It has become the fashion in this country since 1921 or 1922 that instead of paying the fine, the guilty persons used to go to jail. This was very common in the case of prisoners convicted of political offences. It was the late Mr. C. R. Das who, during the non-co-operation days, let loose his wife on the streets of Bara Bazaar in Calcutta.

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Mr. S. Satyamurti (Madras City : Non-Muhammadan Urban) : Sir, I rise to a point of order. The Honourable Member must withdraw the words he has used just now, with respect to the late Mr. C. R. Das.

Mr. K. Ahmed : What is there to withdraw ? How does it lie in the mouths of my Honourable friends to ask me to withdraw ?

Mr. S. Satyamurti : We will not allow the Honourable Member to proceed, unless he withdraws the words he has used. After all, there is a limit to this buffoonery.

Mr. President (The Honourable Sir Abdur Rahim) : If the Honourable Member has used those words, he must withdraw.

Mr. K. Ahmed : I never used those words in the sense the Honourable Member might have thought of.

Mr. S. Satyamurti : We distinctly heard that he used the words "let loose his wife". This will be borne out by the official reporter. The Honourable Member must withdraw those words.

Several Honourable Members : Withdraw, withdraw.

Mr. K. Ahmed : I meant only that he sent his wife to picket in the Bazaars.

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member must withdraw those words without any explanation.

Mr. K. Ahmed : Well, Sir, I withdraw the words I have used.

Well, Sir, the intention of Government in putting in this provision is that rich people like my friend from Jubbulpore, over there, should not escape the payment of fine by undergoing imprisonment simply, and he knows pretty well what had happened.

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member is not really speaking on the Bill.

Mr. K. Ahmed : I am simply expanding, Sir. (Loud laughter.) If my Honourable friend from Jubbulpore suffers imprisonment in default of payment of fine, the Government have certainly the right to attach his motor car to realise the fine even though he has suffered imprisonment. My Honourable friend, the Mover of this Bill, from Lyallpur, is a new comer to the Assembly after his success in the last election, and with a view to earning some cheap popularity he wants to expunge from the Criminal Procedure Code the words "unless for special reasons to be recorded in writing it considers it necessary to do so", thus showing that the Government have got no power to realise the fine when once imprisonment was undergone. That is all I have to say. I oppose this motion.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That the Bill further to amend the Code of Criminal Procedure, 1898 (Amendment of section 386), be continued."

The motion was adopted.

THE ARYA MARRIAGE VALIDATION BILL.

Dr. N. B. Khare (Nagpur Division : Non-Muhammadan) : Sir, I beg to move :

"That the Bill to recognise and remove doubts as to the validity of inter-marriages current among Arya Samajists, as reported by the Select Committee, be taken into consideration."

Sir, the Arya Samajists are a growing section among the Hindus, who although belonging to that community differ from that community in certain important respects. The first difference is that they do not worship idols. The second difference is that they do not recognize caste by birth as the Sanatanists or the Puranic Hindus recognise. All the same they recognise division of society by occupation or avocation and by qualities, what is called in Shastras, *Varna Vyavastha*. Therefore, among them the strict exclusion in marriage or the performance of marriage strictly according to caste does not obtain. Among the Hindus a Brahmin alone can marry a Brahmin and so on but among the Arya Samajists, since they do not believe in caste by birth but in *Varna Vyavastha*, a person born in the Brahmin caste can marry a person not born in the Brahmin caste or born in any other caste of the Hindus. Therefore it is difficult for this class of Hindus to perform marriages. There are some difficulties and doubts, because the Hindu law as originally promulgated or as administered by British Courts does not recognise that marriages among different castes are valid. Not only that, but marriages among certain sub-castes among the Hindus are also sometimes of doubtful validity. This is a real difficulty for the Arya Samajists that although they believe that inter-caste marriages or marriages between sub-castes of Hindus are not prohibited according to their interpretation of the Shastras, yet by the Hindu law which is current in the land these marriages are either invalid or of doubtful validity. It is therefore necessary that there should be some law to recognise the validity of these marriages. After all society has not yet come down to free love and so long as society has not come down to this free love, there must be some law to regulate and recognise and remove doubts about the validity of marriages. Therefore I have sponsored this Bill to help this large community, this growing and important community of Arya Samajists. And the Arya Samajists themselves also expressed their desire several years ago that there should be some such legislation which will put them on a par with other communities, because the other communities have got certain laws to recognise the validity of their marriages. It was the Arya Samaj community alone who so far had not got any such special law. Several meetings have been held,—it is an old history of about 10 or 15 years,—and the Arya Samajists have always pressed for some kind of legislation to help them. Sir, when a community desires that marriages performed by them under rites as they understand them should be validated, it stands to reason that the legislators of the country should also come forward to help that community. The expediency and the propriety and the necessity of the enactment of such a legislation can never be questioned when a community which wants it desires that there should be such a legislation. I have sponsored this legislation not with any hostile intentions towards any religion or culture. It is simply and purely a measure of social amelioration to help the Arya Samajists.

Babu Baijnath Rajoria (Marwari Association : Indian Commerce) : Are you an Arya Samajist ?

Dr. N. B. Khare : I am not ; I do not care whether I am one or not. I may be nothing.

Babu Baijnath Rajoria : But what are you ?

Dr. N. B. Khare : I do not know ; I am a human being first and a human being last. As I have said, this is purely a measure of social amelioration and a desirable measure from every point of view, and I believe it is also a non-contentious measure. Therefore, I do not propose to make a long speech because in the first place it is not necessary and in the second place there are other social Bills also which should get a chance and I must not stand in their way. That is only fair.

Mr. K. Ahmed (Rajshahi Division : Muhammadan Rural) : Will you admit that if a Muhammadan marries a non-Muhammadan, he will be governed by your Bill ?

Dr. N. K. Khare : If both are Arya Samajists, the law will apply to them. A Muhammadan cannot marry under Arya Samajist rites,—that is certain. Sir, there are certain other laws which recognise the validity of marriages among different castes or sub-castes of Hindus, and Arya Samajists can take shelter under those laws. But those laws reduce marriage to a simple contract. The Arya Samajists along with the rest of the Hindus believe that marriage is a sacrament and not merely a social contract and therefore they want that this aspect of the marriage ceremony should be maintained and it should not be reduced merely to a contractual operation. Therefore, Sir, it is very necessary that some such legislation should be enacted and therefore I move that this Bill be taken into consideration.

Mr. President (The Honourable Sir Abdur Rahim) : Motion moved : That the Bill to recognise and remove doubts as to the validity of inter-marriages current among Arya Samajists, as reported by the Select Committee, be taken into consideration.

Mr. Ghanshiyam Singh Gupta (Central Provinces Hindi Divisions : Non-Muhammadan) : Sir, before my Honourable friend, Mr. Aney, moves the amendment of which he has given notice, I should like to point out that the amendment does not comply with the provisions of Standing Order 46.

Mr. M. S. Aney (Berar Representative) : Sir, I am going to explain that point before I move the amendment. The amendment which I want to move is :

"That the Bill, as reported by the Select Committee, be re-circulated for the purpose of obtaining further opinion thereon."

I know what my Honourable friend, Mr. Gupta, has to say and I think he will allow me to anticipate his objection and answer that also. Probably my Honourable friend wants to raise the objection under Standing Order 46 which says :

"If notice of a proposed amendment has not been given two clear days before the day on which the Bill is to be considered, any member may object to the moving of the amendment, and such objection shall prevail, unless the President, in the exercise of his power to suspend this Standing Order, allows the amendment to be moved."

That is the Standing Order on which my Honourable friend wants to rely for the purpose of raising his objection. My submission is that so far as this Standing Order 46 is concerned, it relates to those amendments which are moved to the Bill after the motion that the Bill be taken into consideration has been carried. And any Member may propose an amendment to that Bill. When any amendment is proposed to the Bill after the motion that the Bill be taken into consideration has been carried, then that amendment is governed by Standing Order 46 which requires that two clear days' notice must be given, or the President in his discretion may suspend the Standing Order and permit the amendment to be moved. But so far as the amendment which I am moving is concerned, it is of a different nature. It is not an amendment which is coming in after the motion for consideration has been carried, but an amendment to the motion of consideration itself, which is governed by Standing Order 44, sub-section (2) :

"If the member in charge moves that the Bill be taken into consideration, any member may move as an amendment that the Bill be re-committed or re-circulated for the purpose of obtaining further opinion thereon."

So far as this kind of amendment is concerned, no Standing Order lays down any condition of notice ; and therefore I think that so far as this amendment is concerned, it is not barred by any Standing Order regarding the notice, and I submit, therefore, that I am in order in moving this amendment.

Mr. Ghanshiyam Singh Gupta : I have to submit a few words in support of my objection....

Mr. President (The Honourable Sir Abdur Rahim) : I thought the Honourable Member had already spoken.

Mr. Ghanshiyam Singh Gupta : No, Sir, I have not. I have to support my objection to the amendment he sought to move. I was told I was to object after he had moved his motion. My objection is this : Standing Order 46 does apply to this motion also. My friend has quoted Standing Order 44. That also relates to an amendment : it says :

"After the presentation of the final report of a Select Committee on a Bill, the member in charge may move :

(a) that the Bill as reported by the Select Committee be taken into consideration, provided that any member of the Assembly may object to its being so taken into consideration if a copy of the report has not been made available for the use of members for seven days, and such objection shall prevail, unless the President, in the exercise of his power to suspend this standing order, allows the report to be taken into consideration ; or

(b) that the Bill as reported by the Select Committee be re-committed, etc., etc.

(2) If the member in charge moves that the Bill be taken into consideration, any member may move as an amendment that the Bill be re-committed or re-circulated for the purpose of obtaining further opinion thereon."

Then, we have Standing Order 45, which says : "When a motion that a Bill be taken into consideration has been carried, any member may propose an amendment of the Bill."

[Mr. Ghansham Singh Gupta.]

Then, Standing Order 46 says :

" If notice of a proposed amendment has not been given two clear days before the day on which the Bill is to be considered, any member may object to the moving of the amendment, and such objection shall prevail, unless the President in the exercise of his power to suspend this standing order allows the amendment to be moved."

Standing Order 46 does not say amendment to the Bill. Standing Order 45 on which my friend wants to draw this distinction between an amendment to the Bill after the motion for consideration has been carried and an amendment before that stage follows Standing Order 44. I submit, Sir, that this amendment which has now been proposed is also covered by Standing Order 46 : proposed amendment in that Standing Order means an amendment which a member wants to propose, whether by way of circulation or by any other motion. You cannot therefore limit this only to the amendment to provisions of the Bill.

Mr. S. Satyamurti (Madras City : Non-Muhammadan Urban) : Sir, you will kindly notice the distinction between Standing Order 44 and Standing Orders 45 and 46. Standing Order 44 contemplates a stage at which the House is engaged now : my Honourable friend, Dr. Khare, has moved that the Bill be taken into consideration. Now, the Honourable Mr. Aney moved that the Bill be recommitted, or re-circulated for obtaining further opinion. So far as Standing Order 44 is concerned, that stage is complete. Standing Order 45 contemplates a further stage. You will notice the opening words are :

" When a motion that a Bill be taken into consideration has been carried."

That stage has not yet been reached. It is only after such a motion has been carried, that is after the House resolves to accept the motion of Dr. Khare, and you, Sir, declare it carried, that the Standing Order 46 contemplates the various rules about amendments, the requirements about notice and so on. You will notice, Sir, there is still one other standing order governing amendments—Standing Order 33 which lays down only these four limitations :

- (1) An amendment must be relevant :
- (2) An amendment must not be merely negative :
- (3) An amendment must not be inconsistent with a previous decision :
- (4) The President may refuse to put an amendment if it is frivolous in his opinion.

Subject to this, the only Standing Orders applicable are 44 and 45. This is the stage at which Standing Order 44 (2) alone applies. Standing Order 45, in terms, governs only the stage which will arise after the present motion now before the House ripens into a question, and is put to the House...

Mr. President (The Honourable Sir Abdur Rahim) : Your point is, no question of period of notice arises at this stage ?

Mr. S. Satyamurti : Yes. I am supporting the point of order of Mr. Aney that is to say, at this stage when the whole question is before the House, it is open to any Honourable Member, without any notice whatever,

to move this motion. When the whole report is before the House, what the House has got to decide is whether it shall take the report into consideration, or adjourn it pending one of these things—recommittal or re-circulation. Whereas, when you reach the stage of Standing Order 45, the stage of actual amendments to each clause comes, and then the words are much more important : naturally the Standing Order then contemplates notice : you cannot compel the House to consider an amendment, the wording of which is not before the House, unless for any special reason you, Sir, see fit to suspend the Standing Order. Therefore it seems to me at this stage when the whole question is before the House, it is perfectly open to move this motion without any previous notice.

The Honourable Sir Nripendra Sircar (Law Member) : Sir, I do not think I can add anything to the contentions which have been put forward before you. If I have to express an opinion, I am rather inclined to agree with the last speaker.

Mr. President (The Honourable Sir Abdur Rahim) : I do not think that there has been any ruling on the point whether the period of two clear days which is mentioned in Standing Order 46 applies to a motion for re-circulation of a Bill for the purpose of obtaining further opinion thereon, after a Bill has been before the Select Committee. As far as I know, I do not think there has been any uniform practice in this matter. As at present advised, I am inclined to hold that the limitation or condition that two days' notice must be given does not apply to the motion of which notice has been given by Mr. Aney.

Mr. M. S. Aney : Sir, the motion which I wanted to move has already been read out. My reasons for moving it are briefly these. Honourable Members who have read the first Bill as it was introduced in the House will observe that the Bill, as it has emerged from the Select Committee,.....

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member has not mentioned any date. By what time does he want the opinions to be collected ?

Mr. M. S. Aney : By the 31st December, 1936, or 31st January, 1937, it is all the same. What I was saying was this, that the Bill, as it has emerged from the Select Committee,.....

Mr. President (The Honourable Sir Abdur Rahim) : I think the Honourable Member mentioned the date as 31st December. Is that so ?

Mr. M. S. Aney : I said 31st January, 1937.

Mr. President (The Honourable Sir Abdur Rahim) : All right.

Mr. M. S. Aney : I have mentioned the date now by which time I desire that public opinion should be ascertained, and the Bill should come up for consideration before the House again. It might be reasonably objected to on the ground that the Bill has already been circulated once. That is perfectly true, and we have received a mass of opinions....

Mr. Lalchand Navarai (Sind : Non-Muhammadan Rural) : May I know, Sir, if this Bill was circulated or it was the original Bill that was circulated ? This Bill has not been circulated at all.

Mr. M. S. Aney : As a matter of fact, this Bill was not circulated for public opinion at all. I know my friends Dr. Khare and Mr. Gupta have taken this Bill practically as it was once introduced into this House by an ex-Member of this House, I mean Mr. Mukhtiar Singh, but even that Bill is not identically the same as the one introduced into this House by my friend, Dr. Khare. That Bill did not contain certain clauses, while this Bill contains certain new clauses, and so the material which was placed before the public for expressing their opinion was entirely different from the material on which Honourable Members are called upon to express their views today. That is my point, and in a measure which intimately concerns the social usages in regard to marriage, it is very necessary that the public should have a chance to have their say, before we as their representatives come to any irrevocable decision in this House. If this Bill is considered and is passed into law, it will be the final word. The people who are most intimately concerned in the matter will naturally complain bitterly that they were never given a chance to have their say on this particular Bill. Secondly, the form in which the Bill has emerged from the Select Committee is, as I have pointed out already, materially different from the form in which it was introduced, and thirdly the issues raised by this Bill are of very great importance. Many people in their enthusiasm for the cause of social reform do not realise whether the particular issue on which they are called upon to give their opinion is likely to have any reactions on other affairs of human life or not. They practically ignore those considerations, and are seen concentrating on the one issue on which they are called upon to decide. I ask this House to say whether it is possible for any Hindu to consider the questions of marriage irrespective of what the effect of it will be on succession and inheritance. In fact, the institution of marriage is the most sacred institution, in my opinion, in every civilized society, and it is the particular form of marriage which you introduce which will have its effect on questions of inheritance and succession.

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member might continue his speech after lunch.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. Deputy President (Mr. Akhil Chandra Datta) in the Chair.

Mr. M. S. Aney : Sir, I was mentioning just before we adjourned for lunch that the question of marriage necessarily raises the co-ordinate questions of inheritance and succession, and that, unless those points are carefully thought out and properly considered, any new form of marriage that we may think of is likely to create more difficulties than to solve them. In order to understand the position of those who have sponsored this Bill, I think that they should have clearly given before the House some very cogent reasons why they want this particular kind of Act when there are other statutes in the Statute-book in which a provision has been made for a thing of this

kind. It is true that under the Hindu law an inter-caste marriage is not a matter which is beyond dispute. Its legality is of a disputable nature, but I have not been able to ascertain from those who ought to know things better that there has really been any case of an inter-caste Arya Samajist marriage which has gone up to the High Court and has been declared invalid. I have made enquiries from my Honourable friends from the Punjab, but nobody has been able to tell me that there has been a case like that. If we look at the case law, however, I have stated that in certain cases, inter-caste marriages have been declared invalid by certain High Courts, while other High Courts have held to the contrary. Therefore, any samaj which does not recognise the caste system will naturally like to have a legal protection of marriages or unions which are brought about between two persons belonging to different castes or sub-castes. To that extent I sympathise with the objects of those who want this Bill, but my difficulty is this. They want a special Act for this. They should have been in a position to explain why the existing statute, the Special Marriage Act, should not suffice to satisfy their requirements. That statute has been amended with a view to solve this question of inter-caste marriages among the Hindus. The amendment made in that Statute in the year 1923 is of a very important nature. That amendment has practically done away with the declaration or oath that was previously made incumbent upon those who wanted to go in for that kind of marriage.

Now, inter-caste marriages can be had under that Act without anybody going before the Court and making a statement to the effect that he does not belong to any religion or that he does not belong to this religion or that religion. The parties have only to go and say, "We want to live together hereafter like husband and wife. Some kind of declaration of this nature is made, but no statement has to be made there by those persons who are to be married with regard to the abjuring or giving away their religious faith. It has been stated that there are certain difficulties which come in the way of Arya Samajists accepting that as a proper form of marriage. They think that the marriage should be in some kind of shastric form and not be a matter to be declared before a Court for its ratification. A special marriage under the Special Marriage Act, of course, means two persons coming and making a contract before a Court, and saying, we have entered into a contract, and the Court certifying the fact that the contract has been made. From the next day they are to live as husband and wife. That is the position. Our friends, the Arya Samajists, do not like the marriage to assume a purely contractual relation and they want that its sacramental aspect should be retained. Nobody in this House can have a greater respect for the Hindu sacraments than myself. Therefore, if there is any indication anywhere to show respect for Hindu sacraments, I most willingly pay homage to those gentlemen who want that respect for sacrament should be shown. But at the same time, with all these concessions that I am prepared to make in favour of those who sponsor this Bill, there are certain difficulties which I should like to be solved before a measure of this kind is put on the Statute-book. As I have stated at the beginning, if a Hindu who is not an Arya Samajist wants to have an inter-caste marriage, the only course at present open to him is to go before a Court and get himself married

[Mr. M. S. Aney.]

under the Special Marriage Act. That, however, imposes upon him certain disabilities, that it must be a monogamous marriage, there are so many other things also, the law of divorce would apply, he would be debarred from adoption according to the Hindu law. These are the disabilities imposed upon that man as soon as he is married under the Special Marriage Act. I have been assured by no less a personality than Dr. Bhagavan Das himself that these things he does not want. He wants that there should be a form of marriage which will permit a marriage of that kind, yet to which these disabilities should not attach. There is one more disability which I want this House to consider seriously, and to which in my opinion no attention has been given up to this time. The reason was that the point had not been brought up before the House when the Bill was moved and no direction on that point was given for the people to express their opinions thereon. In our haste for the sake of rushing through Bills of social legislation we make arrangements between ourselves: no speeches to be made. They do not know what mischiefs may be caused by rushing in such haste. This Bill was not circulated for public opinion, though the old Bill was circulated. But generally we make mutual arrangements and dispense with speeches and give no indication as to the points on which the public should give their opinion. The public do not realise the implications of a measure which may convulse or even destroy the structure of society. Bills come in with one clause; those monosyllabic Bills which are introduced in this House have got the capacity of galvanising, revolutionising the whole society....

Mr. S. Satyamurti : Like a dynamite.

Mr. M. S. Aney : My Honourable friend, Mr. Satyamurti, has given a very appropriate and apt expression to describe the nature of this Bill; it may be a little quantity but it can explode the whole structure of society.

Mr. K. Ahmed : A homeopathic dose.

Mr. M. S. Aney : My point is this. When a Bill like that is introduced it is necessary in order that the people may understand what is exactly they are doing, what it is exactly which this Bill is likely to bring about, some direction must be given by those who are responsible for the Bill and also for sending it out. The point on which I have been labouring so far is, how is it likely to affect the course of succession? I was also a member of the Select Committee, and if I put forward a new point now, my other colleagues on the Committee may hold me guilty of not having given expression to that point then. But I must confess that the point did not occur to me then. I have been thinking over this matter for the last four or five days and certain points have struck me, and particularly my discussions with Mr. Gupta have enabled me to apply my mind most closely to the question, and I find that there are certain aspects of this Bill which will have to be properly threshed out before we as representatives of the people can give our definite opinion that this Bill is required. Suppose my younger brother, who is a Hindu, wants to have an inter-caste marriage, he will have to do it under the Special Marriage Act. Certain disabilities will apply to him. He will no longer be amenable to the customary Hindu law for the purpose of succession. The whole posi-

tion is cleared in the Special Marriage Act itself. Another thing that is cleared is that immediately he goes in for a marriage of that kind, by the very fact of that marriage he is deemed to have severed his connection with the undivided Hindu family of which he was a member up to that time. This is a very important condition because it debars him from being a collateral heir. He becomes a separate unit in himself and he is also amenable to such disadvantages and disabilities as the Removal of Caste Disabilities Act of 1850 imposes upon him. These are the three conditions which are intimately connected with the question of succession. If my younger brother without embracing Arya Samaj enters into a inter-caste marriage his position is like that, but here if he becomes an Arya Samajist, he renounces—I do not mean any disrespect to the followers of Arya Samaj—the Sanatanists pride themselves as followers of a religion which is something sacrosanct and any departure from it, according to them, is falling from that high position—his old religion. That is the way he looks at it. The position that crops up now is this. The man who goes in for this inter-caste marriage will not be able to enjoy certain rights, because he has got to do it under the Special Marriage Act. That is the position created by this Bill.

Mr. N. M. Joshi (Nominated Non-Official) : Then move an amendment.

Mr. M. S. Aney : Then my Honourable friend will get up at that hour and point out that this thing is barred under Standing Order 46. I have no doubt he will do it. If he will not do it, then some other friends will do it. I am pointing out that these are the various points which have got to be looked into. There has been a custom prevailing with regard to marriage for so many years. It has its evils. I am not one of those who think that this caste system should remain permanently undisturbed. It will have to go but you cannot coerce anybody into giving it up. (An Honourable Member : "We can persuade you.") This is not the place for persuasion. Legislation is nothing but legal coercion. Personally I am with you but you have got to persuade people outside. That is why I say that the report of the Select Committee be recirculated so as to give an opportunity to those people outside who have been kept entirely in the dark about the nature and the implications of this Bill with regard to succession, inheritance and so on. I am not asking you to persuade Mr. M. S. Aney who is sitting with you as your colleague, but I want you to persuade those lakhs of voters whom we have the privilege to represent in this House. Many people may think that I am putting a block in the way of this Bill. Let me tell you that I have been in this House for a number of years from 1924 and I am not given to playing a game of that kind. I have never indulged in this game of obstruction. It has been left to others. It is for this reason that I move my amendment and ask this House to recirculate this Bill. I am entirely in the hands of this House. All I want is that they should give serious consideration to the points I have raised. Sir, I move.

Mr. Deputy President (Mr. Akhil Chandra Datta) : Motion moved :

That the Bill, as reported by the Select Committee, be re-circulated for the purpose of obtaining further opinion thereon by the 31st January, 1937.

The original motion as well as this one will be under discussion.

The Honourable Sir Nripendra Sircar (Law Member) : Sir, the Report of the Select Committee was made on the 5th August, 1936 and the last paragraph of that report says : We think that the Bill has not been so altered as to require republication. My Honourable friend, Mr. Aney, was one of the signatories thereto in August, 1936 and he did not think then that it was worth republishing. I do not desire to be dragged into the merits of the Bill at this stage. I think I can make it perfectly clear that in the shape in which it has emerged from the Select Committee the Government will support it. If there are amendments they must be judged on their merits and we shall make up our minds as we go along whether a particular amendment has to be objected to by us or not.

Now, my Honourable friend, Mr. Aney, said that there are difficult questions involved in this Bill and that there is nothing in the Bill as to what will happen, namely, whether the coparcenery will be severed. Other points are also raised by him. May I remind my Honourable friend that as the law now stands, a Hindu coparcener on being converted to Christianity or Muhammadanism severs his connection with the coparcenery. When a Hindu is converted to Arya Samaj, he either does or does not cause severance, but whatever the effect of the conversion may be, it takes place at the time he is converted. There may or may not be marriage, and it is not by reason of the marriage that the severance is taking place.

Mr. N. V. Gadgil (Bombay Central Division : Non-Muhammadan Rural) : Marriage is union, not severance.

The Honourable Sir Nripendra Sircar : Yes, sometimes leading to disunion later on. (Laughter.) When the Honourable Member introduced the Bill, I said that I am not insisting on circulation, because, in 1930, a similar Bill had been circulated and very many indeed were the opinions which had been received. Those opinions have now been circulated. What is the difference between that Bill and this Bill, except that in this Bill a provision has been made for the application of the Indian Succession Act to the issue of marriages under this Act, or rather marriages declared valid under this Act. Sir, after this Bill was published, from much of the writings in the Press I find that the Arya Samajists are practically unanimous; they do not want that section to remain. They would rather like their rights to be determined under Hindu law. That they have been declared to be Hindus by judicial authorities will be a question which may be discussed later on, but if they are Hindus and if they are prepared to take the risk of such law as is applicable to them to be applied by the Courts, and if this section is going to be deleted, then there is nothing upon which a fresh opinion is wanted. But as a matter of fact assume that they want to retain that. In the opinions which we have received and which have been read, is there any point on which opinions have not been given by the people who have sent in their opinions? All these points such as affecting the status of a coparcenary wants—if I may use a colloquial expression—to kill the Bill, let it do so now and directly, but I will not be party to this indirect method of

killing the Bill,—sending it for circulation, its coming back on the 31st January, knowing what will happen during the Budget Session, and we can well imagine if this Bill will ever have the chance of being passed. Sir, I do not mean any disrespect to anybody, but those who are going to oppose the Bill, by all means let them oppose it now and say that this Bill is not wanted for various reasons. On the other hand, I do not see any point whatsoever—so far as this particular Bill was concerned, it was circulated in 1930—in circulating it again for opinion. Sir, I oppose this motion.

Mr. Muhammad Azhar Ali (Lucknow and Fyzabad Divisions : Muhammadan Rural) : Sir, the Bill that is before the House is a social Bill designed to rectify the mistakes of ages which both amongst the Hindus and the Mussalmans and other communities of India have crept up into this country. Sir, I am not one who would oppose any social law or any social reform. But the only reason why I have risen today and interfere in this Bill is that some of my friends and men of my own community have certain doubts about the interpretation of this Bill. The point that is objected to or about which there is some suspicion in the minds of some of my friends is that this Bill will affect inter-marriages which may be contracted between a converted Arya Samajist lady and a Mussalman after they have entered into matrimony. Sir, I would mention here an illustration and I would ask my Honourable friend, the Law Member, to explain it and if it is a mistake, to correct our ideas on the point. The illustration is this. A and B are two Arya Samajists married at one time before the Act or after the passing of this Act. A is the husband and B the wife. Now if B turns a Muslim or a Christian and if she is married to a Mussalman, because she has become a Muslim and a Muslim marries her, then I ask whether it would be right for the Courts to decide that as regards the lady who has been converted to Islam, her marriage with a Mussalman will be invalid and it will not be allowed by the Court because she was formerly married and was an Arya Samajist before her conversion.

The Honourable Sir Nripendra Sircar : May I remind my Honourable friend that that point is covered by a series of decisions, not with reference to Arya marriages but Hindu marriages. There is no difficulty whatsoever. Supposing a marriage were a valid Hindu marriage, the wife, upon being converted to Muhammadanism, can call upon the husband to become a Mussalman and live with her. If not, the Court will dissolve the marriage and a marriage under this Act cannot stand on a higher footing than a valid Hindu marriage. Therefore I do not see any apprehension as regards any Muhammadan being deprived of his right to get people converted, and so on.

Mr. Muhammad Azhar Ali : So far as I am concerned, I am satisfied with the statement made by my friend, the Honourable the Law Member, and I hope that when such matters come before the Courts, the interpretation that the Honourable the Law Member has today placed upon this enactment will be followed by the Courts and the Government will see to it.

Sir Muhammad Yakub (Rohilkhand and Kumaon Divisions : Muhammadan Rural) : Mr. Deputy President, I rise to support this amendment which has been moved by my Honourable friend, Mr. Aney. There

[Sir Muhammad Yakub.] can be no doubt that this Bill has been ushered into this House in a most summary manner. My friend, the Honourable the Law Member, has laid great stress upon the report of the Select Committee and he has said that this report was presented on such and such a date and that this Bill was once introduced in 1931 and opinions were then obtained on it. Sir, I would like to submit that when this Bill was introduced, the heading of the Bill was so misleading that it never drew the attention of the Honourable Members of this House to its significance. Then we find that eight of them was a Mussalman or a Parsi or anybody else. On that occasion we did not object to this because we were misled by the title of the Bill and thought it would be of no importance for any other community except Arya Samajists. Then excluding the Honourable the Law Member—who I should think as long as he is a Member of the Government should not be considered to be either a Hindu or a Mussalman or an Arya Samajist (Hear, hear), there were eight members of the Committee and out of them four Honourable Members have submitted reports of dissent, including the venerable Dr. Bhagvan Das. Now if out of eight four Honourable Members including persons who are learned in Hindu law, like Dr. Bhagvan Das, have submitted minutes of dissent, what is the value of this report on which my friend the Honourable the Law Member laid so much stress? This very fact that one-half of all the Honourable Members of the Select Committee are divided in opinion is a very strong and sufficient ground in support of the amendment of my Honourable friend, Mr. Aney, for the re-circulation of this Bill. Again the Honourable the Law Member has shown to the House, what was the trend of those opinions that were obtained in 1931? Did the Mussalmans agree to it? Did all sections of Hindus agree to it? If you go through the opinions, surely you will find that the Mussalmans of the Frontier Province and others, who cared to give their opinions, were opposed to it. Then, Sir, we find that there is a very large section among the Hindus themselves who are opposed to this Bill. Sir, up to this time we thought that Arya Samajists claimed to be Hindus, that they were included within the fold of Hinduism. If that is so, if the Arya Samajists are Hindus, then there is no reason why they should be governed by any other law except Hindu law. (Hear, hear.) Sir, by introducing a small piece of legislation in this House, my friend, Dr. Khare, wants to revolutionize the whole of Hindu society in the name of social reforms. Sir, in this age of advancement, any measure which you bring in in the name of social reform catches the fancy of the people without their understanding what its implications are. I do not know what the term "social reform" means; I think some social reforms are the worst possible characteristics of society and they should not in any way be called social reforms. In a country like India, where religion still plays a great part in the social life and customs of the people, it would not be right or proper for a third party, such as the Government, to intervene in the religious rites and ceremonies of the people of the country, unless and until there is a unanimous demand by the people of the community concerned that they want such pieces of legislation. It would be very dangerous on the part of the Government if they in a mixed Assembly like this would try to interfere with the religious matters, such as, marriage, divorce and succession of the people

of the country. This very point was once raised in this House when my Honourable friend, Sir Hari Singh Gour, wanted to move a Bill for the amendment of the civil marriage law and the Honourable Sir B. L. Mitter, the then Law Member, and the predecessor of my Honourable friend, Sir Nripendra Sircar, clearly made the statement on behalf of the Government which is in the records of this Assembly, that Government will never interfere in religious matters, such as the marriage or succession of any community, unless and until there is a unanimity of opinion among all the members of that community that they want such a piece of legislation. Now, Sir, I do not think my Honourable friend, the Law Member, would be justified in turning down that solemn promise and pledge which was given by his predecessor as a representative of the Government of India.

The Honourable Sir Nripendra Sircar : May I be shown that pledge to which the Honourable Member is referring? All that I know is that Sir Brojendra Mitter did support the

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Sarda Act.

Sir Muhammad Yakub : But he opposed Sir Hari Singh Gour's Civil Marriage Bill on this very ground.

Dr. G. V. Deshmukh (Bombay City : Non-Muhammadan Urban) : What do you mean by no interference? Do you want them to oppose the Bill or to remain neutral?

Sir Muhammad Yakub : I want them to remain neutral. In the first place, measures which affect the religious rites of the Hindus, the Muhammadans or the Parsis should not come before this House until there is a unanimous agreement between the members of the particular community concerned that they want that piece of legislation, and if such a legislation is brought on the floor of the House, the Members of the Government should remain neutral. They should leave it to the overwhelming majority of the opinion of the community which is affected by that measure. Now, Sir, as regards this measure, where is the unanimity? I find that there is a very large number of Honourable Members in this House, even among the Hindus, who are opposed to this Bill who do not want this Bill. Then there are also many Muslim Members who are against this Bill. The Bill has been worded in such a shabby manner that it is difficult to follow it, in spite of the explanation given by the Honourable the Law Member. When a case comes before law Courts, we all know that, they do not consider the speeches of the Honourable Members which are made in this House. They only go by the wording of the law. They say that they are concerned only with the meaning of the words and decide the case accordingly. So, we consider that in spite of the explanation given by the Honourable the Law Member, this Bill is very clumsy and it has been worded in such a way that it might create a great deal of mischief.

Maulana Shankat Ali (Cities of the United Provinces : Muhammadan Urban) : May I ask the Honourable Member if he can suggest something that will clear the position as regards the Mussalmans? We may leave the Hindus alone to decide for themselves. My own view is that we should neither oppose the Bill nor criticise it. But if there is anything which is ambiguous and which concerns the Mussalmans

[Maulana Shaukat Ali.]

in any way, then I think the Honourable Member will do a great service if he draws attention to that and suggests something which will clear the position.

Sir Muhammad Yakub : The point is a complicated one. As I said, this Bill was ushered in this House in such a summary manner that we had not had sufficient time to go through the matter. I quite realise the importance of what Mr. Shaukat Ali has said and it is for this very reason that I support the amendment of my friend, Mr. Aney. I want that we should get time to consult our lawyers, our religious heads and our Maulvis. We should be able to place the Bill before them and take their opinion as to what they think of it. I want their opinions in order to know whether this Bill in any way affects the Mussalmans; and this cannot be done in a hurry.

Dr. G. V. Deshmukh : You want the unanimous opinion. What do you mean by it? You made a point that for any change there should be unanimous opinion.

Sir Muhammad Yakub : By unanimous opinion I mean an overwhelming majority of the people who stand by the Bill. For instance, in 1913, when my friend, Mr. Jinnah, introduced his Wakf Validating Bill, it was said on behalf of the Government that they would not have the Bill unless there was a majority of an overwhelming number of Mussalmans in support of it. Hundreds and thousands of signatures were obtained throughout the whole country and when the Government was satisfied that there was an overwhelming majority of the Mussalmans in favour of the measure, it was then and then only that the measure was brought before the Legislature in those days. In the same way, I would like to know whether this Bill was ever circulated for eliciting public opinion and whether we have now got for this Bill any support from the people of the country who are affected by it. (Dr. G. V. Deshmukh rose to interrupt.) I do not want to be interrupted any more. I have already given way to my Honourable friend several times. He can operate me when I am in his operation room, but I will not allow him to interrupt me in the Assembly Chamber. As I was saying, the first requisite is that there must be an overwhelming majority of the people who are affected by a measure before it can be introduced. I have already said with regard to the Select Committee. For all these reasons, I am strongly of opinion that if this Bill is not re-circulated and if it is passed through this House in such a summary manner, it will create a very great mischief in the country and the Government will find themselves again accused of the fact that they interfere in the religious laws and religious customs of the people of the country, which is altogether contrary to the solemn declaration which the late Queen Victoria made in 1858. I do not want to kill the Bill; I am not against any social reform. I do not want that if any community or any set of communities are anxious to have some particular legislation for themselves, they should be deprived of it. They can have it by all means, but let us consult the public opinion and let us also consult among ourselves. There does not seem to be a great hurry about this Bill. Of course, marriages between Aryas and others, who will be governed by this Bill, have been going on for

centuries and where is the need for this hurry that the Bill be passed on this very day. I think it will be safe and sound even for the promoters of the Bill that they should give more time to the public to consider what the implications of the Bill are. I, therefore, support the motion for circulation.

Dr. Bhagvan Das (Cities of the United Provinces : Non-Muhammadan Urban) : Sir, with reference to what my kind and Honourable friend, Sir Muhammad Yakub, said with regard to me, I have only a few words to say. On the merits of the question, what the Leader of the House has said and what my Honourable brother, Maulana Shaukat Ali, has said, leaves me nothing more to say. With regard to the fact that I have signed a minute of dissent, I wish to point out to the House that that minute of dissent does not recommend that the Bill be circulated again. I have also signed the main report which, as the Leader of the House has pointed out, says :

"We think that the Bill has not been so altered as to require re-publication, and we recommend that it be passed as now amended."

As regards the substance of the minute of dissent, it refers to only one portion of the whole Act, and on that point, after further consultation amongst ourselves, especially with Mr. Ghanshyam Singh Gupta and Dr. Khare who are mainly interested in the matter, we have decided not to press that, and therefore I have not given notice of any amendment with regard to the proposal made in the minute of dissent.

Babu Baijnath Bajoria : Sir, I have great pleasure in supporting the amendment moved by my friend, Mr. Aney, and I strongly oppose the motion moved by my friend, Dr. Khare.....

Mr. N. M. Joshi : Are you an Arya Samajist?

Babu Baijnath Bajoria : No, certainly not.

Mr. S. Satyamurti : Are you a labourer?

Babu Baijnath Bajoria : No, I am not.

Sir, this Bill, as it was originally introduced, the Bill which has emerged from the Select Committee are entirely two different Bills. There is not a single clause from the original Bill which has been kept intact in the present Bill as it has come out of the Select Committee. Even clause 1 has been considerably altered. In clause 2 the definition of the Bill has been omitted completely. Clause 3 has also been considerably altered, and it bears no comparison with clause 3 in the original Bill. Clause 4 deals with succession, and that also has been very much altered. Clause 4 in the original Bill referred to marriages as between Dwijas or twice-born Hindus. Now, in this Bill the Indian Succession Act has been applied. The Bill as originally introduced was circulated for public opinion. I have made a précis of the opinions received, and I find that practically all the Local Governments were opposed to the introduction of such a measure. I do not want to tire the patience of Honourable Members by quoting the opinions at length, but I may say that the Chief Commissioner of Delhi, the Chief Commissioner of Coorg, of Ajmer-Merwara, were all against this measure. The Local Government of United Provinces also say that orthodox Hindus and Moslems have great objections. The Central Provinces Government also say that this will encroach upon the rights of other communities; the Punjab Government say that this Bill

[Babu Baijnath Bajoria.]

should be so worded as to restrict it to Arya Samajists and their children only. Then the Bengal Government, with which I am most concerned, say that they are strongly opposed to this.....

The Honourable Sir Nripendra Sircar : Sir, it is an absolutely misleading statement to make, because most of what they objected to no longer appears in this Bill.

Babu Baijnath Bajoria : We do not know whether they are agreed to the omission of the definition of Arya Samajist, whether they are agreed to the insertion of the Indian Succession Act clause, we do not know whether they are agreed to giving this measure retrospective effect. So what I submit before the House is not at all misleading. Sir, this Bill has been totally mutilated, and it will be somewhat difficult for this House to decide unless the public express an opinion on it. Even in this House I understand there are only 2 or 3 Arya Samajists. Even the Mover himself is not an Arya Samajist.....

Dr. N. B. Khare : Humanity is my religion.

An Honourable Member : That shows toleration.

Babu Baijnath Bajoria : Now, Sir, speaking on the merits of the Bill, I should like to point out that Arya Samajists are after all not a separate entity; they are Hindus; they are not separate from the Hindus in the sense that Muslims or Christians are. In certain families we find that while the son is a Sanatanist, the father is an Arya Samajist and vice versa. Then again a man may be an Arya Samajist in his younger days, but when he grows older and wiser and saner, he again becomes a Sanatanist, and he ceases to be an Arya Samajist. So the Arya Samajists are not to be treated in the same manner as members belonging to other religions.

Then, Sir, there are intercaste marriages. These are not allowed by our Sastras among Hindus. Sir, with your permission, I should like to quote a sloka or two from the Manusmriti :

Udwahate dwijo bharyam savarnam lakshanavitam.

(Mann 3, 4.)

This means that Brahmins, Kshatriyas and Vaishyas can only marry a wife from their own caste. If they don't marry a wife from their own caste, then it is no marriage at all; the marriage is illegal. There are many slokas, but I am not a Pandit.....

Dr. G. V. Deshmukh : Then why recite those slokas.

Babu Baijnath Bajoria : For your knowledge.

Dr. G. V. Deshmukh : Out of your ignorance?

Babu Baijnath Bajoria : If you can't understand, then you are hopeless, I can't make you understand. (Laughter.)

Dr. N. B. Khare : Yours is a departure from Sanatanism in venturing to advise me, because I am a Brahmin and you are not a Brahmin.

Babu Baijnath Bajoria : No, no, the Honourable the Law Member had made me a member of the Ideal Board of Directors representing the Sanatanist.....

Mr. N. V. Gadgil : That is for business, and not for marriage.

Babu Baijnath Bajoria : Then, there is another sloka.....

*Aninditahi stree viwahai ranindya bhavati praja
Ninditair nindita vrinam tasmannindyanviwarjayet.*

(Mann 3, 42.)

Dr. G. V. Deshmukh : When you can't even read properly.....

Babu Baijnath Bajoria : I am first quoting you the slokas, and then I shall give you their translation.....

Dr. G. V. Deshmukh : Even the Brahmins cannot understand him, because he cannot even read the Slokas properly.....

Mr. Deputy President (Mr. Akhil Chandra Datta) : Let the Honourable Member proceed.

Babu Baijnath Bajoria : Sir, only the offsprings born of a wife, who can be married, according to Shastras are legal offsprings, and those offsprings borne of a wife, or so called wife, who cannot be married according to Shastras are illegitimate, and therefore such marriages are condemned.....

Dr. Khan Sahib (North-West Frontier Province : General) : On a point of information, Sir. Will the Honourable Member tell me whether he is once born or twice born?

Babu Baijnath Bajoria : I am twice born. (Loud Laughter.) You won't be able to appreciate my viewpoint. Only in the next life when you will be a Hindu, you will be able to understand what I say. Sir, inter-caste marriages are condemned in Hindu society. This Bill permits marriages outside one's caste, and I as a Sanatanist can never agree to it. Then there is another thing, Sir. This Bill proposes to give retrospective effect. Supposing a man married 50 years ago a woman outside his caste, and their offsprings were considered illegitimate. But now on one fine morning these illegitimate sons will wake up and find they have been made legitimate children.....

The Honourable Sir Nripendra Sircar : My friend is entirely wrong. They will have proof that 50 or 60 years ago both of them were Arya Samajists at the time of the marriage.

Sir Muhammad Yakub : What is the definition of an Arya Samajist?

The Honourable Sir Nripendra Sircar : What is the definition of a Muslim or a Hindu or a Christian?

Sir Muhammad Yakub : As regards a Muslim the definition is quite clear. One who believes in the unity of God and believes Muhammad as the last apostle. That is the definition of a Muslim. My friends the Hindus can say what is the definition of a Hindu.

Babu Baijnath Bajoria : There is already provision for those persons who want to marry outside their caste. That is the Special Marriage Act of 1872 amended by the Act of 1923. I have got figures from the Registrar of Marriages, Bengal, that under this Act there has already been a marked

[Babu Baijnath Bajoria.] increase in marriages; indeed it has doubled after the passing of this Act of 1923. This is the report:

"While in pre-1923 years the total number of marriages was on an average only 50 per year, the number in the post-1923 years had reached on an average double that figure. In 1934 the figure went up as high as 109,

This increase, according to the annual report of the Special Marriage Act for the year 1934 kept by the Government of Bengal, is mainly due to the fact that the progressive section of the Hindu community are taking advantage of the new provisions of the Act, as amended by Act 30 of 1923, to a large extent. Among the total marriages registered, 57 were between Hindus and these were either mostly inter-caste marriages or marriages of widows."

When there is already a provision here, I cannot understand why on earth there should be such a provision specially for the Arya Samajists. If this Bill is passed, allowing the Arya Samajists to marry outside their caste, I am sure it will create a great deal of confusion and a great deal of disruption in Hindu families; because if one man marries outside his caste he will then declare himself to be an Arya Samajist just to get the benefit of this Act, and the other brothers will not be able to live with him and he will have to separate. Sir, as I said, this Bill was opposed by everybody when it was circulated. We do not know how the country will like this Bill, the new Bill which has been placed before the House should, I think, be recirculated. This Bill is, in my opinion, the younger brother of Dr. Bhagvan Das's Bill. One is a wolf, the other is a lion. One wants to tear Hindu society into pieces and the other wants to swallow it up altogether. Then there is inter-caste marriage between Arya Samajists and Sanatanists. The Arya Samajists, though theoretically they do not believe in the caste system, in practice they generally marry in their own caste and it is only on very rare occasions that they dare to go outside their own caste. The Arya Samajists also perform ~~with~~ ceremonies; they also worship Brahmins and so on. So there is not much difference between Arya Samajists and Hindus. Rather, if this Bill is passed, the Arya Samajists will be torn away from us which I do not want. I want them to be with us. If the Succession Act is applied, if they are allowed this inter-caste marriage, then I think a great deal of harm will be done.

Then, again, there is one provision. The last line of clause 2 of the Bill says: "either one or both of the parties at any time belonged to a religion other than Hinduism."

This is the most unkindest cut of all. It says that a convert from another religion, whether Muhammadan or Christian, can marry even a Brahmin who has turned himself into an Arya Samajist, and that marriage also will be validated. I cannot agree with that, because it is against our social system and against our religion. Sir, I should like to read a few lines from the opinion of the late Mahamahopadhyaya Haraprasad Sastri of renowned fame. I think those who come from Bengal had and still have a great reverence for this gentleman. I will not read his whole opinion, but only a few lines from it:

"A new community has no right to claim personal laws. The Arya Samaj is not even hundred years old. It was founded at about sixty years ago. Can they claim anything as personal laws? It may be argued that marriage is a matter which is within the jurisdiction of the legislature, but it is not."

Sir, we are always pressing on Government that we must have our religious safeguards so that these social and religious matters may not come within the purview of this Legislature. But unfortunately we have not got that and this is the result:

"Marriage may be looked upon either as a contract or as a sacrament. If it is a contract like other contracts it is subject to the intervention of the legislature, but if it is a sacrament, it is not. The Arya Samajists say they believe it to be a sacrament, but not according to the Hindu Shastras and therefore they are going to create a new sacrament. Can the legislature sanction the creation of a new sacrament unknown to the ancient communities? They cannot and therefore they cannot entertain the Arya Marriage Validation Bill."

The Arya Samaj is said to be the vanguard of Hindu society. But they do not belong to the Hindu society, whose cherished ideas of caste system, spiritual benefit, pre-puberty marriage and abstention from proselytism, they have discarded altogether. They are the product of the contact of India with the West and taking advantage of the disintegration of the ancient communities in India, they are forming a community in which the Hindus, the Muhammadans, the Christians, the Sikhs, the Parsis, the Europeans, the Chinese, etc., all may be admitted freely. They want that retrospective effect be given to these marriages by the contracting of which they have in a manner declared a war against the Hindu society. Retrospective effects may be good in certain cases, but I think the legislature should seriously consider before the grant of such effects, because sometimes it is fraught with troubles. Some of these past marriages have an interesting, amusing and wayward history. The ancient communities will be in difficulty because young men may contract intercaste marriages and then join the Arya Samaj to have these marriages protected. If this Bill is passed into law, it will produce trouble in quiet Hindu families, among brothers, cousins, near relatives and will be a perennial source of dissension among them."

Sir, I think this opinion is deserving of some consideration from this House. I am done. (Laughter.) I oppose the whole of this Bill and I support the motion for circulation. When we will get the opinion of the country on this Bill as now submitted to us, then we will be able to form a better opinion about it.

Some Honourable Members: The question may now be put.

Mr. Ghansham Singh Gupta: Sir, as one of the very few Arya Samajists in this House, it is my duty not only on my behalf, but on behalf of the general body of Arya Samajists in the whole of India that I must tender my thanks to this House. I can claim to give this thanks because I am an humble servant of the Arya Samaj, and I am the Vice-President of the All-India Aryan League. I thank this House for the kindness that they showed last time in referring this Bill to the Select Committee.

[At this stage, Mr. President (The Honourable Sir Abdur Rahim) resumed the Chair.]

After this general expression of thanks, there are certain specific persons to whom my special obligation is due. I must thank my friend, Dr. Khare, who was favoured by the ballot box and who has taken all this trouble for the Arya Samajists. I must thank the Honourable Sir Nripendra Sircar, the Law Member and Leader of this House, who has supported this measure and who gave his support to it before. I must also thank the Honourable the Home Member who withdrew his objection. I know it and I am bound to thank him. I must also thank (interruptions)—my list is not very long—and so my friends need not be tired—I must thank Mr. Thorne who gave his support in a manner known to me to this Bill. I must also thank Sardar Sant Singh who made great sacrifice in staying his Bill in favour of social Bills. I must thank my friend,

[Mr. Ghanshiam Singh Gupta:] Maulana Shaikat Ali for the support expected from him to this measure. There are many others to whom our thanks are due. I may mention that this Bill has been before the country for a very long time, or at least the subject-matter of this Bill. As regards this particular Bill, I suppose the Honourable the Home Member and the Honourable the Law Member have got letters and telegrams from not less than three hundred Arya Samajes in this country....

Mr. Lalchand Navalrai: Will the Honourable Member enlighten me on one point? Will he tell me whether according to this Bill in future the Arya Samajists wish their law of succession to be governed by the Indian Succession Act or by the Hindu Law or Muhammadan Law or any other law? Because I find from the Honourable Member also an amendment to that effect.

Mr. Ghanshiam Singh Gupta: No less than 300 Arya Samajes have sent their opinions to the Honourable the Home Member and the Honourable the Law Member and every one of them has accepted the Bill as it was originally drafted by me. (Interruption.) There is my amendment. I do not therefore think there is a single Arya Samajist in this land who does not want this Bill. The arguments that this should be circulated for further public opinion—that we want the opinion of persons who are interested in it and that the Government should only support such measures as are supported by a vast majority of the persons who are interested in it—are futile. In this particular case not only the vast majority but every child who is an Arya Samajist, every Arya Samajist, supports it. You cannot cite an instance of a single Arya Samajist who is against this Bill. Where is the meaning then in circulating it and where is the meaning in blaming the Government by saying that you should lend your support only to such measures as are supported by the class for which it is meant? I say every member of the Arya Samaj supports this Bill and not a single Member of this House has pointed out that any member of the Arya Samaj is opposed to it. Now, coming to the point of Mr. Lalchand Navalrai, I say there is not a single Arya Samajist who will accept the Indian Succession Act. That has been made perfectly clear in the more than 300 representations that have been made; and I am going to move that amendment. So I think my Honourable friend, Mr. Lalchand Navalrai, is sufficiently answered.

Mr. Lalchand Navalrai: I will say later what I think ought to be done in this Bill.

Mr. Ghanshiam Singh Gupta: It is one thing to say that the Bill should be so amended so as to meet the aspirations and wishes of the Arya Samajists, and quite another thing to say 'Throw away the Bill'.

Now, coming to the arguments of my respected friend, Mr. Aney, I will only say that his argument was that this Bill has not been circulated: it was the Bill of Mr. Mukhtar Singh that was circulated and there is a vast difference between the two. I am very sorry that very probably my friend, Mr. Aney, has not read the Bill as it was introduced by Mr. Mukhtar Singh. The Bill as it was introduced by Mr. Mukhtar Singh is substantially the very same Bill as drafted and given notice of by me and which was introduced by my friend, Mr. Khara. And it is substantially the same Bill that has emerged from the Select Committee. I have got the

Bill of Mr. Mukhtar Singh with me and if my friend wants I can read relevant portions of it....

Mr. M. S. Aney: You have introduced a clause in this Bill which was not in existence before.

Mr. Lalchand Navalrai: The Honourable Member should not misunderstand me, that I am against this Bill. But there are certain defects which the Honourable Member himself would recognise and get them corrected.

Mr. Ghanshiam Singh Gupta: Certainly: that is exactly why I am going to move some of my amendments. But, as I see the House and as I see my own doubts of getting support to it I shall only press such amendments as are acceptable to the Leader of the House and the Government....

Mr. Lalchand Navalrai: As are acceptable to the Arya Samajists at large, say.

Mr. Ghanshiam Singh Gupta: That is the cardinal principle. Nothing which is not acceptable to the Arya Samajists shall be moved by me—you can take that from me. I know the mind of the Arya Samajists more than my Honourable friend, Mr. Lalchand Navalrai. Now, something has been said by other friends that there is already a measure in the Special Marriage Act and why do we want this measure? I say there is a world of difference between the Special Marriage Act and the Arya Marriage Bill.....

Mr. M. S. Aney: There is no difference: it is only a sentimental one.

Mr. Ghanshiam Singh Gupta: Sentiment is a thing which plays a great part in human affairs. However my friend, Mr. Aney or Mr. Bajoria, may want to drive us out of the Hindu fold, we the Arya Samajists will stick to it: we the Arya Samajists are determined to remain Hindus and greater Hindus than those that want to drive us out and not have us. If they understand our mentality, if they understand our feelings, they will see that we do not want the Indian Succession Act and we do not want the Special Marriage Act. We are the followers of Swami Dayanand Saraswati who had abundant faith in the Vedas and in the Shastras. If anybody looks to his preachings, he will find that he attached so much faith to nothing else as to the Vedas. According to him the Vedas are "swatah pramanam" absolute authority. Marriage to Arya Samajists is a sacrament, as much as it is to the orthodox Hindus. The Special Marriage Act makes marriage a contract. That Act drives us away from our shastras which this Bill wants to remedy. Our definite opinion is this that so long as the laws of inheritance are not changed for the whole Hindu society, we, the Arya Samajists want to be governed by Hindu scriptures and the Hindu shastras.

Mr. D. K. Lahiri Chaudhury (Bengal: Landholders): Then why not call yourself a Hindu, instead of an Arya Samajist?

Mr. Ghanshiam Singh Gupta: I really do not want to enter into this question. If my Honourable friend knows anything about the Shastras, will he point out to me any text in which the word 'Hindu' is used.

Mr. D. K. Lahiri Chaudhury: Can the Honourable Member point out to me any text where the words "Arya Samajists" are used?

Mr. Ghanshiam Singh Gupta : "Arya" is the only word used in all our Shastras.

Mr. D. K. Lahiri Chaudhury : Then, why add the word "Samajist" ?

Mr. Ghanshiam Singh Gupta : Everybody can understand the word "samaj" ; when a body of people join together, it becomes a "samaj". So Aryas gathering together becomes Arya Samaj.

Babu Baijnath Bajoria : Then I am also an Arya.

Mr. Ghanshiam Singh Gupta : I admit my Honourable friend also is an Arya, and I do not doubt it. I only differ from him in the interpretation of certain words occurring in the Shastras.

Mr. D. K. Lahiri Chaudhury : I want to ask for my satisfaction whether, as you say since the word 'Arya' is already in the Hindu Shastras, it includes Muhammadans also. Are Muhammadans also Arya Samajists ?

Mr. Ghanshiam Singh Gupta : I do not want to enter into a theological discussion here ; if I had the time, I could do so. I can easily show what 'Arya' means. The only difference between the orthodox section of Hindus and that part of Hindus who call themselves Arya Samajists is a difference in the interpretation of certain words occurring in the Shastras. There is a difference in the interpretation of the word "varna". There is no such word as "jati" in any of the Shastras. The word used there is "varna" which has been differently interpreted by Sanatanists Hindus and by Arya Samaj Hindus. I do not want to enter into the discussion as to whose interpretation is correct. But I say—simply because we differ in the interpretation of the word "varna" if somebody says that we are not going to be governed by the Hindu law, it is absurd. The various commentators have put different interpretation on the sacred Shastras, otherwise, what is the meaning of Dayabhaga and Mitakshara schools. Would, thereby, one section cease to be governed by Hindu Law ? It would be absurd. I, therefore, say we do not want the Succession Act. With these words, I oppose the re-circulation of this Bill.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That the Bill, as reported by the Select Committee, be re-circulated for the purpose of obtaining further opinion thereon by the 31st January, 1937."

The Assembly divided :

AYES—17:

Abdul Matin Chaudhury, Mr.
Azhar Ali, Mr. Muhammad.
Badi-uz-Zaman, Maulvi.
Bajoria, Babu Baijnath.
Essak Sait, Mr. H. A. Sathar H.
Fazli-Haq Piracha, Khan Bahadur
Shaikh.
Ghuznavi, Sir Abdul Halim.
Hidayatallah, Sir Ghulam Hussain.
Lahiri Chaudhury, Mr. D. K.

Maitra, Pandit Lakshmi Kanta.
Mukherjee, Rai Bahadur Sir Satya
Charan.
Murtuza Sahib Bahadur, Maulvi Syed.
Shaukat Ali, Maulana.
Siddique Ali Khan, Khan Sahib Nawab.
Singh, Rai Bahadur Shyam Narayan.
Umar Aly Shah, Mr.
Yakub, Sir Muhammad.

NOES—69.

Acott, Mr. A. S. V.
Ahmed, Mr. K.
Ayyar, Diwan Bahadur R. V. Krishna.
Bajpai, Sir Girja Shankar.
Bartley, Mr. J.
Bhagavan Das, Dr.
Bhat, Mr. M. D.
Chaliha, Mr. Kuladhar.
Chettiar, Mr. T. S. Arinashilingam.
Chetty, Mr. Sami Vencatachelam.
Chander, Mr. N. C.
Crain, The Honourable Sir Henry.
Das, Mr. B.
Das, Mr. Basanta Kumar.
Das-Gupta, Mr. S. K.
Desai, Mr. Bhulabhai J.
Deשמחה, Dr. G. V.
Dey, Mr. R. N.
Gadgil, Mr. N. V.
Ghiasuddin, Mr. M.
Giri, Mr. V. V.
Govind Das, Seth.
Goswami, Mr. C. F.
Griffiths, Mr. P. J.
Grigg, The Honourable Sir James.
Gupta, Mr. Ghanshiam Singh.
Hans Raj, Raizada.
Hosmani, Mr. S. K.
Jedhe, Mr. K. M.
Jogendra Singh, Sirdar.
Joshi, Mr. N. M.
Kailash Behari Lal, Babu.
Khare, Dr. N. B.
Khurshaid Muhammad, Khan Bahadur
Shaikh.
Lloyd, Mr. A. H.

Mangal Singh, Sardar.
Metcalf, Sir Aubrey.
Mudaliar, Mr. C. N. Muthuranga.
Mudie, Mr. R. F.
Naydu, Diwan Bahadur B. V. Sri Hari
Rao.
Noyce, The Honourable Sir Frank.
Paliwal, Pandit Sri Krishna Dutta.
Pant, Pandit Govind Ballabh.
Parma Nand, Bhai.
Rajah, Rao Bahadur M. C.
Raju, Mr. P. S. Kumaraswami.
Ranga, Prof. N. G.
Rau, Mr. P. S.
Roy, Mr. S. N.
Saksena, Mr. Mohan Lal.
Sarma, Sir Srinivasa.
Scott, Mr. J. Ramsay.
Sen, Mr. Susil Chandra.
Sham Lal, Mr.
Sharma, Mr. D.
Sheodass Daga, Seth.
Singh, Mr. Ram Narayan.
Sinha, Mr. Satya Narayan.
Sinha, Mr. Shri Krishna.
Sircar, The Honourable Sir Nripendra.
Som, Mr. Suryya Kumar.
Sri Prakasa, Mr.
Thein Maung, Dr.
Thein Maung, U
Thorne, Mr. J. A.
Tottenham, Mr. G. R. F.
Varma, Mr. B. B.
Vissanji, Mr. Mathuradas.
Zafrullah Khan, The Honourable Sir
Muhammad.

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That the Bill to recognise and remove doubts as to the validity of inter-marriages current among Arya Samajists, as reported by the Select Committee, be taken into consideration."

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That clause 2 stand part of the Bill."

Babu Baijnath Bajoria : Sir, I move :

"That after clause 1 of the Bill, the following clause be inserted and the subsequent clauses be re-numbered accordingly :

"2. For the purpose of this Act, 'Arya Samajist' means a person who is a member of any Arya Samaj for a period of at least three years prior to the date of marriage."

Mr. Ghanshiam Singh Gupta : I object to this amendment being moved for want of sufficient notice.

Mr. President (The Honourable Sir Abdur Rahim) : When was notice given ?

Babu Baijnath Bajoria : Notice was given yesterday, but the previous two days were holidays, being Saturday and Sunday, and I request you to waive the rule. The amendments were all circulated and every body has got a copy of them.

Mr. President (The Honourable Sir Abdur Rahim) : I suspend the Standing Order and the Honourable Member can move the amendment.

Mr. Baijnath Bajoria : There has been no definition of the word Arya Samajist in the Bill as reported by the Select Committee. Unless a definition is put in, it will be very difficult for anybody to understand who an Arya Samajist really is. If there is no definition, I apprehend that only for the purpose of making a marriage outside his own caste, out of lust or passion, a man will declare himself an Arya Samajist and get the benefit of this Act. There must be a provision that a man must have been an Arya Samajist for at least three years. Unless this restriction is put in, there is every fear that any Hindu who is not an Arya Samajist will claim the benefit of this Act. This will encourage irreligious marriages. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved.

"That after clause 1 of the Bill, the following clause be inserted and the subsequent clauses be renumbered accordingly :

"2. For the purpose of this Act, 'Arya Samajist' means a person who is a member of any Arya Samaj for a period of at least three years prior to the date of marriage."

Mr. Ghansiam Singh Gupta : I oppose this amendment. It is very difficult to define an Arya Samajist, just as it is difficult to define in the case of any other community. It is not only those whose names are borne in the register of any Arya Samaj, that are Arya Samajists but there are many others whose names are not so borne. It is not only they but their children, their sons and daughters are also Arya Samajists. If my friend's amendment is accepted, then in the case of a bona fide Arya Samajist, his son or daughter cannot be married, because they are not enrolled as Arya Samajists. Religion is a matter of faith. How would my friend feel if I were to tell him that he cannot marry or his sons or daughters cannot marry if they are not enrolled in some register as Brahmins, Vaishyas or Kshatriyas as his case may be. It will be denying the Arya Samajists what they really want.

Babu Baijnath Bajoria : I have already said in my speech that a father may be an Arya Samajist but the son may not be. There is nothing to prevent you from putting them on the registers.

Mr. Ghansiam Singh Gupta : I have understood my Honourable friend. He really wants this Bill to be so mutilated as not to be acceptable to Arya Samajists. If you define the Arya Samajist in the way this amendment wants to do it, there will be anomaly. Religion is a matter of faith. I can change my religion in half a minute and there are instances in which Hindus have changed their faith and become Christians or Muslims in an hour. So also Christians and Muslims have changed their faith in an hour. To compel only the Arya Samajist

and ask him to be of good behaviour for three years is not fair when a similar provision does not exist in the case of Christians or Muslims. To ask the Arya Samajist to be of good behaviour for three years is intolerable. Therefore I oppose it.

Mr. D. K. Lahiri Chaudhury : I rise to support the amendment of my friend, Mr. Bajoria. There must be some clear definition of Arya Samajist. The Honourable the Law Member made an interruption and asked what is the definition of a Hindu. He is a lawyer and he well understands the Hindu law of succession and inheritance. A Hindu is a Hindu by birth. That is the definition of a Hindu. There must be a definition in order to make the meaning perfectly clear. Practically speaking, the Arya Samajist does not come within the definition of Hinduism which embraces Brahmos, Jains, and so on. When you want to make legislation, you must make the meaning perfectly clear. Otherwise, there will be trouble. Now, the word "Arya" means that he belongs to Arya varta or the land of the Aryans. They believe in one God, and so also the Brahmos. Formerly, they were not included among Hindus, but nowadays they call themselves Hindus. Now, the words "Arya Samajist" are a very wide term. Anybody can call himself an Arya Samajist. Even a Christian or a Muslim can call himself an Arya Samajist. Therefore, in order to make the meaning perfectly clear it is necessary that the expression "Arya Samajist" should be defined. With these words, I support the motion of my friend, Mr. Bajoria.

Sir Muhammad Yakub : I also support the amendment of Mr. Bajoria. When a Bill is enacted for a particular section of the community, it is essential that the definition of that community must be given in the Bill. Otherwise there would be no necessity for enacting that new legislation. Now, Sir, the mischief of this Act lies in this, that no definition of the Arya Samajist has been given in it. Any man or woman when he or she comes within the mischief of law can say I am an Arya Samajist today, or I was one a year before. Well, if there is no definition of Arya Samajist, then it will be very difficult to decide and to adjudicate whether a man who wants to take advantage of this Bill or who wants to avoid this Bill really belongs to that community or that section of the community of Hindus who call themselves Arya Samajists. It is really an innovation in this Bill, that a special Bill like this does not bear the definition of the very community for whose benefit this Bill has been drafted. Therefore, Sir, I support the amendment of my friend, Mr. Bajoria, and I think it is very necessary that this gap should be filled up and the definition of Arya Samajist should be given in the Bill. My friend, the Honourable the Law Member, when he asked, what is the definition of Muhammadan or of Hindu, was, I think, not right, my friend, Lahiri Chaudhuri, has just now given the definition of Hindus. I accept it because he is a Hindu. In the same way we Mussalmans have got a very definite definition for Mussalman and it will not be difficult for any Mussalman to give the definition of a Mussalman :

"La Elaha-illalah, Mohammad-ur-Rusul-ullah"

That is our definition. There is no God but one, and Muhammad is his apostle. This definition of Muslim, I give for the benefit of my friend the Honourable the Law Member. The definition of a Hindu has already been given to him. For these reasons it is very necessary

[Sir Muhammad Yakub.]
 vary that a definition of Arya Samajist must be given in this Bill, in order to make it definite and in order to curtail its mischief. With these words, I support the amendment.

The Honourable Sir Nripendra Sircar : Sir, I have heard a good deal about my ignorance of and about my not knowing what a Hindu and what a Muhammadan is, but that is not the point before this House. The question is—has a Hindu or a Muhammadan been defined in any Act of this Legislature? My Honourable friend, Mr. Lahiri Chaudhury, rushed forward with his characteristic courage but I would like him to ask this question. How has a Hindu been defined in the Hindu Wills Act? How has he been defined in the Hindu Gains of Learning Act, and how has he been defined in the Hindu Inheritance Act or in about the twenty Acts which I find at pages 2 and 3 of Mulla's book? "Hindu" is nowhere defined and I would ask my Honourable friend Sir Muhammad Yakub to point out where is the statute which defines a Muslim. That is the question.

Sir Muhammad Yakub : We have never asked the Legislature to enact a law for us.

Mr. D. K. Lahiri Chaudhury : May I ask one question? Can my Honourable friend, the Law Member, say that I am a Hindu by birth?

The Honourable Sir Nripendra Sircar : There, again, Sir, the difficulty is that a little knowledge of law is very dangerous. My friend is mistaken if he thinks that Hindu law applies only to a person who is born from a Hindu. I am reading from Mulla.

Mr. D. K. Lahiri Chaudhury : That is what I say is the definition of Hinduism.

The Honourable Sir Nripendra Sircar : It is not—it will take my friend Mr. Lahiri Chaudhury, a couple of years to understand how a Hindu can be defined. Sir, if I had a more elementary book I would have read it, but this is Mulla's Hindu Law :

"The Hindu law applies not only to Hindus by birth but also to Hindus by religion, that is, converts to Hinduism."

My friend, Mr. Lahiri Chaudhury, gave a definition and he was acclaimed as a true definer by my friend, Sir Muhammad Yakub (Laughter), they clasped hands, and they thought that the matter was settled. (Laughter.) Sir, the Courts have said often and often that you cannot define what is a Hindu. They have said that a Brahmo is a Hindu, and even, for certain purposes, the Privy Council in *Bhagwan Kor vs. Bose* has said that a Sikh is a Hindu and a Brahmo is a Hindu. What is the definition of Hinduism? I will not go into the region of Mussalmans but.....

Mr. K. Ahmed : My friend, Maulana Shaukat Ali, and his late brother Mr. Muhammad Ali said that all Hindus were Mussalmans also. (Laughter.)

The Honourable Sir Nripendra Sircar : Therefore, I would venture to submit to this House as to whether it is necessary to define what is an Arya Samajist. I say that that an Arya Samajist is a Hindu has been laid down by the Courts and for the benefit of Mr. Lahiri Chaudhury

may I just read to him a judgment in 1922 of the Patna High Court. I presume, Sir, they know some amount of law. (Interruption by Mr. D. K. Lahiri Chaudhury.) I am not giving way. It is not possible for me to educate Mr. Lahiri Chaudhury in a few minutes time, I shall try my best but I do not think I shall succeed. I am reading from page 713 :

"The last contention is that.....an Arya Samajist is not a Hindu. It is somewhat difficult to define the term Hindu."

The judges were afraid, they had not the courage to rush in like Mr. Lahiri Chaudhury :

"It is somewhat difficult to define the term Hindu."

There are several castes and sects who, although non-conformists, are still classed as Hindus. I can find no decision on the question of whether Dayanandis are Hindus. The sect which approaches most nearly to Dayanandis, however, are the Brahmos and in the case of *Bhagwan Kor vs. J. C. Bose* in which Their Lordships of the Privy Council discussed the question of whether Brahmos were Hindus or not, they have said :

"The learned judges of the Chief Court have examined the literature bearing upon the Brahmo society."

They had before them much important evidence with reference to Brahmos and the relation of their principles and their organization to the Hindu system. They came to the conclusion that a Sikh or a Hindu, by becoming a Brahmo, did not cease to belong to the community to which he was born. We may therefore now take it as a settled law that Brahmos are Hindus. Brahmos are Hindus. Their creed is directed against caste, their creed is directed against idolatry. Every word of this applies to the Arya Samajists, and the object of the founder, Raja Ram Mohan Roy, was to found a pure monotheistic religion. If I may digress for one moment into what is history which is known to any one who has read the life of Swami Dayanand, he went down to Calcutta and there would have been an amalgamation of the Brahmos with his new-founded religion but for the fact that Swami Dayanand insisted on the infallibility of the Vedas, but the Brahmos were not willing to accept that, but in other matters—their avoidance of caste, and of idolatry, there is a good deal which is common between Brahmos and the Arya Samajists. The sect of Dayanandis was founded by Pandit Dayanand Saraswati. This is now known as Arya Samajists and it too is directed against caste and idolatry, but they follow the Vedas and as Dr. Gour in his *Hindu Castes* has said, "if the Brahmos are Hindus, the Arya Samajists are more so because they profess to be monotheists. They believe in the supremacy of the Vedas". Therefore, Sir, if it has not been necessary to define what is a Hindu, from the Hindu Wills Act which starts in the year of grace 1870 which I believe is in force for 64 years, if there has been no necessity to define Hindu or Sikh, what is the necessity for defining Arya Samajist here? That is the general proposition. But the particular objection to my Honourable friend Mr. Bajoria's language is this. He says—"Arya Samajists means a person who is a member of any Arya Samaj". Now what is meant by that? When the matter was before the Select Committee, my recollection is that when I inquired I was told—if I am wrong

[Sir Nripendra Sircar.]—I am thinking about it. I want my friends will correct me—that there is no regular register from which you can necessarily find the names of Arya Samajists. What is, then, to be done? Supposing he is a genuine Arya Samajist and he has been so all his life but his name is not to be found in any register.

Babu Baijnath Bajoria : They can have such a register in future.

The Honourable Sir Nripendra Sircar : They can have a register in future but my Honourable friend's amendment is that they must be on probation for three years. Isn't it? The Act is being passed in 1936 and am I to assume that there must be no marriages for three years? A kind of self-denying ordinance in respect of marriages must be passed for three years. I submit it is meaningless because it is not possible to find out whether a man is an Arya Samajist or not from any register just as it is not possible to find out from any register whether Mr. Bajoria is a Hindu.

Babu Baijnath Bajoria : But this legislation will help them. They can have such a register in future.

The Honourable Sir Nripendra Sircar : We are not talking of legislation; we are talking of a register. If my friend talks of birth registration—I hope I am not giving away any secret—will he tell me how many of his community and of my community too avoid paying Rs. 2 to the municipality? (Laughter.)

Babu Baijnath Bajoria : You are right.

The Honourable Sir Nripendra Sircar : My Honourable friend says I am right. Sir, I do not want to take up the time of House any further but I do submit that the provision that he must be a member for three years before the Act comes into operation is highly objectionable and I object to it.

Babu Baijnath Bajoria : You can change the language.

Mr. M. S. Aney : Sir, I do not wish to support any amendment at all but I want some information from those who are expected to know something about this. I want to know whether the conversion of any man to Arya Samaj is not solemnised or celebrated by means of any ceremony at all. Is there any particular ceremony for it just as they have got in respect of conversion in other religions? If there is any thing like that, then it should not be very difficult to say whether a particular man is an Arya Samajist or not. (Voices "No, No.") I do not understand these voices of No, No. My Honourable friend is a believer of no ceremonies and no sacrifices and no ritual, but we are dealing with a community which insists upon a ceremony. They are coming here for the sake of claiming a right of having their marriage celebrated in the form of Hindu rituals. Those who insist upon rituals as being a *sine qua non* of a celebrated marriage can certainly rely on some kind of ceremony to take in a man into their fold. If there is any thing like that, then it would not be difficult to define an Arya Samajist. But if there is nothing like that, then it is imperative to find out what the position is. I only want this information from Mr. Chansiam Singh Gupta who is the President of the Arya League. (An Honourable Member : "He is the Vice-President.") Very well. Vice-President is

one who has got all the knowledge of the President, but who is not allowed to call himself a President.

Mr. Lalchand Navarai : Sir, I do not agree with the definition of an Arya Samajist as given by the Honourable the Mover of the amendment, but I must say that a definition is absolutely necessary. I find support in that from certain amendments as to the definition of an Arya Samajist which have been put in by the Honourable Member who is a representative of the Arya Samaj. I do not know if he is going to modify them but the fact remains that the Arya Samajists should lay down a definition and I must say from my personal experience, because I have conducted some cases of Arya Samajists, that it is in their own interests that there ought to be some definition. In any case, the present defects ought to be removed. I have got sympathies for these Arya Samajists because they have got a broad view. There is no doubt about it. But the other side has also got to be considered. A person, who is in practice, knows what the difficulties are at present and how necessary it is that something should be done to enable us to know that a particular man is an Arya Samajist. Now, my learned friend, the Leader of our Party, has put a very pertinent question. He says : "Is there any ceremony or any ritual that is to be performed in order to take into your fold a man who belongs to another caste?" I will tell him that there is a ceremony and I will instance it by a case. Lately, a case arose in Sind. There a person had been taken into the fold of the Arya Samaj. What was done was this. The person, first of all, went to a small Arya Samaj. They took him to Karachi where there is a Central organisation of the Samaj and there that person was taken into the fold of the Arya Samaj. Now, how was it done? Certain ceremonies which are called "Havan" were gone through and certain other rituals were performed and then they declared that such and such man had become an Arya Samajist and since that day he is called an Arya Samajist. That was the case which came before the Court and in the Court the question was litigated whether he has really become an Arya Samajist or not because the matter was in dispute between the parties. The judge took evidence with regard to the ceremonies and he came to the conclusion that he has not been properly made an Arya Samajist. Therefore, what I submit is this that it is in the interests of the Arya Samajists themselves that they must have some well-defined ceremonies for the conversion of a man into their Arya fold. Of course, the Arya Samajists are Hindus and there can be no doubt about it and that is the decision of the High Court also. What I wish to submit is this that with regard to the definition of an Arya Samajist we must insist on two matters. One defect is with regard to this definition, and the other is with regard to the succession. If these two defects are not removed, then I must assure the Arya Samajists in this House that the Arya Samajists outside will not be satisfied with this Bill at all. I say it is in the interest of the Arya Samajists to avoid such incidents as I gave where really a man who professed to be an Arya Samajist was declared that he was not so. Is it not therefore necessary that something should be done in a Bill like this. If a definition is given I do not think anybody will oppose it. The Arya Samajists are Hindus and they have established themselves as such. They follow the dictates of Swami Dayanand Saraswati. I want to know how many intermarriages have taken place from time to time. Are you by this Bill saying for the first time that Arya Samajists should have inter marriages. Even the Select Committee did not remove certain

[Mr. Lalchand Navalrai.]

doubts which you have. Now even in this House you are not removing those doubts at all. The Select Committee has said that no definition should be formulated as to who an Arya Samajist is, and they have also said that if there is no other law, the Succession Act should be applied to them. These are the factors which will on the contrary estrange the Arya Samajists more and more from the Hindu fold. Supposing an Arya Samajist says, "well the Succession Act will apply to us". What shall we, Hindus then say? "We are not the followers of Succession Act. We have got our Hindu law". Even those who are converted are taken into this Hindu fold. Therefore I submit there should be a clear definition of 'Arya Samajist'. There is an amendment in the agenda defining 'Arya Samajist'. When that amendment is reached, I shall have to say something on that. That definition too will not satisfy the Arya Samajist. Whoever professes to be an Arya Samajist, and undergoes a particular ritual may be considered to be an Arya Samajist. I would now refer to what the Honourable the Law Member has said. Though the Honourable the Law Member flies at me often, yet I have respect for him. He said, 'Hindu' is not defined and therefore an Arya Samajist need not be defined.

The Honourable Sir Nripendra Sircar : I said not defined in any statute.

Mr. Lalchand Navalrai : A Hindu is known as a Hindu throughout the ages, from times immemorial. Even a child will be able to say who is a Hindu. In the like manner a Muhammadan also can be defined.

Mr. Sri Prakasa (Allahabad and Jhansi Divisions : Non-Muhammadan Rural) : The word 'Hindu' is not older than 1,200 years. The old word is "Arya".

Mr. Lalchand Navalrai : I say the word 'Arya Samajist' also is of a later date. Therefore there can be no argument that because 'Hindu' is not defined, the 'Arya Samajist' need not be defined.

The Honourable Sir Nripendra Sircar : What about 'Brahmos'?

Mr. Lalchand Navalrai : The Honourable Member himself has quoted a case where there was a difficulty as to who was a 'Brahmo'.

Mr. M. Ananthasayanam Ayyanger (Madras ceded Districts and Chittoor : Non-Muhammadan Rural) : May I ask in what circumstances was the person whom the Honourable Member referred to declared not an Arya Samajist? Was it with respect to inheritance or succession? What was the occasion to know whether that particular man was an Arya Samajist or not? How would it have mattered even if he was not declared an Arya Samajist and that he continued to be a Hindu?

Mr. Lalchand Navalrai : The answer is in the Bill; it is with respect to intermarriage and succession.

Mr. M. Ananthasayanam Ayyanger : In the case that the Honourable Member referred to, how did it make a difference whether the person was an Arya Samajist or a Hindu?

Mr. Lalchand Navalrai : It was a more difficult question. It was a criminal case, a criminal offence having been committed. (Laughter.) Any way, what I submit is this. The Honourable the Law Member with

this vast experience of law cannot say that "Arya Samajist" cannot be defined. In the Report of the Select Committee, it is said :

"We have omitted the definition of Arya Samajist. We were impressed by the difficulty of finding a satisfactory definition and we considered that the proposal in sub-clause (b) of clause 2 that a declaration subsequent to marriage should suffice to establish that the maker of the declaration was an Arya Samajist, was fraught with danger. We are of opinion that the purposes of the Bill will be adequately served if the question of the religious status of the parties to a marriage remains a question of fact to be determined by the circumstances of each case."

This means that you are going to leave this question of definition out of the Bill, because you are not able to make a definition, I submit it will be only shirking your responsibility. I am sure it would be easy to frame a proper definition of the words 'Arya Samajist', namely, those who go through certain rites and rituals and profess to be Arya Samajist should be called as such. It is not safe to leave it to the Courts to decide as to who is an Arya Samajist. That will lead to all sorts of litigation and complications. If evidence is to be let in, on what lines is it to be done. If a definition is put in the Bill as to who is an Arya Samajist, then it will be easy for people to adduce proper evidence as to whether a particular person is an Arya Samajist or not. It will also be easy for the Court to decide the question. As it is in the Bill you are giving a blank cheque to people to come forward and give evidence in whatever way they like as to whether a certain person is an Arya Samajist or not. I want the House to remove all these difficulties. With these words, I oppose the amendment moved by Babu Baijnath Bajoria.

Mr. S. Satyamurti : Sir, the Honourable the Law Member is in one of his most devastating moods this afternoon, and I therefore intervene in this debate with great trepidation of heart. But, I think, Sir, all this talk about definition and its difficulty is wholly irrelevant, if I may say so respectfully. Neither my Honourable friend, Babu Baijnath Bajoria, nor any other Honourable friend has really attempted to define who an Arya Samajist is. To say, as he does in his amendment that an "Arya Samajist" is one who is a member of any "Arya Samaj" is not really taking us very far. It seems to me that the real point at issue is whether we should not attempt to make this law so thoroughly fool-proof and knave-proof that it may not be abused by people for whose benefit it is not intended. From that point of view, Mr. President, I wish to draw the attention of the House to clause 2 of the Bill. What does it say :

"Notwithstanding any law, usage or custom to the contrary no marriage contracted whether before or after the commencement of this Act between two persons being at the time of the marriage Arya Samajists shall be invalid."

The other portions of the clause are not necessary for my purpose now. I pause here and ask my Honourable friend, the Law Member, as to what exactly these words are intended to convey. First of all, I want to know, what is the marriage contemplated? Is it the Hindu law of marriage? Is it the civil marriage? or is it Arya Samaj marriage? As the clause stands, the word 'marriage' is not defined. It may be civil marriage, it may be a marriage of convenience, it may be a Hindu marriage or any other marriage.

Mr. M. S. Aney : There is no ceremony mentioned in the Bill.

Mr. S. Satyamurti : So far as the clause stands, the fact of the marriage has got to be proved. You have not got to prove whether there was any sacrament or any ceremony. No sort of evidence is prescribed to prove what the marriage is. The Court has got to be satisfied with any kind of evidence. Considering the state of marriage law in this country governing the Hindu, the Muslim, the Sikh or even the Arya Samajist, there is a great lacuna there. My second point is this. Two persons at the time of the marriage are Arya Samajists. How is it going to be decided? You will find, Sir, in the report of the Select Committee, they have said in paragraph 3 :

"We have omitted the definition of Arya Samajist."

I pause to make one comment. My friend, the author of the Bill, said he is the Vice-President of the All-India Arya Samaj; and I hope, when I read his attempt at defining this in his original Bill, the Honourable the Law Member will not turn round, and say that he rushed in where others feared to tread. I want to invite the attention of the House to clause 2 of the Bill as it stood, when it was introduced in this House. Clause 2 of the Bill said, according to the definition of the Vice-President of the All-India Arya Samaj :

"For the purposes of this Act 'Arya Samajist' means a person who

(a) is a member of any Arya Samaj; or

(b) within five years of the passing of this Act or within one year of his marriage, whichever period expires last, executes a written document declaring himself to be an Arya Samajist or in terms equivalent thereto; or

(c) is a member of a family of, or a relative dependent on, or a person under the guardianship of, any person mentioned in clause (a) or clause (b).

Explanation :—Where a document mentioned in clause (b) is registered under the Indian Registration Act, 1908, it shall be conclusive evidence of the fact of his being an Arya Samajist, and no evidence shall be admissible to prove the contrary."

I do not want to say anything on the merits of the definition; but the point I am seeking to make is this—that the author of the Bill thought, and in my judgment rightly thought, that the words "Arya Samajist" should be defined. His definition may be right or wrong; but it seems to me that the Select Committee have given no valid reasons as to why the definition should have been omitted. And I may add that Mr. Ghansham Singh Gupta, not only in the original Bill but in a dissenting minute to the report of the Select Committee, has said :

"I am not clear if it is good to omit the definition of Arya Samajist. The definition given in the Bill is good for all practical purposes and may be allowed to remain."

Then, Sir, so far as the Select Committee themselves are concerned, they simply say :

"We were impressed by the difficulty of finding a satisfactory definition."

Now, Sir, the Honourable the Law Member was devastating, particularly when he said that a Hindu has not been defined, and therefore an Arya Samajist should not be defined. Now, Sir, if we were legislating for the first time after the founding of Hinduism about 60 years ago, for regulating marriages among Hindus, I think we could have argued effectively for defining the term "Hindu" in that Bill. The fact of the matter is that the Arya Samaj is a new institution, comparatively

speaking, compared with other and older religions; and I want to avoid Arya Samajism being made a convenience of, by people who may not be legally married, but will pretend that they are Arya Samajists, and then take advantage of this Bill, when it is passed into law. Those of us, who believe in marriage as an institution which is intended for the perpetuation of the human race, believe that marriage ought to be associated with certain sacramental rites, and at least that there ought to be certain formalities which ought not to be dispensed with, at the sweet will and pleasure of the parties to the contract, or sacrament as you may call it. From that point of view, the Bill, as it stands, makes no attempt to define an Arya Samajist, to define marriage, or to put down the limitations under which this clause, as it stands, can be made applicable and prevented from being abused by people for whose benefit it is not intended. I quite agree that the definition of Arya Samajist is difficult and I think.....

The Honourable Sir Henry Craik (Home Member) : The word "Sikh" has been defined. I make a present of that to you.

Mr. S. Satyamurti : Defined as what?

The Honourable Sir Henry Craik : I forget the definition.

Mr. Sham Lal (Ambala Division : Non-Muhammadian) : It means any person who calls himself a Sikh. That is the definition in the Gurdwara Act.

Mr. S. Satyamurti : I am grateful to the Honourable the Home Member who in an unusually friendly mood has said that the word "Sikh" is defined in a statute. That overthrows the Law Member's contention that you must not attempt to define either a Hindu or an Arya Samajist.

The Honourable Sir Nripendra Sircar : The definition is that a Sikh is a Sikh. (Laughter.)

Mr. S. Satyamurti : That is a criticism of the content of the definition, and not of an attempt to define. I want to make a distinction. The attempt may fail, but undoubtedly this House or the Local Legislature has made an attempt to define a Sikh. Now, Sir, take Mr. Gupta's definition or Mr. Bajoria's definition. Both of them say that an Arya Samajist is one who is a member of an Arya Samaj. It may be a defective definition, in which case I invite the Law Member's co-operation in improving the definition, and not giving up the attempt to define. And all the argument about a Hindu not being defined, if I may say so, is not quite to the point. After all, Hindu has been here for centuries and millions of years and it is a well-understood word; and, therefore, the Courts and the Legislature have given up the attempt to define a 'Hindu', not because they think it undesirable to define it, but because they think it too difficult to define it, and the consequences thereof may be more serious or more far-reaching, than they are likely to remove by the definition. But my point is this. What does the clause actually come to? A and B are married, and that marriage is questioned by somebody as not being lawful. And the Select Committee say :

"We are of opinion that the purposes of the Bill will be adequately served if the question of the religious status of the parties to a marriage remains a question of fact to be determined by the circumstances of each case."

[Mr. S. Satyamurti.]

Now, Sir, I pause here. I want to know what are the circumstances of each case, in the contemplation of the members of the Select Committee when they write this sentence. Is it to be a mere declaration of being an Arya Samajist, or is it to be supported by any extraneous evidence? I want to give an extreme case. It may be a very extreme case I grant; but after all we have to test legislation by extreme cases. Supposing A and B are living as man and wife, and other people who are interested either in property or in other matters question the validity of the marriage. They have only to say that at the time of the marriage they were Arya Samajists. That is a complete answer. I submit, Sir, it may be good to make that law; it may be good or it may be bad, but undoubtedly it is a revolutionary change in the marriage law, as I understand it, to say that A and B can say at any time when they are found living as man and wife, "We are man and wife, because we were married and at the time of the marriage we thought we were Arya Samajists." I merely plead, Sir, that there ought to be some kind of extraneous evidence, the extent and the nature of which may vary, which may cast on the parties concerned the responsibility of proving that at the time of the marriage they were Arya Samajists. And, Sir, whether it should be a period of five years or three years or one year is a matter which we can discuss. But the point I want to make is this, that this Act, I trust, is not intended to be made a convenience of by people who want to marry, and who are not genuinely Arya Samajists. I am entirely with those who believe that genuine Arya Samajists ought not to have any obstacles placed in their way of consummating proper marriages, whatever the previous caste or sub-caste of the parties may be, or whatever their previous religion may have been. I am entirely with the sponsor of the Bill on that matter: but the narrow point I am taking is, if you drop the definition, of one kind or another, either the author's definition or Mr. Bajoria's definition, and if you simply leave it in mid-air like this, and merely say, "No marriage contracted whether before or after the commencement of this Act, between two persons being at the time of the marriage Arya Samajists" it introduces, I say, an element of uncertainty, an element of danger, which may be abused by people, for whom this Act is not intended. I, therefore, still plead with the Honourable the Law Member and the Honourable House, as one who feels that the Arya Samajists should have this Bill for the purpose of validating marriages between genuine Arya Samajists. I may point to Mr. Bajoria's amendment. I do not say that we must accept the period he lays down—that a man should be registered for three years or two years or one year: I am willing to go further and say that there must be some admission into the fold of Arya Samaj at the latest at the time of the marriage by a properly recognised Arya Samaj, of these two people, and there must be proof of marriage according to Arya Samajist rites. I think I have a right to insist on that as the minimum. Mr. Bajoria feels there ought to be two years or one year, but I . . .

Pandit Govind Ballabh Pant (Rohilkhand and Kumaon Divisions: Non-Muhammadan Rural): That might facilitate fraud still more!

Mr. S. Satyamurti: Therefore, I would avoid all fraud. I would ask my friend to suggest some means by which we can avoid fraud. Let us put our heads and hearts together to avoid fraud. What is the

alternative? The alternative was nothing: leave it to them: let them do what they like. The two points I want are these: marriage ought to be confined to cases where the marriage is proved to have been performed according to well-recognised Arya Samaj rites: secondly, marriage should have been proved to have been contracted between two parties who were, at the latest at the time of the marriage, genuine Arya Samajists. I think these two are matters which will appeal to all genuine Arya Samajists.

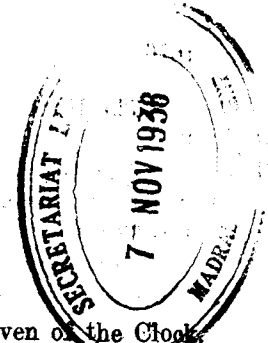
I have got one more word to say: when these questions of reform come, if anybody raises even any legal difficulty, he is at once branded by people, as a conservative reactionary, who ought not to be here. I do think the time has come when we should make a distinction between political extremism and social extremism. (Hear, hear.) It is no use saying that, because we are fighting against foreign rule in this country, we must fight everything and everybody else. After all, there are questions and questions, and I plead with my friends that, in all these matters, while we ought to be anxious to reform, let us not do things which may not achieve the object we have at heart, but achieve the very reverse of that object. One more word. Throughout the discussion today, more than once, the question was asked of speakers "Are you an Arya Samajist? Then, why do you talk on this Bill?" I am not an Arya Samajist, but I am a Member of this Honourable House, and I feel that the time has arrived when we must clear our minds of this cob-web, that this House is a kind of durbar where people may come and ask for boons—Europeans for something, Hindus for something else, the Muslims for something, the Sikhs for something. . . .

An Honourable Member: And Parsis!

Mr. S. Satyamurti: And Parsis for Managing Agencies! and we in a generous mood distribute largesses to them. I want to say this, that there is no hope for the development of a modern secular democratic state, in this country, unless and until we forget the moment we are in this hall, that we are Hindus, Mussalmans, Sikhs or Parsis or Christians, but remember that we are Indians. I have a right to speak and vote on Muslim legislation if it comes before this House. I will not be told "You are not a Muslim, therefore you shall not speak on this". I refuse to submit to that. Unfortunately we have these communal electorates in our midst, and we have mandates from various quarters. But I think a future can be evolved for this country only if we set the example, that whether it be my friend, Sir Cowasji Jehangir, or my friend, Maulana Shaukat Ali, or myself—we may be Parsis, Muslims or Hindus, but we are all Indians first, and the legislature has a right to be looked up to, as consisting of people who can vote effectively and intelligently on all questions coming before them. Therefore, I refuse to believe that, because I am not an Arya Samajist I cannot speak or vote on this Bill. By all means, let the Arya Samajists have a dominant voice in this matter: let them place their case before us; but as Courts of law have said, I will admit their demand, only so long as it is not inconsistent with justice, equity and good conscience. I go further. In all laws that we legislate here, while we must undoubtedly consider the welfare of the communities primarily concerned, the welfare of India as a whole is the greater consideration, and I think we ought not to

LEGISLATIVE ASSEMBLY.

Wednesday, 23rd September, 1936.



The Assembly met in the Assembly Chamber at Eleven of the Clock.
Mr. President (The Honourable Sir Abdur Rahim) in the Chair.

MEMBER SWORN.

Mr. George Hemming Spence, C.I.E., M.L.A. (Secretary, Legislative Department).

QUESTIONS AND ANSWERS.

RENT OF REFRESHMENT ROOM BUILDINGS WITH FURNITURE ON THE NORTH WESTERN RAILWAY.

547. *Qazi Muhammad Ahmad Kazmi : (a) Will Government be pleased to state whether they are aware that the general rent of refreshment room buildings with furniture on the North Western Railway is Rs. 2 per mensem ? Is it the same for Indian and European refreshment rooms ?

(b) Is it a fact that the rent of Indian and European refreshment rooms on the East Indian Railway is Re. 1 per month for building only without furniture ?

(c) Have Government considered the advisability of making the East Indian Railway authorities to supply furniture to all refreshment rooms and charge them at the rate of Rs. 2 per mensem ?

The Honourable Sir Muhammad Zafrullah Khan : (a) No rent is charged for refreshment rooms, whether European or Indian, on the North Western Railway.

(b) The rent of all refreshment rooms on the East Indian Railway is based on the accommodation provided and is not rupee one per month. Furniture, kitchen and table equipment are supplied by the contractors.

(c) No change is contemplated in the present arrangements.

Qazi Muhammad Ahmad Kazmi : Is the Honourable Member aware that the accommodation provided for the English refreshment rooms at Laksar is much better than the accommodation provided for the Indian refreshment room ?

The Honourable Sir Muhammad Zafrullah Khan : No, I am not aware of that.

Qazi Muhammad Ahmad Kazmi : Is the Honourable Member not aware of it, or it is not a fact ?

(1675)

[Mr. S. Satyamurti.]

allow small communities in this country to go about imagining they are small communities having their own laws, and that this country ought to be a museum of all kinds of communal customs and laws. We have got to evolve, as I said, a modern secular state; and we, who are sent here, must get rid of this idea of small communities legislating for themselves. We must, in this House, as a whole, legislate for all communities, consistent with their desires no doubt, but consistent much more with the welfare of the country as a whole. From that point of view, I believe that this clause ought to be very carefully examined, and we ought to see whether we are not doing something which we do not want to do, but which we have no time to consider. I deprecate all haste in legislation. Let us look into the matter carefully, and see if we cannot do something to satisfy the Arya Samajists on the one hand, and at the same time not do something which we do not want to do.

Bhai Parma Nand (West Punjab : Non-Muhammadan) : Sir, I rise at this late hour for a special reason. My object is to answer the simple question that was put by my Honourable Leader. He asked whether there was any initiation ceremony for people of other religions when they entered the Arya Samaj. As far as persons belonging to other religions are concerned, there is a ceremony called conversion before they partake of Arya Samaj; but so far as Hindus are concerned, there is no such ceremony; and any one wanting to become an Arya Samajist, can do so any time he likes provided he is an adult.

Now a word about the definition. Is any definition necessary? I am sorry to disagree from my Honourable friends, Mr. Lalchand Navarai and Mr. Satyamurti, and to say that no such definition is required. I quite agree with Honourable the Law Member that it is not possible to define a Hindu by any exact definition. I would say, any one who declares himself to be a Hindu, is a Hindu. Similarly any one who comes and declares that he is an Arya Samajist, is an Arya Samajist. No more definition is required.

We are concerned here with marriage. Take the case of the Special Marriage Act. It was enacted for the Brahmo Samajists. What did it require? Any two persons, man and woman, went to the Registrar, they simply had to declare that they did not belong to such and such religion. Recently a change was made in that Act by Sir Hari Singh Gour's "amendment". Now they have simply to go and declare that both belonged to the Hindu religion—it did not matter to which caste they belonged. Similarly, when there is a marriage between an Arya Samajist couple, they have simply to declare that they are Arya Samajists. I think this declaration is quite good enough for all purposes. No Hindu marriage is ever registered; therefore the marriage between Arya Samajists according to Arya Samaj ceremonies need not be registered, there will be evidence of all Arya Samajists that this marriage has taken place according to the rites of the Arya Samaj.

Sir Cowasji Jehangir (Bombay City : Non-Muhammadan Urban) : Is there any special ceremony for the Arya Samajists?

Bhai Parma Nand : Yes, there are special pandits and there is a special ceremony. Arya Samaj have got 16 *sanskars*: one is ceremony at birth, another at the time of putting on sacred thread, another at the time

of marriage and so on: there are 16 altogether of which four or five are very important and they are performed by almost all Arya Samajists. So far as registration as member is concerned, I have to say this: I was an Arya Samajist ever since I came to my senses: Now for the last twenty years I am not a registered member of the Arya Samaj; all the same, if I have to perform the marriage ceremony or any other ceremony of my children, I must perform it according to Arya Samaj rites: therefore it is not at all necessary that a man must be a registered member. When he declares that he is an Arya Samajist, he is one.

One word more, Sir, with reference to what Sir Muhammad Yakub said. He says, "Where is the definition of a Hindu just as there is a clear definition of a Muslim?"

Sir Muhammad Yakub : I never said that: What I said was exactly what the Honourable the Law Member said.

Bhai Parma Nand : Please listen, I will explain. I admit there is a definition of Muslim—a man, who believes in the sacred Kalma, is a Muslim: but there is another point. There are 72 or 80 or 100 sects of Muslims—Shias, etc., etc. Where is the definition of a Shia? Where is the definition of Sunni? Where is the definition of other Muslim sects?.....

Sir Muhammad Yakub : We have got separate doctrines for each.

Bhai Parma Nand : They have their own different dogmas. So also among the Hindus there are so many sects, hundreds of them, each having ideas of their own in religious matters. Hinduism is not a religion, it is the name of a nationality. I was in America and a friend, an American, came to me and he was talking to me about Hindus meaning thereby Indians, and asked me whether all Hindus are Mussalmans. I was surprised and questioned him "What do you mean?" He said "I have met some Hindus here and they told me that they were Muhammadans. So I wanted to know if all Hindus are Muhammadans."

Mr. President (The Honourable Sir Abdur Rahim) : If the Honourable Member wishes to continue, he can resume the next day.

Bhai Parma Nand : I shall finish in a minute, Sir. I quite agree with the Honourable the Law Member. As an Arya Samajist who has been an Arya Samajist all my life, I say there is no need of any such definition. There cannot be any definition of an Arya Samajist, just as there is no definition of a Hindu. For the purposes of this Act no more is needed for any one but to come and declare himself to be an Arya Samajist. When I say that I am a Christian or a Muhammadan, it is a declaration of my faith. Is there any other change in me? No. There is none. The simple declaration of my faith is good enough to prove that I belong to certain denomination. Similarly when I go before a body of Arya Samajists or pandits and say that I am an Arya Samajist, I should be taken as an Arya Samajist: that is quite enough: a declaration on the part of a man or woman is quite enough and no further definition is required.

The Assembly then adjourned till Eleven of the Clock on Wednesday, the 23rd September, 1936.

The Honourable Sir Muhammad Zafrullah Khan : I am not aware of it.

Qazi Muhammad Ahmad Kazmi : What are the rents that are generally charged for Indian refreshment rooms on the East Indian Railway ?

The Honourable Sir Muhammad Zafrullah Khan : As I have said, the rents are based on the accommodation provided.

Qazi Muhammad Ahmad Kazmi : Has the Honourable Member got any information as to the exact rent charged for any refreshment rooms on the East Indian Railway ?

The Honourable Sir Muhammad Zafrullah Khan : No, I have not ; but if the Honourable Member wants that information, he should put down a question, and I shall get the information for him.

Qazi Muhammad Ahmad Kazmi : At any rate it is not rupee one a month, is the Honourable Member definite about it ?

The Honourable Sir Muhammad Zafrullah Khan : The Honourable Member's question is whether on the North Western Railway a rent of rupees two per month was charged, and my reply was that no rent was charged on the North Western Railway.

Qazi Muhammad Ahmad Kazmi : On the East Indian Railway I say, it is rupee one per month.

The Honourable Sir Muhammad Zafrullah Khan : On the East Indian Railway my information is that the rent is charged with reference to the accommodation provided, and that it is not rupee one per month.

ELECTRIC CHARGES REALISED FROM INDIAN REFRESHMENT ROOMS ON THE EAST INDIAN RAILWAY.

548. ***Qazi Muhammad Ahmad Kazmi :** (a) Will Government be pleased to state whether it is a fact that the Indian refreshment rooms on the East Indian Railway are charged Rs. 2-15-0 per month for electric fitting in addition to the ordinary electric charges, while no such charge is made from the European refreshment rooms ?

(b) If the answer to part (a) be in the affirmative, have Government considered the advisability of ordering the East Indian Railway authorities to make no such charge from Indian refreshment rooms ? If not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Rent on electric equipment is recovered at 11 per cent. per annum on the capital cost from all refreshment room contractors. Electric current consumed is also charged for at the rate of three-and-half annas per unit, or the actual rate, if current is obtained from a private company.

(b) Does not arise.

Qazi Muhammad Ahmad Kazmi : So far as the electric fitting charges are concerned, are they a continuous charge, or they cease at a certain stage when the full charges have been recovered ?

The Honourable Sir Muhammad Zafrullah Khan : I have not got the information, but I should imagine it is a permanent charge at that rate.

Qazi Muhammad Ahmad Kazmi : Is it charged from the European refreshment rooms also ?

The Honourable Sir Muhammad Zafrullah Khan : I believe so.

RENT OF INDIAN REFRESHMENT ROOMS ON THE EAST INDIAN RAILWAY.

549. ***Qazi Muhammad Ahmad Kazmi :** (a) Will Government be pleased to state whether it is a fact that Indian refreshment rooms on the East Indian Railway have recently been served with a notice that they must pay rent of the buildings at Rs. 25 per mensem, while the European refreshment rooms have yet to pay according to the old rate ?

(b) Have Government considered whether this increment in rent is sure to re-act on the prices and quality of the edibles supplied to the passengers by the refreshment rooms ? If so, what is their conclusion ?

(c) Have Government considered the advisability of pressing upon the East Indian Railway authorities the need to make no such additional charges from Indian refreshment rooms ? If not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : (a) At certain stations on the Lucknow Division the rentals of Indian refreshment rooms have been enhanced.

(b) The Agent states that the enhancement does not re-act on the price and quality of edibles.

(c) The question of the fees to be charged by railways for the use of refreshment rooms and for licenses for vending contracts is now under consideration and it is hoped to discuss it with the Central Advisory Council shortly.

Mr. S. Satyamurti : What is the reason for increasing the rents of the Indian refreshment rooms, while the rents of the European refreshment rooms have not been increased ?

The Honourable Sir Muhammad Zafrullah Khan : I am afraid I cannot give the exact reason. Probably the Administration thought that there was some justification for it, but as I have said in answer to part (c) of the question, the whole matter is being reconsidered.

Mr. S. Satyamurti : May I know if the whole matter includes the prevalence of differential rates for Indian and European refreshment rooms on several railways, especially on the Madras and Southern Maharatta and South Indian Railways because on these two Railways while the European refreshment rooms pay practically nothing, the Indian refreshment rooms have got to pay very much higher rates ?

The Honourable Sir Muhammad Zafrullah Khan : I imagine the whole question of the basis of these rates will come under consideration, and that is one of the aspects which I have no doubt the Central Advisory Council will take into consideration.

Mr. B. M. Joshi : May I know if the Government will consult the Central Advisory Council also as regards the quality of the food supplied and the rates charged on the restaurant cars ?

The Honourable Sir Muhammad Zafrullah Khan : I cannot say whether that is a matter that will be included in the agenda prepared with regard to these vending contracts, but I have no doubt that if the Advisory Council wishes to consider it, and there is material for considering the whole question, it will be able to do so.

Qazi Muhammad Ahmad Kazmi : How have the Government come to the conclusion that increase in the rents will not re-act on the prices and quality of the food supplied ?

The Honourable Sir Muhammad Zafrullah Khan : As I have said, the Agent states that he is satisfied, but so far as Government are concerned, the matter is under consideration.

Qazi Muhammad Ahmad Kazmi : Has the Agent given any reasons for that, or it is only his surmise ?

The Honourable Sir Muhammad Zafrullah Khan : I am afraid I could not give an exact reply without looking into the papers, but if the Honourable Member wants this information and will put down a question, I shall obtain the information for him.

Mr. Ram Narayan Singh : The Honourable Member is a Member of the Government, and he says he imagines that the whole question will be considered. May I ask him, when he says that the whole question will be considered, whether he can give his word for it ?

The Honourable Sir Muhammad Zafrullah Khan : I have not said what the Honourable Member is attributing to me.

Mr. Ram Narayan Singh : No, Sir, he said I imagine ?

The Honourable Sir Muhammad Zafrullah Khan : I have not said that.

Qazi Muhammad Ahmad Kazmi : Is the question of European refreshment rooms also under consideration ?

The Honourable Sir Muhammad Zafrullah Khan : The question of vending contracts on Railways is under consideration.

Mr. S. Satyamurti : Is the question of not charging differential rates also under consideration ?

The Honourable Sir Muhammad Zafrullah Khan : To that I have already given a reply.

Mr. Lalchand Navalrai : May I know if all the Local Advisory Councils will be consulted ?

The Honourable Sir Muhammad Zafrullah Khan : I believe, so far as the East Indian Railway is concerned with regard to whom the question really first arose, the Local Advisory Council have considered the question and have submitted their Report.

RATES CHARGED FOR ARTICLES OF NECESSITY IN THE PRECINCTS OF RAILWAYS.

550. ***Qazi Muhammad Ahmad Kazmi :** (a) Will Government be pleased to state whether they are aware of the general complaint of the travelling public that the rates charged for ordinary articles of necessity are very high in the precincts of railways and their quality is mostly inferior ?

(b) Have Government taken any steps to remove this complaint ? If so, what ?

(c) Is it a fact that the contracts for vending cigarettes, beetles, brasswares, leather goods and other similar articles are given for large sums of money ranging from Rs. 35 for Dehra Dun to Rs. 5,200 for Bareilly in the Moradabad Division of the East Indian Railway ?

(d) Is it a fact that this system of selling the contracts exists in the Moradabad Division ? If not, at which other places does it exist ?

(e) Have Government considered that the selling of these contracts reacts upon the prices and quality of articles sold to passengers ? If so, what are their conclusions ?

(f) Have Government considered the advisability of pressing upon the East Indian Railway authorities the necessity of selling these contracts for heavy sums of money ? If not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : (a) I presume the Honourable Member's question refers to the East Indian Railway, the Agent of which line states that the rates charged are in accordance with the local bazar rates prevailing from time to time, and that careful and constant attention is given to the quality in order that it should be kept to as high a standard as possible.

(b) Does not arise.

(c) Tenders are invited for the sale of miscellaneous articles, such as, cigarettes, brassware and leather goods, at certain stations on the Moradabad Division. The amounts tendered and accepted vary at the different stations.

(d) The system is in force on the Moradabad Division.

(e) and (f). The matter is one for consideration by the Administration and Government see no reason for their intervention. Articles, such as brassware, leather goods, wood-work, clay figures, etc., are not necessities for the travelling public and the prices at which they are sold will obviously be regulated by the demand.

Qazi Muhammad Ahmad Kazmi : Has any investigation been made that the rates charged at the railway stations are the same as are ordinarily charged in the local markets ?

The Honourable Sir Muhammad Zafrullah Khan : I don't think they could exactly be the same. There is bound to be some difference between the two, but as I have said, the Agent has stated that the matter receives careful and constant attention.

Pandit Lakshmi Kanta Maitra : Is the Honourable Member aware that from the Burdwan station a complaint was addressed to the Honourable Member's Department alleging that the foodstuffs supplied at all the railway stations between Howrah and Dinapore are far inferior in quality to the foodstuff obtainable in the bazar ?

The Honourable Sir Muhammad Zafrullah Khan : No, I am not aware of any specific complaint, but as I have said in answer to a supplementary question to a previous question, the matter is to come under the consideration of the Central Advisory Council.

Pandit Lakshmi Kanta Mahtia : May I know if it is not a fact that some eminent doctors of the town of Burdwan on the East Indian Railway forwarded a complaint to the Railway Board alleging that the foodstuffs supplied by all these contractors are deleterious in character and are highly priced and are far inferior in quality?

The Honourable Sir Muhammad Zafrullah Khan : I cannot say whether that is a fact or not. I am not aware of the specific complaint, but if the Honourable Member will put down a question I shall find out whether there was a complaint to that effect or not.

Qazi Muhammad Ahmad Kazmi : The contract for selling articles on the railway platform at Bareilly was sold for Rs. 5,200 per annum. Does the selling of contracts go on only in the Moradabad division, or is it prevalent on all divisions of the East Indian Railway?

The Honourable Sir Muhammad Zafrullah Khan : My information is that this kind of contract is given on the Moradabad division. My inference from that is that it is probably confined to the Moradabad division, but I cannot give a specific reply without notice.

Qazi Muhammad Ahmad Kazmi : Does the Honourable Member think that when a contractor has to pay Rs. 5,200 and the other contractors have not got to pay so much, the prices of articles sold by such a contractor would not be higher than

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member can draw his own inference. Next question.

FREE JOURNEYS ENJOYED BY BEGGARS, *Fakirs* AND *Sadhus* ON STATE RAILWAYS.

551. ***Qazi Muhammad Ahmad Kazmi** : (a) Are Government aware that on certain State Railways beggars, *fakirs*, *sadhus*, and the like, are not prosecuted even under section 113, and are allowed to enjoy a free journey? If so, why?

(b) How do the railway staff presume that they have no money to pay the Railway charges and cannot pay when produced before a Magistrate?

The Honourable Sir Muhammad Zafrullah Khan : (a) Certain Railway Administrations have found it necessary to issue instructions for beggars, etc., found without tickets and who have obviously no money to pay their fares to be ejected. Experience has shown that prosecutions in such cases serve no useful purpose and cause considerable inconvenience and dislocation of work, consequent on the necessity for the railway staff concerned to attend Courts.

(b) Individual members of the staff with whom the responsibility rests presume indigence according to their personal powers of observation, intelligence and judgment.

Qazi Muhammad Ahmad Kazmi : Under what section of the Railways Act are the Government entitled to eject persons from the railway carriage?

The Honourable Sir Muhammad Zafrullah Khan : I would require notice of that if the Honourable Member requires the legal authority to be specified.

Qazi Muhammad Ahmad Kazmi : May I know whether the railway have got any authority to take passengers out of a compartment?

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member has answered that already.

Mr. S. Satyamurti : Did not the Government put forward the argument when the ticketless travel Bill came here that they had not power to eject, and, therefore they wanted that Bill?

The Honourable Sir Muhammad Zafrullah Khan : It is exactly for that reason that I am unable to give a specific answer. There was a difference of opinion between different sections of the House with regard to the interpretation of that provision, and surely I cannot be called upon to clear up the position in answer to a supplementary question.

Mr. S. Satyamurti : What is their position?

The Honourable Sir Muhammad Zafrullah Khan : Government have stated their position during the discussion on the Bill.

Qazi Muhammad Ahmad Kazmi : Have the Government interpreted that section to mean that they have got power to eject persons from railways?

The Honourable Sir Muhammad Zafrullah Khan : That is a question of argument.

Qazi Muhammad Ahmad Kazmi : Is it a fact that in some cases in which persons were ejected, the persons who ejected them were found by the law courts to have acted illegally and they were also probably fined.

The Honourable Sir Muhammad Zafrullah Khan : Does the Honourable Member really expect that without notice of such a question I would have information at my disposal to give it to him in answer to a supplementary question?

Qazi Muhammad Ahmad Kazmi : Before passing such orders that the T. T. E.'s would be entitled to eject persons from railways, Government ought to have considered....

Mr. President (The Honourable Sir Abdur Rahim) : That is a matter of opinion. Next question.

HONORARY SPECIAL MAGISTRATES DEALING WITH CASES OF TICKETLESS TRAVELLING ON STATE RAILWAYS.

552. ***Qazi Muhammad Ahmad Kazmi** : (a) Is it a fact that on certain State Railways Honorary Special Railway Magistrates are appointed by Government to deal with cases of ticketless travelling?

(b) Since when has this scheme been started by Government, and with what result?

(c) How many such Special Magistrates are on each of the various State Railways?

(d) Do the Railways give the Honorary Special Magistrates any concessions and privileges?

(e) Have any of the privileges been lately withdrawn? If so, why?

The Honourable Sir Muhammad Zafrullah Khan: (a) I would refer the Honourable Member to the reply I gave to Mr. Sri Prakasa's question No. 1098 on the 11th March, 1936.

(b) The records available do not show when such Magistrates were first appointed.

(c) From such information as is available, in regard to the State-managed railways, there are seventeen on the East Indian Railway, one on the North Western Railway, two on the Eastern Bengal Railway and three on the Great Indian Peninsula Railway.

(d) The East Indian Railway are allowing free passes available over the sections of the line within the jurisdiction of these Magistrates.

(e) The privilege recently withdrawn by the East Indian Railway was that of having passes extending beyond the magistrate's jurisdiction, as it was not considered that there was sufficient justification for granting such passes.

Mr. N. M. Joshi: May I ask why it is considered necessary to have special magistrates for the railways?

The Honourable Sir Muhammad Zafrullah Khan: That is not a question to be addressed to the Railway Department.

Pandit Lakshmi Kanta Maitra: With regard to part (b) of the question, will the Honourable Member kindly enlighten the House as to when this institution of special railway magistrates originated in this country?

The Honourable Sir Muhammad Zafrullah Khan: I have given the reply in answering part (b) of the question.

Pandit Lakshmi Kanta Maitra: Did it originate from the individual railway administration, or did it originate from the Government?

The Honourable Sir Muhammad Zafrullah Khan: I have already said in answer to part (b) that the records available do not show when such magistrates were first appointed. Naturally the records cannot show whether it was on the initiative of the railways or of the Government.

Mr. N. M. Joshi: Will Government consider the advisability of stopping the practice of giving free passes to honorary special magistrates in the interests of the purity of judicial administration?

The Honourable Sir Muhammad Zafrullah Khan: There is no question of the purity of judicial administration involved. They would ordinarily be entitled to draw travelling allowance for the section over which they travel in the performance of their duties, and if they travel on passes they will not be entitled to draw their travelling allowance.

Sardar Sant Singh: Who pays the travelling allowance?

The Honourable Sir Muhammad Zafrullah Khan: Government.

Pandit Lakshmi Kanta Maitra: May I know if the Railway Department exercises any control over these magistrates?

The Honourable Sir Muhammad Zafrullah Khan: No.

Sardar Sant Singh: May I know what Department of Government pays the travelling allowance to the magistrates when they travel on duty? Is it the railway administration or the general revenues?

The Honourable Sir Muhammad Zafrullah Khan: No, it would not be the railway administration but the general revenues. But, as I have said, so far as the magistrate is concerned, there is no question of the purity of judicial administration being involved.

Sardar Sant Singh: May I draw the attention of the Honourable Member to the fact that if the magistrate is entitled to draw his travelling allowance from the general revenues, by paying it from the railway revenues, they are showing some favour to the magistrate and thus giving occasion to impute partiality to them?

The Honourable Sir Muhammad Zafrullah Khan: No. I do not accept that suggestion.

Mr. N. M. Joshi: May I ask whether the magistrates are permitted to use the free passes when they go out in connection with work not connected with the conduct of cases?

The Honourable Sir Muhammad Zafrullah Khan: I would require notice of that question.

Mr. N. M. Joshi: May I ask whether the passes which are given to the honorary magistrates are given under some statutory authority or as a special favour to the railway magistrates?

The Honourable Sir Muhammad Zafrullah Khan: I am unable to follow the question.

Mr. N. M. Joshi: May I ask my question again? My question is this, whether the passes issued to the railway magistrates are issued under some statutory authority? Have they got a statutory claim for a pass, or is the pass given to a railway magistrate as a special favour by the railway administration?

The Honourable Sir Muhammad Zafrullah Khan: The railway magistrates have no statutory right to a pass, but the railway administration have a statutory authority to issue passes.

Mr. N. M. Joshi: May I ask whether the pass is obtained by the magistrate as a special favour from the railway administration?

The Honourable Sir Muhammad Zafrullah Khan: No. It is not obtained as a special favour. All magistrates exercising jurisdiction in railway matters on some railways are, as a matter of course, given passes which extend to the areas within their jurisdiction.

Mr. N. M. Joshi: May I ask whether the Government of India will enquire whether the passes issued to honorary magistrates are used by them for private purposes or not?

The Honourable Sir Muhammad Zafrullah Khan: The Honourable Member has already put that question and I said that I would require notice of that question. I am very sorry to observe that he has such a short memory.

Mr. N. M. Joshi: May I ask whether the Government of India have to collect any facts in replying to a question whether they will consider the question or not?

The Honourable Sir Muhammad Zafrullah Khan: I said that I am not aware whether these passes are used in that manner or not, and I suggest that the Honourable Member should put down a question to that effect. In reply to that question Government will state their view.

Pandit Lakshmi Kanta Maitra: Are these railway magistrates treated as railway servants or as Government servants?

The Honourable Sir Muhammad Zafrullah Khan: Treated by whom?

Pandit Lakshmi Kanta Maitra: By the Government of India or the Railway Department?

The Honourable Sir Muhammad Zafrullah Khan: They are not in any sense railway servants.

Mr. V. V. Giri: Are they given card passes or check passes?

The Honourable Sir Muhammad Zafrullah Khan: I could not say without notice.

TICKETLESS TRAVELLING ON STATE RAILWAYS.

553. ***Qazi Muhammad Ahmad Kazmi:** (a) What various methods have been tried by each of the State Railways to check the evil of ticketless travelling during the last 12 years, and with what results?

(b) Have Government enquired into the causes of an increase in illicit travelling with an increase in the number of ticket-checkers? If so, what are they?

(c) Are Government aware that illicit travelling is encouraged by the ticket checking staff in order to show their efficiency?

(d) Is it a fact that an officer of the Railway Board who invented the crew system, definitely brought forward this charge?

(e) Are Government aware that Ticket Checkers are pressed in various ways to give more money and those who are unable to comply are victimised?

The Honourable Sir Muhammad Zafrullah Khan: (a) I would refer the Honourable Member to the reply given by the Honourable Sir Guthrie Russell to the Honourable Mr. Jagadish Chandra Banerjee's question No. 235 in the Council of State on the 14th December, 1933.

(b) An increase in the number of ticket checkers which permits of more intensive checking has led to a larger number of cases, in which passengers are travelling without proper tickets, being detected which might otherwise not have been detected.

(c) A statement to this effect was made by an officer who reported on the experimental introduction of the crew system on the East Indian Railway.

(d) The officer who made this statement was deputed by the Railway Board to report on the experimental introduction of the crew system.

(e) I would refer the Honourable Member to the reply to Khan Bahadur Haji Wajihuddin's question No. 241 which was laid on the table of the House on the 15th September, 1932.

Qazi Muhammad Ahmad Kazmi: Will the Honourable Member be kind enough to let us know what answer was given in the Council of State?

The Honourable Sir Muhammad Zafrullah Khan: If you so direct, Sir, I will read it out.

Mr. President (The Honourable Sir Abdur Rahim): Yes, please.

The Honourable Sir Muhammad Zafrullah Khan: "I am afraid I cannot enumerate here all the measures adopted by Railways to stop ticketless travelling. Some of the more important are checking of tickets at gates and enforcement of purchase of platform tickets in the case of non-passengers, employment of travelling ticket examiners to check *en route* and of flying squads to make surprise checks both on trains and at selected stations, appointment of Railway Magistrates at certain specified stations to deal with ticketless passengers, surprise checks in the presence of Railway Magistrates, appointment of lady ticket examiners, provision of unclimbable fencing at stations, and so on.

I am sorry to say, however, that in spite of these measures illicit travelling without tickets is still very prevalent and the suggestion has been made in the past and again only recently that the only way to stop this practice is to make the offence of travelling without a ticket a cognizable one."

Qazi Muhammad Ahmad Kazmi: I could not follow the Honourable Member's reply to part (c).

The Honourable Sir Muhammad Zafrullah Khan: I read it out.

Qazi Muhammad Ahmad Kazmi: I could not follow it.

The Honourable Sir Muhammad Zafrullah Khan: I cannot help the Honourable Member with regard to his inability to follow the reply. If he did not hear it, I shall read it out again.

Qazi Muhammad Ahmad Kazmi: That is what I meant.

Mr. President (The Honourable Sir Abdur Rahim): Next question.

IMPROVEMENTS MADE IN RAILWAY FENCINGS OF SMALL STATIONS TO CHECK TICKETLESS TRAVELLING.

554. ***Qazi Muhammad Ahmad Kazmi:** Are Government satisfied that the Railway Administrations have improved the fencings of small stations and also taken proper steps to eliminate the chances of boarding the trains without a ticket and leaving the stations without handing over the tickets? If so, what are they?

The Honourable Sir Muhammad Zafrullah Khan: Government are satisfied that to the extent to which funds have been available, efforts have been made in the direction indicated by the Honourable Member. Detailed information as to what has actually been done in this respect is, however, not readily available. There are nearly 8,000 railway stations to properly fence all of which would cost between two and three crores, and the taking of further steps to prevent passengers entering or leaving the station, except at the prescribed gates, would necessitate a recurring expenditure of between Rs. 20 and Rs. 30 lakhs per annum.

Qazi Muhammad Ahmad Kazmi : Has any attempt been made to fence the bigger stations ?

The Honourable Sir Muhammad Zafrullah Khan : I do not know whether it has been laid down as a rule that stations of a certain size should be fenced but fencing has been carried out wherever it was practicable.

Qazi Muhammad Ahmad Kazmi : Ticketless travellers generally start from the bigger stations. So, if they start fencing the bigger stations and make proper arrangements to check ticketless travellers at such station, that will be much more effective.

The Honourable Sir Muhammad Zafrullah Khan : That is a suggestion, not a question.

DEFINITION OF "RUNNING STAFF" ON RAILWAYS.

555. ***Qazi Muhammad Ahmad Kazmi :** (a) Is there any State Railways compilation (Code, Manual, Act, etc.), in which the definition of "Running Staff" is given ?

(b) Is it a fact that the Governor General in Council in exercise of powers conferred upon him by sub-section (1) of section 71E of the Indian Railways Act IX of 1890 has defined "Running Staff" as those who "habitually work on running trains" and has included the following staff in that category :—drivers, shunters, firemen, guards, brakesmen, travelling van porters, travelling van checkers, travelling ticket examiners, and travelling stores delivery staff ?

(c) Is it a fact that this definition of "Running Staff" was given by the Governor General in Council in 1930 and a declaration was made to this effect ?

The Honourable Sir Muhammad Zafrullah Khan : With your permission, Sir, I propose to reply to questions Nos. 555, 556 and 557 together. I would invite the Honourable Member's attention to my reply to his question No. 832, asked in this House on the 26th February, 1936.

Qazi Muhammad Ahmad Kazmi : May I know if the answer that was given in reply to question No. 832 was that 'Government have during the last five years already replied to more than 400 questions'. Is that the answer to which the Honourable Member is referring ?

The Honourable Sir Muhammad Zafrullah Khan : I am referring to question No. 832.

Qazi Muhammad Ahmad Kazmi : Then will you let me know definitely in what particular questions, these particular questions Nos. 555, 556 and 557 have been answered during the last five years ?

The Honourable Sir Muhammad Zafrullah Khan : That is a supplementary question which could have been put to the answer given to question No. 832.

Qazi Muhammad Ahmad Kazmi : I am entitled to put that question. I was not here when that question was answered. I find that so far as the reply to question No. 832 is concerned, the Honourable Member said :

"Government have during the last five years already replied to more than 400 questions concerning Travelling Ticket Inspectors, Travelling Ticket Examiners and

similar staff on the North Western and East Indian Railways, giving detailed information covering almost every aspect of this subject and I would refer the Honourable Member to these replies."

The Honourable Sir Muhammad Zafrullah Khan : That was not the whole of the reply.

Qazi Muhammad Ahmad Kazmi : Yes, I am sorry. In the next paragraph they say :

"Government have given the whole subject their very careful consideration and have granted the staff concerned the maxima concessions in pay, allowances and prospects that they consider justifiable. Government are not prepared to revise these orders and in the circumstances consider that no useful purpose will be served by providing further information on this subject."

That was the reply. I do not want to press their claims, either for increments, promotion or demotion. What I want to know is the definite information which is asked for in this question.

The Honourable Sir Muhammad Zafrullah Khan : What is the last question of the Honourable Member ?

Qazi Muhammad Ahmad Kazmi : My question is that Government did not give a reply to these questions because they thought that the reply to these questions was contained in the 400 or 500 questions that have been asked in this House. I do not think there is a single reply to any of these questions. I would ask the Honourable Member to let me know definitely as to what are the answers that have been given in the Assembly.

The Honourable Sir Muhammad Zafrullah Khan : All these questions are directed towards convincing the Government that the decision they have taken with regard to the pay and allowances of this category of staff is erroneous. The decision may or may not be erroneous but Government are not going to change it as a result of any arguments that are put forward in this series of questions.

Qazi Muhammad Ahmad Kazmi : That is no answer to my question.

Mr. President (The Honourable Sir Abdur Rahim) : I understand that these are questions relating to revising the pay and allowances of the staff and the Honourable Member says that he has dealt with the matter on many occasions and he is not prepared to revise the decision.

Mr. S. Satyamurti : Government may stick to their decision, but they have not answered the questions.

Qazi Muhammad Ahmad Kazmi : I am only asking for information.

The Honourable Sir Muhammad Zafrullah Khan : If the Honourable Member will put down that question, I shall either give him a detailed reply on the floor of the House or give him the numbers of those questions in answer to which the information has been supplied.

Mr. President (The Honourable Sir Abdur Rahim) : You had better put down a specific question.

Qazi Muhammad Ahmad Kazmi : Then it will not come up this Session and these questions are there already.

The Honourable Sir Muhammad Zafrullah Khan : If the Honourable Member wants the specific numbers of these 400 questions, that was a

(d) It is not necessary for supervisory staff to have subordinate staff under their control.

(e) Government have no reason to believe that the hours of employment of these Inspectors are not regulated like those of Inspectors in other branches.

(f) and (g). The system of inspection of Accounts of Railway Schools and Institutes by Inspectors of Station Accounts is in force only on the East Indian, Great Indian Peninsula and the Burma Railways because on these Railways such inspections formed a part of the regular duties of these Inspectors during the time when these railways were under Company management.

(h) There is no special advantage in so entrusting the work.

Qazi Muhammad Ahmad Kazmi : What is the definition of a fair day's work so far as the Honourable Member is concerned ?

The Honourable Sir Muhammad Zafrullah Khan : That is perfectly obvious.

Qazi Muhammad Ahmad Kazmi : Will it be a whole day,—twelve hours in the day, or five hours in the day ? How much ?

The Honourable Sir Muhammad Zafrullah Khan : If the Honourable Member desires the exact average with regard to the hours of work, if he will kindly put down a question to that effect, I shall obtain the information.

Qazi Muhammad Ahmad Kazmi : Has not the Honourable Member taken into consideration what he exactly means by a fair day's work while answering this question ?

The Honourable Sir Muhammad Zafrullah Khan : The Railway Administrations concerned have taken that into consideration.

Qazi Muhammad Ahmad Kazmi : The Railway Administrations have said that this is a fair day's work. Has the Honourable Member inquired of them what they mean ?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir.

Mr. President (The Honourable Sir Abdur Rahim) : Next question.

DESTITUTES TREATED AT THE JUBBULPORE CANTONMENT GENERAL HOSPITAL.

560. ***Mr. N. V. Gadgil** (on behalf of Seth Govind Das) : (a) Will Government be pleased to state the number of destitutes treated at the Jubbulpore Cantonment General Hospital during the year 1935 ?

(b) Will Government be pleased to lay on the table a statement showing recoveries of fees from persons falling under category III of the rules and regulations for the said hospital and allotment received by the Operator, Assistant and the Cantonment Authority, Jubbulpore, since the introduction of the rules to March 31st, 1936 ?

(c) Will Government be pleased to state (i) if wealthy persons were treated at this hospital during the period mentioned above and (ii) the amount of increased percentage of fees realised from them ?

(d) Will Government be pleased to state the total amount recovered from persons under Rule IV (page 11) since 1934 to 31st March, 1936, and to whom the amount so collected has been paid ?

(e) Will Government be pleased to state the amount credited to the Cantonment Authority, Jubbulpore, under Rule V (page 11) since 1934 to 31st March, 1936 ?

(f) Will Government be pleased to state the qualification of the Military Sub-Assistant Surgeon attached to this hospital and since how long he has been attached to this hospital ?

Mr. G. B. F. Tottenham : (a) 264 as indoor and 3,806 as outdoor patients.

(b) Rs. 215 were recovered as fees and allotted as follows :

			Rs.	A.	P.
Operator	..	..	107	8	0
Assistant	..	..	53	12	0
Cantonment Authority	..	..	53	12	0

(c) (i) No.

(ii) Does not arise.

(d) Rs. 19 only. 25 per cent. of this amount was credited to the Cantonment Fund and 75 per cent. paid to the lady doctor or the sub-assistant surgeon who examined the patient.

(e) Rs. 1,773-7-0.

(f) The military sub-assistant surgeon is an L. M. P. of the Allahabad University and has been attached to the Hospital since the 5th February, 1934.

CANTONMENTS IN BRITISH INDIA AND THEIR RESPECTIVE STATIONS.

561. ***Mr. N. V. Gadgil** (on behalf of Seth Govind Das) : Will Government be pleased to state :

(a) the number of cantonments in British India and their respective stations ;

(b) the civil population of each cantonment according to the last census, and the present military strength therein ;

(c) which of these cantonments have elected and nominated boards and which are Corporation Soles ;

(d) the number of non-official members in each elected and nominated board ;

(e) if there are sub-committees under section 44 (1) (e) of the Cantonments Act, 1924, in these boards and which are they, and if the chairmen are official or non-official ?

question which ought to have been put as supplementary to question No. 832 last Session. If the idea has struck him only now, then he ought to put down a specific question.

Pandit Sri Krishna Dutta Paliwal : What are the concessions in the matter of pay and allowances which were dealt with last Session ?

Mr. President (The Honourable Sir Abdur Rahim) : This question has been already discussed and the Honourable Member has given his final reply.

REMOVAL OF THE TRAVELLING TICKET EXAMINERS FROM THE LIST OF RUNNING STAFF.

†556. ***Qazi Muhammad Ahmad Kazmi :** (a) Are the Railway Board or the Agents of State Railways empowered to amend, modify or annul a certain declaration made by the Governor General in Council ?

(b) If the reply to the above be in the negative, on what authority have the Agents of certain State Railways and the Railway Board removed the Travelling Ticket Examiners from the list of running staff in which they were included by the Governor General in Council ?

REMOVAL OF THE TRAVELLING TICKET EXAMINERS FROM THE LIST OF RUNNING STAFF.

†557. ***Qazi Muhammad Ahmad Kazmi :** (a) Is it a fact that in the State Railway Open Line Code, Volume II, the Travelling Ticket Examiners are declared by the Government of India as running staff and included in the same list as the drivers and guards, etc. ?

(b) When were the Travelling Ticket Examiners included in the list of running staff and when were they removed from this list, and on whose authority and why no amendment was made in the definition of running staff as given and declared by the Governor General in Council in 1930 (the above information may be given separately for the following Railways :—Burma Railway, Eastern Bengal Railway, East Indian Railway and North Western Railway) ?

(c) Is it a fact that on certain Company-managed Railways the Travelling Ticket Examining staff is still treated as running staff ?

(d) Is it a fact that luggage guards on certain State Railways, who receive and deliver packages and are under the guard in charge of the train, are treated as running staff ?

(e) Is it a fact that conductor guards, who are employed on mail trains for the convenience of first and second class passengers only (to find accommodation for them and to give them a call where required) are also reckoned as running staff and are under the guard in charge of the train ?

(f) Is it a fact that the staff employed on a railway engine, i.e., driver, fireman, shunter, cleaner, jack, etc., are all reckoned as running staff ?

† For answer to this question, see answer to question No. 555.

(g) What improvement has been brought about in the system of working and what advantage have the Railways derived by removing the Travelling Ticket Examiners from the category of running staff and for what reasons were they included in the list of running staff several decades back ?

INTRODUCTION OF PAYMENT OF MILEAGE SYSTEM ON STATE RAILWAYS.

558. ***Qazi Muhammad Ahmad Kazmi :** When was the payment of mileage system introduced on the various State Railways in India ?

The Honourable Sir Muhammad Zafrullah Khan : Presumably, by 'mileage system' the Honourable Member means the system of payment of mileage allowance to running staff on railways. If so, as far as can be ascertained, the system has been in force on Indian State Railways from the eighties of the last century.

INSPECTORS OF STATION ACCOUNTS ON CERTAIN STATE RAILWAYS.

559. ***Qazi Muhammad Ahmad Kazmi :** (a) Will Government be pleased to state in what category are the Inspectors of Station Accounts placed on the following Railways for the purpose of hours of employment : Eastern Bengal Railway, East Indian Railway, Burma Railways, Great Indian Peninsula Railway and North Western Railway ?

(b) Is it a fact that they are held to perform supervisory duties and have to put in long hours of work ?

(c) Is it a fact that, although held to perform supervisory duties, they are required to do a lot of ministerial work and have to compile statements, etc., and are not provided with any clerk for this purpose ?

(d) Is it a fact that supervisory staff have under them subordinate staff, but the Inspectors in question have none under them ?

(e) Are Government prepared to see that their hours of employment are regulated like other staff ? If not, why not ?

(f) Is it a fact that the Inspectors of Station Accounts on certain Railways have to inspect and audit the accounts of the Railway Schools and Institutes ? If so, why ?

(g) Is this system in force on all the State Railways ? If not, why not ?

(h) Have Government considered whether the accounts of railway schools and institutes cannot be inspected by Chartered Accountants or the Accountants of the Divisional Accounts Officers or the Accountants of the Chief Accounts Officer ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Supervisory staff.

(b) They perform supervisory duties, but their hours of work are not excessive as the number of Inspectors on each Railway has been fixed in such a way that every Inspector has to do only a fair day's work.

(c) These Inspectors check Station Accounts and in the course of such check prepare their inspection notes which include, *inter alia*, certain statements. No clerks are provided for these purposes, since none are necessary.

(d) The number of non-official members on elected and nominated boards is as follows :

Elected Boards.			
Cantonments	Number of elected non-official members.	Cantonments.	Number of elected non-official members.
Rawalpindi ..	7	Allahabad ..	7
Ferozepore ..	7	Cawnpore ..	7
Sialkot ..	7	Jhansi ..	5
Kasauli ..	4	Hyderabad (Sind) ..	5
Multan ..	7	Karachi ..	7
Jullundur ..	7	Jubbulpore ..	6
Lahore ..	7	Saugor ..	4
Agra ..	7	Belgaum ..	4
Bareilly ..	7	Kirkee ..	5
Dehra Dun ..	4	Poona ..	6
Meerut ..	7	Kamptee ..	4
Ranikhet ..	4	Wellington ..	4
Lucknow ..	7	Deolali ..	4
Barrackpore ..	5	Nasirabad ..	5
Dinapore ..	4	Ahmednagar ..	5

Nominated Boards.			
Cantonments.	Number of non-official members.	Cantonments.	Number of non-official members.
Abbotabad ..	3	Dera Ismail Khan ..	3
Nowahera ..	2	Fyzabad ..	3
Peshawar ..	2	Fatehgarh ..	1
Jhelum ..	3	Shillong ..	3
Kohat ..	2	Benares ..	3

(e) The information asked for is given below :

Cantonments.	Committees constituted under section 44 (1) (c) of the Cantonments Act.		Chairman.
	Elected Boards.		
Rawalpindi ..	Finance		
	Building		
	School		
	Bye-law		
	Health		
		Non-official.	

Elected Boards—contd.

Cantonments.	Committees constituted under section 44 (1) (c) of the Cantonments Act.		Chairman.
Sialkot ..	Sanitary		
	Finance		
	General Works		
		Official.	
Lahore ..	Land and Building		
	Public Health		
	Finance		
	Education		
	General		
		Non-official.	
Ferozepore ..	Sanitary and Building		
	Public Works		
	Finance and Taxation		
		Non-official.	
Multan ..	Sanitary and Public Works		
	Education		
	Finance		
		Separate Chairman not appointed. President or in his absence Vice-President presides over the meetings.	
Jullundur ..	Building and Sanitary		
	Finance and General Purposes.		
		Ditto.	
Kasauli ..	Building		
	Education		
		Non-official.	
Agra ..	Finance		
	Public Health and Public Works		
		Official.	
Allahabad ..	Finance		
	Public Works and Building		
	Assessment		
		Official.	
Bareilly ..	Finance and Assessment		
	Buildings, Public Works and Sanitation		
	Education		
		Official.	
Barrackpore ..	Assessment		
	Building		
Cawnpore ..	Building		
	Assessment		
	Education		
		Non-official.	
Dehra Dun ..	Building		
	Assessment		
	Finance		
		Non-official.	
		Official.	

Mr. G. R. F. Tottenham : Sir, I have prepared an answer which will take about twenty minutes to read and probably it would be better if I laid it on the table ?

Mr. President (The Honourable Sir Abdur Rahim) : Yes.

(a) There are 74 cantonments in British India at the following station :

Northern Command.

Nowshera, Peshawar, Risalpur, Cherat, Mardan, Campbellpore, Rawalpindi, Abbottabad, Jhelum, Murree, Galis, Murree Hills, Sialkot, Ambala, Ferozepore, Jullundur, Kasauli, Lahore, Multan, Amritsar, Bakloh, Dalhousie, Dagshai, Dharamsala, Jutogh, Subathu, Kohat, Bannu, D. I. Khan.

Eastern Command.

Agra, Bareilly, Chakrata, New Delhi, Landour, Dehra Dun, Meerut, Almora, Lansdowne, Naini Tal, Ranikhet, Roorkee, Fyzabad, Muttra, Shahjahanpur, Lucknow, Fategarh, Sitapur, Barrackpore, Dinapore, Jalapahar, Lebong, Shillong, Allahabad, Cawnpore, Benares, Jhansi.

Western Command.

Quetta, Loralai, Hyderabad (Sind), Karachi, Manora, Drigh Road.

Southern Command.

Jubbulpore, Kamptee, Pachmarhi, Saugor, Ahmednagar, Belgaum, Kirkee, Poona, St. Thomas Mount and Pallavaram, Wellington, Deolali, Nasirabad, Ahmedabad.

(b) The civil population of those cantonments at the last census was :

<i>Northern Command.</i>			
Nowshera	12,124	Ambala	42,299
Peshawar	28,904	Sadar Bazar	since separated.
Risalpur	5,959	Population of the retained area is about 11,000.	
Cherat	827		
Mardan	1,716		
Campbellpore	1,871		
Rawalpindi	34,474	Ferozepore	23,232
Abbottabad	4,128	Jullundur	9,990
Jhelum	2,449	Kasauli	2,452
Murree Galis	Figures not available.	Lahore	19,834
		Multan	7,933
		Amritsar	968
		Bakloh	1,002
		Dharamsala	328
		Dalhousie	895
		Jutogh	429
		Kohat	4,747
		D. I. Khan	1,039
		Dagshai	1,448
		Subathu	1,315
		Bannu	2,523
Sialkot	8,861		

QUESTIONS AND ANSWERS.

Eastern Command.

Agra	21,996	Fatehgarh	3,057
Bareilly	7,119	Sitapur	2,890
New Delhi	4,322	Barrackpore	8,921
Dehra Dun	5,517	Dinapore	9,072
Landour	1,149	Jalapahar	563
Meerut	41,481	Lebong	437
Almora	685	Shillong	3,447
Lansdowne	8,038	Allahabad	8,336
Nainital	869	Cawnpore	23,278
Ranikhet	3,742	Benares	2,974
Roorkee	2,255	Jhansi	8,545
Fyzabad	3,962	Muttra	2,821
Shahjahanpur	4,448	Chakrata	1,266
Lucknow	16,125		

Western Command.

Quetta	13,551	Karachi	6,240
	Prior to the earthquake.	Manora	Figures not available.
Loralai	1,879		
Hyderabad (Sind)	4,530	Drigh Road	Not known.

Southern Command.

Jubbulpore	12,271	Poona	28,257
Kamptee	3,699	St. Thomas Mt. cum Pallavaram	7,954
Pachmarhi	4,562	Wellington	5,976
Saugor	9,040	Deolali	6,114
Ahmednagar	11,141	Nasirabad	19,347
Belgaum	8,220	Ahmedabad	2,493
Kirkee	9,976		

The military strength in each Cantonment can be calculated from the Army List and the "Return showing the actual strength of the Army and Royal Air Force" both of which are in the Library.

(c) The following cantonments have elected and nominated boards respectively and the remainder have Corporations Sole :

Elected Board.

Rawalpindi, Sialkot, Ferozepore, Jullundur, Kasauli, Lahore, Multan, Agra, Bareilly, Dehra Dun, Meerut, Ranikhet, Lucknow, Barrackpore, Dinapore, Allahabad, Cawnpore, Jhansi, Hyderabad (Sind), Karachi, Jubbulpore, Saugor, Belgaum, Kamptee, Poona, Wellington, Deolali, Nasirabad, Ahmednagar.

Nominated Board.

Peshawar, Nowshera, Abbottabad, Jhelum, Kohat, D. I. Khan, Fyzabad, Fategarh, Shillong, Benares.

Elected Boards—contd.

Cantonments.	Committees constituted under section 44 (1) (e) of the Cantonments.			Chairman.
Dinapore	.. Finance	} Non-official.		
	.. Law and Education			
	Building, Sanitation and Public Works		Official.	
Jhansi	.. Building	} Chairmen are elected by the members at the meetings and both official and non-official get a chance to preside.		
	.. Finance			
	.. Education			
	.. Assessment			
Lucknow	.. Finance	} Official.		
	.. Building			
	.. Public Works and Health			
	.. Education		Non-official.	
Mearut ..	.. Finance	} Non-official.		
	.. Public Works, Market and Building			
	.. Education			
	Public Health and Hospital		Official.	
Ranikhet	.. Building	} Non-official.		
	.. School			
	.. Finance			
Hyderabad (Sind)	.. School	} Non-official.		
	.. Works and Sanitary			
	.. Finance		Official.	
Karachi..	.. Building		Official.	
Ahmednagar	.. Finance and General Purposes	} Official.		
	.. Building			
	.. School		Non-official.	
Jubbulpore	.. Finance		Official.	
	.. Building and Health		To be elected by members.	
Saugor ..	.. Finance, Land and Building		Official.	
Belgaum	.. Finance	} Non-official.		
	.. Building			
	.. School			
Kirkee ..	.. Finance	} Official.		
	.. Building and Health			

Elected Boards—concl.

Cantonments.	Committees constituted under section 44 (1) (e) of the Cantonments.			Chairman.
Kamptee	.. Finance	} Non-official.		
	.. Building			
	.. Hospital			
	.. School			
	.. Bye-law			
Poona ..	.. Building and Health		Non-official if Vice-President is a member otherwise Official.	
	.. Finance		Non-official.	
Wellington	.. Assessment		Non-official.	
Deolali ..	.. No committee			
Nasirabad	.. Finance, Taxation and Education Building, Public Works and Public Health		Official.	

Nominated Boards

Nowahera	.. Building and Sanitation	Official.
Peshawar	.. Building	} Official.
	.. Assessment	
	.. Finance	} Non-official.
	.. Education	
	.. Bazar	
Abbottabad	.. Building and Sanitation	Official.
	.. Assessment	Non-official.
Kohat ..	.. Standing Committee	Official.
Jhelum ..	.. Finance	} Official.
	.. Works	
	.. Sanitation	
Dera Ismail Khan	.. No committee	
Fatehgarh	.. No committee	
Shillong ..	.. No committee	
Benares	.. Building and Sanitation	} Official.
	.. Finance	
Fyzabad	.. No committee	

WATER SUPPLY IN CANTONMENTS.

562. *Mr. N. V. Gadgil (on behalf of Seth Govind Das) : (a) Will Government be pleased to state the cantonments where water is supplied by Municipalities or Military Engineering Services, and the cantonments which have their own arrangements for water supply ?

(b) Will Government be pleased to lay on the table a statement showing, in the case of each cantonment separately, the amount of water tax and rates realised annually from the civil population and military including dairy, grass farm, *dhobi ghats* and gardens, etc. ?

Mr. G. R. F. Tottenham : Sir, this question also entails reading out a long list and probably it would be advisable to lay this also on the table ; there are two or three pages of type.

Mr. President (The Honourable Sir Abdur Rahim) : Yes.

(a) The following are the cantonments where water is supplied either by Municipalities or by the Military Engineer Services to the Civil population :

Nowshera.	Lansdowne.
Peshawar.	Shahjahanpur.
Rawalpindi <i>Cum Chakala</i> .	Lebong.
Abbottabad.	Barrackpore.
Dharamahala.	Jalapahar.
Murree.	Shillong.
Murree Gallis.	Ahmednagar.
Ferozepore.	Belgaum.
Jullundur.	Wellington.
Kasauli.	St. Thomas Mount.
Lahore.	Deolali.
Multan.	Aurangabad.
Kohat.	Subathu.
Mardan.	Bannu.
Cherat.	Bareilly.
Risalpur.	Dehra Dun.
Campbellpore.	Meerut.
Ambala.	Poona.
Amritsar.	Kirkee.
Bakloh.	Roorkee.
Dalhousie.	Baroda.
Dagshai.	Jubbulpore.
Jutogh.	Manora.
Ranikhet.	Drigh Road.
Allahabad.	Karachi.
Lucknow.	Quetta.
Cawnpore.	Nasirabad.
Delhi.	Neemuch.
Agra.	Ahmedabad.
Jhansi.	Loralai.
Chakrata.	Mandalay.
Naini Tal.	Mingaladon.
Landour.	Maymyo.
Almora.	Rangoon.

The following cantonments have their own water supply arrangements :

Mhow.	Fyzabad.
Secundrabad (Partly M. E. S.)	Kamptee.
Hyderabad (Sind) do.	Pachmarhi.
Dinapore.	Sitapur.
Sialkot.	Jhelum.
Benares.	Saugor.
D. I. Khan.	Mattia.
Fatehgarh.	

(b) The collection of the information asked for by the Honourable Member would entail an expenditure of time and labour which would be incommensurate with the value of the result.

LANDS OWNED BY PRIVATE PROPRIETORS IN CANTONMENTS.

563. *Mr. N. V. Gadgil (on behalf of Seth Govind Das) : (a) Will Government be pleased to lay on the table a statement showing, in the case of each cantonment, the extent of private lands owned by private proprietors and shown as such in the registers maintained under section 273 of the Cantonment Code, 1912, 1889 ?

(b) Has this land been classified under the Cantonment Lands Administration Rules, 1925 ? If so, when, and what is the extent under each class and has this been done with the knowledge and consent of the owners concerned ?

Mr. G. R. F. Tottenham : (a) and (b). Land registered as private under the Cantonment Code, 1912, was similarly classified as private under the Cantonment Land Administration Rules, 1925, but the exact area and other details required by the Honourable Member could only be ascertained by a detailed examination of every register in all of the 74 cantonments in India. This would entail an expenditure of time and labour which would be incommensurate with the result—especially as the area of private land in cantonments is very small.

SADAR BAZARS IN CANTONMENTS.

564. *Mr. N. V. Gadgil (on behalf of Seth Govind Das) : Will Government be pleased to state the area of each Sadder Bazar, wherever there is one, within the cantonment limits and if their boundaries are in any way fixed and limited ?

Mr. G. R. F. Tottenham : The obligation to demarcate Sudder bazars by boundary pillars ceased to be imposed on the introduction of the Cantonments Act, 1924. Government are not aware whether these pillars have been maintained or to what extent existing Sudder Bazar areas conform to the old boundaries. It would be impossible to give the area of each bazar in every cantonment without making local enquiries and the labour involved would be incommensurate with the value of the results.

FRAUD CASES IN RESPECT OF THE FUNDS OF JOINT STOCK COMPANIES.

565. *Mr. Surrya Kumar Som : (a) Are Government aware of a considerable number of fraud cases with respect to the funds of joint stock companies ?

(b) Are Government aware that the public attach scanty importance to the auditors' report of the joint stock companies ?

(c) Are Government aware that under the present practice, with the joint stock companies selecting their own auditors, the auditors are entirely at the mercy of the joint stock companies for their appointment, which has a chance of standing in the way of honest and impartial audit ?

(d) Are Government prepared to consider the desirability of having an impartial Governmental authority for the selection of auditors for a particular company ?

The Honourable Sir Nripendra Sircar : (a) Some cases of fraud have been brought to the notice of the Government.

(b) No.

(c) It is true that the appointment of auditors rests with the Joint Stock Companies themselves but Government have no reason to suppose that this practice prevents a proper audit of the accounts of the companies concerned.

(d) No. The Government are not prepared to interfere in the manner suggested.

INTERMEDIATE CLASS FARE ON THE EAST INDIAN RAILWAY.

566. *Qazi Muhammad Ahmad Kazmi : (a) Will Government be pleased to state whether it is a fact :

(i) that on the East Indian Railway the fare of intermediate class for the first fifty miles is one and a half times of the third class fare ;

(ii) that for distances above fifty miles the intermediate class fare is more than one and a half times the third class fare and for distances above three hundred miles it is more than double the third class fare ;

(iii) that the proportion of the rate of the first and second class fares is constant for all the distances ; and

(iv) that the rate of the fare of intermediate class on North Western Railway is almost one and a half times the fare of the third class for all distances ?

(b) If the answer to parts (i), (ii), (iii) and (iv) above be in the affirmative, will Government be pleased to state the reason for this abnormality in the intermediate class fare on the East Indian Railway ?

(c) Are Government aware that this abnormality in the fare of intermediate class on the East Indian Railway tends to decrease the number of passengers travelling for long distances and to further overcrowd the third class compartments ?

(d) Have Government considered the advisability of asking the East Indian Railway authorities to bring down the intermediate class fares for all the distances to the level of one and a half times the third class fare ? If not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes.

(b) Government do not accept the suggestion that there is anything abnormal. The scale of fares now in force on each railway has been determined generally by each Administration after consideration of its financial and other local conditions.

(c) Government have no reason to think that this is the case.

(d) The Honourable Member's suggestion will be communicated to the East Indian Railway Administration for consideration.

PROVISION OF A WAITING ROOM FOR INTERMEDIATE CLASS PASSENGERS AT SAHARANPUR.

567. *Qazi Muhammad Ahmad Kazmi : Will Government be pleased to state :

(a) whether it is a fact that the Saharanpur Railway Station is a big junction which is visited by a considerably large number of passengers, especially due to the vicinity of Hardwar and Roorkee ;

(b) whether they are aware that there is no intermediate class waiting room at Saharanpur Railway Station, the absence of which results in great inconvenience to the travelling public ; and

(c) whether they have considered the advisability of asking the North Western Railway authorities to provide a waiting room for intermediate class passengers at Saharanpur ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes.

(b) Government have no information.

(c) Such matters are within the competence of the Railway Administration, whom Government consider to be in the best position to decide their relative importance.

Qazi Muhammad Ahmad Kazmi : Have Government communicated any recommendation regarding the Saharanpur Railway to the Agent of the North Western Railway ? Will Government send this question for the consideration of the Agent, North Western Railway ?

The Honourable Sir Muhammad Zafrullah Khan : If the Honourable Member so desires.

Qazi Muhammad Ahmad Kazmi : Yes.

PROVISION OF PROPER WAITING ROOMS FOR INTERMEDIATE CLASS PASSENGERS AT DELHI.

568. *Qazi Muhammad Ahmad Kazmi : (a) Are Government aware that the intermediate class waiting room at the Delhi Railway Station is of very small dimensions and quite inadequate for the needs of the large number of passengers visiting Delhi ?

(b) Are Government aware that there is no waiting room for ladies at the Delhi Railway Station ?

(c) Have Government considered the advisability of ordering the North Western Railway authorities to provide a proper waiting room for intermediate class passengers at Delhi, and also to provide one for ladies ? If not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : (a) The accommodation in the intermediate class waiting room for gentlemen at the Delhi Railway Station is considered adequate. No complaint regarding insufficient accommodation has been received.

(b) and (c): Separate first, second and intermediate class waiting rooms for ladies exist at the Delhi Railway Station platform. The question of increasing the accommodation in the intermediate class waiting room is already under consideration.

Qazi Muhammad Ahmad Kazmi: Has the Honourable Member inquired as to what are the dimensions of the intermediate class waiting room at Delhi?

The Honourable Sir Muhammad Zafrullah Khan: No, Sir.

Qazi Muhammad Ahmad Kazmi: Then who has satisfied him that they are sufficient for the necessities of the passengers that go to Delhi?

The Honourable Sir Muhammad Zafrullah Khan: The observation by the station officials of the use made by passengers of these rooms.

TEMPORARY CONSTRUCTIONS MADE AT ROORKEE RAILWAY STATION FOR PASSENGERS DURING THE PEERAN KALIAH FAIR.

559. ***Qazi Muhammad Ahmad Kazmi:** (a) What is the approximate average cost of the temporary constructions made at Roorkee for passengers during the Peeran Kaliah fair in the last five years?

(b) For how many years, approximately, have these constructions been made at Roorkee Railway Station, and what is the approximate amount of the total money spent on them?

(c) Have Government considered the feasibility of gradually getting the constructions made permanent in order to save money to the railway and afford convenience to passengers?

The Honourable Sir Muhammad Zafrullah Khan: (a) Rs. 1,768.

(b) No records are available of what was done prior to 1929, but during the last eight years, Rs. 15,221 were spent on temporary works at Roorkee.

(c) It is proposed to provide permanent structures where these are justifiable and they will be carried out as funds become available.

OPEN ENCLOSURES FOR THIRD CLASS PASSENGERS AT HARDWAR RAILWAY STATION.

570. ***Qazi Muhammad Ahmad Kazmi:** Will Government be pleased to state:

(a) whether they are aware that at Hardwar Railway station many big open enclosures exist for third class passengers;

(b) whether these enclosures are situated much below the level of the railway platform;

(c) whether the approaches from these enclosures to the railway platform are sloping upwards, and passengers have to wait on these sloping approaches sometimes for hours for the opening of the gate at the time of the arrival of trains, mostly under a hot sun and sometimes in down pours of rains; and

(d) if the answers to parts (a), (b) and (c) be in the affirmative, whether they have considered the advisability of providing sheds with floors on a level of the railway platforms for the pilgrim passengers? If not, why not?

The Honourable Sir Muhammad Zafrullah Khan: (a) Yes.

(b) There is a difference in level, amounting to about nine feet in places.

(c) The approaches slope upwards. There is no compulsion on passengers to wait on the slope, but Government are prepared to accept the fact that they do so.

(d) This work is on the list of the proposed improvements which were drawn up at a meeting in September, 1935, between the Divisional Superintendent, East Indian Railway, Moradabad and various gentlemen at Hardwar. A detailed examination of the proposals is being made by the East Indian Railway.

Pandit Lakshmi Kanta Maitra: Is it not a fact that even on the platforms of the Hardwar Railway Station there are no sheds whatsoever?

The Honourable Sir Muhammad Zafrullah Khan: I am not aware that there are not, but if the Honourable Member has so observed, I am prepared to accept it from him.

Pandit Lakshmi Kanta Maitra: Is the Honourable Member aware that the water hydrants on the Hardwar Railway platforms are very small in number—two or three only?

The Honourable Sir Muhammad Zafrullah Khan: That may be so.

Pandit Lakshmi Kanta Maitra: Will the Honourable Member kindly look into this matter in view of the Purnima Mela coming on next year, when there is going to be a huge concourse of pilgrims there? Will the Honourable Member kindly take all these facts into consideration and see that greater facilities are given to the pilgrims?

The Honourable Sir Muhammad Zafrullah Khan: I have no doubt that on the occasion of the kind of Melas referred to, greater facilities than those ordinarily available are always provided.

Qazi Muhammad Ahmad Kazmi: Are Government considering the improvement of the present Hardwar Railway Station?

The Honourable Sir Muhammad Zafrullah Khan: I have answered that in answer to part (d) of the question.

Qazi Muhammad Ahmad Kazmi: May I ask whether these specific complaints put down in this question have been ordered to be investigated and are under consideration now?

The Honourable Sir Muhammad Zafrullah Khan: I believe I have already said that a detailed examination of the proposals is being made by the East Indian Railway.

RECRUITMENT OF MORE INDIANS TO THE INDIAN MEDICAL SERVICE.

571. ***Mr. M. Ghiasuddin:** (a) Are Government aware of the fact that, according to the scheme of Indianisation, in the Indian Medical Service the number of Indians should be 210, and that their number at

present is only 190 ? If so, are Government taking any steps to recruit 20 more Indians, so as to bring the ratio according to the aforesaid scheme ?

(b) Are Government aware of the fact that out of the 190 Indians, there are only 27 Muslims at present ? If so, do Government propose to take any step so as to bring up the ratio of the Muslims in the Indian Medical Service to the ratio as laid down in the Government of India Notification ?

Mr. Muhammad Anwar-ul-Azim : Question No. 571.

Mr. President (The Honourable Sir Abdur Rahim) : Has the Honourable Member got the authority to put this question ?

Mr. Muhammad Anwar-ul-Azim : He asked me, Sir.

Mr. President (The Honourable Sir Abdur Rahim) : Has the Honourable Member his written authority ?

Mr. Muhammad Anwar-ul-Azim : No, Sir.

Mr. President (The Honourable Sir Abdur Rahim) : If the Honourable Member (Mr. Tottenham) wishes to answer that question, he may.

Mr. G. B. F. Tottenham : Sir, I would refer the Honourable Member to my reply to an identical question yesterday. (Laughter.)

ADMINISTRATION OF THE BANGALORE INSTITUTE.

572. ***Mr. Sri Prakasa :** (a) Has there been any trouble in the Bangalore Institute and do Government propose to make any changes in the details of administration ?

(b) Is it not a fact that on behalf of Government it was declared last year that it was most improper for any criticism to be levelled against that institute when an Indian—and specially one so eminent as the present head—has been appointed there ?

(c) If so, have Government changed their mind since then on the subject ?

Sir Girja Shankar Bajpai : (a) and (c). In accordance with Regulation 32 (i) of the scheme for the administration and management of the Indian Institute of Science, Bangalore, a committee was appointed in January last to review the working and progress of the Institute. The committee's report is now under consideration and I would ask the Honourable Member to wait for the result.

(b) I would refer the Honourable Member to the text of my remarks which are reported in the proceedings of this House for the 21st March, 1935.

Mr. Sri Prakasa : Was not the text to the effect that criticisms should not be levelled against that Institute because there was an eminent Indian in charge of it ?

Sir Girja Shankar Bajpai : No, Sir. What I said was that Honourable Members of this House should not pay any attention to irresponsible criticism of a certain individual who is holding such a responsible post at the Institute.

Mr. Sri Prakasa : Is the Honourable Member speaking from memory or has he got any papers before him ?

Sir Girja Shankar Bajpai : No, Sir. I have actually got the text before me which says that Honourable Members "should not pay attention to complaints which are made" and so on.

Mr. S. Satyamurti : Are Government aware that certain extracts from this report have been published in various newspapers and criticisms, malicious and otherwise, have been appearing in a number of Indian newspapers, against the Institute and the person who is in charge of it ?

Sir Girja Shankar Bajpai : Government have noticed with regret that there has been a certain amount of unauthorised publicity not merely of what purport to be the contents of the report but also the contents of a memorandum which the Director submitted to the Council.

Mr. S. Satyamurti : May I ask if Government will at the proper time, when they make up their mind, publish the entire documents so that there may be no misapprehension on the part of the public about the nature of the recommendations, or conclusions contained in either of these documents ?

Sir Girja Shankar Bajpai : Sir, in regard to the question of publicity, my Honourable friend will appreciate that we have to consult the Council also, but I can assure him that the point which he has raised is receiving the serious consideration of Government.

Mr. S. Satyamurti : May I know whether, in passing orders in due time on this report, and on the memorandum, Government will bear in mind that the Institute is now being managed by an Indian who is one of the most distinguished scientists of the world ?

Sir Girja Shankar Bajpai : My Honourable friend may rest assured that every relevant consideration will be weighed by Government before the decision is reached.

METHOD OF CIRCULATION OF BILLS FOR ELICITING PUBLIC OPINION.

573. ***Mr. Sri Prakasa :** (a) What is the system of circulation of Bills for eliciting public opinion ?

(b) Is it a fact that Members of the Legislature are not asked for their opinion ?

(c) Are any public communiqués issued, asking any person who may like to do so, to send his opinion ?

(d) Does it depend entirely upon the District Magistrates to choose as to whose opinion has to be invited ?

(e) Are Government satisfied that persons, whose opinions are invited, complete the list of those who are likely to be interested in any particular Bill, or, whose opinions are likely to be useful to the Legislature ?

The Honourable Sir Nripendra Sircar : (a) The Bill with papers relating thereto is forwarded to all Local Governments with the request that they will furnish :

1. their own opinion,
2. the opinions of the Honourable Judges of the High Court when the circumstances are such as to render judicial opinions desirable,
3. the opinions of such selected officers and other persons or bodies as they may deem fit to consult.

(b) They are not consulted as such, but they may be included among the other persons whom the Local Government think fit to consult.

(c) No, but any person is free to send his opinion to the Local Government.

(d) No, the selection of the officers and other persons or bodies to be consulted rests with the Local Government.

(e) The Government of India see no reason to suppose that Local Governments fail to exercise their discretion in such a manner as to produce this result.

Mr. Sri Prakasa : With reference to the reply to clause (d), is it not a fact that Local Governments send these Bills to District Magistrates who, in their turn, send them to such local residents such as they like for opinions and that these Bills are only sent to such persons who may happen to be known to District Magistrates and who may not really be interested in the subject of the Bill?

The Honourable Sir Nripendra Sircar : My impression is that they are sent not only to District Magistrates but also very often to District Judges and Subordinate Judges. I believe the matter is left to the Local Government and they exercise their discretion. I do not think there is any hard and fast rule in the matter.

Qazi Muhammad Ahmad Kazmi : So far as the District Judges and the civil courts are concerned, these Bills are sent for their own opinions but so far as the District Magistrates are concerned they are sent to them for obtaining the opinions of other persons. The question is whether the Collectors take into their confidence all kinds of persons or whether they take the opinion only of such persons as they know to be loyal?

The Honourable Sir Nripendra Sircar : The Collector cannot take the opinion of people whom he does not know and whose existence is not known to him. As regards the sting in the word "loyal", I have seen opinions from most disloyal persons.

Prof. N. G. Ranga : May I inform the Honourable Member that even in regard to the Civil Procedure Code (Amendment) Bill, when it was sent for circulation, opinions of Peasant Associations whose existence was known to the Local Governments were not asked for?

The Honourable Sir Nripendra Sircar : I cannot answer this specific question as I do not know what happened on that occasion; but if my Honourable friend knows it, I thank him for the information.

Prof. N. G. Ranga : Is it a fact that when any person who is interested in any particular Bill offers his opinions to the Local Government, that Local Government is bound to communicate them to the Government of India?

The Honourable Sir Nripendra Sircar : They always do.

Qazi Muhammad Ahmad Kazmi : Does the Honourable Member know that even the local Bar Associations are not consulted on this matter?

The Honourable Sir Nripendra Sircar : Government acts on the principle that it is dangerous to ignore any Bar Association. (Laughter.)

Mr. N. M. Joshi : May I ask whether the Government of India publish in the body of opinions which are circulated to Members opinions sent to them by other persons or individuals voluntarily and who were not asked by Government to send them?

The Honourable Sir Nripendra Sircar : Whatever opinions are received they are circulated to Members. It does not matter whether they are voluntary or obtained under coercion or obtained by theft, they are all circulated.

Mr. President (The Honourable Sir Abdur Rahim) : Next question.

Mr. Sri Prakasa : Sir, I had some more supplementary questions to ask as the subject is an important one.

Mr. President (The Honourable Sir Abdur Rahim) : There have already been plenty of supplementary questions.

ECONOMY EFFECTED BY THE APPOINTMENT OF INDIANS IN PLACE OF EUROPEANS IN THE HIGHER BRANCHES OF PUBLIC SERVICE.

574. ***Mr. Sri Prakasa :** (a) What economy, if any, has been effected by the appointment of Indians in place of Europeans in the higher branches of public service?

(b) Are Indians paid the same sums of money as Europeans?

(c) Was it not a fact that the object advanced for Indianisation was mainly economy?

(d) Are Government satisfied that this object has been fulfilled in any way?

(e) Have Indians refused to serve the Government of this country for less than what Government think is right and proper for Europeans?

(f) Are Government aware that a separate caste of well-paid Indian servants of Government is being created in India?

(g) If so, do Government favour this new factor in India's social life?

The Honourable Sir Henry Craik : (a) I regret I cannot undertake to collect this information as it would entail time and labour incommensurate with the value of the results obtained.

(b) I would refer the Honourable Member to the Superior Civil Services Rules and the Revised Rates of Pay Rules, a copy of which is in the Library.

(c) No.

(d) Does not arise.

(e) No.

(f) No.

(g) Does not arise.

Mr. Sri Prakasa : What is the reply to sub-clause (c) ?

The Honourable Sir Henry Craik : I said : " No ".

Mr. M. Ananthasayanam Ayyangar : What, then, is the object of Indianisation ? Is it not one of the objects of Indianisation also ?

The Honourable Sir Henry Craik : The answer was " No ". That is not the main object.

Mr. T. S. Avinashilingam Chettiar : May I know whether the Indianisation has resulted in economy ?

The Honourable Sir Henry Craik : I imagine that in certain circumstances it has.

Mr. T. S. Avinashilingam Chettiar : If that is the case, why should not Government push on this Indianisation in view of economy ?

The Honourable Sir Henry Craik : Government are pushing on Indianisation.

Mr. C. N. Muthuranga Mudaliar : Sir, is it not Europeanisation rather Indianisation that is now going on ?

Mr. M. Ananthasayanam Ayyangar : Is it not a fact that in respect of all higher posts, Europeans are now taking the place of Indians in practically every department ?

The Honourable Sir Henry Craik : If the Honourable Member wants an answer, I suggest that he should look round these benches.

Mr. S. Satyamurti : With reference to the answer to clause (e) of the question, I think my Honourable friend said " No ". May I take it that that answer is based on information obtained from Indian officers by the Government ?

The Honourable Sir Henry Craik : The answer is " No ".

Mr. S. Satyamurti : What does it mean ?

The Honourable Sir Henry Craik : It means that Indians have not refused to serve the Government of this country for less than what Government thinks right for Europeans.

Mr. S. Satyamurti : May I, therefore, ask the Government whether they will consider the question of requesting all Indian Government servants to serve on less pay than the Europeans, in view of the imperative need for economy, and in view of the poverty of this country ?

The Honourable Sir Henry Craik : That inference does not flow from the answer I have given. I have said that Indians have not refused to serve the Government of this country for less than what Government think is right and proper for Europeans.

Mr. Sri Prakasa : My complaint is against the Benches Opposite. Cannot these gentlemen who are Indians serve for less pay than Europeans ?

Mr. S. Satyamurti : May I know whether Government have considered the question of reducing Indian salaries to the level of social life in this country and the demand on a man's purse, thereby saving a large sum of money for the tax-payer ?

The Honourable Sir Henry Craik : That is a very wide question, but the possibility of introducing economies is constantly in the mind of Government.

Mr. S. Satyamurti : May I know if this aspect of introducing economies by asking Indian servants to serve for less than Europeans was ever actively considered by the Government ?

The Honourable Sir Henry Craik : If the Honourable Member means whether we have asked the existing Government servants to accept a voluntary reduction in their salaries, I doubt if that suggestion would receive a very favourable reception from them.

Dr. Khan Sahib : Is it not a fact that Europeans are given overseas allowances which are more than the Indian pay ?

Mr. President (The Honourable Sir Abdur Rahim) : That is a well known fact.

Mr. Sri Prakasa : What is the answer to parts (f) and (g) ?

The Honourable Sir Henry Craik : The answer to (f) is, no; (g) does not arise.

TRANSFER OF THE BANGALORE HUBLI SECTION OF THE MADRAS AND SOUTHERN MAHRATTA RAILWAY TO THE MYSORE GOVERNMENT.

575. ***Mr. N. V. Gadgil :** (a) Will Government be pleased to state whether Bangalore Hubli Section of the Madras and Southern Mahratta Railway has been handed over to the Mysore Government ?

(b) If not, is it a fact that there are negotiations going on for handing over the same to the Mysore Government ?

The Honourable Sir Muhammad Zafrullah Khan : (a) No.

(b) Not the Bangalore-Hubli section.

CHANGE IN THE NOMENCLATURE OF THE POONA BANGALORE MAILS.

576. ***Mr. N. V. Gadgil :** (a) Is it not a fact that the mail trains which left Poona for Bangalore and Bangalore for Poona were till quite recently known as Poona-Bangalore Mail and Bangalore-Poona Mail, respectively ?

(b) What is the object of the present move in calling the said trains now as No. 2-Poona-Hubli Mail and No. 34-Hubli-Bangalore Mail and No. 33-Bangalore-Hubli Mail and No. 1-Hubli-Poona Mail ?

(c) Is it not a fact that the same truck which leaves Poona and Bangalore carries passengers to its destination and, for all intents and

purpose, is it not the same as Bangalore-Poona Mail and Poona-Bangalore Mail?

(d) Are Government aware that very great inconvenience is caused to the public by the halt at Hubli for more than five hours?

(e) Is there any precedent for any other mail train in India being made to halt for more than five hours at any intermediate junction of station? Is not the usual halt for 30 or 45 minutes only?

(f) Did not the mail train stop only for 30 minutes at Hubli before?

(g) Are Government aware that the Madras and Southern Mahratta Railway management has issued instructions not to permit passengers to remain in the railway compartments or use them in any way during this interval of five hours and more at Hubli?

(h) Are Government aware that railway officials compel passengers to leave the compartments bag and baggage, resulting in serious inconvenience, unpleasantness and exasperation?

(i) Is it a fact that the present move is the outcome of a policy on the part of the Madras and Southern Mahratta Railway to divert the railway traffic via Guntakal-Hubli, by causing as much inconvenience as possible in the direction of travel to Bangalore or Poona via Hubli?

(j) Are Government prepared to take necessary steps to remedy this state of affairs immediately?

The Honourable Sir Muhammad Zafrullah Khan: (a) Yes.

(b) The mail previously left Poona at 22.0 and arrived at Bangalore at 6.40 on the second morning. In the reverse direction, the timings were 21.15 and 6.0. It was considered desirable to speed up the train running on the metre gauge section, but to materially reduce the time for the journey between Poona and Bangalore would have made the timings at these stations most inconvenient. There was, however, no reason why important towns and areas midway, such as Belgaum and Hubli, should not have a faster service. The journey was, therefore, on the advice of the Advisory Committee divided into two sections viz., a fast train between Poona and Hubli and another between Hubli and Bangalore.

(c) The same carriages run through.

(d) The Agent, Madras and Southern Mahratta Railway, states that the only inconvenience is to through passengers who use this train instead of the correct one, i.e., a through express train leaving Poona at 12.30 and arriving at Bangalore at 18.45 on the following day; there being a corresponding train in the reverse direction.

(e) The view taken by the Administration is that the mail trains between Poona and Hubli are entirely distinct from the mail trains between Hubli and Bangalore.

(f) Yes.

(g) and (h) Yes, as rakes cannot be kept on the platform lines. There are waiting rooms and waiting sheds available.

(i) There is no foundation for such a suggestion.

(a) It is not a function of Government to interfere in the details of Railway Time Table. The Honourable Member will also have observed that the Madras and Southern Mahratta Railway's Advisory Committee support the alterations that have been made.

Mr. N. V. Gadgil: Is it not a fact that several complaints have been made in this connection by the public?

The Honourable Sir Muhammad Zafrullah Khan: I am not aware of the fact.

Prof. N. G. Ranga: What is the time taken now for through passengers from Bangalore to Poona or from Poona to Bangalore when compared to the time taken previously?

The Honourable Sir Muhammad Zafrullah Khan: The time taken now by the fastest train, that is to say the train which performs the journey most quickly is between 18 and 19 hours.

Mr. N. V. Gadgil: With reference to part (a), will not the Honourable Member find it convenient to keep some carriages for through passengers and not ask through passengers to get down and remain five hours?

The Honourable Sir Muhammad Zafrullah Khan: This House has expressed the greatest repugnance against the system of using trucks for passengers.

Mr. N. V. Gadgil: I mean through compartments.

Prof. N. G. Ranga: In view of the fact that considerable inconvenience and expenditure are caused by asking the passengers to compulsorily leave the carriages and go on waiting in the waiting sheds with their bag and baggage for a long period, to catch the train coming five hours later, will the Government consider the advisability of providing at least two through carriages and allowing these people to remain in the train throughout the interval until the next train arrives?

The Honourable Sir Muhammad Zafrullah Khan: I have already dealt with the matter in reply to the original question. The point raised by the Honourable Member in his question now is exactly the same as was raised in the original question.

PROMOTION OF SUB-ASSISTANT SURGEONS OF THE INDIAN MEDICAL DEPARTMENT.

577. ***Mr. N. V. Gadgil:** (a) Will Government state the procedure laid down for the promotion of Military Sub-Assistant Surgeons of the Indian Medical Department in the matter of promotion from Jamedars to Subedars and above?

(b) Are promotions made on provincial basis or on all India basis?

(c) Was any reduction ever made at any time in Sub-Assistant Surgeons Branch of the Indian Medical Department? If so, under what basis?

(d) Were the vacancies, subsequently created after reduction by way of retrenchment, discharge and dismissal, etc., in the cadre of Subedars and above filled in? If so, on what basis?

(e) Are transfers regularly effected after completing fixed period of tenure in one particular station or command? If not, what are the circumstances in which a particular Sub-Assistant Surgeon is kept in one and the same place for a number of years?

Mr. G. R. F. Tottenham: (a) The procedure for the promotion of military sub-assistant surgeons to the rank of Subedar and above is contained in paragraphs 59-B (ii), 60 and 61 of the Medical Services Regulations, a copy of which is in the Library of the House.

(b) On an all-India basis.

(c) and (d). Yes, on an all-India basis.

(e) Within the four Army Commands transfers between stations are the concern of the Headquarters of those Commands and they are regulated by the exigencies of military service.

Transfers between the four Commands are the concern of Army Headquarters, and every effort is made to arrange such transfers when a man has completed five years service in a Command and is desirous of transfer.

RATE CHARGED FOR WATER SUPPLY IN THE NASIRABAD CANTONMENT.

578. *Mr. N. V. Gadgil: (a) Will Government be pleased to state whether it is a fact that at Nasirabad Cantonment the rate charged by the Military Engineering Service for the supply of water is 0.8-6 per thousand gallons, whereas the rate charged by the Ajmer Municipality, which is the nearest Municipality is only 0.4-0 per thousand gallons? If so, what is the reason for this difference?

(b) Is it a fact that the water supply in that Cantonment is maintained for military purposes and it is only surplus water that is given to the public?

Mr. G. R. F. Tottenham: (a) The Military Engineering Service rate for water supply in Nasirabad Cantonment is 9½ annas per 1,000 gallons, which is the rate charged in Cantonments all over India. My information is that the rate charged for water in Ajmer Municipality is 9 annas per 1,000 gallons.

(b) The water supply in Nasirabad Cantonment is not maintained only for military purposes.

REFUND OF THE AMOUNT PAID BY THE NASIRABAD CANTONMENT BOARD FOR THE SUPPLY OF WATER.

579. *Mr. N. V. Gadgil: (a) Will Government be pleased to state whether it is a fact that the Cantonment Board of Nasirabad was compelled to pay Rs. 4,400 to the Military Engineering Service in the year 1935-36 over and above the amount collected by the Board from public on account of water?

(b) If the answer to part (a) above be in the affirmative, do Government propose to arrange for the refund of that amount under provisions of section 234 of the Cantonment Act?

Mr. G. R. F. Tottenham: (a) No.

(b) Does not arise.

ENHANCEMENT OF WATER TAX IN THE NASIRABAD CANTONMENT.

580. *Mr. N. V. Gadgil: (a) Will Government be pleased to state whether the water tax in Nasirabad Cantonment has been enhanced in the year 1935-36 from four to 6½ per cent.?

(b) Is it a fact that this enhanced rate is more than the rate charged in the neighbouring Municipality of Ajmer?

(c) Is it also a fact that this enhancement of tax has been made at the instance of the Military Engineering Services, who want higher rate for water supply than the neighbouring municipality?

(d) If the answer to the above be in the affirmative, what step or steps do Government propose to take in the matter?

Mr. G. R. F. Tottenham: (a) No.

(b), (c) and (d). Do not arise.

ASSESSMENT OF ANNUAL VALUE OF PROPERTY IN THE NASIRABAD CANTONMENT.

581. *Mr. N. V. Gadgil: (a) Is it a fact that one Mr. Munro was imported by the Executive Officer of Nasirabad for assessing annual value of property in that Cantonment?

(b) Is it a fact that the elected members of the Cantonment Board objected to the appointment of this gentleman, and that he has no special qualification for the task entrusted to him?

(c) What was the total amount paid to Mr. Munro and for how many months did he work?

(d) Is it a fact that in all other Cantonments the work of assessment is done under the supervision of the Executive Officer by the Cantonment staff, and no special officer is ever appointed?

(e) What step or steps do Government propose to take, under section 33 of the Act, for the recovery of the amount thus spent?

Mr. G. R. F. Tottenham: (a) No, he was appointed by the Cantonment Board.

(b) Yes, but he had experience of assessment work having made a complete assessment of house property in Secunderabad with most satisfactory results.

(c) He worked for seven months and received Rs. 2,603.

(d) Government of India have no information.

(e) None.

Mr. N. V. Gadgil: May I know what are the qualifications of Mr. Munro? Has he any previous experience?

Mr. G. R. F. Tottenham: I do not know about his academical qualifications, but his practical qualifications are that he has done very useful work in Secunderabad.

Mr. N. V. Gadgil: Was he not in the Police Department before he was taken on to the Secunderabad Cantonment?

Mr. G. R. F. Tottenham: I want notice.

SUPERSESION OF THE BUILDING COMMITTEE OF THE NASIRABAD CANTONMENT.

582. *Mr. N. V. Gadgil : (a) Will Government be pleased to state whether it is a fact that the Building Committee of Nasirabad Cantonment was superseded by the General Officer Commanding-in-Chief the Command in August, 1935 ?

(b) If the answer to part (a) above be in the affirmative, will Government be pleased to place upon the table of this House the notification superseding the Committee and the authority under which it is issued ?

(c) Is it a fact that this Committee has been re-constituted ? If so, when ?

(d) How does the constitution of the New Committee differ from the old ?

(e) Is it a fact that in the new committee official majority has been provided ? If so, why ?

Mr. G. R. F. Tottenham : (a) No.

(b) Does not arise.

(c) Yes, by notification in the Gazette of India, Part II-A, dated the 21st December, 1935.

(d) The re-constituted committee consists of the Health Officer as Chairman, the Executive Engineer, one nominated member and two elected members. Before re-constitution it consisted of the Vice-President of the Board as Chairman, the Health Officer, the Executive Engineer and two elected members.

(e) Yes, because the General Officer Commanding-in-Chief the Command was not satisfied with the manner in which the committee was exercising its functions.

TAXES LEVIED BY THE DEHRA DUN CANTONMENT FROM THE INHABITANTS OF CERTAIN VILLAGES.

583. *Mr. N. V. Gadgil : (a) Will Government be pleased to state whether it is a fact that in 1915 the villages of Garbi, Dakra and Nimboowala were added to the Cantonment of Dehra Dun, simply for purposes of sanitation ?

(b) Will Government be pleased to state whether it is a fact that almost all Cantonment taxes have since been levied upon the villagers inhabiting these villages ?

(c) Is it also a fact that directly no services are being rendered to the inhabitants of these villages by the Cantonment authority of Dehra Dun Cantonment ?

(d) If the answer to the above be in the affirmative, what steps do Government propose to take to save the villagers from the heavy burden of taxation ?

Mr. G. R. F. Tottenham : (a) Yes. The villages were included in the cantonment in 1913, and not in 1915, mainly on grounds of sanitation.

(b) All taxes are levied except water tax.

(c) No. All the usual municipal services such as lighting, conservancy, road maintenance, vaccination, anti-malarial measures, etc., are rendered in the villages in question.

In fact the expenditure on these areas exceeds the receipts, while the incidence of taxation is considerably lower than in the adjacent municipality.

(d) Does not arise.

Prof. N. G. Banga : Is there any hospital established there for these villages ?

Mr. G. R. F. Tottenham : There is a hospital in the Cantonment, but I do not know exactly where it is situated in relation to these villages which are part of the Cantonment.

SHORT NOTICE QUESTIONS AND ANSWERS.

HARDSHIPS EXPERIENCED BY PILGRIMS AT RAJGIR FAIR ON ACCOUNT OF SUSPENSION OF THE BIHAR-BUKHTIARPUR LIGHT RAILWAY TRAIN SERVICE.

Rabu Kailash Bahari Lal : (a) Are Government aware that a large number of pilgrims are collected at Rajgir Fair which is going on at present ?

(b) Are Government aware that on account of suspension of the Bihar-Bukhtiarapur Light Railway train service, passengers anxious to return to their destination at Patna and on Moghal Sarai lines walked on foot to Gaya under the impression that the Gaya-Patna train service was in order ?

(c) Are Government aware that these stranded passengers were compelled to travel to Patna via Kiul ?

(d) Are Government aware that these unfortunate passengers have been compelled to pay railway fare via Kiul, which comes to three times the ordinary railway fare to Patna from Gaya ?

(e) Are Government aware that many passengers on account of their inability to pay three times the fare via Kiul remained stranded for some days and were thereby exposed to greatest hardship ?

(f) Are Government prepared to instruct the Railway authorities concerned to charge such passengers fare by the shortest route as used to be done before, until regular train service is resumed on the Gaya-Patna and Gaya-Moghal Sarai lines ?

The Honourable Sir Muhammad Zafrullah Khan : (a), (b) and (c). The Manager, Bukhtiarapur-Bihar Light Railway, telegraphed to the East Indian Railway on the 18th instant that all pilgrims were cleared by the 17th mostly by rail to Bihar and thence by road to Nawadah and that only circus parties and sellers with their merchandise for the fair were still at Rajgir. The East Indian Railway Administration had no information whatever of pilgrims from Rajgir Fair walking into Gaya nor was any representation made to the Railway by the civil authorities for special measures to be adopted. The Collector of Patna stated on the 18th instant that, from information received from the Sub-Divisional Officer at Rajgir, he understood that the majority of pilgrims had returned on foot to

Bukhtiarpur and only about a thousand people were left in the Rajgir area. The Railway's Divisional Superintendent at Dinapore has verified that approximately 3,000 pilgrims came in by foot to Bukhtiarpur station between the 15th and 17th instant. No pilgrims were booked from Nawadah and Wazirganj stations until the 18th when 126 booked for Mokameh Ghat and via from Nawadah and 45 to Gaya paying the ordinary fares.

(c) and (d). No.

(f) The Agent, East Indian Railway, states that in the belief that relief might be necessary, he authorised as an extreme distress measure the carriage of passengers via Kiul and Gaya at fares in force via Bukhtiarpur if necessity existed. But the Honourable Member will recognise that the Railway is under no obligation to book passengers by longer and circuitous routes when train services by the shortest route have been suspended owing to circumstances over which Railways have no control.

Mr. Ram Narayan Singh : If the people suffering now from this great calamity are not to be helped by either the railway authorities or Government, may I know what is the use of these institutions ?

The Honourable Sir Muhammad Zafrullah Khan : I am afraid the Honourable Member did not pay attention to the reply that I have read out. I said that the Agent, East Indian Railway, states that in the belief that relief might be necessary, he authorised as an extreme distress measure the carriage of passengers via Kiul and Gaya at fares in force via Bukhtiarpur if necessity existed.

Mr. Ram Narayan Singh : What does the Honourable Member mean by saying that the railway is under no obligation to allow people to travel by longer routes on smaller payment ?

The Honourable Sir Muhammad Zafrullah Khan : What I meant was that there was no obligation upon the railway by Statute or otherwise to provide services at the same fares as are applicable by the shortest route in case the shortest route service were out of order.

Mr. Mohan Lal Saksena : But is not there a moral obligation all the same ?

Babu Kailash Behari Lal : May I know if the railway authorities have got any permanent circular to the effect that in such circumstances passenger fares should be charged by the shortest route ?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir. I conceive the position to be this. If passengers have already booked from one station to another and there is a suspension or discontinuance of the services by the shortest route, the railway would be bound to carry these passengers by whatever route is available without charging them any extra fares. But I am unable to undertake that whenever the shortest route service is out of order for some reason or other and after it has been notified that booking on that section has been suspended, passengers between two points must be carried at what would have been the fares by the shortest route had the services by the shortest route been in operation.

Babu Kailash Behari Lal : May I ask whether by the accumulation of so many passengers at Gaya, the station authorities could not deduce that they must be stranded pilgrims ?

The Honourable Sir Muhammad Zafrullah Khan : What the officer on duty at a particular station should or should not deduce from the circumstances, I am unable to say.

SELECTION OF THE ORISSA CAPITAL SITE.

Pandit Nilakantha Das : (a) Is the news published in the *Amrita Bazar Patrika* from its correspondent on the 17th September, 1936, (page 3) to the effect that the Orissa Capital Site Selection Committee has recommended in favour of Cuttack, correct ?

(b) Is the decision of Government the same, and is it final ?

(c) If so, will Government please make a statement on the subject so that the anxiety in the matter may be allayed permanently ?

The Honourable Sir Nripendra Sircar : The report of the Orissa Capital Site Selection Committee will be published on the 24th September. No decision on the question of the selection of a site for the capital of Orissa will be taken until the report has been considered by the Local Government and discussed by the Orissa Advisory Council.

Pandit Nilakantha Das : Are Government aware of the strong feeling on this matter of removing the capital from Cuttack ?

The Honourable Sir Nripendra Sircar : I am aware of feelings running both ways.

Pandit Nilakantha Das : Have they got any representation from the popular side for the removal of the capital from Cuttack ?

The Honourable Sir Nripendra Sircar : They all claim to be popular sides.

Pandit Nilakantha Das : Except from Government people was there any other demand for removing the capital from Cuttack ?

The Honourable Sir Nripendra Sircar : That I cannot say without notice, but my impression is, yes.

Pandit Nilakantha Das : If I give the information to my Honourable friend the answer would be no.

Mr. President : Order, order.

THE INDIAN COMPANIES (AMENDMENT) BILL—contd.

Mr. President (The Honourable Sir Abdur Rahim) : The House will now resume consideration of the Bill further to amend the Indian Companies Act, 1913, for certain purposes, as reported by the Select Committee.

Mr. S. Satyamurti (Madras City : Non-Muhammadian Urban) : Sir, with regard to section 86-B, in clause 40, consideration of this was postponed as Government said they might, after consultation, propose an agreed formula. May I know if any arrangement has been arrived at, with regard to the proviso to section 86-B ?

The Honourable Sir Nripendra Shrestha (Law Member) : Sir, I am not in a position to say that an agreement has been arrived at. My information is that the parties are very near. I cannot say that there is an agreement, but I am hoping that as they are so near, if the matter is put up now, probably something will be decided.

Mr. S. Satyamurti : Sir, I move :

"That in clause 40 of the Bill, the proviso to the proposed section 86B be omitted."

I think Honourable Members are aware that, when we took up this matter, we came across two or three points of view. One extreme view represents the proviso as it stands, which means practically depriving the shareholders of the right to have A, B and C as directors, and compelling them, for an indefinite period of time and under ill-defined conditions, to have A, B, and C's nominees as directors. I am sure the House will agree that the election of a director is an election on account of his personal qualifications. It is not a job which can go to the man's transferee. A is elected, because the shareholders believe he is competent, by character and by ability to represent them on the board. Therefore, it was apparent to us that the proviso as it stood gave an unlimited power, which we could not approve of. On the other hand, there was the other view that it may be impossible for a board to carry on, if even for the short time when a director has got to go out of the district or out of the place, you have got to have a fresh election. I can quite realise the difficulty of having a series of by-elections for short absences, where the director may have to go away for a short time, and where you want to provide for an interim vacancy. I do not remember the exact words—perhaps the Honourable the Law Member will be able to correct me if I am wrong—but I believe in the English Act the provision is, if a director is absent abroad, that is to say, away from the country, for a period of six months, he can nominate a nominee in his place : whereas here temporary absence may mean, as my Leader said more than once in private conversation, that a man may walk into the next room for tea and it will be a "temporary absence" : neither the period of absence nor the limits beyond which he must be absent are provided. I saw a draft sometime back which suggested that it should be absence from the district where the headquarters of the company were and it should be for a minimum period. I am perfectly willing that we should evolve some kind of formula which will avoid on the one hand the perpetual phenomenon of appointing alternate or substitute directors, and on the other hand avoid the continuous happening of by-elections. If it is not possible to arrive at such a formula, I suggest that the proviso should go : there is no need for this proviso, and the board can carry on, in spite of the absence of one or two directors, so long as there is a quorum ; there is no need for this wide proviso, which may mean almost anything.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in clause 40 of the Bill, the proviso to the proposed section 86B be omitted."

Mr. G. E. J. Robertson (Burma : European) : Sir, I oppose this amendment. At the same time, I would like to start off by saying that we accept Mr. Satyamurti's suggestion that the proviso as it stands at present should be amended in such a way as to provide against abuse of

the intention of the proviso. We have had one or two days in which to try and arrive at some formula which would appeal to all shades of opinion in the House. My Group has therefore tabled amendments which it is hoped will meet the objections raised by Mr. Satyamurti and which I may say we regard as not unreasonable. There is no doubt that the intention of the proviso is perfectly reasonable, but we accept the contention.....

Mr. President (The Honourable Sir Abdur Rahim) : Does the Honourable Member want to move that amendment now ?

Mr. G. E. J. Robertson : At the present moment, I am opposing Mr. Satyamurti's amendment : may I move the first amendment on supplementary List No. 2 to the Revised Final List ? Sir, I move :

"That in clause 40 of the Bill, in the proviso to the proposed section 86B, for the words 'during a temporary absence' the words 'during an absence of not less than fourteen days from the district in which meetings of the directors are ordinarily held' be substituted."

I wish to make the attitude of the group which I represent quite clear on this subject. I feel that the intention of the proviso as it stands is perfectly straightforward, but that it is possible that that intention may be abused and we are not at all opposed to trying to arrive at some formula which will meet all shades of opinion in the House. The two points which stand out and call for some amendment are the period of absence and the extent of absence. In the first place the word 'temporary' is very vague and I can quite well understand the objections that are taken to it. We have suggested that in place of the words "temporary absence" the words "absence of not less than 14 days" be substituted. This would avoid the possibility of a director finding it convenient not to attend a particular meeting by absenting himself for a day in order to avoid the meeting and putting in an alternate who did not represent the shareholders in the first instance. We have adopted a period of fourteen days as a maximum because we feel that any longer period than that would seriously interfere with the ordinary conduct of business. To take an example, you may have a managing agent firm managing several companies. The firm may have three or four partners and these partners may be distributed as directors one each on the board of the various companies managed. If the managing agent director of a certain company is called away on urgent business in connection with a company, it is not unreasonable to allow him, provided his absence is for a period of not less than fourteen days, to appoint an alternate in his place to attend board meetings during his absence. The second point which I think it is generally felt is not clearly enough defined in the proviso is the question of geographical absence, and here again my group are of the opinion that we must provide for an absence of some degree geographically. The mere fact that a director intends to travel a few miles from the registered office of the company should not enable him to appoint an alternate director in his place to attend a particular meeting. We have chosen the word 'district' which, I think, should meet all objections. Mr. Satyamurti remarked just now that in the English Act the word used was 'abroad', but I think that in India, which is a vast continent in itself, we have to make provision for absence from say Calcutta to Bombay, or at any rate absence out of the district. Now, I think it was contemplated at one time that the words "town in which the registered office is situated" might be used. My group have considered that point, and we know that in certain cases board meetings are not necessarily held

of [Mr. G. E. J. Robertson.] at the registered office of the company. They may be held in an entirely different place, and therefore we have suggested the words 'from the district in which meetings of the directors are ordinarily held' and I think every one will agree, that it is a reasonable phrase. Now, Sir, the full effect of the amendment that we suggest in this proviso is not contained in the amendment which I am at present moving. There is another amendment in the name of the group which I represent which will go further to place limitations on the power of a director to appoint an alternate, and I hope that when considering this amendment, the House will realise that we are prepared to go further and lay down that as soon as the original director returns to the place where meetings are held ordinarily, the alternate will *ipso facto* vacate office. This amendment has been put forward in an honest attempt to meet all possible objections to the proviso as it stands at present, and I hope the House will accept it. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : There is another amendment on the same point, is it not ?

Mr. G. E. J. Robertson : Yes, Sir.

Mr. President (The Honourable Sir Abdur Rahim) : Then I take it he is moving No. 1 ?

Mr. G. E. J. Robertson : Yes, No. 1.

Mr. President (The Honourable Sir Abdur Rahim) : Does not the Honourable Member want to move the other ?

Mr. G. E. J. Robertson : Yes.

Mr. President (The Honourable Sir Abdur Rahim) : There are two amendments in the name of the Group which the Honourable Member represents, and they are expected to make up their mind as to which one they want to move.

Sir Leslie Hudson (Bombay : European) : Sir, the amendment in full was sent in as one piece, and it was divided up in the office. Actually No. 2 is a part of No. 1.

Mr. President (The Honourable Sir Abdur Rahim) : In that case that will only come in if this is carried. Amendment moved :

"That in clause 40 of the Bill, in the proviso to the proposed section 86B, for the words 'during a temporary absence' the words 'during an absence of not less than fourteen days from the district in which meetings of the directors are ordinarily held' be substituted."

The Honourable Sir Nripendra Sircar : Sir, with reference to the amendment which has been moved, I regret to say that I cannot consider that this minimum of 14 days is reasonable, whatever the difficulties may be. Because four partners choose to go to four parts of India, the fact remains that unless a reasonable restriction is put, we may be landed with a situation that whereas A, B and C have been elected, practically the whole work will be done by D, E and F. They have got to go out for 14 days. I don't say they will go out designedly, but it is a very big jump from the English provision which applies only to directors going abroad to this provision which lays down the minimum of 14 days. I would be quite prepared to consider it for support if instead of 14 days they had suggested something reasonable like at least three months, but

I do consider that 14 days is extremely unreasonable, and the whole object of electing directors may be avoided if the provision is left in this form.....

Mr. President (The Honourable Sir Abdur Rahim) : Both the amendments are under consideration.

The Honourable Sir Nripendra Sircar : Yes, Sir. My position is this. I would accept Mr. Robertson's amendment if he could see his way to increase the time to some reasonable period like three months. If it stands in this form with only 14 days, then I am afraid I shall have to oppose it.

Mr. T. Chapman-Mortimer (Bengal : European) : Sir, if this proposal to substitute three months for 14 days is accepted by this House, then the proviso is really of no use at all, and companies will not in effect be able to nominate alternate or substitute directors. If I may, I should just like to quote from the case in our own concern, because that may help Honourable Members to understand what we mean. In every managing agency-house of any size, they have one member of the firm on the Board. He acts as Chairman of the company. In addition to that, they have a number of outside directors. Now, Sir, take, for instance, our colliery companies. The partner in charge of these colliery companies bears the full responsibility in consultation with his partners for the management of these colliery concerns. Now, if he is called off to the collieries for any reason, it may very easily happen that one of the other partners of the firm must take the chair at these meetings, otherwise the meetings will not be held at all. Honourable Members will probably remember the sad events at Loyabad nine months ago as a case in point, and, in that case, not merely one, but more than one of our partners had to leave Calcutta. If we had not been able to nominate another director as an alternate or substitute, it means that during all the time these directors were out of Calcutta examining and dealing with the affairs of the company in order to come to a wise decision in consultation with Government experts and our own management on the spot then, Sir, the ordinary business of the company to be transacted at a Board meeting could not take place at all, because, if the suggested proposal is carried by the House, we should not be able to nominate an alternate director. The whole point of providing alternate directors is to enable one man to act for another during that man's enforced absence from the place where the directors' meetings take place. I would urge upon Honourable Members the point I have just tried to make and ask them to believe that we entirely agree with the point of view put forward by my friend, Mr. Satyamurti. We do not want to see this power abused by dishonest persons, and he himself has tabled an amendment with regard to the length of time during which an alternate director can act. I think, Sir, if that amendment also were embodied, the final result arrived at would be satisfactory to all parties. People have a certain apprehension that all directors are dishonest, and there is a danger of passing legislation in this House which will make business absolutely impossible. On the one hand, you say the managing agents can appoint one director, and then you say if that director is away for any reason from the place in which his business is transacted, they cannot appoint any one to carry on the business. I would urge upon Honourable Members to accept our amendment, and I hope that the Honourable the Law Member will withdraw his opposition to what we have proposed.

Sir Gowanji Jehangir (Bombay City & Non-Muhammadan Urban): Have you got that power to appoint alternate directors?

Mr. T. Chapman-Mortimer: Yes, Sir.

Mr. Bhulabhai J. Desai (Bombay Northern Division: Non-Muhammadan Rural): Sir, this is a matter of very serious consequence which evidently the House will not perceive unless the matter is more fully analysed. Under the company law, in any country in the world, where a director is nominated or elected, it is on the credit of his knowledge, skill, integrity and experience that the man is selected; it is on his credit, integrity and experience that a great deal of the business of the company depends. Clause 86B, therefore, is a clause to which no exception can be taken, namely, that such an office of trust shall not be assigned and enacts no more and no less than that the office of a trustee cannot be assigned. Yet the proviso is intended to practically destroy the very section itself, and whatever my friends may feel, one thing is quite certain that no law can be made to meet merely hard cases of particular firms or companies. The law is no respecter of people who have too many businesses. It is then up to them to select which of the particular individual members of their firm is to be put up for selection or nomination who is able to attend to that particular business. In other words, as the Honourable the Leader of the House pointed out, the matter really rests in this that whereas A, B, C may be the ostensible directors of the company, D, E, F, are deputising for them, that is, you may put forward a popular man for election so that he can be elected, and having got that, you put forward another thoroughly incompetent man to act for him.—He may be a partner, but it is no consolation to the electors. That does not affect the issue. The true issue is this; the matter is put forward as if an alternate directorship is a right. It is not appreciated that an alternate directorship is a very exceptional convenience in very rare cases. It must not therefore be imagined that because A is elected, therefore he has the power to delegate it to B, only with some supposed restrictions upon it. Therefore, to say that the man will vacate office when the original director comes is a matter of very futile value; it is a sop that has no value. When the principal is there his agent cannot act. Therefore, the real question is this, is the company going to have the benefit of the services of a man or woman who may be elected or nominated as their director and on whose ostensible credit the business is being carried on, or that by a side wind you are going to destroy and make an office assignable which is unassignable at law and must remain unassignable at law? In England therefore the only exception that was laid down was that alternate directorship is not a necessary part of any law, in fact, it would not be a necessary part of any law. It was only a concession to some exceptional cases of real difficulty, and that exceptional case cannot be made into a general rule by providing that if A or B is absent for fourteen days anybody can deputise for him and such a course cannot be held justified whatever may be the inconvenience to a particular class of people. The real point before the House is, are you going to destroy the unassignability of the directorship, or are you going to make a reasonable concession, which is only possible if you make at all events an absence of not less than three months a condition of the acting by means of an alternate director?

Mr. Susil Chandra Sen (Government of India: Nominated Official): Sir, I think there is some amount of misapprehension as regards the exact

nature of the amendment which is sought. In case referred to in the proviso to clause 86B, it is the right of an individual director to appoint a substitute or an alternate director, that has been dealt with. But it is an absolute fallacy to say that business will be at standstill unless this provision is amended in the manner asked for. If you will refer to the existing section 83 of the Act you will find, Sir, that in default of and subject to any regulation any casual vacancy occurring among the directors may be filled up by the directors. Take the case where one director is by reason of any circumstance forced to go away. It is the easiest thing for him to submit his resignation, and for the remaining directors to treat it as a casual vacancy and fill it up and go on with the business as usual. The only difference is that in the case where you appoint an alternate or substitute director, the director going out exercises his individual right and appoints the man. In the other case the director going out leaves the filling up of the gap not to himself but to the other members of the board. Therefore, so long as the last remedy is open, there cannot be any practical difficulty in the event of a director going out even for a temporary period. He can go out, the board will treat it as a casual vacancy and appoint a man to fill up the casual vacancy. On his return the man who was acting for him will resign and he will be taken in.

Mr. Huseinbhai Abdullabhai Laljee (Bombay Central Division: Muhammadan Rural): Just as the Government Members come in and go out.

Mr. Susil Chandra Sen: I do not know of Government Members appointing their substitutes, but I do know of casual vacancies being filled up by the Board, and business going on as usual. Therefore, from the practical point of view there is no difficulty, but as the Honourable the Leader of the House indicated, we were even prepared to give an individual director his right to appoint an alternate or substitute director provided there were reasonable safeguards. But for some reasons which I have not been quite able to appreciate, the suggestion as to the limit of time has not been accepted. I think we on this side shall therefore have to oppose the amendment and accept what has been suggested by Mr. Satyamurti.

Mr. F. E. James (Madras: European): Before you put the amendment, I wish to submit to you that this side is willing to accept three months in lieu of fourteen days. It is not altogether satisfactory because it will lead to a great deal of difficulty particularly in the firms of which my Honourable friend, Mr. Chapman-Mortimer, has spoken. But rather than be faced with possibly a worse alternative, we are prepared to accept the figure of three months if the House will agree to that being incorporated in the amendment.

The Honourable Sir Nripendra Sircar: I might say that we have no objection to accept three months.

Mr. President (The Honourable Sir Abdur Rahim): I will put the amendment to the House after substituting three months for fourteen days. The question is:

"That in clause 40 of the Bill, in the proviso to the proposed section 86B, for the words 'during a temporary absence' the words 'during an absence of not less than three months from the district in which meetings of the directors are ordinarily held' be substituted."

The motion was adopted.

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Mr. President (The Honourable Sir Abdur Rahim) : Mr. Satyamurti's amendment falls.

Mr. G. E. J. Robertson : Sir, I move :

" That in clause 40 of the Bill, to the proposed section 86B, the following further proviso be added :

' Provided always that any such alternate or substitute director shall *ipso facto* vacate office if and when the appointor returns to the district in which meetings of the directors are ordinarily held '."

I will not waste the time of the House because this follows the amendment which has just been accepted by the House. Furthermore, the Leader of the Opposition has described it as a useless sop. However, I do not think the House will have any objection to accepting it as a consequential amendment to the one which has just been carried. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

" That in clause 40 of the Bill, to the proposed section 86B, the following further proviso be added :

' Provided always that any such alternate or substitute director shall *ipso facto* vacate office if and when the appointor returns to the district in which meetings of the directors are ordinarily held '."

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment No. 3 in the Revised Final List in the name of Mr. Satyamurti falls. No. 4 in the Revised Final List.

Mr. S. Satyamurti : This refers to the power of managing agents to appoint themselves. My recollection is, you were pleased to rule that it must come in, when clause 42 is under consideration.

Mr. President (The Honourable Sir Abdur Rahim) : Very well.

Mr. L. C. Buss (Nominated Non-Official) : Sir, I move :

" That in clause 40 of the Bill, after the proviso to the proposed section 86E, the following Explanation be added :

' Explanation.—For the purposes of this section the office of managing agent shall not be deemed to be an office of profit under the Company '."

I may remind the House that when an amendment touching the same point was moved last week, that is to say, No. 4 in the Revised Final List, it was not acceptable owing to the reference to 83B (2). The revision of this section had made the amendment inapplicable. The present amendment, is moved in its place and its object is the same as No. 4 of the main list. As clause 86E is worded, there is serious doubt whether a managing agent or a partner in a managing agency firm would not be debarred from being a director of the company on the score that he holds an office of profit. The only intention of the amendment is to secure that clause 86E shall not deprive a managing agent of any rights which he may otherwise have to become a director. I do not think I need say any more on this straightforward point. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

" That in clause 40 of the Bill, after the proviso to the proposed section 86E, the following Explanation be added :

' Explanation.—For the purposes of this section the office of managing agent shall not be deemed to be an office of profit under the Company '."

Mr. S. Satyamurti : On a point of order. This is the reverse of No. 4 in the main printed list. You will notice that No. 4 says : Nothing herein contained shall affect the right of a Managing Agent to appoint himself a director and this amendment says :

" For the purposes of this section, the office of managing agent shall not be deemed to be an office of profit under the Company."

Therefore, a director can be a managing agent. The whole question depends upon the decision of the House at the proper time, as to what are the rights and liabilities of the managing agents. I have given notice of certain amendments to clause 42, under which managing agents cannot appoint themselves as directors. It is for the House to decide at the proper time.

Mr. F. E. James : Mr. Satyamurti is under some misapprehension. This amendment of ours confers no rights on the managing agent. Section 86E says that no director shall without the consent of the company in general meeting hold any office of profit under the company except that of a managing director or manager or a legal or technical adviser or a banker. Under the Act as it stands, the managing agent has the right to appoint a director to the Board. But unless there is an explanation pointing out that the managing agent is not an office of profit under the company, this right of the managing agents will be taken away by the section. We are not conferring any rights. We are merely seeking to preserve what rights already exist under this Act.

Mr. Bhalabhai J. Desai : The more material point is this. Unless there is anything in the articles to the contrary, a managing agent could be appointed by a Board of Directors and the safeguard under this section is this—that no director shall without the consent of the company in general meeting hold any office of profit, etc. and unless we get to the section relating to the managing agents and as to how they are to be appointed, it would be dangerous now to enact that it is not a place of profit. You land yourself into a difficulty should this proviso be allowed here and there is no provision in the managing agency part of the section dealing with his appointment either being made by the company or approved by the company. I therefore suggest that when the section relating to managing agents, clause 42, comes up, this matter might then be considered, because it cannot be denied that as a matter of ordinary construction of law, it is a place of profit. It in fact is an office carrying the largest profit. It would be dangerous to lay down that it shall not be deemed to be a place of profit for the purposes of this particular section without realising all its implications until the section dealing with managing agent is dealt with. I suggest that this matter might be more appropriately dealt with when we reach the clause relating to the managing agents. It is intended to be an artificial definition that a place of profit is not a place of profit. That surely is the proviso. (Voices : " No, no " from the Benches in the European Group.) Undoubtedly, yes, it is, because the managing agent's office is an office of profit, and therefore the proviso is that a place of profit is not a place of profit for the purposes of this section. If you are going to deal with it, it is very important to remember that all the safeguards

[Mr. Bhulabhai J. Desai.]

for the appointment of managing agents are known before you accede to this request.

Mr. President (The Honourable Sir Abdur Rahim) : Why can't you deal with it, here.....

Mr. Bhulabhai J. Desai : The answer is—which is the more appropriate place ?

Mr. President (The Honourable Sir Abdur Rahim) : Because there are so many sections dealing with connected questions.....

Mr. Bhulabhai J. Desai : The connection is remote, I submit ; you may call it relevant under what is section 11 of the Evidence Act, but, Sir, I hope you would not apply that sort of test. I may assure my Honourable friends that I have no desire to prevent the consideration of this matter when the matter of the managing agency is being considered. I merely put it to them that that would be a more appropriate and more convenient place.

Mr. President (The Honourable Sir Abdur Rahim) : What does the Honourable the Leader of the House say ?

The Honourable Sir Nripendra Sircar : So far as we are concerned, Sir, it is immaterial to us whether the matter is discussed now or later. I cannot say that technically it can be argued that this amendment is not in order at this stage. The question of convenience is a matter entirely for the Chair.....

Mr. President (The Honourable Sir Abdur Rahim) : Well, I do not know, it is really for the House. As the Honourable Member in charge of the Bill, perhaps he will indicate his attitude.

The Honourable Sir Nripendra Sircar : As Member in charge of the Bill, I have no objection to the matter being discussed now. I do not see that any very great difficulty arises now.

Mr. President (The Honourable Sir Abdur Rahim) : The discussion will go on.

Sir Cowasji Jehangir : Sir, I have not been able to follow this discussion, because the matter seems to me to be fairly simple. If you will read section 86E—I am speaking now in favour of the amendment—it provides that a director shall not hold an office of profit. It then goes on to make certain exceptions. It says that the office of a managing director or a manager or a legal or technical adviser or a banker should not be considered to be an office of profit. Now according to my humble opinion a managing agent ought to have been added to all those exceptions. It was not. It was, I frankly admit, a slip on the part of the Select Committee. The managing agent should have been the very first to have been made an exception. There may be only one member of the firm of managing agents or there may be an individual who is an agent. It cannot be denied that he will have to be a director. Surely, it was not intended that if there is an individual as a managing agent it is necessary for him to go to the shareholders to enable him to become a director under this clause. The exception ought to be the very first one to be mentioned and it was omitted. Therefore I consider that not only is this the proper place to

make good the deficiency of the Select Committee, but it is an absolute necessity. I would certainly have added the words "managing agent" in clause 86E itself and have had an end of the matter. I would have said :

"No director shall without the consent of the company in general meeting hold any office of profit under the company except that of a managing agent, managing director or manager or a legal or technical adviser or a banker."

That would have been the proper way of drafting this, leaving out this second explanation ; but since it has been moved in this way, I support the amendment and I trust the House will accept it.

Mr. S. Satyamurti : I bow to your ruling, Sir, that this may be taken now, but may I point out.....

Mr. President (The Honourable Sir Abdur Rahim) : I am sorry I cannot allow the Honourable Member to go into that.

Mr. S. Satyamurti : I am merely pointing out, Sir, to the Honourable the Leader of the House that, if he will kindly read these two proposed sections 86E and sub-clause (e) of section 87B, he will see how we shall be landing ourselves in a difficult position. I agree with the Deputy Leader of the Independent Party that, if those who sponsored the amendment really want to achieve what they think they are going to achieve now, the proper place would have been to move for the insertion of the "managing agents" in the first paragraph of section 86E. Having dropped that, they now seek to achieve their object, if I may respectfully say so, in a very clumsy manner. Sir, I would ask you to note these words :

"No director shall without the consent of the company in general meeting hold any office of profit."

Therefore, that section prohibits the holding by directors of any office of profit without the consent of the company in general meeting. What is the proviso ? The proviso says that for the purposes of this section the office of managing agent shall not be deemed to be an office of profit under the company. It means this : therefore, a director can, without the consent of the company in general meeting, hold an office of managing agent. Does it, or does it not, come to that ? If this proviso means anything at all, it means that—not that the managing agency is not an office of profit alone. It therefore seeks to enact that a director can hold an office of managing agent, without the consent of the company in general meeting. If Honourable Members will kindly look at sub-clause (e) of 87B in proposed clause 42, they will see it reads like this :

"the appointment of a managing agent, the removal of a managing agent and any variation of a managing agent's contract of management made after the commencement of the Indian Companies (Amendment) Act, 1936, shall not be valid unless approved by the company by a resolution at a general meeting of the company."

Now, let my Honourable friend kindly read these two sections together, and tell me how he proposes to reconcile the one with the other. We are now asked to vote for this proviso which will certainly mean, as I read it :

"For the purposes of this section it does not confine itself to any particular function of an office of profit". The words are comprehensive for the purposes of this section. It, therefore, seeks to rule out

[Mr. S. Satyamurti.]

the necessity for approval of the company in general meeting. My point is clear, that is to say, that we are now asked to vote for the proviso which is inconsistent with the possible decision of the House on sub-clause (e) of clause 87B. I, therefore, think that, whatever the object of the sponsors of the amendment may be, they will be consulting their own interest, if they will wait till we reach sub-clause (e) of clause 87B, and then move some amendment. At present, it seems to me that the House will be stultifying itself, if it votes for this amendment. I therefore oppose this.

The Honourable Sir Nripendra Sircar : Sir, I regret I do not agree with the arguments of my Honourable friend, Mr. Satyamurti. 87B (e), if Honourable Members will turn to it, deals with the appointment of a managing agent, the removal of a managing agent and any variation of a managing agent's contract of management. 86E is not dealing with the appointment or the termination of the terms of a managing agent. 86E deals with directors. It lays down that a director cannot hold an office of profit except for the three things mentioned there—a legal or technical adviser or a banker. The object of the amendment which has been just now moved is really, as has been pointed out, to add item No. 4 to the three which are already there. On the main section, therefore, whatever the merits, and on that I shall not have much to say ; but I do not agree that if we now decide that a director may hold the office of a managing agent, that does in any way stultify us by reason of 87B (e). Then, as regards the word “deemed”, surely that word “deemed” is used, as will appear from any judicial dictionary, only where it does not represent the true state of facts. It is not necessary to say that a man should be deemed to be a man but if for the purpose of any law a woman should be deemed to be a man, then the word ‘deemed’ is used. On the merits, surely we have always contemplated that the managing agent will be allowed to nominate his directors on the Board. That being so, we are bound to support this amendment.

Mr. Bhulabhai J. Desai : May I interpret the possible construction which I may ask the Leader of the House to bear in mind. The practical substantial effect of this amendment would be that section 86E would run this way : “That a director may be appointed a managing agent without the consent of the company.” Would it not then be read as an exception to section 87B (e) in this way ? I will read it again :

“The appointment of a managing agent, . . . shall not be valid unless approved by the company by a resolution at a general meeting of the company provided that he is not a director.”

That is how it will read and I do not want even the likelihood of a conflict of legal opinion. I do appeal to my Honourable friends and to the Leader of the House to consider this point because it is possible to read the section in this way. Having passed section 86E in the terms in which it is stated that a director may be a managing agent without the consent of the company in a general meeting, if you read that along with section 87B (e), the result will be that “the appointment of a managing agent, etc., shall not be valid unless approved by the company, etc., except in the case of a director.” This is due to the fact that you have already passed the proviso that a director, in order to be a managing agent, would not

require the consent of the company in a general meeting. I do not say that it is the right construction but it is a possible construction. In fact, there is a very grave danger of such a construction prevailing and I do appeal to the Honourable the Leader of the House to let it stand over until we come to clause (e) of section 87B and I make the same appeal to my Honourable friend who moved this amendment.

Sir Cowasji Jehangir : May I be allowed, Sir, to interrupt for one minute ? The whole difficulty will be solved if you will allow another amendment whereby the words ‘managing agent’ should be inserted in section 86E after the words ‘managing director’. To that my Honourable friends may have no objection and that will meet the point. Because that was not done in the first instance, all this difficulty has arisen. If the Honourable the Leader of the House will agree and if other Honourable Members will also agree to it, it will solve the whole problem.

Mr. Bhulabhai J. Desai : No, it will not solve the problem. I entirely accept the view that whether the word is added in the first part of the section or whether an explanation is added, the substantial result is the same. On that there is no difference of opinion so far as my understanding goes. But the point that I wish to submit is that a director, if you omit all the immaterial words for the purpose of this section, may be a managing agent without the consent of the company in a general meeting. That is how it will read.

Sir Cowasji Jehangir : No.

Mr. Bhulabhai J. Desai : Read it again if you like. Put it in the affirmative and it will then read this way :

“A director may be a managing agent without the consent of the company in a general meeting notwithstanding the fact that it is a place of profit.”

That is its true import. Now, that being the true import, would you please go forward to page 19 and read sub-clause (e) of section 87B, which will read this way :

“The appointment of a managing agent—again omitting all the immaterial words—shall not be valid unless approved by the company except where a director is appointed a managing agent.”

In that you have already passed section 86E which says that a director may be a managing agent without the consent of the company in a general meeting. At all events, it is not a matter that can be decided by merely denying it. The fact remains that if this is pressed now, you are unnecessarily forcing the hands of the House to vote against a matter which may be easily dealt with when we come to sub-clause (e) of section 87B.

Mr. President (The Honourable Sir Abdur Rahim) : It may or may not entail some amendment to sub-clause (e) of section 87B.

The question is :

“That in clause 40 of the Bill, after the proviso to the proposed section 86E, the following Explanation be added :

Explanation.—For the purposes of this section the office of managing agent shall not be deemed to be an office of profit under the Company.”

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : I take it that Amendment No. 4 in the printed Final List goes and amendment No. 5 has already been moved.

Pandit Govind Ballabh Pant (Rohilkund and Kumaon Divisions : Non-Muhammadian Rural) : Sir, I beg to move :

" That in clause 40 of the Bill, after the proposed section 86E, the following new section be inserted :

" 86EE. No director shall, except with the sanction of the company in general meeting, be directly or indirectly concerned or interested in any contract or arrangement entered into, by or on behalf of the company of which he is a director, provided that nothing herein contained shall affect any contracts or arrangements entered into before the commencement of the Indian Companies (Amendment) Act, 1936."

Mr. President (The Honourable Sir Abdur Rahim) : The House now stands adjourned for Lunch till Half Past Two.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. Deputy President (Mr. Akhil Chandra Datta) in the Chair.

Pandit Govind Ballabh Pant : Sir, before we dispersed for Lunch, I had just moved amendment No. 6 standing in my name on this revised final list. This amendment in substance lays down that no contract concerning a company of which a person is a director shall be entered into except with the sanction of the company in general meeting, if any director is interested in it. As Honourable Members are aware, an amendment on this subject has already been moved by my Honourable friend on my left which goes much further than my amendment. He wants all such contracts to be prohibited altogether. I do not go as far as that. In fact, the amendment that I am moving is no more than a corollary of 86E of the present Bill. The Bill lays down that no director shall without the consent of the company in general meeting hold any office of profit under the company except that of a managing director, and so on. The general principle embodied in this clause is very plain, and it has been put down in an unequivocal and unambiguous manner that no director shall be allowed to hold any office of profit without the consent of the company in general meeting. Sir, the phrase " office of profit " is not free from vagueness. In fact at a stage in the course of our discussions at another place some people seemed to be of the view that an amendment of the type I have moved is not necessary as this clause would cover all such contracts and arrangements. But I do not want to leave things in a nebulous state. It is with a view to clarify the position that I have moved this amendment. Sir, there is hardly any reason for resisting this amendment when the provision of 86E has been accepted by Government and the Select Committee. What is after all an office of profit as distinguished from a contract or arrangement? Instead of a frequency of contracts you have a continuity of business in consequence of one contract. There is no difference in substance between an office of profit and contracts or arrangements that may be entered into piece-meal. In the one case it may cover a certain definite period, in the other case it may not. But a

contract may also relate to a similar period without being a contract affecting an office of profit. So I submit that there is logically no reason whatsoever for resisting my amendment.

Sir, the language of my amendment, I have been told, is somewhat drastic but I do not see that myself. It only lays emphasis on the main object and the vital part of the principle embodied in this clause, but in substance it means no more than what I indicated at the outset. Whether you omit the words " directly or indirectly " or the words " or arrangements ", the purport of the clause is not affected thereby, and I will have absolutely no objection if any suggestion is made for the omission of the words " directly or indirectly " or the words " or arrangements " from this amendment. I am not at all particular about that. In fact the language of this amendment might have been a bit different, but I thought that it would be safer to adopt the language of the existing Act than word a phrase in my own way. If Honourable Members will refer to section 91A of the existing Act they will find that exactly similar language is used there. Section 91A which relates to post-mortem reports of contracts between the company and the directors runs as follows :

" Every director who is directly or indirectly concerned or interested in any contract or arrangement entered into by or on behalf of a company ", etc.

I have used exactly the same expression from the same clause. So if the language contains anything that is redundant I am not responsible for that myself. I thought that those who framed the Indian Companies Act of 1913 would be better acquainted and more familiar with the language of a statute than I myself am. So I adopted the language of the existing Act. Sir, the reasons I think are almost obvious. A director above all holds a fiduciary position. He more or less occupies the same position as a trustee occupies with this difference that a trustee has generally to discharge his duties without being exposed to as many temptations as the director of a business concern ordinarily is. There are so many temptations in his way that it is necessary to protect him against himself and to safeguard his innate honesty. Sir, as Honourable Members are aware, there are provisions in local Acts concerning municipal boards, district boards and other similar bodies which prohibit any member of those boards taking part in any contract or any other office of profit concerning the affairs of such boards. In this case, as I have submitted, the temptation is still stronger, and there is much more reason why we should have a provision of this type. Then, Sir, in our country owing to the special nature of our industrial organisation the situation is made even more difficult and complicated because of the existence of the managing agency system. As Honourable Members are aware and as I pointed out the other day, a board of directors is mostly packed by the nominees of the managing agents themselves. If you were to leave things to directors and not take them to the general body of shareholders, then the directors would do no more than register the will of each other and of their common master, the managing agent. So it is necessary to provide a safeguard more effective than the mere sanction of the directors themselves. Then, as I pointed out the other day, it is necessary to introduce some provisions that would enable the boards to control the managing agents. The managing agents are in charge of the management, but they are not the owners of the concerns. For that it is necessary that you should have an independent body of people who could exercise control

[Pandit Govind Ballabh Pant.]

and supervise their activities. As you know, under Article 71 the management of the business of the company is vested in the board of directors. I think that the directors will not be able to exercise independence if they are allowed to carry on transactions with a company which is in charge of managing agents, for their own profit, at the sweet will and discretion of the managing agents. I want to protect the independence of the directors against the managing agents. I do not want to leave any opportunity for the managing agents by virtue of which they could oblige the directors. I do not want to leave the managing agent free to oblige the director by entering into a transaction with the director for the benefit of the director. After all, it is the moral prestige of a man which counts far more than anything else; and the directors should be so far as possible above suspicion, like Caesar's wife. So, I suggest that there should be no direct relations between the directors and the managing agents. At the same time, I do not want to bar all these contracts between the company and the directors. I only suggest that these contracts should be entered into with the consent or sanction of the shareholders; and I may tell you why I am making this suggestion. I must frankly state that it is not with a view to keep avenues open for the advantage of the directors that I am making this suggestion. In fact, I feel that there may be occasions when in the interests of a company itself, it may be desirable that a company should enter into a contract or an arrangement with a particular director. It is with a view to enable the company to derive benefit through its co-operation with that particular director that I want to leave the company free to sanction an arrangement or contract with that particular director. Therefore my motive is not a personal one: that is, it is not particularly with a view to enable a director to exploit the company that I am leaving the directors free to deal with the company with the sanction of the company. It is to provide for the cases when it may be in the interests of the company itself to enter into a contract with a director that I have left this door open for arrangements between the company and the directors with the consent of the shareholders. I do not want to go into things that are unpalatable. I have before me even just now—it was handed to me I think after the House adjourned for lunch and before we resumed discussions here after lunch—a pamphlet which is marked 'Private and confidential', but which I think has been circulated here and of which copies have been given to the Members of this House headed "the necessity of independent directors on the board of directors of joint stock companies managed by managing agents". I will not quote from this pamphlet, but I can say that there are many instances given in it by a person who seems to have himself been a victim of a series of sharp practices, of the heavy loss that he had been put to because of freedom of contract between the company and the directors, without any reference to or sanction of the shareholders. We are also aware of a number of other instances which are given in the opinions which have been supplied to us by the Government. I will not narrate them here, as it is not in any way pleasant to do so. I will only refer Honourable Members to what Mr. Sen has said in his report in this connection. He has said in one place:

"The position of a director vis-à-vis the company is more or less like that of a trustee and it is undesirable that any legal sanction should be given to directors for obtaining loans or advances from the companies of which they are the directors."

Further on, he says:

"I am of opinion that in a country like India..... it is the duty of the legislature to prevent people in a fiduciary position from having monetary transactions with those to whom they stand in the position of a trustee more or less. To my mind transactions of this nature if allowed would create an undesirable conflict between duty and interest."

I submit that the proposal that I am making deserves acceptance and I would appeal to the Government to accept it.

In the end, I may remind Honourable Members of this House that the Federation of Indian Chambers of Commerce has recommended that managing agents—and I include directors in that—should not be allowed to have any transactions with the companies regarding sale or purchase of machinery, raw material, finished goods, etc. They want an absolute prohibition and bar. I am not going to that extent, so far as this particular amendment is concerned. I am leaving the companies free and the directors free to make such arrangements but only with the consent of the shareholders. I hope the House will see the reasonableness of my suggestion and adopt it unanimously.

Sir Cowasji Jehangir: Have you moved the latter part?

Pandit Govind Ballabh Pant: No. I did not, because I thought that you would not agree to it.

Mr. Deputy President (Mr. Akhil Chandra Datta): Amendment moved:

"That in clause 40 of the Bill, after the proposed section 86E, the following new section be inserted:

"86EE. No director shall, except with the sanction of the company in general meeting, be directly or indirectly concerned or interested in any contract or arrangement entered into, by or on behalf of the company of which he is a director, provided that nothing herein contained shall affect any contracts or arrangements entered into before the commencement of the Indian Companies (Amendment) Act, 1936."

Mr. F. E. James: Before you ask Mr. Ayyangar to move his amendment, may I know whether amendment No. 5 is still before the House or whether it has been withdrawn?

Some Honourable Members: All the amendments are moved together.

Mr. M. Ananthasayanam Ayyangar (Madras Ceded Districts and Chittoor: Non-Muhammadian Rural): Sir, I move:

"That in clause 40 of the Bill, after the proposed section 86E, the following new section be inserted:

"86EE. Except with the consent of the company in general meeting, a Director of the company, or the firm of which he is a partner or any partner of such firm, or the private company of which he is a Member or Director, shall not enter into any contracts for the sale, purchase or supply of goods and materials with the company, provided that nothing herein contained shall affect any such contract or arrangement for such sale, purchase or supply entered into, before the commencement of the Indian Companies Amending Act, 1936."

This is the third of the amendments relating to the right of a director to enter into a contract with the company. The first that was moved by my Honourable friend, Mr. Satyamurti, was to the effect that

[Mr. M. Ananthasayanam Ayyangar.]

all contracts entered into by a director with the company should be void, or in other words, that no contract shall be entered into by a director with the company. The second was that of my Honourable friend, Pandit Govind Ballabh Pant, to the effect that except with the sanction of the company no such contract shall be entered into, that is to say, instead of prohibiting all contracts and making them void, the consent of the general body of shareholders is made a condition precedent to entering into any such contract. But my amendment is much more favourable, or to use the words of my Honourable friend, Sir H. P. Mody, much more indulgent to the directors. It restricts the kinds of contracts for which the permission of the general body is necessary. I have improved upon the amendment of my Honourable friend, Pandit Govind Ballabh Pant, that is, instead of requiring the sanction of the general body for all contracts that may be entered into by the director with the company, I have restricted the need for sanction only to contracts relating to sale, purchase or supply of goods and materials.

An Honourable Member : What are left ?

Mr. M. Ananthasayanam Ayyangar : So many other things are left. The directors are in a peculiar relation to the company. The directors with respect to the outside world are the agents of the company in all its dealings with outsiders. They represent the company for all purposes, they are the custodians of the company's welfare. Ordinarily, in all dealings with others there may be no incentive to play fraud. Generally the question of dishonesty comes in or more than ordinary care is necessary when a person uses or when an agent uses for his own benefit the funds of the principal entrusted to him, therefore, the legislature has to intervene and put certain restrictions. The director here is not prevented from entering into any kind of contract for the supply, sale or purchase of goods and materials with third persons. It is his primary interest to safeguard the interests of the company, but if he wants to make such a contract with himself, if he substitutes himself for the third parties, where is the party or agency which can ordinarily scrutinise the benefit or the disadvantage to the company from such contracts ? It is not intended that it should be absolutely prohibited. There may be a number of directors who have specialised long before the new company was formed, long before their association with the new company, they may be persons who have been carrying on various kinds of business and it may be in the interests of the company of which they are directors to make a contract for sale or purchase with other companies which they are running for the manufacture of such goods. It may be in the best interests of the company, but in deciding the price, in deciding favourable terms, they ought not to be judges in their own cause. Therefore, it is necessary that some kind of restriction ought to be placed. If you admit that that restriction is necessary, I would say that my amendment does not impose too much of restriction. It imposes the least amount of safeguard, if it is accepted that restriction is necessary with respect to transactions by the director in whose hands the entire management is entrusted. The transactions between the director on the one hand and the company on the other is similar to the case of a guardian and a ward. The Honourable the Leader

of the House might immediately jump up and say that the analogy is not on all fours, but I would say that though technically and legally the position of a director with respect to his company may not be the same as that of a guardian and a ward, or a beneficiary or *cestui que trust* and the trustee, the position is analogous to that position. If a trustee in so far as he deals with third persons deals with the property of the *cestui que trust* he is ordinarily expected to take care of the trust properly, but when he wants to take advantage of or enter into a contract for sale or purchase of the property of the beneficiary, himself, where is the person to see that he does not enter into any onerous agreement or that he does not enter into a profitable arrangement with respect to himself ? If the contract is not scanned by any other person or the previous sanction at least is not insisted upon, what is the guarantee that he enters on all occasions into legitimate and beneficial contracts ? I have not made the restriction stringent.

There is another reason why this House ought to accept my amendment, and that is, that there should be a consistency in what we have been doing till now. In clause 86B (1), it has been enacted and all of us have been parties to the new clause, that no company shall make to a director of the company any loan out of the monies of the company. This is an absolute prohibition of the grant of loan to a director from the monies of the company. This relates only to monies, funds. Not even the sanction of the general body can allow such a loan, the prohibition is absolute. But this can be easily circumvented if the goods or property of the company can be sold away to a director. If you do so for credit, that is another kind of loan. You will indirectly get over this prohibition that is contained in 86B and enable the director to take away large funds of the company, not directly the funds of the company, but in another form. And if he does not pay, what is the remedy ? He may not be able to pay and the company may have to file a suit, he may or he may not be solvent. Yesterday we went into the question of remitting or writing off certain debts due by a director. Ultimately it is the shareholder who is the owner of the company, and these directors are all agents to manage the affairs of the company on behalf of the shareholders. Is it not legitimate, is it not proper that the shareholders should have a voice, should have a right to see these contracts and scan them before they are actually entered into ? The shareholders may say, up to a limit of Rs. 10,000 or a limit of Rs. 5,000 the directors may enter into contracts for sale, purchase or supply of goods, or the shareholders may appoint a standing committee consisting of other persons than the directors to investigate into the matter from time to time. If it is made obligatory for the directors to place those contracts before the general body, before they are actually entered into, what objection can there be. My wording is a little general in that it requires the sanction of the general body with respect to the contract. It is not with respect to every contract that the sanction need be given or a meeting of the general body need be convened. A general body meeting is convened after 14 days notice. Ordinarily there are one or two meetings every year, and there may be a general sanction by the general body but with a limit, may be pecuniary limit, or limit with respect to the class of contract that may be entered into. It cannot be denied that even under the existing law it is open to the general body to

[Mr. M. Ananthasayanam Ayyangar.]

say that the directors shall not enter into a contract for sale, purchase or supply of materials with the company. Under the law as it stands, it is open to the general body by special meeting, either by resolution or by its articles, to prevent directors from entering into contract with themselves. That is there.

Mr. M. S. Aney (Barar Representative) : That is not the meaning of your amendment.

Mr. M. Ananthasayanam Ayyangar : The general law enabling the shareholders to impose restrictions on the directors is there. What my amendment seeks to do is this. It imposes an obligation on the directorate to place the matter relating to contracts before the general body. I am only asking that the directors might take the initiative in bringing it to the notice of the general body. I am not trying to encroach on the privileges and powers of a directorate. My Honourable friend, Pandit Pant, has already referred to the opinion of Mr. Susil Sen in his report, that the position of a director with respect to the general body is of a fiduciary character. Restrictions have to be imposed and it is suggested that certain restrictions have to be imposed. He thinks disclosure is enough. I say it is not. A tract has been circulated this morning which shows how the authority of a director to deal with the affairs of the company has been abused. Each director may look askance at the action of another director and the vicious circle will go on. Here we are trying to legislate for all time and I think a provision like this is absolutely necessary. It is in the best interests of the company itself. This will prevent a dishonest director from entering into dishonest transactions. An honest director who has the best interests of the company at heart has nothing to fear. If the general body considers that a particular transaction has been entered into in a perfectly *bona fide* manner, it is not in the least likely to interfere with the action of the director. They would not cut their nose to spite their face as they are also interested in the company. This is a most innocuous provision. This provision is only a consequential provision to that which we have already enacted and if we are to be consistent in our action, we must also pass this amendment. Sir, I move.

Mr. Deputy President (Mr. Akhil Chandra Datta) : Amendment moved :

" That in clause 40 of the Bill, after the proposed section 86E, the following new section be inserted :

" 86EE. Except with the consent of the company in general meeting, a Director of the company, or the firm of which he is a partner or any partner of such firm, or the private company of which he is a Member or Director, shall not enter into any contracts for the sale, purchase or supply of goods and materials with the company, provided that nothing herein contained shall affect any such contract or arrangement for such sale, purchase or supply entered into, before the commencement of the Indian Companies Amending Act, 1936."

There is another amendment on the same subject, No. 4 in List No. 2 by Sir H. P. Mody. Does the Honourable Member wish to move it?

Sir H. P. Mody (Bombay Millowners' Association : Indian Commerce) : Sir, I beg to move :

" That in clause 40 of the Bill, after the proposed section 86E, the following new section be inserted :

" 86EE. Except with the consent of the directors, a director of the company, or the firm of which he is a partner or any partner of such firm, or the private company of which he is a member or director, shall not enter into any contracts for the sale, purchase or supply of goods and materials with the company, provided that nothing herein contained shall affect any such contract or agreement for such sale, purchase or supply entered into, before the commencement of the Indian Companies (Amendment) Act, 1936."

Sir, my amendment is of such a sweetly reasonable character (*Cries of "Oh"*) that I am quite sure that when my Honourable friends get rid of their little prejudice and apply their mind to its phraseology and do me the courtesy of giving me a hearing, they will give the amendment their blessing.

Mr. S. Satyamurti : But not our votes.

Sir H. P. Mody : I shall later on decide whether I shall have your blessing or not. The votes are the more important matter now. Well, Sir, the object of my amendment is to complete the provisions of the Act as it is today and to bring before the Board of Directors for their sanction every conceivable kind of transaction which can take place between a director and a company. My amendment will complete the provisions of section 91A and with the additional provision which is to be found in the Report of the Select Committee, when we have provided a register of such transactions, I submit that we shall have provided shareholders with all the safeguards that they want. My Honourable friend, Mr. Ayyangar, in a temperately worded speech in which he did not overstate the case, said that we were trying to legislate for all time. I do not know whether I am to look upon this Bill as the last word in legislative wisdom, and I would suggest to my Honourable friend that we might leave to posterity a little of legislative work in their own good time.

An Honourable Member : Then leave it to posterity and go home.

Sir H. P. Mody : If my Honourable friends want to have this Bill as it stands without any of those numerous amendments which they have been tabling, I for one would not have the least objection. After all, the Select Committee, which I am sure was a competent body dealt with all matters very carefully and looked into every single provision, and I think, even though I was a member of it, it ought to be congratulated on its handiwork!

Sir, my Honourable friend, the Leader of the Opposition, the other day made some observations with regard to the arrogation by directors and maganging agents of power and authority in their own hands in defiance of the rights of shareholders.

Mr. Bhulabhai J. Desai : I said 'in derogation'—not 'in defiance'.

Sir H. P. Mody : I put it rather worse.

Mr. Bhulabhai J. Desai : They cannot do it.

Sir H. P. Mody : Then why put up all these safeguards ? If they cannot do it, they cannot do it. I am not suggesting that the directors and managing agents are masters of the companies of which they are directors, but I submit to my Honourable friend whether it is not right and fair and desirable that the day-to-day administration of the affairs of companies must be in the hands of a small defined body with a continuity of policy rather than in the hands of a large and fluctuating body of shareholders who are not intimately acquainted with the affairs of the company. The argument that I would put to my Honourable friend and others of his way of thinking is that directors and managing agents transact business worth lakhs without reference to the shareholders. Speaking now of textile mills, they buy lakhs worth of cotton, they sell lakhs worth of cloth and purchase lakhs worth of stores. All those transactions would give them, if they were unscrupulous men, very considerable opportunities of speculation, and, if they were not efficient men, very considerable opportunities of messing up the business of the company. If all those opportunities are there, and they are not cavilled against, why do my friends object to placing in the hands of the boards of directors transactions of this character ?

An Honourable Member : Who suggests ? Not the shareholders !

Sir H. P. Mody : Now, if directors do all these purchases, what possible objection can my Honourable friends have to vesting the board of directors with powers with regard to small day-to-day transactions ? Section 91A deals with the larger transactions of the company,—transactions which by their very nature are placed before the board of directors—and certain safeguards are provided under that section when those transactions take place. But there are a number of other transactions of a much smaller character which are never placed before the board of directors, and I seek to bring them also under the purview of section 91A. My submission is that when I have done that, and every single transaction, large or small, is necessarily placed before the board of directors, the investors have got all the safeguards they can possibly expect. Sir, my Honourable friends must not forget the peculiar industrial conditions which prevail in this country. Capital and enterprise have been forthcoming from a very limited class of people. The number of people who are available for seats on the boards of various companies is also limited. (Voices : " Oh, oh ! ") My Honourable friend, the Leader of the Opposition, smiles, but he knows that better than most people. Therefore, Sir, what happens is that with every company run by managing agents and directors there are a number of people associated in an executive capacity who have transactions of various kinds with the company. It is an inevitable growth of our industrial development. It is not as if somebody was trying to take advantage of his position as a director. I say it is inevitable because most directors are interested in some phase or other of commerce and industry, and therefore, necessarily, are placed in a position of having to transact business with the company. Why drive these people to subterfuges ? Assuming for a moment that they are unscrupulous people, what prevents them from having nominees in whose names to run the companies, and having transactions with those nominees ? You can almost always do it. Now, assuming for a moment that it is the unscrupulous people whom my friends want to

prevent from exploiting the companies with which they are associated,—and I say it is always possible to get behind the law—(Hear, hear) if transactions take place through nominal parties, they will not be open even to the scrutiny of the board of directors ; I speak from experience—(Ironical Cries of " Hear, hear ")—Yes, I have a little experience of every thing. (Hear, hear.) Again, when you place the matter before the Board of Directors, I do not see where the conflict of interest and duty that you talk about comes in.

An Honourable Member : Can you not see it ?

Sir H. P. Mody : No. It is not the director who is entering into the transaction who is voting upon it ; it is his colleagues.

Mr. S. Satyamurti : It will go by turns.

Sir H. P. Mody : Why not ? That is so here also. The directors who sanction these contracts are not parties interested in them. The worst that can be said is that they are naturally influenced by the fact that one of their colleagues is a party to the transaction. My reply is that in view of the fact that directors and managing agents do business of a far more important character than that envisaged in this amendment, that fear is not well-grounded. After all, directors owe a duty to shareholders ; they are largely the nominees of the shareholders, and speaking from experience of directors, I think they are men on the whole of very considerable capacity and integrity. I cannot speak for other provinces, I can only speak for my own. (Hear, hear.) Now, Sir, my Honourable friend, Mr. Ayyangar, was saying—as a matter of fact he nearly convinced me—that his amendment was absolutely harmless, that it meant nothing. Well, if it means nothing, I have no objection, but when my Honourable friend, Mr. Aney, asked him what it precisely meant, he had to confess that it meant exactly what it was intended to convey, that is, that for all transactions you have got to go to the general body of shareholders. What happens ? Am I to go and tell the meeting of shareholders every year, " well, I intend to enter into this transaction and that transaction during the year ", give them the names of all the parties with whom I intend to contract, and the particulars of every single article I want to purchase ?

Mr. S. Satyamurti : If you are interested—not otherwise ?

Sir H. P. Mody : Otherwise, I do not worry. Am I to tell them everything about those transactions so that all manner of questions are asked, and transactions are laid open ? It is also conceivable that certain bodies of shareholders may be interested in rival concerns, and may raise questions as to why we were not making purchases from so and so instead of so and so.

Mr. S. Satyamurti : That is an old story.

Sir H. P. Mody : Some of these old things have a great value. When my friend, Mr. Satyamurti, matures, he will possibly be much more valuable. He will then find the House having even a greater respect and affection for him than it now has. (Laughter.)

Sir, what do my friends of the Bombay Shareholders' Association say about this ? In spite of all my fundamental differences with their viewpoint, I will be the first to say that investors throughout the country owe them a very deep debt of gratitude for all the work that they have done. What do those people, in spite of putting up a strong and very

[Sir H. P. Mody.]

often an extreme case, say about this particular matter? All that they say is that, if it was provided that there was for all these transactions sanction of a certain majority in the board (they mention three-fourths) and if there was a register kept, that would be a practical solution of the matter. Now, if the Bombay Shareholders' Association themselves, while in theory they would like the idea of stopping all transactions between directors and companies, are agreed that, as a practical compromise, it should be laid down that there should be a particular majority on the board of directors for such transactions and that a register should be kept, I say that you have a testimony which, from my point of view, is for this particular occasion of great value, and I strongly commend my amendment to the acceptance of the House. My Honourable friend, Mr. Satyamurti, is studying up the terms; he is probably trying to see how he can trip me up, but I think every single comma, full point and syllable has been carefully thought out, and when he has applied his mind to it, he will see that I am really, from the point of view of the interests I am representing, selling the pass. I am giving away the whole case of directors and managing agents. I am bringing before the board of directors every single transaction that can take place between a company and its director, and if there is anyone who thinks that that is not sufficient for the purpose of safeguarding the interests of investors, then all I can say is that he is extremely hard to please. Sir, I move.

Mr. Deputy President (Mr. Akhil Chandra Datta) : Amendment moved :

"That in clause 40 of the Bill, after the proposed section 86E, the following new section be inserted :

"86EE. Except with the consent of the directors, a director of the company, or the firm of which he is a partner or any partner of such firm, or the private company of which he is a member or director, shall not enter into any contracts for the sale, purchase or supply of goods and materials with the company, provided that nothing herein contained shall affect any such contract or agreement for such sale, purchase or supply entered into, before the commencement of the Indian Companies (Amendment) Act, 1936."

Now, there will be discussion on all these four amendments.

Babu Baijnath Bajoria (Marwari Association : Indian Commerce) : Sir, all the motions before the House are of great importance. All of them relate to the same subject-matter and they deserve the serious consideration of this House. We must not allow ourselves to run away with any bias in this matter. I have given very serious consideration to this matter as I am anxious to protect the interests of the shareholders as well as to see that the management does not suffer and that efficient management is possible. Sir, the motion of my friend, Mr. Ayyangar, is that when any contract is made in which a director is interested, it must be made with the consent of the company at a general meeting. The motion of my Honourable friend, Sir Homi Mody, is that when any director is interested in a contract, it must be made with the consent of the Board of Directors. Sir, I will deal with these two motions and I do not wish to deal with the other two motions because they go to the extremes. Both the motions with which I propose to deal will safeguard the interests of the shareholders so far as the managing agents are concerned. The managing agent will not be able to give any

contract to any director according to his own whim and fancy and thus he will not be able to win over the director to his side. Now, we have to decide whether we would like to approach the directors or the shareholders in a general meeting. I will first deal with what would happen if we go to directors. There is some uncertainty that if we go to the directors, this thing may be liable to abuse. A director who is interested in the contract and if he is an influential man, he may be able to influence his colleagues on the Board of Directors and may get a substantial advantage from his colleagues. But we have provided against this. Let us see what provision has been made so that the Board of Directors may not be influenced by the directors. The first thing is this. Under this Act which we are going to pass, two-thirds of the directors will be elected by the shareholders in a general meeting. They will be supposed to be independent men but I doubt whether they will be so in actual practice. But we will have to go on some supposition. They are expected to safeguard the interests of the shareholders as their representatives. Secondly, it has been provided that interested directors will not be entitled either to vote on the question in which they are interested or have their names counted in the quorum of the Board of Directors. Then, again, there is a third provision. I will refer in this connection to sub-clause (b) of clause 44 of this Bill. It reads thus :

"A register shall be kept by the company in which shall be entered particulars of all contracts or arrangements to which sub-section (1) applies, and which shall be open to inspection by any member of the company at the registered office of the company during business hours."

This register will be open to the shareholders at all times during the business hours. If the shareholders have got any apprehension that the directors have been unduly influenced by a particular director, they can immediately go to the office and have a look at this register and they can raise the matter in the next general meeting or may even write to the managing agent complaining about it. Though there may be some abuse, yet I think a sufficient safeguard has been made.

Mr. M. Ananthasayanam Ayyangar : They may not know at all.

Babu Baijnath Bajoria : If they do not care to know, nobody can help them. Nobody can give them a lift and nobody can look after their interests if they allow themselves to sleep. Now, take the motion of my Honourable friend, Mr. Ayyangar. If we have to go to the general meeting of shareholders for each and every contract, it may not be convenient to hold a general meeting of the shareholders at all times. As a matter of fact, as far as I know, a general meeting is held only once or twice in a year. If for each and every particular contract which is going to be made by the director or with the director's firm we have to go to the general meeting of shareholders, then I can say from my personal experience that it will practically mean the exclusion of the directors from getting any contract.

Mr. S. Satyamurti : Why not ?

Babu Baijnath Bajoria : That is your amendment and I have already said that it is an extreme case and I do not agree with it. There may be cases where the directors or the directors' firms may be in a position to supply articles at a competitive rate or they may be in a position to buy the goods from the company at a fair market price. So, it will be very unjust if we deprive them of dealing at all with the

[Babu Baijnath Bajoria.] company. If we go to the shareholders, that will be the result. A contract cannot wait and if we have to go to the shareholders it will take many months. Is it practicable, I ask the House?

Mr. M. Ananthasayanam Ayyangar : It takes 14 days.

Babu Baijnath Bajoria : No. You cannot have a general meeting every 14 days.

[At this stage, Mr. President (The Honourable Sir Abdur Rahim) resumed the Chair.]

Sir, I do not think it will be feasible on the part of this House to put such a restriction in the day-to-day administration of the company. Considering the two things, I think the lesser evil will be to give the power in the hands of the Board of Directors and it is because of this that I agree to support Sir Homi Mody's amendment.

Mr. Sami Vencatachalam Chetty (Madras : Indian Commerce) : Sir, hearing the arguments of the legal Members of this Assembly, I am realising the truth of the statement that lawyers can make black into white and white into black. On the whole, the fear that is running through the four amendments that have been tabled seems to be one that threatens the Government owing to the Bengal terrorists. What the Bengal terrorists are to the Government, so are the managing agents of Bombay to some Members of this Assembly. That is why amendments are moved absolutely regardless of the inconveniences and difficulties which are bound to arise if those amendments are passed. I quite concede the fact that the managing agents and the directors and the shareholder and all those who have anything to do with any limited company financed by public subscription may abuse some or other of the provisions of the new Act. It is impossible to expect thorough righteousness and honesty in all dealings which concern human transactions in this world. But, on that score, I do not think that this Assembly is going to frame rules to stifle even honest trade and business. But yet, that will be the effect, if any of these amendments are passed. Sir, the amendments are well shaded. My Honourable friend, Mr. Satyamurti, wants to have nothing to be done by directors, either directly or indirectly. My Honourable friend, Pandit Govind Ballabh Pant, relaxes the amendment of my Honourable friend, Mr. Ayyangar. Sir, Mr. Ayyangar, in very sweet words, told us that he was not going as far as Pandit Pant has gone, but he would only make the sale, purchase or supply of goods and materials with the company subject to the sanction of the company at a general meeting. When he was interrupted and by mentioning the sale, purchase and supply of goods, he was not able to mention anything definitely, but he merely said there might be other transactions which did not come under his comprehensive definition.

Sir Cowasji Jehangir : I can give one instance : loans by managing agents to a company.

Mr. Sami Vencatachalam Chetty : That is the reverse position. I dare say if any such transaction could be thought of by either managing agents or the directors, my Honourable friend, Mr. Ayyangar, would be

the first to say that that transaction also would come under the definition which he has stated. Apart from that, I would like to mention a few preceding circumstances which have resulted in the tabling of these amendments. As I read the old Act, that is the existing Act, I find provisions from 91-A to 91-D were inserted by section 3 of the Indian Companies (Amendment) Act, 1914, that is to say even the necessity of a director's contract with a company being made known to the shareholders or being made known to the public was inserted only in 1914 and before then there was no such provision at all. We have been hitherto told that the managing agents were the villains of the piece, that they had all the power of directing the transactions of the company in their own hands, that directors were merely automatons or merely nominees or creatures of the managing agents. Now to the extent that you would prohibit the managing agents from dealing in transactions which would conflict with the interests of the company, it is conceivable that some provisions might be made, but having conceded that the managing agents are all-supreme, that the directors have had no power, now you say that even the directors who cannot exercise power according to their own interests are now to be prevented from entering into any transaction or contract with the company. I do not know if the amendments of Honourable Members have taken into account the existing state of affairs. I do not know if there are many companies in which the directors have not had some sort of contract or relationship either as sellers or suppliers or distributors of goods manufactured by certain companies. I know of a very big firm in the Madras Presidency on the board of which there is a very influential director holding very large share capital. It is not an Indian concern, it is an indigenous concern, but the managing agents are Europeans. But the director I am mentioning is an Indian. He was hitherto holding the position of an indenture meaning that he might be one of those who would be authorised to sell goods manufactured by that company. Latterly that company has removed that gentleman from being an indenture, still he is a director. He was not able to persuade either the managing agents or the directorate to continue his indentureship. That is the position in which directors are with regard to well managed and efficient companies. A director is not a whole-time man in the sense in which that position is being held in this country. He might be director of a number of companies and he might be also having large business of his own. The fact that he is a very large businessman, that he is a very influential man is considered to be a qualification to be taken in as a director of more than one company and thus advance the interests of the companies concerned. It would be very hard to those very useful directors if you should deprive them of dealing and transacting in commodities in which the companies are interested. My Honourable friend, Mr. Ayyangar, said that whenever a contract is necessary with the director, let a meeting be called for and let that matter be mentioned at that meeting so that the shareholders might know that a contract has been entered into. In all the provisions of this Act, a company was saved from the necessity of divulging all its trade secrets. If, in the preparation of profits and loss accounts, it is not necessary that you should mention the rate at which you have produced an article and the rate at which you have made profit, I think it is all the more dangerous that the rate of every contract should be divulged to the share-

[Mr. Sami Vencatachalam Chetty.]

holders as a meeting which might become the public property of all the people concerned. My Honourable friends are of opinion that these directors would use their position as directors in order to benefit themselves; as against that there will be the counter-interest of the other directors. The other directors and the managing agents will see that there is no undue encroachment of these directors on the profits of the company by using the position of directorship to his advantage. I may point out in this connection the significant change that was made in the Select Committee in section 86-E. When it was placed before the Select Committee, there was no mention of a legal or a technical adviser, but in the Select Committee, a legal or a technical adviser was introduced. The clause reads :

“ No director shall without the consent of the company in general meeting hold any office of profit under the company except that of a managing director or manager or a legal or technical adviser or a banker.”

Therefore, it would permit my lawyer friends to be a director and also to be a legal adviser for that company. In that case, my legal friends do not see that there is any conflict of interest so far as the provision of a legal adviser is concerned. It seems to me that the passing of these amendments seems to be incumbent upon the support of Government and it is very difficult to find out the mind of Government because it seems to be changing from time to time in spite of their sympathy or disaffection against the managing agents or directors. But should it be considered that Government should lay down certain restrictive measures in connection with the contracts that may be entered into by directors of the company, it seems to me that the least evil is that of Sir Homi Mody.

Mr. T. S. Avinashilingam Chettiar (Salem and Coimbatore *cum* North Arcot : Non-Muhammadian Rural) : Sir, as the matter is of some importance, I have a few observations to make. As far as the first amendment is concerned, the one moved by Mr. Satyamurti, it prohibits contracts of all directors. I fully endorse whatever has been said by my Honourable friend, Mr. Chetty. About the textile mills of Coimbatore I claim to have some knowledge, and I may say that a great many of the directors in each mill are people who contribute towards the profits of the mill by being agents for yarn in those companies. But for that it would be rather difficult to find such good agents and I would not be a party to any provision of law which prohibits contracts to directors. Secondly, comes the amendment moved by my Honourable friend, Pandit Govind Ballabh Pant. Here I have some difficulties. It reads :

“ No director shall except with the sanction of the company in general meeting, be directly or indirectly concerned or interested in any contract or arrangement entered into,” etc.

Sir, I want to deposit Rs. 10,000 in a mill of which I am a director and I understand that depositing in a mill is a contract or an arrangement. If I understand it correctly, this amendment would prohibit loans or deposits to companies. Let me say here that the reasons why directors are selected for particular companies are not their mere wisdom only, but for the financial support that they may give to the company in case of necessity.

Pandit Govind Ballabh Pant : Sir, may I ask whether under section 91A it is necessary to disclose such deposits and whether they are actually disclosed ?

Mr. T. S. Avinashilingam Chettiar : I may not be party to add one mistake to another and I will leave the interpretation of section 91A to lawyers. But this as far as I can see does include deposits and I have the opinion of a very valued and eminent lawyer friend of mine to say that deposits do involve contracts. And if directors are forbidden to deposit money in the mills and banks of which they are directors, then if these mills or banks or companies will have to work without the support of their own directors themselves. How can they get deposits or financial aids from other people ? The main reason why rich and well-to-do people are chosen as directors is that they will get financial aid from them, and for this reason I find it is rather too wide of the mark.

Thirdly, I come to my Honourable friend, Mr. Ananthasayanam Ayyangar's amendment. But before coming to that I should like to say a word about the amendment tabled by Sir Homi Mody. He wants only the sanction of the Directors :

“ Except with the consent of the directors, a director of the company, or the firm of which he is a partner or any partner of such firm, or the private company of which he is a member or director, shall not enter into any contracts for the sale, purchase,” etc.

He does two things ; one, he substitutes the consent of the directors for the consent of the shareholders and secondly, he specifies the nature of the contracts for which the consent of the directors is necessary. I should think that considering that there is some scope for abuse, that is, that the policy of the directors is, “ You scratch my back and I scratch yours ”, it would be rather necessary, it is rather good if the consent of the shareholders is obtained. But I would differ from Mr. Ananthasayanam Ayyangar in this matter that if every contract that is to be entered into has to obtain the sanction of the shareholders, it would be rather hard and difficult. I would rather say that it should be subject to the ratification of the company in general meeting at the end of the year when they have a meeting of the shareholders, so that things may be shown to them and put plainly before them, and next year the contract will depend upon their resolution. Then in regard to this I have another difficulty which the legal brains may solve for me. Mr. Ananthasayanam Ayyangar's amendment reads thus :

“ Except with the consent of the company in general meeting, a Director of the company, or the firm of which he is a partner or any partner of such firm, or the private company of which he is a Member or Director, shall not enter into any contracts,” etc.

Supposing A is a member of a company and A is supplying cotton to the company. Does the amendment mean that for every contract of cotton that A gets you have to get the sanction of the shareholders or a general resolution that A has been employed as broker of the company from whom we can get cotton, will do. If it means that he can be.....

Sir Cowasji Jehangir : That is an office of profit ; he cannot be a director.

Mr. T. S. Avinashilingam Chettiar : It means that he can be appointed generally as a supplier of cotton or as agent for yarn, it is one matter. Or if it means that for every contract we want a separate permission : i.e., I sell a thousand *candies* of cotton now and a thousand *candies* a second time. Have I to get the permission of the shareholders separately for every single contract? If that is the nature of the amendment, while accepting the principle of the amendment that the consent of the shareholders may be taken before contracts are given to directors, I would not like to be a party to an amendment which will make every specific contract go to the shareholders, or even for the matter of that to the directors. And I should like the House to consider it seriously. Even if it takes some time it does not matter for this amendment will vitally affect the industrial life of this country.

Prof. N. G. Ranga (Guntur cum Nellore : Non-Muhammadan Rural) : Sir, I have heard the saying that a leopard can never change its spots : but I am inclined to feel, after having heard the two speeches of my Honourable friends, the Chettiars from the South, that even a leopard can change its spots, but not a capitalist of this country or this age, with certain honourable exceptions. It looks as if these capitalists may go into any party : they go there only to get something out of it, never to give anything to it. (Laughter.) Sir, a very delicious statement has fallen from the lips of my Honourable friend, Mr. Sami Vencatachelam Chetty, that in business there is always a certain amount of dishonesty. I am glad he has admitted it ; and I am glad he has made the confession of a capitalist. This capitalism cannot thrive except on the edifice of dishonesty, and I am also glad that my Honourable friend, Sir Homi Mody, has also said that he has had experience of all kinds, including of course what all people possibly get out of a company by all sorts of arrangements which we seek today to prohibit. He is good enough to proffer his assistance to me, so that I can also go and take some part of the spoils that he has been making. As I have already said, once before, I do not wish to walk into his parlour because I know that no honest man wishes to become a party to such arrangements. Even according to the Government's own arrangements, it is an established fact that no officer can get himself interested in any contract or any business arrangement over which he has got any say. If any particular P. W. D. engineer directly or indirectly is suspected and is found out to have had anything to do with the contracts that he has got to execute, and to have got some money out of it, then he is liable to be dismissed, and very often he is dismissed.....

Mr. Sri Prakasa : He is transferred and promoted !

Prof. N. G. Ranga : If he is transferred and promoted, then Government cannot say that it is the right thing to do : but Government has to admit that it is a wrong thing and tries to hush it up. But it is really wrong for these businessmen to come forward and say that what Government is not prepared to do, they really are anxious to do : what Government itself admits to be a wrong, these men come forward here and justify.....

Mr. B. Das (Orissa Division : Non-Muhammadan) : Directors are not whole-time servants.

Prof. N. G. Ranga : That is a most obnoxious statement and it is a most obnoxious practice. I am reminded by my Honourable friend, Mr. B. Das, that directors after all are not whole-time servants. That may be so. Members of local boards are not whole-time servants ; and yet no member of a local board or a municipal council is permitted to have anything to do with any particular project, either directly or indirectly, of a municipal council or local board, out of which some money can be got, some remuneration can be made. If it can be established,—and it is sought to be established on many occasions in a Court of law,—that any particular member of a municipal council or a local board has any such nefarious dealings with that particular local council, he is liable to be unseated and to be prosecuted therefor and to be punished also. Are we to be told that the directors of these companies are such demigods and gods—and on their own admission most of them are dishonest. (Laughter)—that they should be left scot free, that all of us here should simply keep mum merely because they are not able to settle their own terms between the lawyers on the one side and the capitalists on the other? (Laughter.) Sir, I refuse to be a party to this kind of a game they wish to perpetrate even in this House. I am glad that most of us are not businessmen—I am glad that most of us are not directors, and I am also glad that most of us are not capitalists ; and we are here not only to represent the shareholders but also the general public of the country as a whole and we are here to see that the capitalists behave themselves.....

An Honourable Member : The shareholder is a capitalist !

Prof. N. G. Ranga : If it is a matter of keeping the peace between capitalist and capitalist, we know our way, the way of the Congress, the way of all genuine nationalists, the way of every patriotic Indian is to support the smaller capitalist as against the bigger capitalist, the disabled capitalist as against the intelligent capitalist, and the capitalist who cannot look after himself as against people like my friends, Sir Homi Mody, and Mr. Vencatachelam Chetty and Mr. Avinashilingam Chettiar. (Laughter.) Sir, we were told all secrecy will be gone once you allow this. How can it be? My Honourable friend, Mr. Pant, is a lawyer but he is also a public worker and he has tried in vain to draw the attention of my Honourable friend, Mr. Avinashilingam Chettiar, to section 91A. It makes it clear that a—

“ register shall be kept by the company in which shall be entered particulars of all contracts or arrangements to which sub-section (1) applies, and which shall be open to inspection by any member of the company at the registered office of the company during business hours.”

If such a register is liable to be kept and is going to be kept, I do not see any reason why there should be any fear of any violation of the necessary secrecy in which alone these dishonest men can carry on their business, when the contracts in which the directors are interested are to be placed before the general body of the company. What is it this amendment of Mr. Ananthasayanam Ayyangar asks us to agree to?

An Honourable Member : He is not a capitalist !

Prof. N. G. Ranga : Unfortunately he is not one and he is overweighed with a big family. (Laughter.) It only wants these directors to approach the general body of shareholders only when any director or

[Prof. N. G. Ranga.]

all of them are interested either directly or indirectly or through their partners or friends in the sale, purchase or supply of goods and materials to the company. But in justification of their position, my Honourable friend, Mr. Avinashilingam Chettiar, said : " Oh, many relatives of these directors and many of the directors themselves are today carrying on this kind of negotiations and transactions and thus are helping many of these companies."

Mr. T. S. Avinashilingam Chettiar : I said nothing of the sort.

Prof. N. G. Ranga : I speak subject to correction ; but anyhow I know the business conditions prevailing in Coimbatore from which place my Honourable friend hails, and I know also, just as he knows, all the havoc that many of these managing agents and many of these directors of Coimbatore businesses have been playing and the deceit they have been perpetrating upon many of their own shareholders. I can give points even to my Honourable friend, Mr. Avinashilingam Chettiar, although he is a capitalist, because I have studied the problem on the spot—I have been there twice in order to study the organisation of the cotton mill industry in that place ; and I can state here with full confidence that it would be still possible for all those mills in Coimbatore, in Madras and in other places to carry on their business quite honestly if they wish to, quite competently if they want to, and quite profitably as they do at present, without resorting to this malpractice of allowing any of their directors to take contracts, to get into all sorts of nefarious agreements with their own board of directors. We are told here are the directors of the board who are themselves the representatives of the shareholders and they are quite competent to look after them and so on. Even my Honourable friend, Mr. Bajoria, the capitalist, himself has admitted that many of these directors are liable to be influenced by the position and the personality of their colleagues. Under these circumstances, there does not seem to be any justification whatsoever to allow a practice like this. We do not want these people shall not give any contracts to anybody, but we do not want them to divide up the resources, the profits, the contracts, the dealings of the company as a whole among themselves. Here are the *purohits*, these *purohits* are even worse than the Roman Catholic priests. They want to be a law unto themselves. We shall not allow this. I sincerely hope that every elected Member of this House, including my Honourable friend, Mr. Kabeer-ud-Din, will support Mr. Ayyangar's amendment.

Sir Ghulam Hussain Hidayatallah (Sind Jagirdars and Zamindars :

4 P.M.

Landholders) : Sir, all the three amendments accept the principle that the directors, though interested in contracts, can enter into those contracts. This brings me to another point, whether those contracts should be entered into with the approval of the shareholders, or of the directors, or in some other way. First, I will deal with the amendment of my Honourable friend, Pandit Govind Ballabh Pant, who proposes that all the contracts should be entered into with the approval of the shareholders. I will characterise that amendment as impracticable and objectionable. I call it impracticable because for day-to-day administration, to go to a large body of shareholders is ridiculous. Besides, to call a meeting of the shareholders

for every contract is waste of time and energy. Further, this amendment of my Honourable friend presumes that every director is a dishonest man. Now, the law as regards those contracts is laid down in section 91A. Originally, whenever directors entered into such contracts they had only to disclose at a meeting of the board that they had entered into such contracts. The present Bill, in order to protect the interests of the shareholders, has tightened the law in this respect. The amendment of my Honourable friend, Sir Homi Mody, says that such a contract can only be entered into with the approval of the directors. Who are these directors ? Under the Bill the managing agents can nominate not more than one-third of the directors, and the shareholders can elect a minimum of one-third, and in some cases, two-thirds. So, the consent to the contract that will be entered into by the directors will be of the directors who are the representatives of the shareholders mostly and of the managing agents. Again, another provision has been made in the Bill under clause 44. The Bill requires that a register should be kept in which all the contracts that are entered into by the directors should be entered in it, and that register will be open for inspection by every shareholder. If the director dishonestly acted, these shareholders have a chance to scrutinise that register and they can take them to task at the general meeting. The Bill further provides specially for the removal of the directors. If the shareholders find in the register that any *mala fide* transaction has been entered into by the director they have the remedy to remove him. With these words, I support the amendment of Honourable Sir Homi Mody.

The Honourable Sir Nripendra Sircar : Sir, after so many speakers have spoken, I do not want to speak at length. The first question which the House has got to consider is this. Why is it that in India we are requiring provisions which have not been embodied in England in the English Act ? I believe the answer is that the shareholders here are not so vigilant, I do not know that shareholders in any country are.....

Sir Abdul Halim Ghuznavi (Dacca cum Mymensingh : Muhammadan Rural) : They are in England.

An Honourable Member : They have no trust in their own people.

The Honourable Sir Nripendra Sircar : I do not know as much of England, as my Honourable friends. I believe the argument is that the shareholders here are disunited, they are not vigilant and therefore they have got to be protected. Let us see how legislation on this matter stands. In 1913 when the Companies Act was consolidated, there was no provision for disclosure by directors. If I remember aright, the Select Committee said that something ought to be done on those lines, but inasmuch as the matter had not been circulated for public opinion they would keep it for future legislation. As a result of that, in 1914 sections 91A and 91B were introduced, which compel directors to make certain disclosures. I have no desire to read those sections. That was the state of affairs in 1914. Since 1914 this law has prevailed and we are now in 1936. Although so many speakers have spoken, I have not yet, except for a vague reference to some book which has not been placed before us—and I can assure my Honourable friend that I did not get a copy—come across any cases of abuse by reason of the directors having charged prices higher than the market rates or having taken undue advantage of their position. I submit with confidence that

[Sir Nripendra Sircar.]

no strong case, if any case at all, has been made. Sir, on a previous occasion I have stated my reasons concisely as to why the amendment moved by my Honourable friend, Mr. Satyamurti, and that moved by my Honourable friend, Pandit Govind Ballabh Pant, are unacceptable. We are left with two or two and a half, amendments because we have one from Sir Homi Mody, another from my Honourable friend, Mr. Ananthasayanam Ayyangar, and another which I will call half from Mr. Avinashilingam Chettiar, because there is no regular amendment as regards ratification. As regards the first two, putting it shortly, the question is whether these contracts should receive the approval or consent of the general body of shareholders or of the directors. The businessmen who have spoken are,—of course, they are capitalists—Mr. Sami Vencatachalam Chetty, Mr. Bajoria, and I do not know whether my Honourable friend, Mr. Avinashilingam Chettiar, is—.....

An Honourable Member : He is one.

The Honourable Sir Nripendra Sircar : I thought so. So far as they are concerned, they all agree that it would be inconvenient to go to the shareholders for sanction of these contracts. I do not agree that it means that every contract has got to be put before them because the shareholders can have a general resolution. But if you take a concrete view of things, supposing this is a meeting of shareholders, what is the resolution? "We allow our director Mr. A. to transact business up to the extent of Rs. 10,000 in cotton seeds, or this, that and so on." What is the value of that resolution? What the quantities are not mentioned, the rates have not been fixed,—and it is impossible to fix rates because the market rates will be changing from day to day, from week to week, or from month to month,—I submit, is any good done by having all this trouble of calling the shareholders, knowing that they cannot possibly at that time exercise their minds as regards the goods which have got to be bought, where they have got to be bought, and at what rates?

Sir, if my Honourable friend, Mr. Ranga, is to be believed, I mean if his argument is to be believed, for he is always to be believed, then all capitalists are dishonest people. If that is so, then why trouble the shareholders by asking them to attend meetings. They will be done in some way or other and why trouble them especially as this House has not allowed them any travelling allowance. At the present moment the position is that we have gone in advance of the English law in two matters, first of all in the matter of the register which has got to be kept of the directors' contracts, which is open to inspection. That has its history. Very strong representations were made by some people including particularly the Bombay Shareholders' Association that it is necessary that such a register should be kept. We have conceded that; although there is no such provision in England. I do not say that the opinion of the Bombay Shareholders' Association is sacrosanct and that you should not go behind it but the fact remains that they have been most strenuous in their attempts to put fetters on directors and they say that they would be satisfied if the contracts come up before a certain majority of directors and a register is kept. We have provided for the register and if Sir Homi Mody's amendment is accepted, it will provide for the other thing which they want. In these circumstances, I make

my position clear that I shall not object to Sir Homi Mody's amendment, but I object to the other amendments.

Mr. Mathuradas Vissanji (Indian Merchants' Chamber and Bureau : Indian Commerce) : Sir, I would like to make a few remarks on the four amendments which are before us. Honourable Mr. Satyamurti's is of a very sweeping character. There has been a little modification by my Honourable friend, Pandit Pant, but it does not carry us to the extent that we want for the actual working of the companies. Mr. Ayyangar's amendment is also of the same nature. It only specifies the extent to which the company can prohibit the directors in the matter of business, if it so desires in general meeting. If we have to pass these amendments, the first effect of it will be that the directors at present who are concerned directly or indirectly with the business of any contract of the firm will have either to resign *in toto* or they will have to bring about the termination of the contract or arrangements anyhow. That will be the first deadlock created. The Bill itself provides that the existing contracts are not to be disturbed and although in the Select Committee there was a great deal of difference of opinion on the subject, a compromise was brought about. I can give the House practical instances of the difficulties that will have to be faced if we pass these amendments. Suppose a mill has got on its directorate some of the directors who have also got concerns with whom the mill has got to do business directly or indirectly. Then is it suggested that every time they have got to enter into a contract, they must call a general meeting of shareholders? It is practically impossible. The director is concerned with some factories for ginning and pressing cotton, which have got to be engaged during the season. That time only comes up about the end of the monsoon, in October or November. The managing agent really does not know whether he is going to make a contract with the directors' company or not, because he has got to see what the best terms available are and if he finds that he can make a cheaper arrangement with the director's company, is he to go and convene a general meeting to give sanction to that arrangement? It is absolutely impossible. Similar instances can also be cited. When there is another company where the supply of the material to the mill is concerned and a contract has got to be arranged, having regard to the market conditions prevailing which the managing agents do find are really in the interests of the company, are they to be asked to go to the shareholders to get the sanction? I say it is practically impossible. Many limitations have been already placed by the new provisions. I think that if the amendment of Sir Homi Mody were to be carried, that will be serving the best interests of all concerned. With these words, I support the amendment of Sir Homi Mody.

Seth Govind Das (Central Provinces Hindi Divisions : Non-Muhamadan) : I had no desire to take part in this debate but for the three speeches which have been made here, two of them by my Honourable friends, Mr. Chettiar and Prof. Ranga, members of my own Party. Prof. Ranga said that the whole class of capitalists was dishonest. Now, Sir, I belong to that class and fortunately or unfortunately I find myself in complete agreement with the amendment which has been moved by my Honourable friend, Mr. Satyamurti. Unfortunately opposition to my own class has been my lot from the time I finished my education. At that time I belonged to the landlord class and unfortunately I differed

[Seth Govind Das.]

with them on what they thought were their class interests although they always gave me their confidence. I belong to this class of industrial capitalists and unfortunately I differ with them as well. The whole question should be looked at firstly from the moral point of view and in my opinion the directors have two capacities in any concern. First of all they are shareholders because they can be elected directors only after becoming shareholders of any concern. But secondly, as directors they are trustees for their shareholders. Now, I cannot understand how, when directors enter into contracts with their company, they can discharge their duties as trustees. As soon as self-interest crops up in ninety-nine cases out of hundred they forget their duties towards their shareholders and self-interest gains the upper hand. Sir, I myself tabled the amendment that my friend, Mr. Satyamurti, has tabled and I say that these contracts of directors with their concerns should be entirely prohibited. The difficulties in the way of getting those contracts sanctioned by meetings of shareholders have been placed before this House and I mostly agree with them. If you allow these contracts, and if you provide that they should be rectified by shareholders, there will be numerous difficulties and therefore, Sir, in my opinion the first amendment which has been moved by Mr. Satyamurti should be supported even from the capitalists who are honest and who think that directors besides being shareholders are also the trustees of shareholders. Now, Sir, from the business point of view it has been pointed out here that the business of companies will suffer if these contracts are not allowed. I do not agree with this point of view, because even if the contracts are not made with directors, which are generally made with concessions, the business of a company cannot suffer. Generally we find that contracts are given to directors in preference to other better offers and with the object of giving additional profits to the directors and in this manner the ordinary shareholders are put to a loss. Thus if we look at the matter from the point of view of shareholders, in my opinion their interests will not only not suffer, but will be better served, if all these contracts are strictly prohibited to the directors. Sir, I think now Professor Ranga who is obsessed with the theory of supposed class struggle will not have the same complaint which he had when he spoke and when he said that all capitalists were dishonest. I am sorry my friend, Mr. Vencatachalam Chetty and my friend, Mr. Avinashilingam Chettiar, though they belong to the progressive and better class of capitalists, thought it fit to oppose these amendments. Sir, I support the first amendment moved by my friend, Mr. Satyamurti.

Several Honourable Members: I move that the question be now put.

Mr. President (The Honourable Sir Abdur Rahim): I will put the amendment standing in the name of Mr. Satyamurti first. The question is:

"That in clause 40 of the Bill, after the proposed section 86E, the following be added:

"86EE. No Director shall be directly or indirectly concerned or interested in any contract or arrangement entered into by or on behalf of the company of which he is a Director."

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim): I will now put the amendment standing in the name of Pandit Govind Ballabh Pant. The question is:

"That in clause 40 of the Bill, after the proposed section 86E, the following new section be inserted:

"86EE. No director shall except with the sanction of the company in general meeting, be directly or indirectly concerned or interested in any contract or arrangement entered into by or on behalf of the company of which he is a director, provided that nothing herein contained shall affect any contracts or arrangements entered into before the commencement of the Indian Companies (Amendment) Act, 1936."

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim): Next comes Mr. Ananthasayanam Ayyangar's amendment. The question is:

"That in clause 40 of the Bill, after the proposed section 86E, the following new section be inserted:

"86EE. Except with the consent of the company in general meeting, a Director of the company, or the firm of which he is a partner or any partner of such firm, or the private company of which he is a Member or Director, shall not enter into any contracts for the sale, purchase or supply of goods and materials with the company, provided that nothing herein contained shall affect any such contract or arrangement for such sale, purchase or supply entered into, before the commencement of the Indian Companies Amending Act, 1936."

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim): Then I come to Sir H. P. Mody's amendment. The question is:

"That in clause 40 of the Bill, after the proposed section 86E, the following new section be inserted:

"86EE. Except with the consent of the directors, a director of the company, or the firm of which he is a partner or any partner of such firm, or the private company of which he is a member or director, shall not enter into any contracts for the sale, purchase or supply of goods and materials with the company, provided that nothing herein contained shall affect any such contract or agreement for such sale, purchase or supply entered into, before the commencement of the Indian Companies (Amendment) Act, 1936."

The motion was adopted.

Pandit Govind Ballabh Pant: Sir, with your permission, in place of amendment No. 19, I might move:

"That in clause 40 of the Bill, after clause (g) of sub-section (1) of section 86G, the following be inserted:

"or (h) acts in contravention of section 86EE."

That would be a consequential amendment.

Mr. President (The Honourable Sir Abdur Rahim): The question is:

"That in clause 40 of the Bill, after clause (g) of sub-section (1) of section 86G, the following be inserted:

"or (h) acts in contravention of section 86EE."

The motion was adopted.

Mr. T. S. Avinashilingam Chettiar : Sir, I move :
 "That in clause 40 of the Bill, after clause (g) of sub-section (1) of the proposed section 86G, the following be added :

"(j) or if convicted of any offence in relation to companies."

Sir, 86G deals with the vacation of an office of director. It specifies the various occasions or circumstances under which directors will be automatically removed from the board of directors, and to that I seek to add another circumstance which will disqualify a director from being a member of the board of directors and that is that if he is convicted of any offence in relation to companies.

An Honourable Member : Why not also in the case of other offences? The balance sheet may be wrong?

Mr. T. S. Avinashilingam Chettiar : I had previously given notice of an amendment in this form :

"If convicted of an offence involving moral turpitude."

Mr. Sen's report in Chapter III, page 15, deals with the vacating of the office of a director of a company and there he writes :

"I would recommend that it should therein be provided that the office of a director shall *ipso facto* be vacated on the happening of the following events :

"(9) If he is convicted for fraudulent trading."

There is no provision in the Bill itself which provides that on conviction the director will be asked to vacate his office. I should think it is necessary in the interests of the commercial life and the confidence that the public should repose in a company that a director who is convicted of an offence in a Court of law should be disqualified to hold his position as such. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in clause 40 of the Bill, after clause (g) of sub-section (1) of the proposed section 86G, the following be added :

"(j) or if convicted of any offence in relation to companies."

The Honourable Sir Nripendra Sircar : Sir, I oppose this amendment. What is an offence relating to companies? First of all, I believe that if there is an offence in relation to one company, it is not enough; it must be an offence in relation to companies. Leaving that alone, what is an offence in relation to a company? Mr. Sen's recommendation was with reference to a very definite matter, namely, fraudulent trading. The words of the amendment are very vague. I do not know if I assault the Darwan of a company, that is an offence relating to a company. Of course, that is not what my Honourable friend means, but the words are so vague that I must oppose this amendment.

Mr. K. Ahmed (Rajshahi Division : Muhammadan Rural) : Sir, I rise to oppose this amendment on the ground that the Mover says that a director should vacate his office only when he has committed an offence in relation to his company and not if he has committed any other offence. A scoundrel of the first water who is convicted for 10 years' rigorous imprisonment and who has committed certain heinous

offences will be qualified to become a director of a company. A man who has enticed away another man's wife and a man who has misappropriated thousands and thousands of rupees from different companies will be eligible for the directorship. Even a disqualification which is applicable in the elections to this Honourable House will not be applied in the case of a director. This House is as respectable—if not more—as the office of the directorate of a big company. We have in this House a multi-millionaire. Sir, my Honourable friend, who is the youngest Member of this House, has brought an amendment which has no legs to stand upon and I ask him therefore to withdraw it at once.

Mr. Akhil Chandra Datta (Chittagong and Rajshahi Divisions : Non-Muhammadan Rural) : Sir, I rise to oppose this amendment, and I will not take more than half a minute. Supposing a director is convicted for not filing a statement, would that be a reason for asking him to vacate his office?

Mr. T. S. Avinashilingam Chettiar : Sir, it will shorten the discussion if I am allowed to say that I do not press my amendment.

The amendment was, by leave of the Assembly, withdrawn.

Dr. N. B. Khare (Nagpur Division : Non-Muhammadan) : Sir, I do not propose to move my amendment to oblige my friend, Sir Homi Mody.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That clause 40, as amended, stand part of the Bill."

The motion was adopted.

Clause 40, as amended, was added to the Bill.

Maulana Shaukat Ali (Cities of the United Provinces : Muhammadan Urban) : Sir, I beg to move :

"That after clause 40 of the Bill, the following be inserted :

"40A. There shall be no managing agents in any key industry company, and every such company shall be managed by a Board of Directors elected by the shareholders. In every key industry company there shall be at any time not less than three-fourths of the total number of Directors Indians."

My object in moving this amendment is this.....

The Honourable Sir Nripendra Sircar : I rise to a point of order. You will remember, Sir, that you ruled out of order two amendments. I would draw your attention to amendment No. 7 which was intended to be moved by Professor Ranga which contained the definition of a key industry and also to amendment No. 9, both of which you ruled out of order. The result is that in the definition clause we have nothing to show what is a key industry. It seems rather useless to go on discussing when we do not know what a key industry is.

Maulana Shaukat Ali : It is no use passing a Bill and then go on changing it. It is by far better to have a fairly comprehensive law from the very beginning. I feel strongly that in the matter of a key industry we should be in a fairly safe position.

Mr. President (The Honourable Sir Abdur Rahim) : What are the key industries ? They are not defined in the Bill.

Maulana Shaukat Ali : Key industries refer to things that are essential for the country, such as, arms and ammunition ; also minerals that are produced in the country and which should be put in the finished form instead of getting them from outside.

Mr. President (The Honourable Sir Abdur Rahim) : But in a Statute like this they must be defined.

Mr. M. S. Aney : Is it not possible later on for the Governor General in Council, under the rule-making clause, to mention the industries which can be classed as key industries ? That amendment can be brought to that clause later on and it should not be ruled out at this stage.

The Honourable Sir Nripendra Sircar : There is no rule-making clause in the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : If an amendment is sought to be moved on the lines suggested by Mr. Aney, then I will consider whether it is in order or not, but at present this amendment is not in order, and, therefore, I rule it out of order.

Pandit Govind Ballabh Pant : The term "key industry" is a well-known term in economic science. Anybody can refer to that.

Mr. President (The Honourable Sir Abdur Rahim) : It is different in different countries and in different circumstances. It has not been defined anywhere.

Prof. N. G. Ranga : I can define what a "key industry" is, as an economist.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That clause 41 stand part of the Bill."

Mr. Sri Prakasa (Allahabad and Jhansi Divisions : Non-Muhammadan Rural) : Sir, I beg to move :

"That in clause 41 of the Bill, in the proposed clause (a) of sub-section (1) of section 87, for the words 'that directorship or of some one of those directorships' the words 'such directorship or directorships' be substituted."

Sir, I have very little to say on this subject. As the clause in the Bill stands, it is rather vague. It says that :

"in the case of an individual, his present name in full, any former name or surname in full, his usual residential address, his nationality and, if that nationality is not the nationality of origin, his nationality of origin and his business occupation, if any, or if he holds any other directorship or directorships the particulars of that directorship or of some one of those directorships"

shall be recorded in a register.

The Bill, as it is drafted, requires details of only "some one of the directorships" held by an individual. I.....

The Honourable Sir Nripendra Sircar : If it will shorten discussion, I may say just now that I am willing to accept the amendment. The language of the amendment is an improvement on the language in the Bill which is rather defective.

Mr. Sri Prakasa : I begin to feel suspicious now that the Honourable Member has accepted it ! Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in clause 41 of the Bill, in the proposed clause (a) of sub-section (1) of section 87, for the words 'that directorship or of some one of those directorships' the words 'such directorship or directorships' be substituted."

The motion was adopted.

Mr. M. Ananthasayanam Ayyangar : Sir, I beg to move :

"That in clause 41 of the Bill, to clause (b) of sub-section (1) of the proposed section 87, the words 'the full name, address and nationality of each of its directors and' be added at the end."

The Honourable Sir Nripendra Sircar : Before my Honourable friend proceeds further, I may say that if my Honourable friend will not feel suspicious, I am willing to accept this amendment.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in clause 41 of the Bill, to clause (b) of sub-section (1) of the proposed section 87, the words 'the full name, address and nationality of each of its directors and' be added at the end."

The motion was adopted.

Mr. M. Ananthasayanam Ayyangar : Sir, I beg to move :

"That in clause 41 of the Bill, after clause (c) of sub-section (1) of the proposed section 87, the following clause be inserted :

'(d) the names of directors who have a share in or are otherwise interested in the remuneration payable to managers and managing agents'."

Sir, clause (c) of sub-section (1) of the proposed section 87 says :

"in the case of a firm, the full name, address and nationality of each partner, and the date on which each became a partner should be given."

Sir, all that I say is that these are the details that are required to be placed in a register so as to appraise the shareholders of the interest they have not only in this company but in other companies also so that whenever an occasion arises for election or re-election of a particular director, the shareholders may know the data on which they have to proceed whether those persons will devote their whole-hearted attention or not. The amendment which I move requires that particulars should be given regarding the names of directors who have a share in or are otherwise interested in the remuneration payable to managers and managing agents. I want these particulars for this reason, that if they are already interested in the managing agents or in getting a share in the remuneration, the shareholders may avoid them ; we have tried by a previous amendment to get in independent shareholders and there is still doubt or difficulty as to whether we have achieved the purpose of getting two-thirds of directors in a directorate to be elected by the shareholders. Much argument centred round the amendment of my Honourable friend, Dr. Khare, and it was finally accepted. Now, therefore, if in a directorate we want to have independent men, we have to know really whether these persons whom we are sending to the directorate under the two-thirds clause—that is to say two-thirds of the directors

[Mr. M. Ananthasayanam Ayyangar.]

should be elected by the shareholders—we have to know whether after all we are choosing the right men, that is, independent of the managing agents. If they are already interested in the remuneration payable to managers or the managing agents—already the managing agents have got directly the right to appoint directors to the extent of one-third, and if out of two-thirds of the balance left for others, a director is appointed who is interested in the managing agent's remuneration, then indirectly the managing agent will have a voice in the election of two-thirds directors and in this way those persons who are appointed will be mere aliases of the managing agent. If with the knowledge that these people have got an interest in the remuneration payable to the managing agent, if with open eyes, the shareholders appoint these men as directors, then they have to thank themselves for it. Then there is absolutely no harm. Let not the shareholders act without proper information. The registers which are maintained only for the purpose of appraising the shareholders of the position and status of these people and of the interest they have in the management will help the shareholders in choosing the right sort of directors. My amendment will help the shareholders in that respect. I therefore hope the Honourable the Leader of the House will accept my amendment.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in clause 41 of the Bill, after clause (c) of sub-section (1) of the proposed section 87, the following clause be inserted :

"(d) the names of directors who have a share in or are otherwise interested in the remuneration payable to managers and managing agents."

The Honourable Sir Nripendra Sircar : Sir, I oppose this amendment. Clause 41 provides for keeping a register showing the names of directors, managing agents, etc. At the end of that clause, completely outside the scope of this section 87 my Honourable friend suggests that we should add :

"(d) the names of directors who have a share in or are otherwise interested in the remuneration payable to managers and managing agents."

What is the process by which this is to be ascertained ? With the help of the C. I. D. ? If not, there is no provision in this Bill which compels a manager or a director to give this information. If that information is asked for, the man asking can be asked to go to some unmentionable place. That is what would happen.

Mr. M. Ananthasayanam Ayyangar : If I am a director myself, I know whether I am to make this disclosure or not. It is not a third party to whom I look to this.

The Honourable Sir Nripendra Sircar : If my Honourable friend were a director and if he did not give that information, what could have happened to him ? He will possibly suffer in the next world ; but the Companies Act has no punishment for him in this world.

Mr. S. Satyamurti : He will live in Sir H. P. Mody's company.

The Honourable Sir Nripendra Sircar : Sir, I oppose this amendment.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in clause 41 of the Bill, after clause (c) of sub-section (1) of the proposed section 87, the following clause be inserted :

"(d) the names of directors who have a share in or are otherwise interested in the remuneration payable to managers and managing agents."

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim) : Now, I will put clause 41 to the House.

Mr. N. C. Chunder (Calcutta : Non-Muhammadan Urban) : Sir, may I point out a drafting error in this clause ? In the seventh line of clause (a), "or" should be changed into "and".

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member may move an amendment to that effect.

Mr. N. C. Chunder : Sir, I will then move it as an amendment. I move :

"That in section 87 (1) (a), for the word 'or' in the seventh line, the word 'and' be substituted."

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in section 87 (1) (a), for the word 'or' in the seventh line, the word 'and' be substituted."

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That clause 41, as amended, stand part of the Bill."

The motion was adopted.

Clause 41, as amended, was added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That clause 42 stand part of the Bill."

Sir Leslie Hudson : Sir, I beg to move :

"That in clause 42 of the Bill, sub-sections (2), (3) and (4) of the proposed section 87A be omitted and sub-section (5) be re-numbered as sub-section (2)."

In my remarks on the motion to take the Bill into consideration, I said that there were certain provisions of the Bill which we took strong objection to on questions of principle. This is one of them in fact, this sub-section is, from that point of view, the most objectionable of the whole Bill, destroying as it does the sanctity of contract.

It has been said that the sanctity of contract does not exist and that the Legislature has frequently interfered with existing contracts. But the Legislature only interferes when contracts are found to be against public policy ; and then not to cancel contracts wholesale but to provide relief where in individual cases it is found that a contract is unconscionable. A contract is unconscionable only when a hard bargain is driven

[Sir Leslie Hudson.]

against a person in great need or distress or against an ignorant and helpless individual. It surely cannot be maintained that the shareholder is a needy and helpless person. With the section as passed by the Select Committee it cannot even be said that the intention of the Legislature is to give the shareholders the right to reconsider a long term contract after 20 years, for the managing agent is to be dismissed by the section, whether the shareholders like it or not. An attempt has been made by the Select Committee to remove the characteristic of expropriation by providing for compensation, but the existing law on the measure of compensation is so unsatisfactory that the managing agent may find himself left with a right which proves illusory. I was unable to convince the Select Committee of this; I was unable to convince them on the point of sanctity of contract; but I hope that in what I am about to lay before the House I may be more fortunate. In any event I must place on record our objection to the principle underlying sub-section (2) of the proposed new section 87-A of the Bill.

We have agreed to the statutory limit which 87 A (1) places on the duration of managing agents agreements in new companies, though we confess we are unable to see any overwhelmingly good reason why even there there should be this arbitrary interference with the freedom of the company to make such terms with its managing agents as it may think good and proper. While we are prepared to concede the point in new companies we cannot give our willing consent to a provision which treats lawful contracts already in existence as so many scraps of paper.

We consider this particular provision of the Bill to be wrong in principle, unnecessary, and dangerous to the interests of the company, i.e. the shareholders. I must ask the House to try and realise the position in which all existing managing agencies will be placed if this provision becomes law. They will be placed under a sentence of death twenty years hence, and when I say that I do not overlook the good intentions of the provision what I might call the recommendations to mercy, which are designed to facilitate the renewal of existing agreements on such fresh terms as may then be possible. Good intentions are one thing and hard facts are another and from whichever angle you look at the problem it seems obvious to me that the managing agent has no assurance, no guarantee that his agreement will be renewed and so long as that state of affairs continues the sentence of the sub-section is suspended over his head.

I cannot anticipate, any more than other Honourable Members can, the position some of the companies at present under managing agents are likely to find themselves in in ten, fifteen or twenty years' time. I cannot say what particular companies fifteen years hence may find themselves in need of financial assistance, and, as has so often been the case in the past, find that the security which they can offer is insufficient to enable the banks to advance them loans. In such an eventuality, the only alternatives of a company are liquidation or financial support from the managing agent. No managing agent is going to advance money in the expiring years of his agreement unless he is assured of a fresh lease of life to carry him for a longer period. What will be the position if the

shareholders for any reason, and it may be an entirely unaccountable reason, refuse to renew the managing agents agreement. It may easily happen that the company will find itself during a critical period in the hands of new managing agents who, in their turn so far as they know, may again have to hand over the affairs of the company in a very short time. I cannot anticipate, any more than other Honourable Members can, what sort of difficulties this particular provision of the Bill may give rise to. I can only tell the House what is in our mind and leave it to the good sense of Honourable Members.

I believe it was Confucius who said that if you would divine the future you must study the past. We can at any rate

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draw from past experience in Calcutta and Bombay in order to demonstrate the possible danger which we foresee if this provision goes through as it stands today.

Let me give one or two instances of the way in which managing agents have assisted the development of companies. I will first take an instance of a company which has only become successful through the careful nursing of managing agents. I refer to a company in Bengal which was the pioneer company in India for the production of Aeroplane spirit, known as Benzol. This company was started in 1918 with a capital of 12 lacs. As a result of post-war inflation the estimated cost of the Block was considerably exceeded and the company was only rescued from liquidation by the financial assistance of the managing agents. Five years after, in 1923, the company's overdraft with the managing agents amounted to Rs. 17 lacs, while to assist the company the managing agents handed back nearly Rs. 26,000 of the allowances to which they were entitled. Since 1930, the company has been solvent and the shareholders today are receiving an 8 per cent. dividend annually. I do not think it unreasonable to suppose that if in 1918, the managing agents had been faced with a statutory time limit to their agreement they would have thought twice before embarking on the long and unpromising prospect of managing and financing this particular company through its first twelve years of adversity. It is obvious that but for the managing agents advancing cash to the extent of nearly one and a half times the capital, and for their persistent and steady nursing through twelve barren years of the eighteen years of its existence, this company would have been forced into liquidation, the shareholders would have sacrificed their entire investment and a valuable indigenous industry would have been lost to India. I will give another instance of a company managed in Bombay. There is a company whose works are situated in Northern India which today is in a very sound condition. This company encountered bad times in 1923 and the managing agents made unsecured advances amounting to nearly Rs. 20 lacs and also guaranteed a loan from the bank on behalf of the company for Rs. 8 lacs, so that in that year the unsecured outstanding of the managing agents involved a sum nearly Rs. 28 lacs. In 1924 the company floated a debenture loan of Rs. 25 lacs bearing interest at 8 per cent. which was offered to the shareholders who, notwithstanding the attractive rate of interest, had then so little faith in the company that only 21 of them took up altogether Rs. 50,000 and the managing agents took up the balance of Rs. 24½ lacs. From 1924 to 1926 no interest on these debentures was paid to the managing agents, but they did not foreclose. The rate of interest on

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[Sir Leslie Hudson.]

these debentures was, as I said, 8 per cent. At the suggestion of the managing agents it has now been reduced to 5½ per cent. Had it not been for this considerable financial assistance which the managing agents have given to this particular undertaking, and which, as the House will realise, was no light matter to them, the shareholders would undoubtedly have lost their all.

Mr. President (The Honourable Sir Abdur Rahim) : If the Honourable Member wishes to continue his speech, he can do so next day : he need not cut short his speech.

Sir Leslie Hudson : I shall take only about ten minutes more. There is another category of instances which relate to companies which, during periods of depression when banks would not advance money, received substantial advances from managing agents. I will only quote one instance here of the dozen or so which have reached us during the past few weeks. This refers to seven Indian tea garden companies under the management of the same managing agents. During the difficult years of 1920-21 the managing agents made no charge for their services in the administration of the seven companies, and wrote back to the different concerns some Rs. 58,000. They also advanced seven lakhs to help the companies through the slump. Five of the companies have recovered to a dividend paying basis while two are still being carried by the managing agents and overdrafts amount to Rs. 2½ lacs.

If I had time I could demonstrate to the House how managing agents have helped numerous companies in times of emergency by advancing money at rates of interest lower than those available in the market ; I could give examples of how managing agents have lost money personally through industries not being successful ; I think I could show why and how even the largest concerns find the rationalisation of the managing agency system preferable to individual company management. I will go on tomorrow, Sir, if I may.

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member can continue the next day.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 24th September, 1936.

LEGISLATIVE ASSEMBLY.

Thursday, 24th September, 1936.

The Assembly met in the Assembly Chamber at Eleven of the Clock, **Mr. President** (The Honourable Sir Abdur Rahim) in the Chair.

MEMBER SWORN.

Mr. Malcolm Lyall Darling, C.I.E., M.L.A. (Government of India : Nominated Official).

QUESTIONS AND ANSWERS.

SEPARATION OF THE DEOLALI CANTONMENT BAZAR FROM THE CANTONMENT AREA.

584. ***Mr. N. V. Gadgil** : (a) Will Government be pleased to state whether it is a fact that the Deolali Cantonment bazar is going to be separated from the Cantonment Area ?

(b) If the answer to part (a) be in the affirmative, will Government be pleased to place upon the table of the House the scheme, if any, on the subject ?

(c) Will Government be pleased to state what step has been taken, or is proposed to be taken, to ascertain the views of the cantonment civilian residents in this matter ?

(d) In view of the proposal to have Bazar Committees in Cantonments, what step do Government propose to take in the matter ?

Mr. G. E. F. Tottenham : (a) Government are not aware of any such proposal.

(b), (c) and (d). Do not arise.

CONTRACT FOR THE CONSTRUCTION OF THE HOWRAH BRIDGE.

585. ***Mr. T. S. Avinashilingam Chettiar** : Will Government state :

(a) in what stage the Howrah Bridge renewal contract is ;

(b) whether it is true that it has been given to a British firm ; and

(c) whether they were consulted formally or informally in this matter ?

The Honourable Sir Muhammad Zafrullah Khan : I have already answered several questions with regard to this matter, but the position is this :

(a) and (b). The contract for the construction of the New Howrah Bridge has been awarded to the Cleveland Bridge and Engineering Company of Darlington, England.

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(c) I would invite the attention of the Honourable Member to the provisions of section 5 of the Howrah Bridge Act, 1926, from which he will see that the awarding of this contract was a matter that rested entirely with the body of Commissioners set up by the Act subject only to the approval of the Local Government. The Local Government, however, communicated their decision to the Government of India before conveying it to the Bridge Commissioners.

Mr. T. S. Avinashilingam Chettiar : May I know if a condition has been imposed in the contract that they should buy all materials available in India itself?

The Honourable Sir Muhammad Zafrullah Khan : I would require notice.

REUTER'S MESSAGE HEADED "TORTURE OF INDIANS" PUBLISHED IN THE *Hindu*.

586. ***Mr. T. S. Avinashilingam Chettiar :** Will Government state :

(a) whether they are aware of the Reuter's message on page 7 of the *Hindu*, dated the 16th July, 1936, headed "Torture of Indians";

(b) whether the facts contained in it were true and if so, to what extent; and

(c) what action they have taken in the matter?

Sir Aubrey Metcalfe : (a) Yes.

(b) The facts are substantially correct.

(c) His Majesty's Government have caused strong representations regarding this deplorable matter to be made to the Japanese Government.

Mr. T. S. Avinashilingam Chettiar : What is the result of those representations?

Sir Aubrey Metcalfe : What result does the Honourable Member expect?

Mr. N. M. Joshi : May I know if the Honourable Member can give us a few of the facts mentioned in the question and the answer?

Sir Aubrey Metcalfe : I am answering a question which comes about 14 questions later regarding the full facts, I think it will be unnecessary to state them at the moment.

INDIA'S WITHDRAWAL FROM THE MEMBERSHIP OF THE LEAGUE OF NATIONS.

587. ***Mr. T. S. Avinashilingam Chettiar :** Will Government state :

(a) whether they are aware of the various meetings throughout the country on the 15th July, 1936, urging the withdrawal of India from the League of Nations; and

(b) if so, what they propose to do in that matter?

The Honourable Sir Nripendra Sircar : (a) Government understand that some meetings have been held at which resolutions in the sense indicated have been adopted.

(b) Government do not propose to take any action in the matter.

Mr. T. S. Avinashilingam Chettiar : May I know, Sir, whether by some meetings they mean there has not been sufficiently great agitation in the public about the question of withdrawal of India from the League?

The Honourable Sir Nripendra Sircar : There have been a fairly large number of meetings.

Mr. T. S. Avinashilingam Chettiar : May I know whether they have represented this matter to His Majesty's Government?

The Honourable Sir Nripendra Sircar : Do you mean special representations to say that there have been meetings?

Mr. T. S. Avinashilingam Chettiar : No.

May I know what steps they have taken in view of the great public agitation in India, with regard to withdrawal of India from the League?

The Honourable Sir Nripendra Sircar : I think I have answered twice this Session that Government are quite aware of the agitation, and for reasons which cannot be given in a supplementary question, I do not propose to answer this.

Mr. S. Satyamurti : Sir, in view of the anomalous position of India in the League of Nations, have Government come to any conclusion as to any steps, which they think ought to be taken, in order to make the position of India consistent with her status?

The Honourable Sir Nripendra Sircar : I really don't understand the question. If there is an anomalous position, it has existed for 20 years; that is nothing new, and I do not know exactly what my friend wants me to do.

Mr. S. Satyamurti : In view of the international situation, may I know if the Government of India have examined the position, whether their representative in the Assembly of the League of Nations is in a position to express Indian public opinion in this matter?

The Honourable Sir Nripendra Sircar : There has been no fresh examination.

Mr. S. Satyamurti : May I know whether Government are satisfied with the position of India, that India has got only one vote in the League of Nations which is really in addition to the one given to the United Kingdom?

The Honourable Sir Nripendra Sircar : That insinuation has been made a dozen times, and it has already been answered several times.

Mr. S. Satyamurti : May I know if it is an "insinuation"? Can Government give the House any information as to even one instance, in which the Government of India was able through their representative, to represent Indian public opinion, which in many matters is against the opinion of the United Kingdom?

The Honourable Sir Nripendra Sircar : This question also I have answered at least twice, and I have given instances where India has voted against Great Britain, not in great matters of war and peace, but in connection with various other matters connected with labour and other activities. I have given full answers to this question on more than two occasions.

Mr. S. Satyamurti : My specific question is with regard to genuine international matters like the question of Italy and Abyssinia, the question of sanctions, and so forth. I am asking for specific information whether the Government of India can give the House any instances or any occasions, when the Government of India was able to represent faithfully Indian public opinion, as against the opinion of the United Kingdom in those international matters.

The Honourable Sir Nripendra Sircar : That again assumes that Indian public opinion is such, that on it all parties agree.

Mr. S. Satyamurti : Have Government any means of ascertaining Indian public opinion, and if so, what are those means ?

The Honourable Sir Nripendra Sircar : Government has got to make up its mind on the materials before it as to what is public opinion. Public opinion is hardly unanimous on any case.

Mr. N. V. Gadgil : What about the question of stopping contributions to the League of Nations.

The Honourable Sir Nripendra Sircar : It does not arise.

Mr. K. Ahmed : Is it not a fact that when you say that India is a member of the League of Nations, it includes not only British India, but Indian States also ?

(No reply.)

MARKS FOR *Viva Voce* IN THE INDIAN CIVIL SERVICE EXAMINATION.

588. ***Mr. M. Ananthasayanam Ayyangar :** (a) Are Government aware that the allotment of the largest number of marks for *viva voce* in the Indian Civil Service examination, shuts out a large number of deserving candidates ?

(b) Are Government prepared to consider the advisability of fixing a maximum of marks for *viva voce* at a figure which is not higher than that fixed for any other subject in the same examination ?

The Honourable Sir Henry Craik : (a) and (b). The reply is in the negative.

Mr. M. Ananthasayanam Ayyangar : Is the Honourable Member aware that fixing high marks for *viva voce* test practically shuts out many an intelligent man who has scored very high marks in other subjects ?

The Honourable Sir Henry Craik : I take it that it is the view of the Secretary of State that the *viva voce* is the most important part in the examination.

Dr. Ziauddin Ahmad : Is it not a fact, Sir, that *viva voce* test is held in regard to all the subjects included in the examination, and questions are also asked to test the commonsense of the candidates ?

The Honourable Sir Henry Craik : I believe questions are asked to elicit what amount of commonsense the candidates possess.

Mr. K. Ahmed : If anybody has got special capacity for cramming and for passing in written examinations, and if he has not got ordinary commonsense to understand ordinary things, is it a benefit to the country to have such people ? Is he not unfit to become a member of the Indian Civil Service ?

The Honourable Sir Henry Craik : Broadly speaking, yes.

Mr. Lalchand Navalrai : Is it a fact that there are more marks given for *viva voce* than for written subjects ?

The Honourable Sir Henry Craik : Yes, the maximum marks for the *viva voce* are 300 ; the marks for written subjects vary from 100 to 200.

Mr. Lalchand Navalrai : What is that difference due to ? Is it because the Public Service Commission people want to pull up some candidates that they give more marks in *viva voce* and pass them ?

The Honourable Sir Henry Craik : That is an allegation or insinuation for which there is no ground whatever. The object in giving more marks to *viva voce* is that the authorities consider that the test imposed by the *viva voce* examination of character, commonsense, address and so on really is one of extreme importance, of greater importance than knowledge in written subjects.

Sardar Sant Singh : May I know if it is a fact that all applications for the Public Service competitive examinations are required to be submitted through the District Magistrates or Deputy Commissioners of the districts from which the candidates come ?

The Honourable Sir Henry Craik : How does that arise out of the answer that I have given ?

Mr. N. M. Joshi : Can the Honourable Member tell us how long the *viva voce* test of a student generally lasts, say, half an hour or an hour ?

The Honourable Sir Henry Craik : I have no knowledge of that.

Sardar Sant Singh : May I know if these marks are used for the purpose of depriving those whose political views do not fall in with those of the Government Members ?

The Honourable Sir Henry Craik : That again is an absolutely unfounded allegation which the Honourable Member ought not to have made.

Mr. President (The Honourable Sir Abdur Rahim) : Next question.

PROVISION OF PROPER ROADS AND LIGHTING IN THE SADDAR BAZAR AREA OF THE BENARES CANTONMENT.

589. ***Sardar Mangal Singh :** (a) Will Government be pleased to state whether they are aware that the Benares Cantonment Authority is not providing any proper roads and lighting in the Saddar Bazar area on account of the heavy expenditure on the pay of the Executive Officer and the other office staff ? If not, why not ?

(b) If the answer to part (a) be in the affirmative, what steps do Government propose to take to remedy these affairs?

Mr. G. R. F. Tottenham : (a) Government are satisfied that the expenditure on the pay of the Executive Officer and the other office staff of the Benares Cantonment is not heavy and that the Cantonment Authority are providing proper roads and lighting in the Saddar Bazar area.

(b) Does not arise.

Mr. Mohan Lal Saksena : May I know what is the pay of the Executive Officer?

Mr. G. R. F. Tottenham : I should like to have notice.

REPAIRS TO PRIVATE BUNGALOWS IN THE JHELM CANTONMENT.

590. *Sardar Mangal Singh : (a) Will Government be pleased to state whether it is a fact that in Jhelum Cantonment notices were issued on the request of tenants for the execution of certain repairs to private bungalows?

(b) If the answer to part (a) be in the affirmative what is the authority under which the Cantonment Authority could take such an action?

(c) Is it also a fact that the repairs to bungalows were done by one Mr. Hukam Chand, a contractor of the Cantonment Board, and the cost of repairs realised from the owners of private bungalows through the Cantonment Authority and paid to this Hukam Chand?

(d) If the answer to part (c) be in the affirmative, what steps do Government propose to take to stop this irregularity in the Jhelum Cantonment?

Mr. G. R. F. Tottenham : (a) Yes.

(b) Clause XIX of the lease in Form B of the Cantonment Code, 1899, under which the sites were held.

(c) No. In the two or three cases in which the tenants employed L. Hukam Chand. They, as a matter of convenience, sent the amounts due to him to the Cantonment Office for payment. No amounts were realised through the Cantonment Authority.

(d) Does not arise. I may mention that the last occasion when a notice was issued under the terms of a lease in Form B of the Cantonment Code was in 1933.

CUTTING OF TREES BY THE OWNERS OF BUNGALOWS IN THE ALMORA CANTONMENT.

591. *Sardar Mangal Singh : (a) Will Government be pleased to state whether it is a fact that the Cantonment Authority of Almora has demanded cost of trees cut by Mr. K. D. Bhatt, proprietor, bungalow No. 19/115, Almora Cantonment from his own bungalow? If so, why?

(b) Is it a fact that uptill now no such demand has been made from house-owners who wanted to cut trees from their own compounds?

(c) If the answer to part (b) be in the affirmative, why has this new demand been created in that Cantonment?

(d) What step or steps do Government propose to take to stop the harassment of bungalow-owners on this account in Almora Cantonment?

Mr. G. R. F. Tottenham : (a) Yes, Sir. The reason is that Government retain proprietary rights in the trees growing on a site unless the original grant contains a specific condition to the contrary.

(b) and (c). No, but I am informed that the Cantonment Authority, Almora, only demands payment when it has reason to believe that the trees are being felled for commercial purposes.

(d) Government of India have already issued instructions that their rights should be used mainly for the purpose of preventing the destruction of trees on a large scale and should not be used for the purpose of obtaining petty revenue. Government have no reason to believe that these instructions are not being followed.

Mr. Mohan Lal Saksena : May I know if in case of proposed perpetual leases will the lessees be entitled to cut trees?

Mr. G. R. F. Tottenham : In future you mean?

Mr. Mohan Lal Saksena : Yes.

Mr. G. R. F. Tottenham : That matter will have to be considered. I am not quite sure.

Pandit Lakshmi Kanta Maitra : When was this instruction issued?

Mr. G. R. F. Tottenham : About ten years ago.

REDUCTION OF STAFF EXPENSES AND UNDERTAKING OF CIVIC AMENITIES IN THE ALMORA CANTONMENT.

592. *Sardar Mangal Singh : (a) Will Government be pleased to state what amount is spent by Almora Cantonment Authority on the pay of Executive Officer and the staff?

(b) Is it a fact that the Cantonment Authority at Almora does not spend anything for roads, school, lighting, and other civic amenities?

(c) If the answer to part (b) be in the affirmative, what steps do Government propose to take to reduce staff expenses and undertake civic amenities?

Mr. G. R. F. Tottenham : (a) I would refer the Honourable Member to the answer given on the 14th April, 1936, to question No. 1599.

(b) No.

(c) Does not arise.

DISMISSAL OF CERTAIN SCAVENGERS AT WALTAIR BY THE BENGAL NAGPUR RAILWAY.

593. *Mr. Sri Prakasa : (a) Is it a fact that the Bengal Nagpur Railway have dispensed with the services of 29 scavengers at Waltair?

(b) Was the reason for this dismissal the statement by the scavengers of their inability to pull out weeds from the compounds of the residences of railway officials ?

(c) If so, was it a part of the contract with these men that they are to do that work also ?

(d) Do the railway officials contribute anything towards the cleaning of their compounds of weeds, or is it a part of the agreement of their service or a merely recognized extra-legal perquisite ?

(e) Did these men say that it was against the rules of their caste to destroy living plant life and they could not do that work for fear of social ex-communications ?

(f) What guarantee, if any, did the railway give to these men of safety from social disability in case they had done this work ?

(g) Is it a fact that the men offered to contribute something from their own meagre salaries so that other persons could be employed for the work ?

(h) If so, why did not the railway accept this offer ?

(i) Could not the officers themselves do this work ?

(j) If so, are Government prepared to ask the railway to reinstate these men and make other arrangements for the cleaning of weeds and also warn it not to do such a thing again ?

The Honourable Sir Muhammad Zafrullah Khan : These are matters of detailed administration entirely within the competence of the Agent to whom a copy of the question has been sent for information and such action as he may consider necessary. I may, however, add that the Bengal Nagpur Railway is a Company-managed railway and the Government could not in any case interfere with their arrangements as regards their menial staff.

Mr. V. V. Giri : Cannot the Government advise the railway if they cannot insist on their carrying out their orders ?

The Honourable Sir Muhammad Zafrullah Khan : As I have said, the question is being sent to the Agent for such action as he may deem necessary.

Mr. T. S. Avinashilingam Chettiar : Have the Government sent any remarks along with the question ?

The Honourable Sir Muhammad Zafrullah Khan : No.

Prof. N. G. Ranga : Will a statement be placed on the table of the House about the action taken by the Bengal Nagpur Railway on this particular allegation ?

The Honourable Sir Muhammad Zafrullah Khan : I am afraid the Honourable Member will have to put down a question with regard to that. If there is any information available it will be supplied to him.

PRIVILEGE OF WRITING SOMETHING ON THE BACK OF MONEY ORDER FORMS.

594. ***Mr. Sri Prakasa :** (a) Is it a fact that recipients of money-orders were formerly allowed to write something besides signing their names on the vacant space provided on the backs of money-order forms ?

(b) Has this privilege been withdrawn now ? If so, why ?

(c) In view of the large space provided, are Government prepared to continue the old method and permit persons to write a few words along with their signature ?

The Honourable Sir Frank Noyce : (a) No.

(b) Does not arise.

(c) No.

Mr. Sri Prakasa : Is it not a fact that formerly people were allowed to write "Received with thanks" or similar other words on the back of these money order forms ?

The Honourable Sir Frank Noyce : My information is that it is not a fact.

Mr. Sri Prakasa : What is the purpose of providing such a large space if it is not meant to be written on but only meant for the signature of the recipient ?

The Honourable Sir Frank Noyce : The space on the back has to be determined by the space on the front. That is the real cause. There happen to be more entries to be filled on the front of the form than there are on the back.

Mr. Sri Prakasa : In view of the fact that on the back the recipient of a money order has to put his signature at two places and the space provided for his signature on the top, that is, the part which is retained in the post office, is very small, will the Honourable Member equalise the space in view of the fact that the recipient is not authorised to write anything in the lower portion of the form ?

The Honourable Sir Frank Noyce : I thought that my Honourable friend's suggestion was that the space should be utilised for communications from the recipients on the money order. That suggestion is not acceptable because it means you are giving the additional privilege of writing a letter.

Mr. Sri Prakasa : In view of the answer, my suggestion is that the printing may be spaced out and more space may be provided for the signature on the top of the form than is done now ?

The Honourable Sir Frank Noyce : I will consider that suggestion.

Mr. K. Ahmed : And, Sir, that will deteriorate the income from sale of postcards and envelopes because it is cheaper to write on the other side of the money order than to send a postcard or envelope. Isn't it ?

Mr. President (The Honourable Sir Abdur Rahim) : Next question.

WANT OF A BATHROOM AND A LAVATORY IN THE SECOND CLASS WAITING ROOM AT MOGHAL SARAI.

595. ***Mr. Sri Prakasa :** (a) Are Government aware that the bath-room and lavatory, formerly attached to the second class waiting room at the Moghal Sarai junction station on the East Indian Railway, has now been cut off from it and that it has been turned into a public lavatory and bathroom with an entrance from the platform ?

(b) Are Government aware that *bonâ fide* passengers utilizing the waiting room, have now to go out on the platform before they utilize the bathroom and are thus greatly inconvenienced?

(c) Does any such arrangement exist at any other station? If not, why is Moghal Sarai singled out for it?

(d) In view of the importance of the Moghal Sarai station and the long halts that passengers have to make there for connecting trains, are Government prepared to make arrangements for a proper bathroom and lavatory to be connected direct with the waiting room and provide a public one separately?

The Honourable Sir Muhammad Zafrullah Khan : (a), (b) and (c). Government are not so aware.

(d) Such matters are within the competence of the Railway Administration whom Government consider to be in the best position to settle them.

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PLATFORM TICKETS AT MOGHAL SARAI.

597. ***Mr. Sri Prakasa :** (a) Are Government aware that there is no system of platform tickets at the Moghal Sarai junction station on the East Indian Railway?

(b) Do Government propose to consider the desirability of introducing this system there in view of the importance of the station and the inconvenience caused to *bonâ fide* persons going there, sometimes by car from Benares to meet friends who are passing that station or halting there for their connecting trains?

(c) Are Government aware that a visitor was once prosecuted by the Railway, and was let off by the Magistrate on the ground that the Railway had no system of platform tickets there?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes.

(b) The Agent, East Indian Railway, is being asked to consider the Honourable Member's suggestion.

(c) No.

CONSTRUCTION OF A HUGE RAILWAY STATION AT JAMALPUR, EAST INDIAN RAILWAY.

598. ***Mr. Sri Prakasa :** (a) Are Government aware that a huge railway station is being constructed at Jamalpur (East Indian Railway) on the model of Lucknow and Cawnpore railway stations?

(b) What is the estimate of the cost of this railway station and also the actual cost incurred in building the new Lucknow and Cawnpore railway stations?

(c) Are Government satisfied that the volume of traffic at Jamalpur justifies this investment?

† This question was withdrawn by the questioner.

The Honourable Sir Muhammad Zafrullah Khan : (a) There is no station called Kamalpur; probably the Honourable Member refers to Jamalpur the remodelling of which is in hand.

(b) The estimated cost is Rs. 13.27 lakhs. The cost of Lucknow was about Rs. 63.17 lakhs, and of Cawnpore Rs. 75.25 lakhs.

(c) The work in hand at Jamalpur was necessitated on account of damage caused by the 1934 earthquake.

Mr. M. Ananthasayanam Ayyangar : Has the cost of building a station any relation to the volume of the traffic or business done at the station or the income that is derived from the station?

The Honourable Sir Muhammad Zafrullah Khan : At Lucknow and Cawnpore, there is a good deal of traffic of all kinds.

Mr. N. M. Joshi : In view of the fact that the railway finances are not at present in a good condition, will the Government of India reconsider the question of spending such a large sum of money on the building of a station?

The Honourable Sir Muhammad Zafrullah Khan : They cannot now be demolished—Lucknow and Cawnpore.

Mr. N. M. Joshi : I am not asking about Lucknow and Cawnpore, but about Jamalpur.

The Honourable Sir Muhammad Zafrullah Khan : I am afraid the expenditure is necessary. The buildings were so badly shaken that they had got to be restored.

Mr. N. M. Joshi : May I ask whether the Government of India cannot reduce the expenditure on the building?

The Honourable Sir Muhammad Zafrullah Khan : I am afraid not. The buildings are now in an advanced stage.

Mr. Sri Prakasa : I could not hear the reply to part (c) of the question. Are Government satisfied that the expenditure was necessary?

The Honourable Sir Muhammad Zafrullah Khan : Yes.

Mr. S. Satyamurti : Have Government examined this question, in the light of the parlous state of the railway finances, and have they made every endeavour to reduce the cost to the absolute minimum, and not construct the station on the model of Lucknow and Cawnpore?

The Honourable Sir Muhammad Zafrullah Khan : Yes. So far as Jamalpur is concerned, Government have considered that.

Mr. N. M. Joshi : May I ask whether the Government of India will consult the Central Advisory Council for Railways as regards the desirability of this expenditure?

The Honourable Sir Muhammad Zafrullah Khan : There is no point in consulting anybody at this stage. As I have said, the buildings are in an advanced stage already.

Mr. Sri Prakasa : May I know whether the expenditure of Rs. 37.6 lakhs was incurred on the station itself, or does it include the amount spent for the repairs of the workshops at Jamalpur?

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LEGISLATIVE ASSEMBLY.

[24TH SEPT. 1936.]

The Honourable Sir Muhammad Zafrullah Khan : I said the total is Rs. 13.27 lakhs. It is not 37.6 lakhs.

Pandit Lakshmi Kanta Maitra : May I know what is the fate of the old Cawnpore station ?

The Honourable Sir Muhammad Zafrullah Khan : It has been rebuilt.

Mr. President (The Honourable Sir Abdur Rahim) : Next question.

TORTURE OF AN INDIAN AND HIS WIFE BY JAPANESE IN MANCHUKUO.

599. ***Mr. M. Ananthasayanam Ayyangar :** (a) Has the attention of Government been drawn to a report in the *Madras Mail*, dated the 15th July, 1936, under the heading "Indian and wife tortured" and savagely beaten by Japanese ?

(b) Is it a fact that the man and the woman were kept locked up under the water tap by way of punishment and as a torture ?

(c) Is it a fact that the woman was beaten across her breast ?

(d) What were the offences for which such punishment was meted to them ? Were any charges framed against them, and were they tried and found guilty ?

(e) Have Government taken any action in the matter ? If so, what ? If not, why not ?

(f) How many more Indians are there in Manchukuo ? What, if any, are the steps taken to prevent a recurrence of such treatment to the remaining Indians there ?

Sir Aubrey Metcalfe : (a) Yes.

(b) Both the man and the woman stated that they had been subjected to ill-treatment.

(c) This fact has not been clearly proved.

(d) They were arrested on charges of defrauding three Japanese shops of small sums. The Japanese authorities did not eventually prefer charges against them, and therefore, no judicial proceedings were taken against them by His Majesty's Consular Courts in Manchuria.

(e) His Majesty's Government have caused strong representations regarding this deplorable matter to be made to the Japanese Government.

(f) Government have no information as regards the number of Indians in Manchukuo. As regards the latter part of this question, the attention of the Honourable Member is invited to the answer to part (e).

Mr. M. Ananthasayanam Ayyangar : Have the Government ascertained what steps have been taken by the Japanese Government to punish those persons who improperly tortured the Indians there ?

Sir Aubrey Metcalfe : Actually what happened was that the Japanese Government held a very careful inquiry and decided that the charges of torture were untrue.

Mr. M. Ananthasayanam Ayyangar : Then, is the whole thing a fake ? Let alone the question of torture. Was no punishment meted out to these people by the Japanese Government ?

Sir Aubrey Metcalfe : I have said that the charges against the police were held to be untrue. It, therefore, follows that it was impossible to press for any further action.

Mr. M. Ananthasayanam Ayyangar : Is there any authority stationed in Manchukuo either on behalf of the British Government or the Government of India to facilitate the representation of any grievances of Indians settled there ?

Sir Aubrey Metcalfe : There is certainly a Consul. It was owing to the efforts of the Consul that these people were immediately released and saved from any further trouble.

Mr. M. Ananthasayanam Ayyangar : What action did the Consul take to find out whether the allegations were true or not ?

Sir Aubrey Metcalfe : I have given the information already. I have stated that the Japanese Government inquired into the matter and stated that the charges against the police were not proved.

Mr. M. Ananthasayanam Ayyangar : Did the Consul make any independent inquiry ?

Sir Aubrey Metcalfe : The Consul is not in a position to make an independent inquiry. That must be obvious.

Mr. M. Ananthasayanam Ayyangar : Has he represented what the true facts are or is it only one sided ?

Sir Aubrey Metcalfe : The Consul reported that the Japanese Government had held an inquiry and had reported that the charges were untrue. He was not in a position to express any other opinion.

PLACING OF PROSCRIBED BOOKS IN THE LIBRARY OF THE LEGISLATIVE ASSEMBLY.

600. ***Mr. M. Ananthasayanam Ayyangar :** Are Government prepared to place copies of the proscribed books from time to time in the Library of the Legislative Assembly so as to enable Members to judge of the propriety of proscription in each case ?

The Honourable Sir Henry Craik : No.

Mr. M. Ananthasayanam Ayyangar : Why not ?

The Honourable Sir Henry Craik : The object of proscribing a book is to prevent an undesirable book from getting publicity. That object would obviously be defeated if the Honourable Member's suggestion were accepted.

Mr. M. Ananthasayanam Ayyangar : Is it not desirable to place these books in the Library of the House ? I do not want them to be made available to the public. What is the objection to placing them in the Library of the House so that Honourable Members of the House may know whether they have been improperly rejected or much useful information is sought to be shut out from India ?

The Honourable Sir Henry Craik : I do not think it desirable to expose the morals of Honourable Members to such temptation.

Mr. S. Satyamurti : Is it not desirable to appoint some authority consisting of educated men who will read these books with some knowledge of the subjects they deal with, before final orders are passed ?

The Honourable Sir Henry Craik : The responsibility for such orders rests with Government and they cannot share that responsibility with any other authority.

Mr. S. Satyamurti : May I know why Government refuse to get the assistance of educated men, who have got a knowledge of the subjects dealt with by these books ?

The Honourable Sir Henry Craik : There are a few possibly imperfectly educated men in the service of Government who help them in this matter.

Mr. S. Satyamurti : Are Government aware that certain first class books in literature, philosophy, and humanities have been proscribed, which ought not to have been proscribed at all, by any decent educated authority ?

The Honourable Sir Henry Craik : I am not aware of that. If the Honourable Member will bring any such instance to my notice, I shall certainly look into it.

Pandit Lakshmi Kanta Maitra : Is the Honourable Member aware that Anna Karnina, the famous book of Tolstoy was banned ?

The Honourable Sir Henry Craik : There is a question on that subject. I have made inquiries and to the best of my belief, the statement is not true.

Pandit Lakshmi Kanta Maitra : Do I take it that the Honourable Member said that the morals of people will be vitiated if they read these books ? Is it the case of the Government that the books which have been proscribed are all obscene books. I understood the Honourable Member to say that Government did not like to place these books in the Library because it would vitiate morals. Am I to understand that it is only obscene books that have been banned ? Is it not a fact that political books have been also banned ?

The Honourable Sir Henry Craik : My reply was really by way of a mild joke. I am sorry the Honourable Member did not see it.

Mr. N. V. Gadgil : Is it the Government's claim that they know everything about everything ?

The Honourable Sir Henry Craik : No. I believe it is a well accepted fact by most people who have experience of the world that nobody can know everything about everything. We try to know as much as we can about some things.

Mr. M. S. Aney : May I inquire from the Honourable Member whether Government have found by experience that the reading of those books has spoiled the morals of anybody who has read them ?

The Honourable Sir Henry Craik : Yes. (Laughter.)

Sir Cowasji Jehangir : The point of Mr. Aney's question is whether the morals of anybody who has read the books on behalf of Government have been spoiled.

Mr. S. Satyamurti : They have no morals to be spoiled at all.

The Honourable Sir Henry Craik : I have not recently examined the morals of the staff who read these books. I trust they have not been spoiled.

Mr. President (The Honourable Sir Abdur Rahim) : Next question.

Mr. M. Ananthasayanam Ayyangar : Has not a Member, who put the original question, the right to put supplementary questions ?

Mr. President (The Honourable Sir Abdur Rahim) : Any Member has a right to put supplementary questions if any facts are to be elucidated. I think this matter has been discussed sufficiently.

REMOVAL OF INDIAN PHILOSOPHY FROM THE LIST OF OPTIONAL SUBJECTS FOR THE INDIAN CIVIL SERVICE EXAMINATION.

601. ***Mr. M. Ananthasayanam Ayyangar :** (a) Has the attention of Government been drawn to a leading article in the *Hindu* of the 15th July, 1936, complaining of the removal of Indian philosophy from the list of optional subjects for the Indian Civil Service examination ?

(b) Why was that subject removed from the list ?

(c) Is it the intention of Government that the members of the Indian Civil Service should know nothing of Indian philosophy ?

(d) Are Government prepared to take immediate steps to include this subject again ?

The Honourable Sir Henry Craik : (a) Yes.

(b) The subject has not been removed but is included elsewhere in the syllabus for the examination.

(c) No.

(d) In view of my answer to (b) this does not arise.

Mr. M. Ananthasayanam Ayyangar : May I know what the Honourable Member means by saying that this subject has been included elsewhere in the syllabus ?

The Honourable Sir Henry Craik : I will explain. Questions on Indian philosophy are in future to be included in the subject of Sanskrit civilisation and questions on Moslem civilisation are to be included in the subject of Arabic civilisation.

Mr. M. Ananthasayanam Ayyangar : Does Western philosophy stand as a separate subject and not as a by-product of some other subject ?

The Honourable Sir Henry Craik : I should like to have notice of that question.

Pandit Lakshmi Kanta Maitra : There are systems of philosophy in this country known as the Jaina and Buddhist systems of philosophy. They do not come in under the head of Sanskrit civilisation. What provision is Government making for them ?

The Honourable Sir Henry Craik : Hitherto we have had no suggestion that these branches of philosophy should be included in the syllabus. As a matter of fact, very few candidates take any philosophy and so far as I am aware none have made any request that the Jaina or Buddhist philosophy should be included.

Mr. M. Ananthasayanam Ayyangar : Why is philosophy relegated to a secondary position ?

The Honourable Sir Henry Craik : There are a number of reasons. The main reason is that very few students take it and it is very difficult to get examiners in the subject.

CONTINUANCE OF THE MEMBERSHIP OF THE LEAGUE OF NATIONS BY INDIA.

602. ***Mr. M. Ananthasayanam Ayyangar :** (a) What is the attitude of Government regarding the continuance of the membership of India in the League of Nations ?

(b) Have any suggestions been called for from or made by Government, regarding the remodelling of the League ?

(c) If so, what are the lines on which modifications are suggested ?

The Honourable Sir Nripendra Sircar : (a) Government do not propose to give notice of withdrawal.

(b) and (c). The Government of India in common with all other State members were invited to send to the Secretary-General any proposals they might wish to make in order to improve the application of the provisions of the Covenant. In common with the majority of State members the Government of India decided that the preferable course would be to put forward no proposals and to await discussion at the forthcoming session of the Assembly.

Mr. S. Satyamurti : May I know the reasons why the Government decided not to send any proposals or suggestions of their own for the modification of the Covenant and its discussion in the Assembly ?

The Honourable Sir Nripendra Sircar : Because in their judgment that is the best course to follow.

Mr. S. Satyamurti : May I know if they have given any instructions, according to which, their representative in the Assembly is to take part in the discussions with regard to the revision of the Covenant ?

The Honourable Sir Nripendra Sircar : I want notice ; I have got no information.

Mr. S. Satyamurti : Have Government made any suggestions, through their representative, to confine membership of the League of Nations only to nations who obey international law, and not to extend it to out-laws like Italy ?

The Honourable Sir Nripendra Sircar : No, Sir.

Mr. M. Ananthasayanam Ayyangar : What were the special instructions given to their representative regarding the remodelling or re-constitution of the League of Nations ?

The Honourable Sir Nripendra Sircar : I have already said that as regards instructions if any given to the representative from India, I want notice and I repeat that answer again.

Mr. M. Ananthasayanam Ayyangar : Is the Honourable Member aware that Mr. Eden made a statement before the League of Nations that with regard to the attitude of the British Government regarding the change of the Covenant, he would immediately place that before the League of Nations, and, if that is so, may I ask whether the Indian Government have similarly instructed their delegate ?

The Honourable Sir Nripendra Sircar : If my Honourable friend will make the question a little shorter or split it up into two parts, I can answer it.

Mr. M. Ananthasayanam Ayyangar : Is the Honourable Member aware that Mr. Eden, the Foreign Secretary, said before the League of Nations Assembly that he would in a day or two place the attitude of the British Government regarding the re-modelling of the League and the change of the Covenant ?

The Honourable Sir Nripendra Sircar : I am not aware of it but probably my friend is giving me information for which I am thankful.

COMPULSORY INSURANCE FOR THE POSTAL AND RAILWAY MAIL SERVICE STAFF.

603. ***Mr. M. Ananthasayanam Ayyangar :** (a) Has the attention of Government been drawn to the proceedings of the Postal and R. M. S. Union Employees Conference held at Mysore on the 4th July ?

(b) Have Government considered the suggestion that there should be compulsory insurance for these employees, so as to make a provision for the families of the employees who may die while in service ?

(c) If so, with what result, and if not, why not ?

The Honourable Sir Frank Noyce : (a) No.

(b) and (c). Do not arise.

Mr. M. Ananthasayanam Ayyangar : Let alone the question of the proceedings of the Postal and Railway Mail Service Union Employees' Conference, have Government independently considered the question of the institution of compulsory insurance for these families in the case of those persons who die before they are able to receive pensions ?

Mr. President (The Honourable Sir Abdur Rahim) : That is a different question.

The Honourable Sir Frank Noyce : I should require notice of that question.

ALLEGED DISAPPEARANCE OF AIR MAIL LETTERS AT KARACHI.

604. ***Mr. M. Ananthasayanam Ayyangar :** (a) Has the attention of Government been drawn to a report in the *Indian Express* of the 15th July, 1936, entitled "Disappearance of air mail letters" and "Karachi sensation" ?

(b) What is the cause of the disappearance of the letters, and how long have the letters been disappearing ?

(c) What action have Government taken regarding this matter to furnish the delinquents and to prevent a recurrence?

The Honourable Sir Frank Noyce : (a) Government have not seen the particular report referred to by the Honourable Member, but are aware of comments in the public press on the subject.

(b) and (c). The matter is at present under investigation by the Head of the Circle with the assistance of the Police authorities. The Head of the Circle is fully competent to deal with it and a copy of the question and reply will be sent to him for suitable action.

PREPARATIONS FOR WAR BY THE EUROPEAN NATIONS.

605. ***Mr. M. Ananthasayanam Ayyangar :** (a) Are Government aware that each of the European nations, including Soviet Russia and Great Britain, is making preparations for war and is adopting defensive measures?

(b) Are Government aware that the Soviet's active fighting strength is 1,300,000 and that there are 3,500,000 fully trained reserved and 1,500,000 territorials and that the United States of Soviet Russia could mobilise 13,500,000?

(c) What is the total fighting strength of the Indian Army, and how many are Indians and how many non-Indians?

(d) What is the strength of the reserve, if any? Are there any territorials?

(e) What, if any, are the steps taken by Government to improve India's defence in case of an attack?

(f) Do Government contemplate giving any military training to the citizens on a mass scale? If not, why not?

Mr. G. R. F. Tottenham : (a) Government are aware that there is at present a general tendency among European nations towards rearmament.

(b) Government have no detailed information, but they are aware that Soviet Russia has a very large army.

(c) and (d). The required information is given in the "Return showing the actual strength of the Army and Royal Air Force in India on the 1st April, 1936", a copy of which is in the Library of the House.

(e) Government are continually taking steps, subject to the financial limits imposed, to ensure that the defence forces in India are armed and equipped at the standard required to enable them to discharge their functions.

(f) No. It is not necessary.

Sardar Mangal Singh : May I ask what steps the Government have taken to manufacture war materials in this country?

Mr. G. R. F. Tottenham : I do not think that that relates to any matter with regard to which I have given a reply. If the Honourable Member wishes to ask me about that, will he put down a question?

Pandit Lakshmi Kanta Maitra : Does the Honourable Member consider that the present strength of the Army in India is sufficient to meet all contingencies?

Mr. G. R. F. Tottenham : The Honourable Member is inviting me to express an opinion.

Mr. Lalchand Navalrai : With regard to the answer to clause (f), why are the Government of India not contemplating giving any military training to the citizens of this country on a mass scale?

Mr. G. R. F. Tottenham : Because it is not necessary.

Mr. Lalchand Navalrai : Why is it not necessary—I would like to know? Why is it not necessary, when it is admitted that Russia has so enormously increased her armies and has made such stupendous arrangements in similar directions,—why is it not necessary to give any military training to the Indian masses?

Mr. G. R. F. Tottenham : I will say then because, in the opinion of the Government of India, it is not necessary.

Sardar Mangal Singh : Sir, I asked a question as to what steps the Government are taking to manufacture war materials in this country and the Honourable Member said that this question does not arise. But it does arise under clause (e)?

Mr. G. R. F. Tottenham : I thought the Honourable Member said "(c)". The answer to (e) was:

"Government are continually taking steps, subject to the financial limits imposed, to ensure that the defence forces in India are armed and equipped at the standard required to enable them to discharge their functions."

As a matter of fact I have often informed the House before that over ninety per cent. of the lethal requirements of India are manufactured in India.

Mr. N. M. Joshi : May I ask the Government of India whether they ever consider the feeling in this country against any increase of the military expenditure? (Hear, hear).

Mr. G. R. F. Tottenham : That fact has been pressed upon their attention more than once.

Mr. S. Satyamurti : Have Government examined the position in the light of the most recent international situation and come to the conclusion that without having a second line of defence, a citizen army, as in other countries, India is quite competent to defend herself against all possible attacks by land, sea or air?

Mr. G. R. F. Tottenham : Government are continually examining the situation in the light of developments in Europe and elsewhere and they have come to the conclusion that no such development is required at the present moment.

Mr. S. Satyamurti : Then Government have rejected, for the present, the idea of training the citizens of this country to defend their own hearths and homes?

Mr. G. R. F. Tottenham : I cannot say that they have ever seriously considered the training of 360 millions to defend their hearths and homes.

Mr. S. Satyamurti : They have not even considered the training of a small percentage of that number,—as they do in all other countries—as a second line of defence ?

Mr. G. R. F. Tottenham : There is the Territorial Force.

Mr. S. Satyamurti : Are the Government satisfied that in numbers, efficiency and equipment it is equal to the task imposed upon it in certain eventualities ?

Mr. G. R. F. Tottenham : Well, Sir, that is rather a large question. I do not think I can give an opinion on that matter now.

Mr. President (The Honourable Sir Abdur Rahim) : Next question.

SIR MONTAGU WEBB'S BOOK ON THE TRADE DEPRESSION AND FALL IN PRICES IN INDIA.

606. ***Mr. M. Ananthasayanam Ayyangar :** (a) Has the attention of the Honourable the Finance Member been drawn to a recent publication by Sir Montagu deP. Webb of Karachi issued as a supplement to his "*India's Plight*" and suggesting remedies for the trade depression and fall in prices in India ?

(b) Are Government prepared to alter the exchange ratio as advised therein ? If not, why not ?

(c) Do Government propose to take early steps to take over the issue of currency directly under their management and control as before the passing of the Reserve Bank Act ?

(d) If not, what steps do Government propose to take to raise the level of prices and to increase trade ?

(e) Are Government prepared to appoint a Committee of Indian bankers, business men and financiers to investigate the problem of currency and exchange and to report on the steps to be taken to relieve the present depression ?

The Honourable Sir James Grigg : (a), (b), (c) and (e). No.

(d) I would invite the Honourable Member's attention to the reply given to part (c) of his starred question No. 223 during the current Session.

Mr. M. Ananthasayanam Ayyangar : Sir, if the Honourable Member has not read the publications referred to in my question, is it not to be expected that he would have read them after the question was sent in and will read them after this question has been put ?

The Honourable Sir James Grigg : Certainly not ; I cannot read every rubbishy pamphlet that is printed.

(Mr. Mohan Lal Saksena : How does the Honourable Member know that it is rubbish ?

The Honourable Sir James Grigg : Because I have read a dozen of its predecessors.

Mr. M. Ananthasayanam Ayyangar : With regard to clause (d) of the question, what steps do Government propose to take to raise the level of prices and to increase the volume of trade ?

The Honourable Sir James Grigg : I would refer the Honourable Member to a certain answer given to a question on the same subject at an earlier period of the Session.

Mr. M. Ananthasayanam Ayyangar : We are not aware of it. What is the exact reference ?

The Honourable Sir James Grigg : I did give the reference and the Honourable Member himself asked the question. I suppose the only conclusion is that he does not listen to the answers given to his own questions.

Mr. M. Ananthasayanam Ayyangar : At least now let me know what the answer is.

Mr. S. Satyamurti : Is it right for the Government to be educated when they are given the opportunity to do so, by reading good pamphlets like this one ?

INDIANISATION OF THE MILITARY ASSISTANT SURGEON CLASS.

607. ***Dr. Thein Maung :** Are Government aware that there are no Indians in the Military Assistant Surgeon class ? If so, do Government propose to consider the desirability of Indianising it ? If not, why not ?

Mr. G. R. F. Tottenham : The answer to the first part of the question is in the affirmative ; the answer to the second part in the negative ; and the reason is that there is a separate branch of the Indian Medical Department which is entirely composed of Indians.

Mr. S. Satyamurti : Why should there be a class of surgeons consisting only of Europeans ?

Mr. G. R. F. Tottenham : The Assistant Surgeons Branch of the Indian Medical Department consists of domiciled Europeans and Anglo-Indians.

Mr. S. Satyamurti : Are not Government considering the question of amalgamating both the services into one ?

Mr. G. R. F. Tottenham : No, Sir, they are not considering that question.

Mr. S. Satyamurti : Why not ?

Mr. G. R. F. Tottenham : Because they do not consider it necessary to do so.

Mr. S. Satyamurti : Do they realise that it is perpetuating the difference based on race or colour, and therefore it is not right ?

Mr. G. R. F. Tottenham : That is a question of opinion.

Sardar Mangal Singh : Is it a fact that Europeans in the army refuse to be treated by Indian Surgeons ?

Mr. G. R. F. Tottenham : I have never heard of it.

REVISION OF THE PASS RULES FOR THE EMPLOYEES ON STATE RAILWAYS.

608. ***Mr. Lalchand Navalrai :** (a) Will Government please state if they intend revising the pass rules for the employees on the Indian State Railways ?

(b) When were the pass rules revised last, and what are the reasons for re-revising the rules now ?

(c) Is it a fact that the Chetty Retrenchment Committee in 1931 stated that they learnt from the Chief Commissioner of Railways that the passes to the railway employees actually cost nothing to the railways and that the Committee only recommended uniformity of pass rules on all State Railways and the number of passes even to officers being restricted ?

(d) Is it a fact that Government complied with these recommendations of the Chetty Committee in the last revision of the pass rules ? If so, why is it necessary to make any further revision ?

(e) What are the fundamental changes now sought to be made in the pass rules ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes.

(b) In September, 1935. A further revision is under consideration as it has been suggested that the scale of passes now admissible is more liberal than is justified particularly in the case of employees who have comparatively short service.

(c) Yes.

(d) An endeavour has been made to secure a certain degree of uniformity. The necessity for a further revision is explained in my reply to part (b).

(e) Government are not in a position to make any announcement on the subject as the matter is still under consideration.

Mr. Lalchand Navalrai : May I know with regard to the last part of clause (c), whether the recommendation of the Chetty Committee with regard to the restriction on the passes for officers has been carried into effect ?

The Honourable Sir Muhammad Zafrullah Khan : The matter was revised recently and the number of passes available to officers was considerably curtailed.

Mr. Lalchand Navalrai : Will the Honourable Member give me an idea as to how far the number has been curtailed ?

The Honourable Sir Muhammad Zafrullah Khan : Originally, they were entitled to any number of passes without any restriction. Now the passes permitted, I believe, cover twelve return journeys in a year.

Prof. N. G. Ranga : Is the revision of these rules being considered with a view to economy ?

The Honourable Sir Muhammad Zafrullah Khan : Mainly with a view to economy but there are several other considerations also.

Mr. Ram Narayan Singh : What are those considerations ?

The Honourable Sir Muhammad Zafrullah Khan : For instance as compared with officers in other departments who are entitled to travelling allowance, the rules may be more favourable in the Railway Department than they are elsewhere.

CLASSIFICATION OF PASSES TO RAILWAY EMPLOYEES ON THE LINES OF THE CENTRAL GOVERNMENT TRAVELLING ALLOWANCE RULES.

609. ***Mr. Lalchand Navalrai :** (a) Is it a fact that Government propose to fix the classification of passes to railway employees on the lines of the Central Government travelling allowance rules ?

(b) Is it a fact that at present gazetted officers are entitled to first class passes, irrespective of their pay ?

(c) Do Government propose to apply the classification of the Central Government travelling allowance rules to these officers also in regard to passes admissible to them on the railways ? If not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : (a) and (c). I would refer the Honourable Member to the reply I have just given to his previous question.

(b) Yes, but Superintendents in the office of the Railway Board are eligible for first class passes only if their pay exceeds Rs. 750 per mensem.

Mr. Lalchand Navalrai : Is the Honourable Member aware that on account of many passes being given to these officers, difficulty is caused to the ordinary passengers in securing their seats ?

The Honourable Sir Muhammad Zafrullah Khan : Complaints have reached me that on occasions there is overcrowding in second class carriages on account of a large number of people who hold second class passes and I am looking into the matter.

Mr. Lalchand Navalrai : Is it a fact that there are rules that those railway officers who have got passes must give preference to ordinary travellers and give them preference in seat ?

The Honourable Sir Muhammad Zafrullah Khan : I believe there is a rule to the effect that at the commencement of a journey a pass-holder must give way to a ticket-holder.

Pandit Lakshmi Kanta Maitra : Is not that rule respected in the breach than in compliance ?

Mr. Lalchand Navalrai : Is not the Honourable Member aware that that rule is respected more in the breach than in compliance ?

The Honourable Sir Muhammad Zafrullah Khan : Two Honourable Members have just now made the suggestion that that is so.

Mr. Lalchand Navalrai : Will the Honourable Member issue orders to the Agents to see that that rule is complied with ?

The Honourable Sir Muhammad Zafrullah Khan : The rule being there, I cannot issue another rule laying down the same thing over again.

Mr. Lalchand Navalrai : I never meant that the Honourable Member should issue another rule. What I meant was that he should issue reminders or instructions to these Agents to see that these rules are complied with ?

The Honourable Sir Muhammad Zafrullah Khan : I hope all rules are being complied with and where there is a breach of rules those concerned will see that the breach is reduced to the minimum.

Mr. Lalchand Navalrai : Is not the Government here responsible to this House at least to this extent that they should issue instructions to the Agents that it has been brought to their notice that the rules are not being complied with in this connection ?

The Honourable Sir Muhammad Zafrullah Khan : I have already given the reply. The Honourable Member is not now asking for information.

Mr. Lalchand Navalrai : I am not asking for mere information. What I am asking is this : whether the Honourable Member is going to ask the Agents that these rules are complied with ?

The Honourable Sir Muhammad Zafrullah Khan : Whenever there is a grievance of that kind which comes to my notice, it is impressed upon the Agents that they should see that all these rules are properly complied with.

Mr. President (The Honourable Sir Abdur Rahim) : Next question.

SIND LEFT BANK FEEDER RAILWAYS.

610. ***Mr. Lalchand Navalrai :** (a) Will Government be pleased to state when the Sind Left Bank Feeder Railways were constructed ?

(b) Is it a fact that these lines are still *kutchas*, and therefore the speed is restricted to 25 miles per hour ?

(c) Do Government propose to have the ballast put on these lines to make them firm with a view to increasing the speed of the trains and giving convenience to the public ? If so, when ? If not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : (a) The Sind Left Bank Feeders were sanctioned for construction in June, 1928, and were opened for public traffic throughout by December, 1931.

(b) These lines were constructed to "C" class standard and are unballasted. The maximum speed sanctioned for these lines is 25 miles per hour.

(c) The lines were only financially justifiable if built to a low standard of construction. Traffic on them has not increased to such an extent as to justify further capital expenditure.

Mr. Lalchand Navalrai : Has the Honourable Member inquired that on account of these *kutchas* roads much inconvenience is caused and also there is not much safety ?

The Honourable Sir Muhammad Zafrullah Khan : I have made no such inquiries because no specific instances were brought to my notice to justify an inquiry of that description.

Mr. Lalchand Navalrai : What I am asking is this. The roads are there but they are *kutchas* and they need only some repairs so that there may be more safety and also convenience. Is not the Honourable Member going to ask the Agent to inquire into that matter and see if the roads could be repaired ?

The Honourable Sir Muhammad Zafrullah Khan : I have dealt with the matter in reply to the question. I have explained that the construction of these lines was justifiable only on a certain standard. When

traffic increases to an extent justifying further capital expenditure, I have no doubt further capital expenditure will be undertaken.

Mr. Lalchand Navalrai : What I am asking the Honourable Member is this. Now that it has been by practice known after the lines have been built that there is inconvenience and also there is no safety, is the Honourable Member going to ask the Agent or not ?

The Honourable Sir Muhammad Zafrullah Khan : I do not accept the allegation that there is no safety. With regard to convenience, of course there are different standards of convenience. A line which has been constructed to "C" class standard is certainly not capable of yielding the same amount of convenience as the older lines upon which more money has been spent and which are properly ballasted. I have said in my reply that the construction of these lines was justified only to this standard and nothing has since taken place to justify a higher standard.

Mr. Lalchand Navalrai : Will the Honourable Member.....

Mr. President (The Honourable Sir Abdur Rahim) : I cannot allow an interminable discussion like this during question hour. The Honourable Member can ask questions only to obtain information.

REMOVAL OF RESTRICTIONS ON THE MARKERS ON THE NORTH WESTERN RAILWAY FOR TRAINING IN GOODS DUTIES.

611. ***Mr. Lalchand Navalrai :** (a) Is it a fact that the markers on the North Western Railway submitted a memorial to the Agent, North Western Railway, Lahore, on the 22nd December, 1935, requesting for the removal of the restrictions on their training in the goods duties ?

(b) Is it a fact that since then two reminders to dispose of the said memorial were sent to the Agent, North Western Railway, and will Government please state why no reply has been sent to the memorialists for such a long time ?

(c) Is it a fact that memorials as a general rule are not disposed off quickly but remain pending for a long time in the office of the Agent, North Western Railway ?

(d) Are Government prepared to enquire into this fact and issue orders that memorials be quickly attended to ?

The Honourable Sir Muhammad Zafrullah Khan : Government have no information. This is a matter of detailed administration within the competence of the Agent, to whom a copy of the question has been sent for information and such action as he may consider necessary.

DISCHARGE OF TEMPORARY EMPLOYEES IN THE INFERIOR AND LABOUR SERVICES AND THE APPOINTMENT OF EX-MILITARY MEN IN THEIR PLACES ON THE NORTH WESTERN RAILWAY.

612. ***Mr. Lalchand Navalrai :** (a) Will Government be pleased to state if it is a fact that the North Western Railway Administration have issued orders to the effect that all temporary employees in the inferior and labour services be discharged and ex-military men appointed in their places ? If so, why ?

(b) How many temporary hands have thus been discharged on the North Western Railway?

(c) Is it a fact that in making temporary appointments to these ranks the employees are given to understand that they are liable to be discharged as soon as *ex-service* men become available? If so, why is such a condition being imposed?

(d) Do Government propose to issue instructions that men already in service, even temporarily, should not be discharged to make room for *ex-service* men? If not, why not?

The Honourable Sir Muhammad Zafrullah Khan : Government are informed as follows :

(a) No.

(b) to (d). Do not arise.

PROVISIONS OF RADIO SETS IN VILLAGES.

613. ***Mr. M. Asaf Ali :** (a) Will Government please state how many villages throughout India have been provided with (receiving) radio-sets?

(b) What is the average proportion of the monthly transmissions intended for rural areas?

(c) Do transmissions intended for rural areas include news of rural uplift work undertaken by official or semi-official agencies only, or are reports of village uplift work by Congress and non-official parties also included in such transmissions?

(d) Are Government prepared to direct the All-India Radio Station Directors to take due notice of all news about village uplift work by non-official agencies?

The Honourable Sir Frank Noyce : (a) So far as I am aware there are 15 rural receivers in Bengal, 14 in the South Punjab, and 20 in the Peshawar District set up by the respective Provincial Governments. Twenty-four rural receivers are served by the Dehra Dun broadcasting station.

(b) The Delhi station broadcasts rural programmes for 30 hours out of a total transmission of Indian programmes for 200 hours per month, and the Calcutta station approximately six hours out of 165 hours per month. The Dehra Dun and Peshawar programmes are almost exclusively rural.

(c) News of rural uplift work whether undertaken by official and semi-official agencies, or by Congress and non-official agencies, which is supplied by Reuters and the Associated Press of India, is broadcast from the stations of All-India Radio which makes no discrimination between them.

(d) Does not arise in view of my reply to part (c) above.

Mr. Sri Prakasa : Do Government contribute to the provinces any portion of the licence fee of Rs. 10 that they charge from the keeper of radio sets?

The Honourable Sir Frank Noyce : No, Sir. There is no special reason why they should do so.

Mr. Sri Prakasa : How can the provinces meet the extra expenditure involved when most of the work is done in the provinces?

The Honourable Sir Frank Noyce : I understand some of the expenditure incurred by the provinces was provided out of last year's rural development grant.

Mr. M. Asaf Ali : What exactly will be the arrangement about the distribution of licence fees between the Centre and the Provinces when the Provinces have set up their own stations?

The Honourable Sir Frank Noyce : That does not arise out of this question.

Mr. M. Asaf Ali : May I know whether the Centre proposes to put up any radio sets in villages?

The Honourable Sir Frank Noyce : Our general policy is that the provision of radio sets in villages is a matter for the Provincial Governments.

NEWS AGENCIES PATRONISED BY THE ALL-INDIA RADIO SERVICE.

614. ***Mr. M. Asaf Ali :** (a) Do the All-India Radio Service patronise only Reuter and Associated Press of India, or do they take the United Press news service also?

(b) Are Government aware that the proportion of reports of rural uplift work by non-official agencies is usually larger in the news purveyed by the United Press than in those of other news-purveying agencies?

(c) Are Government aware that the All-India Radio Service take no notice of news relating to elections? If so, why?

(d) Are Government also aware that news about official visits to villages and the village uplift work undertaken or proposed by officials only is regarded as political propaganda?

The Honourable Sir Frank Noyce : (a) Reuters and the Associated Press of India at present supply news for broadcast purposes and no news is obtained by the All-India Radio from the United Press News Service.

(b) No.

(c) Under instructions recently issued by the Government of India, election results when available can be included in news programmes, but to broadcast election manifestoes or election speeches would be against Government's policy of not allowing the All-India Radio to be used for propaganda, or for controversial subjects.

(d) The reply is in the negative.

Mr. M. Asaf Ali : With reference to part (b), may I know why the United Press is left in the cold?

The Honourable Sir Frank Noyce : Because there are two news agencies and that is considered sufficient.

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LEGISLATIVE ASSEMBLY.

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Mr. M. Asaf Ali : Is it not a fact that the United Press supplies some additional news which is not purveyed by the Associated Press and the Reuters ?

The Honourable Sir Frank Noyce : I am not in a position to answer that question.

Mr. M. Asaf Ali : Will the Government kindly make up their mind about it and make an investigation and if they find that the United Press supplies additional news, they will also patronise that news agency ?

The Honourable Sir Frank Noyce : Government consider that at present the news supplied by the two Agencies is sufficient in relation to the amount that is available to be spent on them.

Pandit Lakshmi Kanta Maitra : May I know in patronising these news agencies, what are the factors which weigh with them ? What is the price that Government have to pay to these news agencies for purveying these news ?

The Honourable Sir Frank Noyce : I take it that the main factor is reliability.

Pandit Lakshmi Kanta Maitra : Does the Honourable Member mean to say that the United Press is not a reliable agency ?

Mr. President (The Honourable Sir Abdur Rahim) : You cannot argue the question here.

The Honourable Sir Frank Noyce : I am not expressing any opinion on the comparative merits of these various agencies. I can only say that, as regards the Reuters and the Associated Press, about which my Honourable friend asked what the factor was, it was reliability.

Pandit Lakshmi Kanta Maitra : May I know if that arrangement with the Reuters and the Associated Press is a permanent arrangement, or is it for a certain period of time ? If so, what is the period of time ?

The Honourable Sir Frank Noyce : I want notice.

Mr. Sri Prakasa : Do the Government pay any money for the supply of news by the particular News Agencies ? I ask this specially in view of the fact that the copyright of the news remains with the Agency ?

Mr. President (The Honourable Sir Abdur Rahim) : All these numerous supplementary questions do not arise out of the original answer.

Mr. M. Asaf Ali : May I know if Government pay for all the stations separately for the full service or do they pay only for one station and the news is relayed from that station to others ?

Mr. President (The Honourable Sir Abdur Rahim) : With reference to this question of payment, I do not find that in the original questions. How can these supplementary questions arise ? Next question.

Mr. M. Asaf Ali : I do not know whether I have made myself clear. I am asking Government to state whether they are paying the Reuters and the Associated Press for their full service to all the stations ?

Mr. President (The Honourable Sir Abdur Rahim) : That ought to be put as a specific question. That does not arise out of the original question. Next question.

BROADCASTING OF ELECTION SPEECHES.

615. ***Mr. M. Asaf Ali :** Do Government propose to consider the advisability of allowing leaders of different parties to broadcast at least one speech each during the election campaign, as they do in England ?

The Honourable Sir Frank Noyce : The attention of the Honourable Member is invited to the reply given by me on the 1st September to parts (a), (c) and (d) of Mr. Satyamurti's starred question No. 29.

Mr. M. Asaf Ali : What exactly do Government intend to do as soon as section 129 comes into operation ?

The Honourable Sir Frank Noyce : That is a hypothetical question.

Mr. M. Asaf Ali : It is quite obvious that section 129 is bound to come into operation sooner or later. We all know it will come into operation on the 1st April, 1937, when Provincial Autonomy commences. I want to know what the Government propose to do then, because these Provinces will be perfectly free to broadcast any matter they want to.

The Honourable Sir Frank Noyce : They will not be free to broadcast any matter they want to.

Mr. M. Asaf Ali : I should like the Honourable Member to refer to section 129 and see that the Central Government has no power to control the matter to be broadcast by provinces ?

Mr. President (The Honourable Sir Abdur Rahim) : That is a matter of interpretation of the section. You cannot ask for legal opinion in a supplementary question.

Mr. M. Asaf Ali : I am not asking for any legal opinion.

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member is giving a legal opinion on a section and is asking the Government whether that is right.

Mr. M. Asaf Ali : I want the Government to state their policy in view of this section 129.

The Honourable Sir Frank Noyce : I am not at present in a position to state what the policy will be.

Mr. S. Satyamurti : Have the Government any intention of reconsidering their position, in regard to this matter ?

The Honourable Sir Frank Noyce : None.

Mr. S. Satyamurti : Why not, Sir ?

(No answer.)

Mr. M. Asaf Ali : May I take it, Sir, that the Government's policy today is intended to be consistent with the policy which they are bound to follow under the new constitution ?

The Honourable Sir Frank Noyce : I am not, in reply to a supplementary question, prepared to discuss the position which will arise on the introduction of Provincial Autonomy.

Mr. M. Asaf Ali : I am only asking whether the Government are following a consistent policy ?

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member is not prepared to answer that question. Next question.

Mr. M. Asaf Ali : If the Government refuse to answer that question that is a different matter.

CIRCULATION OF BILLS AFFECTING WOMEN'S RIGHTS.

616. ***Mr. M. Asaf Ali :** Will Government be pleased to state if they circulate Bills affecting women's rights regarding marriage, divorce, inheritance, etc., to recognised women's organisations like the All-India Women's Conference ? If not, why not ?

The Honourable Sir Nripendra Sircar : The information desired by the Honourable Member has been given fully in my reply to Mr. Sri Prakasa's question No. 573.

Mr. N. M. Joshi : May I ask whether the Government of India themselves circulate these Bills to any all-India organisation ?

The Honourable Sir Nripendra Sircar : This is covered by the answer I gave to my Honourable friend, Mr. Sri Prakasa, yesterday and as a matter of fact, we get opinions from what may be called all-India organisations, including women's organisations.

Mr. Sri Prakasa : Will Government consider the desirability of sending their Bills and such other papers directly for opinion to various organisations interested in the subjects concerned from headquarters instead of depending entirely on Provincial Governments ?

The Honourable Sir Nripendra Sircar : No, Sir.

Prof. N. G. Ranga : Will Government consider the advisability of making an announcement in the Gazette of India calling upon all these organisations of women which would like to submit their views whenever any Bills are sent out for circulation ?

The Honourable Sir Nripendra Sircar : That is done in every local Gazette.

Mr. N. M. Joshi : Are Government aware that some important all-India organisations are not consulted as regards certain important Bills on account of the fact that they are considered not to belong to any one particular province, and will the Government of India consider the question of consulting these all-India organisations ?

The Honourable Sir Nripendra Sircar : If instead of saying certain organisations and certain persons, my friend will say in connection with what Bill a particular organisation was not consulted, I will answer him.

Mr. Lalchand Navalrai : Apart from the Bills being published in the Government Gazette, may I know if any notice is given in other papers that certain Bills are for circulation, so that the public may know ?

The Honourable Sir Nripendra Sircar : The notification is published in the local Gazette and of course as a matter of fact every paper publishes the fact that such and such Bills are in circulation. But we take no special steps for advertising in other papers.

SHORT NOTICE QUESTIONS AND ANSWERS.

GRANT OF CONCESSION RATE FOR TRANSPORT OF FODDER BY RAIL INTO FAMINE-STRICKEN AREAS IN THE BOMBAY PRESIDENCY.

Mr. N. V. Gadgil : (a) Will Government be pleased to state whether applications have been received from several public institutions, and the chairman of the Famine Relief Fund in Ahmednagar in particular, for grant of concessions by the Great Indian Peninsula Railway and the Madras and Southern Mahratta Railway and other Railways to carry fodder and grass from outside the Bombay Presidency to famine-stricken areas ?

(b) What is the policy of Government with respect to these concessions and, in view of the extent and depth of famine in the Marathi-speaking districts in Maharashtra, do Government propose to direct the Railways concerned to grant as much concessions as possible in the transport of food and grass to public bodies and institutions which are doing relief work ?

Sir Girja Shankar Bajpai : (a) No.

(b) The matter is one primarily for consideration by Provincial Governments who have been authorised since 1920 to introduce concession rates on consignments of fodder between stations situated within their own jurisdictions. As regards import of fodder from outside the matter is one for adjustment first between the Provincial Governments or States concerned. If the sanction of the Government of India is asked to any such arrangement, the request will be sympathetically considered.

EXPLOSION AT THE MOGHALPURA WORKSHOP ON THE NORTH WESTERN RAILWAY.

Sardar Sant Singh : (a) Will Government state how many casualties in killed and injured occurred in the explosion at the Moghalpura workshop on the North Western Railway ? What are the names of the persons injured and killed ?

(b) What was the cause of the explosion ?

(c) Has any inquiry been made into the cause of the explosion, and has the responsibility for the explosion been fixed ?

(d) Do Government propose to grant any compensation to the families of the victims ?

The Honourable Sir Muhammad Zafrullah Khan : (a) According to information received up to date,

Two persons were killed outright.

Five were seriously injured ; of these three have since died.

Twenty-five received minor injuries.

Names of those killed.

Rallia Ram.

Tirath Ram.

Names of those that succumbed to injuries.

Abdulla.

Nur Mohamed.

Abdul Hakim.

The names of the others have been called for and will be laid on the table when received.

(b) The cause has not yet been determined.

(c) Separate enquiries are being held by the Superintendent, Mechanical Workshops, North Western Railway, the District Magistrate, the Police, the Inspector of Factories and the Inspector of Explosives.

The responsibility has not yet been fixed.

(d) All cases will be dealt with under the Workmen's Compensation Act.

Mr. V. V. Giri : Do Government propose to have an impartial inquiry into the whole matter with the representatives of the public and the representatives of the workers at Lahore ?

The Honourable Sir Muhammad Zafrullah Khan : I cannot answer that question at this stage. I must await the reports of the inquiries that are being held into the matter.

EXPLOSION AT THE MOGHALPURA WORKSHOP ON THE NORTH WESTERN RAILWAY.

Mr. V. V. Giri : (a) Will Government be pleased to state whether their attention has been drawn to the workshop tragedy in Moghalpura, where some workers were killed and many injured due to the alleged oxygen cylinder explosion ?

(b) Are Government aware of the panic created among the workers due to this accident ?

(c) Is it a fact that the representatives of the press were not taken into confidence and allowed to go into the workshops in order to ascertain the real state of affairs regarding the accident ?

(d) Do Government propose to hold an impartial enquiry into the exact causes of the accident, and take measures to prevent the same hereafter ?

(e) Do Government propose to grant suitable compensation to the families of the dead and to the injured workers due to this accident ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Government are aware of the accident, but the cause has not yet been determined.

(b) No.

(c) A Press Communiqué was issued on the date of the accident.

Relatives of the victims of the accident were admitted to the workshops.

(d) Separate inquiries are being held by the Superintendent, Mechanical Workshops, North Western Railway, the District Magistrate, the Police, the Inspector of Factories and the Inspector of Explosives.

(e) All cases will be dealt with under the Workmen's Compensation Act.

Mr. V. V. Giri : What was the cause of the press representatives being disallowed when they made a request for going into the workshops to know the conditions at the time ?

The Honourable Sir Muhammad Zafrullah Khan : The very first matter to be attended to was to render necessary aid to the people who were injured and to avoid further confusion as far as possible.

Mr. V. V. Giri : But when the confusion was over, could they not invite the press representatives to go into the matter ?

The Honourable Sir Muhammad Zafrullah Khan : To hold an inquiry ?

Mr. V. V. Giri : They could have allowed those press representatives who wanted permission to go into the workshops and see things for themselves.

The Honourable Sir Muhammad Zafrullah Khan : As soon as it was practicable, the Administration issued a Press Communiqué giving all the information available.

RESOLUTION RE INDEBTEDNESS OF AGRICULTURISTS.

Mr. N. C. Chunder (Calcutta : Non-Muhammadan Urban) : Sir, I beg to move the Resolution which stands in my name as follows :

" That this Assembly recommends to the Governor General in Council to appoint a Committee consisting of both official and non-official Members, with non-official majority, to inquire into the question of indebtedness of agriculturists of the whole of India dealing particularly with the following points :

(1) to find out :

(i) the approximate total debt,

(ii) the area of land which has passed from the hands of the agriculturists to money-lenders,

(iii) the area of land mortgaged with money-lenders at present.

(2) to enquire and report on the remedies and provisions of law up till now legislated in different provinces for their amelioration and what results have been achieved by such measures in different provinces.

This Assembly further recommends to the Governor General in Council that the said Committee be authorised to incorporate in its report the ways and means and provisions of laws by which the interests of the agriculturists could be fully safeguarded and thereby extricate them from their present miserable plight."

Sir, before I begin, I have to inform this House that I am not responsible for the drafting of this Resolution. It was sent to me and I sent it on, and the ballot having favoured me I happen to be the speaker, although I can assure you, Sir, that no one wishes more than I do that

[Mr. N. C. Chunder.]

it had fallen to the lot of some one else to move this very important Resolution. However, I cannot begin my speech better than by quoting an extract from Sir Frederick Nicholson's report. Sir Frederick in 1885 submitted to the Government of Madras a report on the credit systems of Europe. Sir Frederick Nicholson has been regarded as the father of the co-operative movement in India, although it took several years before his report was recognised and acted upon by Government. I shall place before this House a passage from his report on Agricultural Banks. It is this :

"The history of rural economy in Europe, America and India has no lesson more distinct than this, that agriculturists must and will borrow. This necessity is due to the fact that an agriculturist's capital is locked up in his land and stock and must be temporarily mobilised. Hence credit is not necessarily objectionable, nor is borrowing necessarily a sign of weakness. But such borrowing may be abused and indebtedness may be a symptom and a cause of danger if the conditions of credit are unsound or defective, if borrowing is not a mere temporary productive mobilisation of capital but the result of ignorance, imprudence, recklessness, misgovernment, social defects or even social arrangements, such as the laws and customs of inheritance."

With regard to this, I think the House will concede that these are matters of more than local or provincial importance and these are matters which should be dealt with by a committee considering the question of rural indebtedness as a whole. But before I come to make my point why there should be a committee and an all-India committee for that matter, I think I ought to show to this House that there is an appalling amount of rural indebtedness waiting to be relieved. Now, with regard to the extent of rural indebtedness. It required the Kunbis to break out into open riots in the Deccan before the Government could be moved to take this matter seriously ; and the Deccan Agriculturist Commission was the first serious attempt to deal with this question of rural indebtedness but even then the Deccan Riots Commission were not primarily intended to find out means for the relief of agricultural indebtedness but were meant primarily to find out the causes of the riots and to prevent future riots. But the Deccan Riots Commission of 1875 did very valuable work and their report covering, I think, about 1,500 pages dealt with the question of agricultural indebtedness in 12 villages in the province of Bombay. With regard to the extent of indebtedness that they found, I shall quote from a passage in their report : it says :

"It appears that about one-third of the occupants of Government land are embarrassed with debt, that their debts average about 18 times their assessment, and that nearly two-thirds of the debt is secured by mortgage of land."

Then, they give certain details. Then they take up the question as to the extent to which land had passed out of the hands of the cultivating class. Here they say that they cannot determine that with accuracy how much land is held in mortgage of which the occupancy is not transferred to the *sowcar*. In the villages scrutinised by the Commission in the Ahmednagar district it was found that about one-eighth of the occupancies had on the average been transferred to *sowcars*, namely, that the direct assessment payable by *sowcars* for land was about 1/8th of the whole demand on the village. But this only represents the amount of land in their occupancy as Government tenants. The increasing extent to which land is passing from the Kunbi to the *sowcar* has been illustrated

above by the growth of the money-lender class. These properties had been acquired within the last twenty years and for the most part within the last ten years before 1875.

Then came the Famine Commission of 1880, which also incidentally, as a means of preventing the distress caused by famine or increasing the power of the people to resist the distress caused by famine went into the question of rural indebtedness ; but again I must point out that they went into the question of rural indebtedness not as a question by itself of very great importance, but incidentally as arising out of the questions or problems involved in the question of famine. You will find, Sir, they say :

"We have found no reason to believe that the agricultural population of India have at any known period of their history been generally free from debt, although individuals or classes may have fallen into deeper embarrassments under the British rule than was common in the native dynasties which preceded them."

However, this is a matter which is very controversial, and for the purposes of my present Resolution I need not go into it except to remark that when you have a society constituted by or composed of village communities it is very difficult to imagine how individuals could have run into debts. However that may be, we are not concerned with that or whether debts existed in pre-British days or whether they came into existence after the British occupation of this country. It is admitted by this Commission and by all writers who have dealt with this subject subsequently that under the British Government since the British occupation, the indebtedness of the agriculturist has risen from year to year until they are groaning under the burden to this extent, that even so early as 1855 in Ahmednagar district the people refused to use the water of the Lakh Canial—a very important irrigation measure, because they were so desperate that they did not care whether they had a good crop or whether they had a bad crop.

Mr. K. Ahmed (Rajshahi Division : Muhammadan Rural) : Why did they do so ?

Mr. N. C. Chunder : Because they were sowing, where others would reap the benefit ; they thought that the benefit would go to the *sowcar*.

Then, Sir, came the Famine Commission of 1898 which did not contribute very much to the question of agricultural indebtedness, but the Famine Commission of 1901 dealt specially with the question of agricultural indebtedness in the Presidency of Bombay, and I shall place before this House some extracts from their Report. This is what they say :

"It is not necessary to trace here the efforts which since 1875 have been made to remedy this lamentable state of things. Commissions have sat and reported. Acts of the Legislature have been passed and amended ; executive action of various sorts has been taken, but of all, the result has been disappointing. Comparing the statistics of sales and mortgages in the four districts to which the Relief Acts have been applied with the corresponding figures in non-Act districts and weighing the evidence of the witnesses on the point, we form the conclusion that these Acts have done but little substantial good."

And, Sir, I would submit that these Acts could do no substantial good, because this problem of agricultural indebtedness, which is itself of very great importance, was never dealt with by any Committee sitting to consider the question of agricultural indebtedness quite exclusively.

[Mr. N. C. Chunder.]

Then, Sir, coming to the exact extent of agricultural indebtedness, the difficulty has been that this subject has been hitherto treated only incidentally or as an auxiliary to some other and bigger problem, and it is impossible to ascertain what is the real extent of agricultural indebtedness, and we can only go by estimates which have been formed of such indebtedness. In 1911, Sir Edward MacLagan basing his estimate on Nicholson's estimate for Madras calculated the total for British India to be about 360 crores, but that estimate on the face of it could not be a correct one for the simple reason that Nicholson's estimate even with regard to Madras could not in 1911 be accurate, because it was made so long ago as 1885. The Agricultural Commission gave no estimate of the total indebtedness, though they also incidentally dealt with this question of total indebtedness. The Banking Inquiry Committees have given somewhat more comprehensive estimates. These have been collected in a little brochure published by Mr. Nalini Ranjan Sircar called the "Problem of Agricultural Indebtedness", in which he has appended a table. This table is taken from the Minority Report of the Indian Central Banking Inquiry Committee, and there he gives certain estimates. The total calculated on those estimates for the whole of India will be about 900 crores, but here again, Sir, you will be pleased to remember that these estimates were taken in the year 1929 or thereabouts, and since then there has been a fall in the prices of food stuffs. Therefore, even if the debt remained 900 crores as they estimated, the burden of debt is undoubtedly much more crushing at the present time. According to Sir M. Vishweshwaraya the agricultural population has a debt variously estimated at between Rs. 800 crores and Rs. 1,200 crores. The actual debt is probably not under Rs. 950 crores, or say Rs. 50 per head of the total agricultural population. I may say here that according to this learned author, the annual income of British India from agriculture is estimated at Rs. 1,568 crores, which gives an average return of Rs. 60.3 per acre of cultivated crops, including irrigated crops, and Rs. 59 per head of the total population. But the seriousness of the debt lies not so much in its volume, because there are other countries where also the agricultural indebtedness in volume is not very different from the debt in this country, but in its rate of growth. That it has been growing from 1921 up to the present time, there can be no question, and that matter is very fully dealt with by Professors Jathar and Beri at page 271 in the first volume of their very useful book entitled "Indian Economics, a Comprehensive and Critical Survey of the Economic Problems of India".

Now, Sir, having come to the proposition that there is a very large amount of agricultural debts required to be liquidated, the question is what has been the effect of this debt, how much land has passed out to money-lenders. That is a question to which I would next invite the attention of the House. Well, Sir, it is not possible exactly to state how much of land has passed out from the hands of the agriculturists to the hands of *sowcars*, because, as has been pointed out both in connection with the debate on the Deccan Agriculturists' Relief Act as also in the Report of the Deccan Riots Commission, the *sowcar* has very seldom got the land transferred in his own name, because it has always been of great advantage to him to keep the agriculturists on the land instead of turning them out of the land. He has taken the fullest advantage of the

agriculturist's attachment to the land of his forefathers. You can easily imagine that a very great quantity of land must have passed out of the hands of the agriculturists to non-agriculturists, I mean, the ownership or proprietorship of the land though the occupancy might be in the agriculturist now a *serf*. When I tell you that it was the policy and it is still the policy of the British Government not to restrain transfer but to encourage it.....

The Honourable Sir Henry Craik (Home Member) : No, no.

Mr. N. C. Chunder : I am told that it is not true that Government favour transfer. The Honourable Sir Henry Craik comes from the Punjab and no doubt he will say that very early in this century, at the beginning of this century, the Punjab had its Land Alienation Act. But allow me to tell him that the Punjab Land Alienation Act was more a political measure than an economic one.

The Honourable Sir Henry Craik : No, no. I do not agree.

Mr. N. C. Chunder : Well, Sir, I will refer him to the debate on the Punjab Land Alienation Act. This is what Sir Charles Rivaz said :

"The sole and entire object of the measure which I have been explaining is, while affording ample facilities and a sufficient market for unobjectionable transfers, to arrest the further progress of this mischief, and to check, by remedial action, an ever-increasing political danger."

The Honourable Sir Henry Craik : Is not that an economic object ?

Mr. N. C. Chunder : Now, Sir, the Honourable Mr. Tupper, after the Bill had come back from the Select Committee, said this :

"The reasons for adding to the already existing restrictions on the transfer of agricultural land in the Punjab are both political and economic. While I admit the force of the economic reasons, which have been fully explained to-day by the Honourable Member in charge of the Bill and by the Honourable Nawab Muhammad Hayat Khan, I wish to say that it is the political reasons which have most strongly influenced my judgment in this important matter."

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member has only two minutes more.

Mr. N. C. Chunder : I do not say that Government have not done anything in this matter, in the provinces. If my Honourable and learned friend, Mr. Aney, cares to speak on this subject, he will be able to tell you what the Central Provinces Government have done in this matter, and there has been a brochure by Mr. Malani, published by the Indian National Congress which sets out the various remedial measures which have been adopted by the Central Provinces Government, and not the least of them is no doubt the Debt Conciliation Act. With regard to Bengal also, the Bengal Money-lenders Act which was passed by the Bengal Legislative Council in 1933 and the Bengal Agricultural Debtors Act of 1935 are meant to relieve agricultural indebtedness and the distress caused by agricultural indebtedness. But it is not enough that each province should be left to take care of its own agricultural indebtedness. It is, as I have submitted, an all-India question. I am reminded that agriculture is a transferred subject. So are roads, but does my Honourable friend suggest that the Central Advisory Board for Roads should be abolished ? Does my Honourable friend suggest that the problem of road transport should not be dealt

[Dr. F. X. DeSouza.]

tion not in terms of class but in terms of the nation. Let us hope that this is a phase which brings the question a step nearer the solution.

Sir, it is idle to deny that agricultural indebtedness existed in pre-British India but the relations in those days between the money-lender and the agriculturist debtor were far more cordial than they are today. There are reasons for that. In the first place the village community was strong and was a check upon the extortionate money-lender. In the second place the State did not bother itself about the recovery of the debts as she does today. With the advent of British rule was introduced the machinery of the Courts which enforced the technical provisions of the various Codes, the Civil Procedure Code, the Contract Act and the Evidence Act. With what result? I cannot describe it better than in the language of Mr. Darling. Says Mr. Darling: "With the establishment of the Civil Courts and the decline of the village community, the reign of the money-lender began. Once the munsiff and the lawyer were enthroned in the Courts (These are not my words, with all deference to the lawyer members of the Assembly) legality and chicanery were constantly enforced into unholy embrace, to the confusion of justice and equity; and as a cultivator remarked, the law instead of being used as salt became the whole diet'.

Thus, another great boon of British rule which was genuinely intended as a boon has turned out to be the farmers' curse. There is no doubt that rural indebtedness has increased during British rule. (An Honourable Member: "No.") I will substantiate what I say. My Honourable friend, Mr. Chunder, gave facts and figures to show how that increase arose. Sir Edward Maclagan in 1911 said:

"The writings of Monroe and Elphinstone and others make it clear that there was much debt even at the beginning of our rule. But it is also acknowledged that the indebtedness has risen considerably during our rule and more especially during the last half a century."

The Banking Enquiry Committees attempted to estimate the extent of this indebtedness. It estimated about Rs. 900 crores as the debt in 1931 for the whole of India. The Punjab Committee estimated Rs. 50 crores for the Punjab in 1921, which rose to 135 crores in 1929 and represents, having regard to the depreciation in the value of primary commodities to the agriculturist, the colossal figure of Rs. 270 crores in 1930. The Congress also estimate a debt burden much on the same lines. In their manifesto they say that the debt rose from 9 milliards in 1929 to 16 milliards today.

Sir, the bulk of the population, about seventy per cent. at least as remarked by the Royal Commission on Agriculture, are born in debt, live in debt and die in debt (Hear, hear), and they say that the unfortunate part in the situation in this country is this that this debt is not wiped out even by the death of the debtor. In other countries upon death debts descend to the heir only to the extent of the assets left by the deceased person, but, Sir, in this country, owing to the influence of the capitalist State and of the lawyers, it is held that there is always a pious obligation on the part of the son to pay his father's debt, and this debt increases in volume in almost a geometrical progression. The result is this. To a great extent the cultivator

labours not for profit, not for a net return, but for a bare subsistence. Sir, His Excellency the Viceroy the other day in his inspiring address to the joint Session of the Legislatures laid down that the strongest plank in his policy during his term of office was going to be the improvement of public health and an improvement in the nutrition of man and beast. Now is it possible to carry out in any degree this noble aim of the Viceroy's policy? How can you possibly improve the public health of the agriculturist, when he has not the means to buy the means of health? (Hear, hear.) How can you improve public nutrition if the indebted agriculturist has not the means to buy nourishing food? Sir, it seems to me that before the policy laid down by His Excellency can be carried out, the most important step is the relief of agricultural indebtedness, otherwise it would be like building a house on a foundation of sand.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member has only one minute more.

Dr. F. X. DeSouza: I am very sorry, Sir. As I have said, these three Commissions have reported and formulated certain conclusions and it is unfortunate that the Government of India have not taken any action at least on the bulk of their recommendations.

The Honourable Sir Henry Craik: That is not true.

Dr. F. X. DeSouza: The Honourable the Home Member interjected: "that is not true", but I venture to think that when I went through the Report of the Agricultural Commission the other day and also that of the Banking Enquiry Committee's Report and endeavoured to find out what steps have been taken by the Government, I found very little indeed had been done to carry out those recommendations. (Hear, hear.) Sir, it is said that is the duty of the Local Governments. Sir, it is not open to the Government thus to transfer their responsibilities under this head to Local Governments.

An Honourable Member: Agriculture is a transferred subject.

Dr. F. X. DeSouza: No doubt agriculture is a transferred subject, so is health.

Mr. S. Satyamurti (Madras City: Non-Muhammadan Urban): But finance is not!

Dr. F. X. DeSouza: The other day, Sir, His Excellency the Viceroy announced that he is going to form a Central Board of Public Health. Although public health is a transferred subject. Again as my Honourable friend, Mr. Nirmal Chunder Chunder, pointed out, roads also are a transferred subject but the question is an all-India question; so, education is a transferred subject, but India is one country, India is one nation, the policy has to be laid down and carried out by the Government of India. It is not open to them to wash their hands and say, "Oh, the matter is for Provincial Governments". Why then do the Government of India appoint these Commissions? Why does this Assembly sanction such large amounts for these Commissions which, though bearing on a transferred subject, have an all-India importance. Sir, I am afraid my time is up and I do not wish to detain this House any longer. I move.

[Mr. N. C. Chunder.]

with as an all-India question? Similarly, take the case of agriculture. It is a matter of all-India importance, but apart from that, when the Banking Enquiry Committee met, when the Royal Commission on Agriculture met, since then much water has flown down the Sutlej, the Jumna and the Thames. Even in England, now-a-days, it is admitted that the doctrine of *laissez-faire* would not do. Even in England. Take for example the Wheat Act of 1932.

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member's time is up.

Mr. N. C. Chunder : I am about to finish. In the British Dominions also, for instance in South Australia a Debt Adjustment Act was passed in 1929 for the relief of farmers. In New South Wales the Crown Lands Amendment Act of 1932 provides for the general writing down of interest obligations due to the crown by 22½ per cent., and the Farmers' Relief Act of 1932 was passed combining temporary moratorium with positive State assistance. In New Zealand also the Mortgagees' Relief Act of 1931 and the National Expenditure Adjustment Act of 1932 deal with questions of relief of agricultural indebtedness. In 1931 in South Africa a Farmers' Special Relief Act was passed. So, elsewhere in the British Dominions attempts are being made to deal with this problem of agricultural indebtedness as a national problem, and I cannot understand why in India it should not be dealt with as an all-India problem. (Applause.)

Mr. President (The Honourable Sir Abdur Rahim) : Resolution moved :

"That this Assembly recommends to the Governor General in Council to appoint a Committee consisting of both official and non-official Members, with non-official majority, to inquire into the question of indebtedness of agriculturists of the whole of India dealing particularly with the following points :

(1) to find out :

(i) the approximate total debt,

(ii) the area of land which has passed from the hands of the agriculturists to money-lenders,

(iii) the area of land mortgaged with money-lenders at present.

(2) to enquire and report on the remedies and provisions of law up till now legislated in different provinces for their amelioration and what results have been achieved by such measures in different provinces.

This Assembly further recommends to the Governor General in Council that the said Committee be authorised to incorporate in its report the ways and means and provisions of laws by which the interests of the agriculturists could be fully safeguarded and thereby extricate them from their present miserable plight."

There are a number of amendments of which notice has been given. To seek to substitute another Resolution for the one that has been moved, one in the name of Dr. DeSouza and the other in the name of Pandit Nilakantha Das. Does Dr. DeSouza wish to move his amendment?

Dr. F. X. DeSouza (Nominated Non-Official) : Yes, Sir.

I rise to move the amendment that stands in my name :

"That for the original Resolution, the following be substituted :

"That this Assembly recommends to the Governor General in Council to take immediate action on the recommendations of the Royal Commission on Agriculture, the Banking Enquiry Committee and the Civil Justice Committee for relieving agricultural indebtedness in India and for that purpose to appoint a Special Officer with three non-official advisers to suggest measures in consultation with Local Governments on the lines of those recommendations."

Mr. President, I trust that the Honourable Member who has just sat down will not think me impertinent if I congratulate him on the lucidity with which he has marshalled his facts and the forcefulness with which he has pressed his conclusions. I entirely agree with him so far as his facts are concerned and his conclusions are concerned but the reason why I have sent in my amendment is that I have to join issue with him with regard to the machinery which he proposes to bring into play for the purpose of giving effect to his conclusions. Sir, during the last six years, the Royal Commission on Agriculture presided over by the present Viceroy of India, the Civil Justice Committee presided over by that eminent jurist, Chief Justice Rankin, on which I had the honour to serve as a member and the Banking Inquiry Committee which reported in 1931 have exhaustively inquired into the subject-matter of this Resolution. I cannot accept the view of Mr. Chunder when he said that the subject of agricultural indebtedness was not directly in issue in the inquiry of those committees. If he glances at the report of the Banking Inquiry Committee he will find that three elaborate chapters have been devoted to the inquiry as to the extent of the agricultural indebtedness, as to the best means of relieving that indebtedness and as to the failure of the steps hitherto taken for the purpose of alleviating that indebtedness. I think, therefore, as lawyers would say, the matter was directly and substantially in issue in these three committees. (An Honourable Member : "Therefore, *res judicata* ?") Yes, it is *res judicata* and therefore it is unnecessary in my humble opinion to start another inquiry or to set up another commission for the same purpose.

Sir Muhammad Yakub (Rohilkund and Kumaon Divisions : Muhammadan Rural) : The Civil Procedure Code has been amended since you retired?

Dr. F. X. DeSouza : I am well aware of that, but I am keeping myself in touch with all the latest amendments to the Code and especially in regard to the subject of agricultural indebtedness in which I take great interest.

This Resolution is what I may call a hardy annual. During the last six years during which I have served in this Assembly, at least three Honourable Members have moved Resolutions to the same effect but there is a striking difference in the present case. Those Resolutions were moved by Moslem members whose religion forbids the charging of interest and who may be considered as representing the indebted classes but today the Resolution has been moved by a Hindu member representing what I may call the capitalist class and belonging to a profession to whom chronic indebtedness is not always an unmixed evil. It looks as though we have commenced to look upon this ques-

Mr. President (The Honourable Sir Abdur Rahim): Amendment moved.

That for the original Resolution, the following be substituted:

That this Assembly recommends to the Governor General in Council to take immediate action on the recommendations of the Royal Commission on Agriculture, the Banking Enquiry Committee and the Civil Justice Committee for relieving agricultural indebtedness in India and for that purpose to appoint a Special Officer with three non-official advisers to suggest measures in consultation with Local Governments on the lines of those recommendations.

The discussion will now proceed on the original Resolution as well as the amendment.

Mr. Basanta Kumar Das (Surma Valley cum Shillong : Non-Muhamadan): There is an amendment standing in my name, and I rise to move that amendment. It runs as follows:

That for clause (1), including all the sub-clauses, the following be substituted:

(1) To find out, Province by Province, or area by area, as is considered suitable, with comparative statements for specified periods:

(i) the approximate total debt of the agriculturists (a) in money, (b) in kind, e.g., paddy or other produce,

(ii) the amount and the extent of such debt in each case due to—

(a) landlord-creditors, (b) moneylenders including banks, (c) Government (for agricultural or taccavi loans), and (d) Co-operative Societies,

(iii) the amount and the extent of the arrears of rent with interests accrued and accruing thereon,

(iv) the areas of land which have passed from the hands of the agriculturists to their own landlords and to other creditors on account of payments of debt in each case.....

Mr. President (The Honourable Sir Abdur Rahim): Order, order. I find that what the Honourable Member proposes is that "for clause (1), including all the sub-clauses," etc., etc. I do not find in the amendment, so far as I have been able to look into it, anything dealing with clause (2).—any recommendation or remedies proposed. It is not a substitution.

Mr. Basanta Kumar Das: Yes, Sir, my amendment is certainly a substitute for clause 1.

Mr. President (The Honourable Sir Abdur Rahim): Then, it cannot be moved now. Mr. Kabeer-ud-Din Ahmed.

Pandit Govind Ballabh Pant (Rohilkund and Kumaon Divisions : Non-Muhamadan Rural): Can't Mr. Basanta Kumar Das's amendment be moved now? It will save time if all amendments are moved at this stage?

Mr. President (The Honourable Sir Abdur Rahim): Pandit Govind Ballabh Pant says that it is only an amendment to the original Resolution, and the other amendment moved by Dr. DeSouza is a substitution. If Dr. DeSouza's amendment is not carried, in that case all these amendments, including that of the Honourable Member, Mr. Basanta Kumar Das, can be moved. If Dr. DeSouza's amendment is carried, the original Resolution is gone and with it these amendments.

Pandit Govind Ballabh Pant: Then the amendment of Mr. Basanta Kumar Das will be taken up after you have put the original Resolution.

Mr. President (The Honourable Sir Abdur Rahim): Yes.

Mr. K. Ahmed: Sir, I take objection to the amendment of Mr. Basanta Kumar Das, because it does not come within the scope of the Resolution. Anyhow, I oppose the Resolution as well as the first amendment of Dr. DeSouza. But my Honourable friend, Mr. Morgan, from Bengal, who belongs to the European Group, has asked me to allow him to speak first and if the Chair has no objection and the House also has no objection, I am willing to speak after he has spoken. (Honourable Members: "You go on now.") I am in the hand of the Honourable Members of the House, and I will very loyally carry out their wishes, but if they like me to give way to Mr. Morgan of the European Group who wants to speak on this subject, I have no objection. (Honourable Members: "You go on.") Very well. Now, Sir, my Honourable friend, Mr. Chunder, in his Resolution wants a Committee composed of officials and non-officials but with a non-official majority to inquire into the question of the indebtedness of the agriculturists and he has mentioned certain points under clause 1 which he has called (i), (ii) and (iii). That is the ancient form of English for the Roman figures, but that is also correct. Be that as it may, the fact is that he has lost sight of the main grievances of the agriculturists in the villages as he is not only a representative of the capitalists as Dr. DeSouza has stated. I know the Mover of the Resolution very intimately, being his next-door neighbour, and I cannot be satisfied by calling him a capitalist alone. (An Honourable Member: "What are you?") That is not relevant. (Laughter.) My friend is not only a capitalist and a lawyer from generation to generation, but he is also a Zamindar of Bengal and also possesses house property in the City of Calcutta. Sir, we all know how tactfully these landlords forget the interests of the tenants, and I have got to say something about it. Look at sub-clause (ii) of part 1 of the Resolution. Owing to indebtedness the area of land has passed from the hands of the agriculturists to money-lenders. Sir, the amount of money that these landlords take in the shape of arrears of rent comes to lakhs and lakhs and probably crores of rupees and interest runs for arrears, 12½ per cent. to 25 per cent. How many plots of land are sold daily and the zamindars purchase their lands in auction sale for the arrears of rent? It is the inability of the tenants at this time of distress which has been going on for the last few years when the Western world has been making rapid strides. The question of depression has come and it is going to roll on until the eleventh hour when the tenants and the masses will no longer be able to bear the burden of the indebtedness. I am not accusing my Honourable friend, the Mover of the Resolution, so much as he has from the very beginning told us that it was not his Resolution and therefore he was not responsible for the wording of the Resolution at all. But it must have come out from my Honourable friend who is now looking at me.

Mr. S. Satyamurti: No. Seth Haji Abdoola Haroon.

Mr. K. Ahmed: Look at the names of those Honourable Members who gave notice of this Resolution. Many of them belong to the Congress Party, but they escaped this bitter lot and unluckily it has fallen to the lot of a Nationalist, who are divided among themselves. Now, Sir, I will

[Mr. K. Ahmed.]

come to the point. (Laughter.) 90 per cent. of the population of India are agriculturists and it is they who are asking for the benefit that is set out in your Resolution. You are leaving aside these 90 per cent. whose lands are sold to the zamindars in auction sale for arrears of rent, and you are misrepresenting this fact in your Resolution and say that today the property has been forfeited, not to the landlords and to the zamindars, but to the money-lenders and creditors who kindly lent money at the time of distress to these 10 per cent. population. According to the law, which exists in this country in the form of the Civil Procedure Code, for non-payment of debts including interest, you can always get their lands transferred and passed from the hands of the agriculturists to zamindars for arrears of rents, but why do you try to misrepresent facts in that Resolution? Where is that group or the number of members who pose themselves as the great benefactors of the country, who claim to command the majority votes in this House, and who have come into this House with the help of those poor people amongst the agriculturists? Why have they moved this Resolution? Is it not because they want to gain cheap popularity and to show to the world outside that they have got passed this Resolution in the Assembly? Let them boldly say that they have made a mistake. Let my friend, the transferor of that Resolution, Mr. Chunder, and my friend, Dr. DeSouza, who moved an amendment, say honestly whether they are justified in asking this House to pass this Resolution by the omission of such important point for which the 90 per cent. of the agriculturists are made victims? Where is the logic, how is my friend, Dr. DeSouza, justified, in coming here and telling us, "Oh, I have an amendment to the Resolution". It is like a man who has no legs to stand on going up to a lame man and telling him 'I have got a bamboo which you can have'. In such a case both the lame man and his helpmate will fall to the ground. This is the position of the Mover of the amendment. Sir, you have left out 90 per cent. of the people of India who are the agriculturists and whose lands are sold to the landlords and zamindars for arrears of rent. Having left them out, you merely go to deal with 10 per cent. of the population, and in support of your Resolution you are misquoting extracts from Sir Edward MacLagan's report and also from the Report of the Agriculturists' Relief Act and you are misapplying them. What is the meaning of all that? (Laughter.) It means you are putting the horse behind the cart; you misrepresent and you mislead the people, and make yourself hopeless. Remember that this Assembly consists of experienced men, lawyers and barristers from the provinces, and Honourable Members representing all the districts and subdivisions; they are all staring at you. (Laughter.).....

Pandit Lakshmi Kanta Maitra (Presidency Division : Non-Muhammadan Rural) : We are all staring at you.

Mr. K. Ahmed : Look at the ornaments, who have earned their reputation, on the bench and the bar; they are all looking at you and the whole country and the masses are also doing the same; they are all watching what you are doing. (Laughter.) Look how you misrepresent the country? God knows best. (Laughter.) Whether your Resolution will see the light of the day or not, heaven knows best. I cannot here anticipate and forecast like a Brahmin who wears a sacred thread. I am here only to tell you the substance of what you have moved, and where you are landing?

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member has only one minute more.

Mr. K. Ahmed : Therefore, I want to say that the Resolution which my Honourable friend has tabled does not include many of the essential ingredients, and so I say that the Resolution is out of order. (Loud laughter.) And it is in order to say good-bye to my friend for the moment that Dr. DeSouza has moved his amendment suggesting that a special officer should be appointed,—for what? To watch and see what has been done since the Royal Commission on Agriculture wrote out their Report. Remember, His Excellency Lord Linlithgow is here, and my friend wants to go faster than him. (Laughter.) The Civil Justice Committee presided over by Mr. Justice Rankin.....

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member's time is up.

Mr. K. Ahmed : Very well, Sir, I shall finish in a second.

Mr. President (The Honourable Sir Abdur Rahim) : Order, order...

Mr. K. Ahmed : With these words, Sir, I shall have to conclude. I had many other points to deal with, because the subject is so important, but I think I have hit upon the points rightly. Sir, I say that this Resolution must be out-voted. (Laughter.)

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

The Assembly re-assembled after Lunch at Half Past Two of the Clock. Mr. Deputy President (Mr. Akhil Chandra Datta) in the Chair.

Sir Girja Shankar Bajpai (Secretary, Department of Education, Health and Lands) : Mr. President, ... Mr. Deputy President, but I hope what I have said is an indication of events to come.

Mr. Deputy President (Mr. Akhil Chandra Datta) : You are too optimistic.

Sir Girja Shankar Bajpai : No, Sir, I am prophetic, being a Brahmin. I am sure, Sir, the House is greatly indebted to my Honourable friend, the unfortunately absent friend, the Mover of this Resolution, for giving us an opportunity of discussing a subject which is admittedly of paramount and national importance. If I may, Sir, quote from what the Banking Inquiry Committee had to say on the subject of rural indebtedness :

"The question is one of the utmost importance. The prosperity of the country and the successful development of trade, industry and commerce entirely depend upon the improvement in the general economic condition and in the increase in the buying power of its population engaged in and dependent on agriculture. To achieve this, it is necessary that the problem of indebtedness, its causes and its liquidation should be effectively solved."

There may be differences of opinion between us and Honourable Members opposite as to where the source of responsibility or initiative for dealing with this question lies. There may be differences of opinion between us as to the method by which a particular aspect or part of the problem should be solved; but, as regards the importance of the subject,

[Sir Girja Shankar Bajpai.] there can be, and there is, no difference of opinion. And, I should like to add, Sir, that our sense of the importance of the debate today is marked by the presence in our midst of that distinguished and senior member of my service, Mr. Darling, whose knowledge and experience of the subject are unique, and whose authority on the subject is universally acknowledged.

Sir, if I may proceed straight to the Resolution, I feel that the best and the most convenient way in which I can discuss it is to take it in its two logical parts. The first part is exploratory; the intention is to ascertain what the volume of agricultural indebtedness is, what the extent of transactions in land by transfer and the encumbrances upon agricultural land, are. The second part of the Resolution, Sir, seeks to establish remedial measures for the purpose of dealing with this problem. Now, my friend, Mr. Chunder, suggested that although there had been a number of Committees and Commissions which had discussed or examined this question of rural indebtedness.....

An Honourable Member : Where is the Mover ?

Sir Girja Shankar Bajpai : He is not here; that is obvious. My friend, Mr. Chunder, suggested that although there had been a number of Committees and Commissions which had examined this question as part of some wider problem, possibly as a side issue, nothing had been done by the Government of India, or for that matter by the Local Governments to give it that comprehensive and complete survey which its importance demands. I submit, Sir, that my friend was not altogether fair to his own apparently profound study of the literature on the subject, because the Banking Inquiry Committee devoted a considerable time to the ascertainment of the problem as also to the formulation of suggestions as to the lines on which the problem should be dealt with. I shall not attempt an enumeration of the chapters which are devoted to it, but I can say this, that the subject was most comprehensively and competently examined by that Committee. It is not merely that, Sir. Apart from what the Banking Inquiry Committee did,—and their Report was published in 1931,—the Government of India convened in 1934 a Committee of provincial representatives, Finance Members and others, to examine primarily this one question of rural indebtedness, and I hope to show to the House, by way of recital of what action has been taken by the Local Governments as a result of the impetus and impulse given by this Conference in 1934, a great deal has been done to tackle the problem. Of course, perfection may not have been achieved, but at any rate a great measure of success has been achieved and a good deal of headway made towards the solution of this problem.

Now, Sir, the first task which the exploratory part of the recommendation or Resolution seeks to assign to the proposed Committee is the ascertainment of the volume of indebtedness. As was stated both by Mr. Chunder and Dr. DeSouza before we adjourned for lunch today, the Banking Inquiry Committee did attempt an estimate of the burden of agricultural indebtedness. It may be, and probably, is true, that since 1931 the burden of indebtedness has increased; but, as against that, you have to bear in mind two considerations: first, to the extent that the burden of that indebtedness may have increased because of the agricultural depression and the consequent need for borrowing by the cultivator

in order to enable him to pay the Government demand; Governments in the provinces have adopted a liberal policy of suspensions and remissions of revenue. And the second consideration, Sir, to be borne in mind is that the machinery which has been created by Local Governments in order to adjust indebtedness and scale it down, whether on a voluntary or obligatory basis, to that extent also the burden of indebtedness has been determined, and the fixation of rates for the future has helped to alleviate or remedy it. But the main point which I wish to make in regard to that is this. It is not of any great practical importance to know by what percentage or by what absolute amount the burden of indebtedness as it existed in 1931 has changed since; the practical question of importance is whether machinery exists for the purpose of determining the amount of debt and also suggesting ways and means as to how it is to be discharged, and I hope, Sir, that my friends will wait for the promised recital of what has been done in that direction by Local Governments before they make up their minds as to whether this part of the investigation is necessary.

Then, Sir, again in the exploratory part of the Resolution, there is reference to an investigation of encumbrances on land, and the extent to which land has been transferred from agricultural to non-agricultural classes. Sir, my friend, Mr. Chunder, read out today from the Report of the Deccan Agricultural Riots Commission; he stated that they had found the task of ascertaining the extent to which such transfers had taken place difficult. I submit, Sir, that the difficulties of 1884 have not vanished merely by the passage of time; and what I feel in regard to this particular suggestion is that the investigation proposed is both cumbrous and unnecessary,—cumbrous because it is likely to be prolonged and it is likely to prove extremely expensive, prolonged possibly to this extent that by the time it is finished the agriculturist may be finished too unless something is done in the meanwhile to save him,—unnecessary for this reason that, unless the idea is, as a result of these investigations, to impose restrictions on the transfer of agricultural land, restrictions which according to the latest and highest authority would tend to restrict the volume of credit that may be available to the cultivator, I doubt whether the results following from these investigations would be of much value.

Now, Sir, I pass on from what I have to say on the subject of the explanatory part of the Resolution to the remedial part. There again, I think a very convenient peg on which to hang my remarks is a classified statement of the main recommendations of the Banking Inquiry Committee. The Banking Inquiry Committee suggested first or placed first in order of their remedies the pursuit of a vigorous policy of debt conciliation on a voluntary basis by Local Governments. Their second recommendation was that as a complement to this, provision shall be made for the fixation of instalments in which repayments shall be made, as also fixation of rates of interest on the amounts assessed, as due for repayment. Sir, their third recommendation was in regard to the provision of facilities for repayment. We have heard one or two Agricultural Debt Conciliation Acts mentioned. Actually the number is considerably more than that, and though I fear I shall not have the time at my disposal to deal with the provisions of every one of these Acts,—it may be possible for Honourable Members who may follow me from these Benches to do that—I can, at any rate, give the House an idea of the number of provinces in which such legislation has been accomplished.

[Sir Girja Shankar Bajpai.]

There is the Madras Debt Conciliation Act, 1936, the Bengal Relief of Indebtedness Bill is under consideration as a result of the special enquiry made by the Economic Enquiry Committee appointed by the Government of Bengal.

An Honourable Member : In Bengal an Act has already been passed.

Sir Girja Shankar Bajpai : My Honourable friend coming from Bengal may have more up-to-date information. I am reading from the information which reached me at the end of July last. I am not talking here about the Bengal Moneylenders Act ; I am talking of the Bengal Relief of Indebtedness Bill, the provisions of which are comparable to those of the Madras Debt Conciliation Act, 1936, the Punjab Relief of Indebtedness Act, a Bill of which the basic principle is debt conciliation on a voluntary basis. (Interruption.) I hope that perennial source of disparaging declamation, my Honourable friend Prof. Ranga, will hold his fire until his turn comes. Then, Sir, there is the United Provinces Agriculturist Relief Act for the small agriculturists, the United Provinces Encumbered State Act for the landlord, the Punjab Relief of Indebtedness Act, 1934, the Central Provinces Debt Conciliation Act, 1933. I may complete the enumeration by informing the House of the fact that only the other day in the Bombay Legislative Council the Bombay Government agreed to the principle of a private Bill on the subject which has been referred to a Select Committee.

Mr. N. V. Gadgil (Bombay Central Division : Non-Muhammadan Rural) : It is only a private Member's Bill.

Sir Girja Shankar Bajpai : The fact of its being a private Bill does not in any way detract from the value of the declaration of the Government attitude, which was that they accept the principle of the Bill and agreed to its reference to a Select Committee.

Mr. N. V. Gadgil : That only shows that Government did not do anything till last week.

Sir Girja Shankar Bajpai : If the idea really is to apportion praise and blame for the past and not to concentrate on what has been already achieved or is likely to be achieved, then it seems to me that I cannot follow my Honourable friend. That is my point.

Mr. M. Asaf Ali (Delhi : General) : What about the Centrally Administered Areas ?

Sir Girja Shankar Bajpai : As my Honourable friend knows, we do not have any one Act to cover the Centrally Administered Areas. My Honourable friend has from time to time made enquiries as to what was being done as regards the Delhi Province. I have taken the opportunity to inform him that the question of the extension of the relevant Punjab Act to Delhi Province, is under the active consideration of the Chief Commissioner.

I had mentioned second in the order of the Banking Enquiry Committee's recommendation the proposal that provision shall also be made for the fixation of instalments and rates of interest. If my Honourable friends will peruse the Acts to which I have referred, they will find that machinery for that purpose has also been provided. One of the most

important recommendations of the Committee related to the provision of facilities for the purpose of repayment. Honourable Members are aware that in the United Provinces, Government itself has assumed responsibility under certain circumstances for the repayment of determined debts. The main recommendation of the Banking Enquiry Committee was the multiplication of Co-operative Land Mortgage Banks. What is the record in regard to that ? The Madras Co-operative Land Mortgage Bank Act, 1934, aims at the provision of Banks for that purpose. In Bombay recently the Local Government have agreed for the establishment of a Central Land Mortgage Bank guaranteeing debentures for the Bank up to fifty lakhs of rupees. Then, the Bengal Government have agreed to the establishment of Land Mortgage Banks in selected areas. Finally in the Central Provinces and Berar, ten banks have already been established and the House may be interested.....

Mr. M. Asaf Ali : The Honourable Member's time is up.

Sir Girja Shankar Bajpai : I happen to be the Member in charge of this Resolution and therefore I can speak for half an hour, if not longer.

Mr. Deputy President (Mr. Akhil Chandra Datta) : He is the Government Member to whose Department this Resolution relates, and so he can speak for half an hour.

Mr. M. Asaf Ali : I hope some other Government Member will not claim the same privilege later on.

Sir Girja Shankar Bajpai : I hope my Honourable friends opposite will give us credit for at least as much efficiency in staff work as seems to prevail on the other side.

Mr. S. Satyamurti : It is practised very much on the other side !

Sir Girja Shankar Bajpai : I am very glad to hear that my Honourable friends opposite are very modest regarding their own achievements.

Well, Sir, I was on the point of reading out what the President of the representatives of a Conference of Land Mortgage Banks, Central Provinces, had to say on the subject of the value of these banks the other day. What he said was :

“ With the establishment of ten Land Mortgage Banks in the Province with the object of helping the poor agriculturists, the influence of the *Sahukar* in the villages has weakened considerably and rates of interest are much reduced.”

Now, Sir, having disposed of these parts of the Banking Enquiry Committee report, I might go on to certain other recommendations of the Committee which also dealt with the problem of agricultural indebtedness and its resultant evils. The two evils which they found to be prevalent and to which they devoted a good deal of attention were first the absence of any proper system of accounting, with its consequent opportunities for oppressive and fraudulent manipulation of accounts and secondly, the excessive rates of interest that were in vogue. Here again, I am afraid the time at my disposal would not permit me to give a detailed statement of the provisions of these, but on the subject of accounts, there have been no less than five Acts passed in the course of the last few years. There is the Madras Debtors Protection Act, 1934, there is the Bengal Moneylenders Act, 1933, there is the Punjab Regulation of Accounts Act, 1930, there is

[Sir Girja Shankar Bajpai.]

the Central Provinces Moneylenders Act, 1934, and there is the Burma Moneylenders Act, 1934. (Interruption.) I hope my Honourable friend will supplement this list later on when he gets an opportunity to speak. It would be of help if I am allowed to proceed without interruption just now. Coming to the question of rates of interest, I have a table which summarises the information collected by the Banking Enquiry Committee and alongside of that I shall show the action taken by Local Governments. As regards Madras, they found that the rates of interest varied from 12 to 36 per cent. or even 48 per cent. Bombay, 12 to 25 per cent., Bengal, 10 to 37½ per cent. minimum and maximum, 37½ per cent. to 300 per cent. In United Provinces, 7½ per cent. urban to 18 to 37½ per cent., rural. In the Punjab, six per cent. to 12 per cent. on secured land loans, and no limit as regards unsecured loans. In Central Provinces and Berar, 12 to 24 per cent., in Bihar and Orissa, 18½ per cent. to 37½ per cent., Assam 12 to 75 per cent. or an average of 37½ per cent. Well, Sir, there again Honourable Members will find that Local Governments have not been inactive inasmuch as the Bengal Moneylenders' Act, 1934, the United Provinces Usurious Loans Act, 1934, the Punjab Relief of Indebtedness Act, 1934, the Central Provinces Usurious Loans Amendment Act, 1934, the Assam Moneylenders' Act, 1934, all deal with the question of the fixation of rates of interest. And connected with that is the question of the statutory recognition of the principle of *damdapat*; on that point also provision has been made recognising and enforcing that principle in the Madras Debt Conciliation Act, 1936, the Bengal Moneylenders' Act, 1934, the Punjab Relief of Indebtedness Act, 1934, and the Central Provinces Moneylenders' Act, 1934.

Well, Sir, I have completed my recital of what has been done by the Government of India and the Local Governments, whether in the field of exploration purviewed by the Resolution or in the field of remedial measures. Honourable Members would ask, "Yes, that is all right, but what about the suggestion that we make for the appointment of a committee to suggest ways and means, after exploring what results have been achieved by this legislation in the provinces, in order to improve things?" That is the question which my Honourable friends would ask. My answer to that is this. If they have followed with some attention the chronology of this legislation they will find that most of it dates back to 1934; in other words, less than two years have elapsed since the bulk of this legislation was undertaken and completed. There has not been time enough to assess the result satisfactorily of the working of this series of Acts which I have mentioned. And further, Sir, Honourable Members ought not to forget the constitutional position. The Royal Commission on Agriculture had considered this problem in 1929, the Banking Inquiry Committee had considered this problem in 1931. Last but not the least either in importance or in prestige, the representatives of the provinces who met in 1934 laid great stress upon recognising the correct source of authority and power for dealing with these questions. I shall with your permission read two extracts from the Finance Department Resolution dealing with this subject. First, as regards legislation and other remedial action. This was what the conference said:

"The general view of the conference was that the diversity of the agricultural classes in India was so great, both in respect of land tenures and general economic status, that any legislative measures to afford relief must be primarily provincial."

Then, again, speaking of land mortgage banks, an expedient or institution recommended by the Banking Inquiry Committee for the repayment of debts, specially long-term debts, this is what they said:

"Whatever the possibilities of future development may be it is clear that the responsibility for policy as regards establishing land mortgage banks must rest with the provincial Governments."

Sir, not only have we these authoritative pronouncements on this subject but we have another factor, a very important constitutional fact to bear in mind. We are within sight of Provincial Autonomy. In another six or seven months we will have Ministers selected from Councils elected in their turn on a very much wider and much broadened electorate.

Mr. S. Satyamurti: But without money!

Sir Girja Shankar Bajpai: My Honourable friend recognises what the financial position is; we need not go into that at this stage. The point that I wish to make is that it is not right of us, apart from the other considerations which I have mentioned, either to assume that these new ministries will not pay adequate attention to this all-important problem, or to assume that they should not be given an opportunity of examining it and dealing with it themselves. So far as the Government of India are concerned, it was stated in the course of the day, or rather in the course of the debate earlier, "But it is not enough for the Government of India to say that this is a provincial matter. There is the Road Board, there is the Central Advisory Board of Education, there is the Imperial Council of Agricultural Research. The Government of India have already in these transferred fields assumed a certain measure of responsibility. Why should they disclaim all responsibility in regard to this problem which they themselves recognise to be of national importance?" I am not for a minute saying that the Government of India disclaim responsibility. The point that I wish to make is that we must recognise the limitations of the Government of India. We must not in our zeal for solving this problem overlook the clarity of the constitutional demarcation. The point to remember is this, that the Government of India can help effectively and practically in one manner only, and that is by bringing the provinces together to discuss how events have progressed, and to devise plans for the future. The Government of India can also, because of the interest which has been shown by Honourable Members in this subject, undertake not merely to watch the situation for themselves but also to keep the House informed of the result of the reports that they may receive or call for from time to time from Local Governments. But for the rest, in so far as the convening of a conference or committee is concerned, I submit, what must have been inferred from my remarks already, that the time is not yet. We have to wait for it until the benefits or defects, as the case may be, of this volume of legislation which I have described have become manifest. Then we can either have a conference or a committee, but not yet. And one final word. The sympathy of Honourable Members opposite for the agriculturists and their interest in this problem are not open to dispute. But at the same time sympathy, if it is to be fruitful, must not be precipitate in action. It must await its own moment, and when that moment strikes the Government of India will be found ready to do their share.

Sir Muhammad Yamin Khan (Agra Division: Muhammadan Rural): Sir, in Muhammadan times no interest was allowed and a

[Sir Muhammad Yamin Khan.]

Muslim is not allowed to charge interest from the Muslims. Hindu law allowed interest up to a certain degree and no Hindu was allowed in the old days to charge interest which may exceed the principal amount. And that was the law of *damdupat* which still prevails in certain parts of India. But a novel measure was brought in the Imperial Council of India in 1855 and that allowed interest to be charged without any limit. And that law which gave this power to the money-lenders has been the cause of the ruination of the whole of India and its agriculture and its advancement. What we find at present is that the money-lender has got no sympathy with the agriculturist and has got no interest in the advance of agriculture. He is concerned only with the return that he can get in the shape of interest, without any sympathy with the agricultural population. He lends money at exorbitant rates of interest and ruins these people. The effect of the Act of 1855 has been that all the zamindaries have passed out of the hands of the zamindars and gone into the hands of those moneylenders who, as I have just said, have shown no sympathy towards the agriculturists. Among the moneylenders who have become zamindars, at least in my province, are moneylenders to the tenants also. The zamindars in the old days never thought of becoming moneylenders to their own tenants. But whenever a moneylender becomes a zamindar he not only realises rent at exorbitant rates but also charges exorbitant rates of interest from his own cultivators. That is what makes men the poorest in the world. The agriculturist in India at present is suffering very much at the hands of the moneylenders and his condition is really the worst in the world. The man who works the whole day and night in the field, the man who labours throughout the year working hard in the cold winter nights without any clothes and in the hot days of summer, whenever the crops are ready to be cut, the moneylender takes away everything for his own use. The poor fellow cannot get even a single meal a day : but the whole blame is put on the zamindar or the Government while the real person who is the cause of all this suffering is not really mentioned, the moneylender, because he is rich and he controls the press and the platform ; and the moneylender manages to throw all the blame on the zemindar and on the Government. I say all this is due to the ruinous policy of the Government. Government has shown the cold shoulder to the people on whose prosperity and strength they stand. The sympathy of the Government with the agriculturist is merely nominal and not real, as it ought to have been. This novel procedure which was not known to India for thousands of years was introduced in 1855 and within fifty years has ruined the whole country....

Dr. Bhagavan Das (Cities of the United Provinces : Non-Muhammadan Urban) : On a point of information : will the Honourable Member kindly inform the House what is the cause which has been compelling the agriculturists to incur these debts ?

Sir Muhammad Yamin Khan : I will tell him if he has the patience to hear me. Everybody knows that when a cultivator has to cultivate his land, he has not got sufficient means to invest any money in the land. He has to borrow for purchasing bullocks, he has to borrow

for his seed, he has to borrow money for different purposes, and he falls into the hands of a class who have no sympathy with him. My friend, Dr. Bhagavan Das, comes from my province and he will tell the House whether it is a fact or not that the tenants in the United Provinces have to pay compound interest at 2 per cent. per month at six-monthly rests : that is the rate of interest that is charged from the poor cultivator.....

Dr. Bhagavan Das : May I be permitted to answer the question my Honourable friend has put to me ? He wants to know from me what I consider to be the cause why the agriculturists are compelled to incur debts : It is because the land revenue is too high and because the rents are too high, and because there is too much litigation due to the nature of the laws and too little relief given when crops fail.

Sir Muhammad Yamin Khan : The rent is not very high : the other things are not so high as the rate of interest....

Mr. S. Satyamurti : But why do they borrow except generally to pay land revenue ?

Sir Muhammad Yamin Khan : They cannot help ; they cannot pay their dues without borrowing : that is the system. A man who borrows Rs. 100 has to pay Rs. 40 as interest over and above the Rs. 100. But the rent he will have to pay will be at the most 5 or 6 rupees. But he pays to the moneylender at least five times as much : and if my Honourable friend wants to collect the information he can go to any village and he will find that the interest paid is about five times as much as the rent, including the Government land revenue. When this is the condition prevailing, and there is no check on the rate of interest, the measures brought up in the United Provinces Council, like the Agriculturists Relief Act, are not sufficiently good : they give no relief to the poor tenant : they give some little relief to the small zemindar and some relief to the big landlords, because the Bill passed by the Council was vetoed by the late Governor, Sir Malcolm Hailey : as the moneylenders shouted a lot from all platforms and the Bill as originally drafted was destroyed.

An Honourable Member : I only wanted to know what is your practice on your land.

Sir Muhammad Yamin Khan : We do not advance any money to our tenants on interest : no zemindar of any mind will ever do that. It is only the moneylender who will do it. Myself and the other zemindars live on the prosperity of the tenant : in their prosperity lies ours and we look after the tenants like our own children. It is the moneylender who treats them absolutely differently....

An Honourable Member : What is the test of a real zemindar ?

Sir Muhammad Yamin Khan : Unfortunately, very few of these zemindars are left now : they have been wiped off by the new class of zemindars, the moneylenders. My friend, the Secretary in the Education Department says " Please wait and the time will come when you will see what we are doing ". The patient is dying and he means, I suppose, that we should wait until the patient is dead. What kind of an argument is this that we should wait till the poor agriculturist is wiped off ? My Honourable friend says " We, the Government of

[Sir Muhammad Yamin Khan.]

India, do not want to shirk our responsibility". But, Sir, all the time he is shirking his responsibility. It is the responsibility of the Government of India to come forward and see that the people who are really the backbone of this country, who are the real persons in this country, on whom any Government can stand, that these people get some kind of relief which would give them something to live on and be happy : without their prosperity no Government or country can live. For the sake of a handful of people who have got money..... (Interruption.) The only remedy at present is.....

Mr. Deputy President (Mr. Akhil Chandra Datta) : The Honourable Member has got only two minutes more.

Sir Muhammad Yamin Khan : If clause (2) of the Resolution is acted upon by the Government it will give some relief and save these poor people. While Government is issuing loans at 2½ per cent. and banks are not giving more than 1½ per cent. per annum, why should they allow any moneylender to charge more than 3 or at the most 4 per cent. in the villages on good security ? My idea is that all outstanding debts should be considered repaid if the principal amount and interest at 3 per cent. or at the most 4 per cent. has been paid in all and nobody should be allowed more than that amount : the rest of the dues should be wiped off. With these words I support the Resolution.

Mr. P. J. Griffiths (Bengal : Nominated Official) : After the very clear exposition of the general policy of the Government by my Honourable friend, Sir Girja Shankar Bajpai, I do not propose to discuss at length the general aspects of this Resolution. I propose rather to indicate briefly how this problem of indebtedness strikes a district officer from rural Bengal and further to illustrate the position by reference to what has been done and what has been effected in my own province of Bengal. Let me say at the outset that, in spite of the suggestion to the contrary made by my Honourable friend, Sir Muhammad Yamin Khan, the sympathy of Government and of its officers with the agriculturist is far from being nominal. It is and has been continuously real, but unlike much of the sympathy which is wasted in the modern world, the sympathy of the Government is based not on sentimentalism but on a stern appraisal of facts and on contact with realities. At the outset of this discussion I must ask all Honourable Members of this House to endeavour to distinguish between sympathy and sentimentality. We are faced at the start with a dilemma. We realise the necessity for curbing the capacity of the moneylender....

Mr. S. Satyamurti : And of the Government !

Mr. P. J. Griffiths : But we also realise that to the ordinary villagers of this country, the peasants, the help of the moneylender is a very real necessity.

An Honourable Member : And the end of the Indian Civil Service.

Mr. P. J. Griffiths : Mr. Satyamurti is talking loftily about the end of the Indian Civil Service. The end of the Indian Civil Service.....

Mr. S. Satyamurti : My Honourable friend ought not to take my name in vain. I did not say a word about the Indian Civil Service.

Mr. P. J. Griffiths : If by chance I have mistaken the oft-heard voice of Mr. Satyamurti : I apologise. The end of the Indian Civil Service may be seen, but the end of the moneylender will not be seen in our time or after it. In prosperous times we may talk loftily of the rapacious moneylender. But let there be a drought, let there be a flood—to whom does the villager go for help ? Not to the Congress. He goes to the village moneylender, because the village moneylender is the only person who is on the spot and who has the means and the willingness to help him. Government does what it can, but Government is even at a greater distance than my Honourable friend, Prof. Ranga. The moneylender is on the spot and the help of the moneylender is essential. We therefore have to devise some scheme which while curbing the rapacity of the moneylender, will not destroy his existence.

The position of Government in this matter rests upon three main theses, the first of which is that a committee at this particular juncture would serve no useful purpose. We have had committees in almost every province of India during the last three years. These committees have collected and collated a great deal of information, and that information has, in several provinces, been embodied in legislation. Nor have the authorities stopped with legislation. They have proceeded with such practical remedial measures as conciliation boards. (Interruption.) My Honourable friend talks with a good deal of ignorance about what has been done in the province of Bengal. Those conciliation boards are of comparatively recent growth and it is yet far too soon to judge.....(Interruption.)

Mr. Deputy President (Mr. Akhil Chandra Datta) : Let the Honourable Member proceed with his speech uninterrupted.

Mr. P. J. Griffiths : It is yet far too soon to judge to what extent that legislation and those conciliation boards are contributing to the solution of this problem. If a fresh committee were set up, what fresh material could be placed before it ? All the available material was placed before those recent committees. What, then, would be gained by setting up a fresh committee to consider exactly the same materials ?

In Bengal, we have approached this problem from an entirely practical standpoint. We have tried to start at the beginning and discover the causes which compel the cultivator to spend his life fettered by the chains of debt. The first fact that emerged from our enquiries was that we had two separate problems to deal with, firstly, the problem of relieving the cultivator of the present burden of debt, and secondly, the entirely different problem of preventing him from incurring fresh debt. Strange as it may seem, Mr. Deputy President those two problems are entirely distinct. They are distinct because they operate at different times and under different circumstances. It is mainly in times of prosperity that the cultivator incurs heavy additional debt. That may seem paradoxical but it is true. In prosperous times the standard of living rises and at the same time credit becomes high and moneylenders are willing to lend. We are therefore faced with the strange position that at prosperous times the burden of debt tends to increase. In dealing with this question as to how to prevent an increase in the burden of debt, many of us, certainly myself, for many years laboured

[Mr. P. J. Griffiths.]

under a misapprehension. We believed—or, at any rate, I believed—that money-lending on the scale which then existed was essential to the maintenance of cultivation. That was a mistake shared by many others besides myself. It was demonstrated to be an error when the slump years came and the number of mortgages executed in Bengal per year fell by over 50 per cent. In spite of that fall in the number of mortgages executed, cultivation is still continuing. Many of us then learnt for the first time that, although money-lending might be necessary, money-lending on the scale which was previously practised was not essential to the maintenance of cultivation. Past history suggests that, when prosperous times again come, the number of money-lending transactions will again increase. This gives rise to the suggestion that some kind of restriction on borrowing or alternatively on land alienation may be necessary. But there are grave practical difficulties in the way of any such solution. Those who are acquainted with Bengal, those who are familiar with the Bengal Tenancy Act will know what tremendous value the ryot attaches to the transferability of his occupancy right. Suggest any modification in that right of transferability, suggest any restrictions on land alienation and in Bengal under the permanent settlement and under the Bengal Tenancy Act you will raise an outcry at once. The main point which I wish to make here, however, is that all kinds of restriction on borrowing, all kinds of restriction on land alienation, must primarily have some connection with the conditions of land tenure which prevail in the province concerned. It follows therefore that any legislation of this kind must be not central but provincial and must take due account of those varying conditions of land tenure.

Our next problem was how to provide relief from the existing burden of debt. Broadly speaking, if you wish to relieve the peasant of the burden of debt, there are two ways of doing it. Either you can compel him to utilise the margin of income over expenditure, if any, for the liquidation of debt, or else you can lend yourself to some system of partial repudiation or scaling down of debt. With this end in view, very careful enquiries were made in Bengal in 1934 under the aegis of that well known statistician, Professor Mahalanobis. 6,633 villages were examined. The tenants in those villages were classified into four classes, first, the class with no debts, second, the class whose debts were less than two years' income, third, the class whose debts were less than four years' income and fourth the class whose debts were more than four years' income. That inquiry showed that over 17 per cent. of the population of rural Bengal had debts amounting to more than four years' income. It also showed that on the average the margin of expenditure over income was Rs. 22 per annum while the average burden of debt was Rs. 182. That inquiry left no room for doubt that any system of reduction of debt by the use of the margin of income over expenditure was out of the question. We were therefore led to the conclusion that some method of scaling down debts and interest was necessary. For this purpose in 1934 conciliation boards were set up in the Chandpur Division of the Tipperah District. These boards were purely voluntary and the first step was to shew Mahajans and debtors alike that it was to their common interest to bring their cases to these boards and arrive at an amicable settlement.

It may sound strange to certain Members of this House that money-lenders, that hated class of people, should have been willing to accept an amicable settlement and reduction of debt but figures speak for themselves and I would ask the careful attention of Members of this House to the very remarkable figures which were obtained in one sub-division of one district of Bengal as the result of 18 months work. Eleven thousand cases were brought up in that sub-division. The total amount involved was 19 lakhs of rupees and up to date of receipt of this report five thousand cases had been disposed of involving claims of 11 lakhs of rupees. Those claims had been scaled down by the consent of the mahajans—by joint amicable settlement—from 11 lakhs of rupees to 7 lakhs of rupees—I know that it must be painful to Prof. Ranga to hear that the mahajans could ever make a reasonable concession, but I am telling him the facts. 11 lakhs of rupees were scaled down to 7 lakhs and of that 7 lakhs five lakhs had been paid. What is the net result? Of the total debt of 11 lakhs, only two lakhs are now pressing like a millstone round the neck of the cultivator. A reduction from 11 lakhs to 2 lakhs is no small achievement. It was in the light of this experience that in 1936 the Government of Bengal introduced and passed the Bengal Agricultural Indebtedness Act. The object of that Act is to provide for the setting up of two types of conciliation boards. First and foremost there are the voluntary boards which will act along the same lines as the other conciliation boards and secondly, for those obstinate cases where the mahajans refuse to listen to reason or where the debtors refuse to listen to reason, there remain the compulsory conciliation boards. The time at my disposal prevents me from narrating what has already been done by these boards. I have just received today a letter from the Collector of Mymensingh in which he says that 21 boards have now been established. 61 are in process of establishment and that by the end of this month it is expected to have 200 debt settlement boards which will cover one third of the district. He adds that there is great enthusiasm in the district in connection with the activities of these boards.

I submit, Sir, that Provincial Governments have shown by these activities that they are fully alive to the importance of this problem and they are taking every possible step to deal with it and at this juncture when these activities are in their early days, it would be unwise, it would be unsound for the Central Legislature to interfere in the matter.

Mr. G. Morgan (Bengal : European) : The subject raised by this Resolution is perhaps one of the most important that could possibly engage the attention of this House, and I intervene in the debate today in order to express the sympathy of the European Group with the object which the Resolution has in view.

Rural indebtedness is not a new problem. It is a problem which has engaged the various administrations in India over a long period of years—I was going to say almost since the time when the memory of man runneth not to the contrary. There are certainly records to show that it has been before the Governments of India since 1772 when the Circuit Committee in Bengal was appointed to frame rules for the adjustment of debts and the regulation of rates of interest. As to the problem itself that, no doubt, is as old as the villages of India.

[Mr. G. Morgan.]

It may be said that if the problem is one of such antiquity and has been engaging the attention of Governments for so long, why is it that such a Resolution is proposed in this House as the one now under debate? It may be said that if the problem is so old surely something could have been done about it by now. I do not know that either of those observations is justified. We must remember that rural indebtedness is a problem of great complexity which has hitherto proved itself to be insoluble, in that it has failed to yield to the various measures which have been tried. That is not to say that nothing has been done, or that the measures which have been taken are to be condemned as misguided or insincere. A great deal has in fact been done, and is still being done, to bring about those improved conditions which we all desire to see in the vast rural areas of India. This House has voted funds for rural development, Acts have been passed by local Legislatures, marketing boards have been set up, research institutes established, irrigation schemes put into operation, and so forth, all with the object of improving rural conditions, and any thing which contributes towards the improvement of rural conditions cannot be entirely barren of good results. The very fact that the aggregate of these beneficent activities must present an impressive picture and yet the plight of the rural areas still leaves a great deal to be desired, serves to indicate the very vastness of the problem which has to be tackled. I do not believe that the problem of rural indebtedness can be entirely divorced from the problem of agricultural reconstruction, and, if that be true, it is perhaps necessary to add that the pace of agricultural reconstruction is determined by the measure of active co-operation which is forthcoming from the villages.

I believe it has been said that "the cultivator is born in debt, increases his debt throughout life, and dies more hopelessly in debt than ever". I notice that my Honourable friend does not instruct his proposed Committee to enquire into the causes of the cultivators' indebtedness. Perhaps he agrees that they are too well known. Indebtedness is caused by a number of circumstances, some of which are within the control of the cultivator, and some of which are by the very nature of the work upon which he is engaged, outside his control. We may, I think, with all the information at our disposal, make at any rate a rough classification.

In the first place, there are ancestral debts which are inherited from generation to generation; there are debts incurred through improvident expenditure on domestic ceremonies, such as marriages. I do not myself think that those account for a very large proportion of the total, but the remedy for debts of that nature can only come with the progress of social education. Then, there are the debts which are caused through the failure of crops, the replacement of cattle, and the rebuilding of houses destroyed by fire, flood and storm. These latter debts are for the most part outside the control of the cultivator; they are circumstances which are always present, and which cannot be eliminated from agriculture. Then, finally, one might mention the usurious rates of interest which the cultivator is called upon to pay because his credit is not good. I believe the rate of interest varies between 36 per cent. and 60 per cent., and it is easy to see that with such rates of interest, a small debt can soon grow to formidable proportions.

Dr. Bhagavan Das : May I interrupt.....

Mr. G. Morgan : I am not giving way.

In the Resolution it is suggested that the proposed Committee should find out the approximate total debt. If only an approximate figure is wanted, that is already available. The Provincial Banking Enquiry Committee in 1931 estimated the total debt of the rural population at Rs. 900 crores. That was five years ago and I think, having regard to the collapse in the price level of primary commodities which has intervened since then, we should not be far out if we assumed that the total debt of the rural population today is in the neighbourhood of Rs. 1,000 crores. The total value of all the crops from the whole of India amounted in 1928-29 to Rs. 1,034 lacs. In 1933-34 it had declined to Rs. 473 lacs. Moreover, it is clear from such figures as are available that the prices of agricultural commodities have fallen in a much greater degree than those of manufactured goods, from which it may be assumed that the purchasing power of the cultivator has not only been curtailed—a circumstance which must necessarily restrict the market for manufactured goods, to say nothing of restricting the consumption of fertilizers and other aids to improved cultivation,—but that the cultivator has been thrust deeper into debt. I do not think, therefore, we should be far out if we placed the total debt today at Rs. 1,000 crores.

If this contention is right the problem of rural indebtedness is one of vital and paramount importance which must be faced if India is to achieve anything like her economic possibilities. When we remember that 80 per cent. of the population of India is engaged in agricultural pursuits, and that the purchasing power of the rural areas is the true basis of India's economy, it is clear that the existence of this vast burden of debt, restricting and retarding progress, is bound to have serious detrimental consequences on the economic development of India. From that point of view, as I say, all parts of this House will be in sympathy with the motive which has prompted the tabling of this Resolution.

In this Resolution, my Honourable friend goes on to refer to "the ways and means and provisions of laws by which the interests of agriculturists could be fully safeguarded and thereby extricate them from their present miserable plight". I do not know whether it requires a special Committee to discover what the Co-operative Societies, the Land Mortgage Banks, and the Debt Conciliation Boards are doing, or to ascertain the provisions of the various Acts which have been passed by the Provinces for the alleviation of rural indebtedness. As I have already said, I do not think this problem can be tackled separately. Whatever good may follow from the provision of machinery for the settlement of existing debts or from the provision of cheap credit facilities for the cultivator, it is likely to be rendered nugatory if the cultivator is still called upon to carry debts on account of past improvidence, or misfortunes, or if he is not in some way encouraged to avoid the accumulation of fresh debts. The problem is partly educational, and no solution can be entirely effective or successful until the cultivator himself realises the necessity for the avoidance of all unnecessary debts. The main problem, however, is to increase the cultivator's income. An improvement in agricultural prices is the first and most urgent requirement. There are also many other directions in which the problem might be tackled. There is the suggestion for the consoli-

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dation of holdings. I am told that in some parts of the Punjab if holdings were consolidated the cultivator's income would be almost doubled. Then there is the cultivation of ancillary cottage industries, such as dairy farming and so forth, so that the cultivator may have other sources of income. There is the improvement of livestock; and improved transport and marketing facilities. I believe all these measures and others which will readily occur to Honourable Members are inextricably bound up with the solution of the problem of rural indebtedness, and the progress towards a successful solution of that problem will be determined to a large extent by the thoroughness with which these other matters are tackled.

In the nature of things the problem of rural indebtedness is necessarily a provincial problem and must be tackled by provinces themselves. What may be a suitable solution in one province may not fit the needs of another province. I do not think there can be any uniform solution, and while as I say, I join with the Mover in his desire to do something to bring about those conditions in which the villager "may cultivate with his own oxen the fields of his fathers free from all anxiety", I do not think the appointment of this Committee can really be of much help to us, or indeed is the proper way to tackle a problem which, after all is said and done, must remain a matter for the Provinces themselves.

Mr. M. L. Darling (Government of India : Nominated Official) : Mr. Deputy President, I trust that I shall not be thought presumptuous for venturing to speak in this House on the first day on which I have the privilege of sitting in it. My excuse is that it is also the last. This is not an easy position for me to fill and the position has not been made easier by the very kind and flattering remarks made about me by my Honourable friend, Sir Girja Shankar Bajpai, remarks which may I fear raise hopes unduly. Sir, the first point I wish to make is this, that I do not propose to speak so much as an official as a humble student of rural economics. This subject of agricultural debt I have studied now for the inside of twenty years and though my studies have been mainly concerned with the Punjab, they have necessarily compelled me to travel beyond the confines of my province, and I have fortunately been able to do this to some little practical effect through the opportunity given me a year or two ago by the Government of India to travel all over India and Burma and see village life in all parts of this great empire.

[At this stage, Mr. President (The Honourable Sir Abdur Rahim) resumed the Chair.]

Sir, a point that struck me in studying this question is that the problem is not entirely a provincial one. Every province, no doubt, has its particular circumstances and its particular conditions of land tenure and customs and so on, but there are certain general considerations which seem to me to apply, very broadly, to the whole of India. If I venture to make this claim it is because, firstly, the Royal Commission on Agriculture said that certain conclusions which I had reached and which were published many years ago applied far beyond the Punjab, and also because when I went round India a year or two ago I found amongst those competent to judge a general agreement as to the

fundamental causes of debt, and even, I think, as to what remedies can be applied to the problem.

I propose, first of all, to look at the question from the point of view of the Punjab and to tell you what is happening in my own province. As a result of the fall in prices, credit was restricted to such an extent that people began to speak of a rupee famine. This process has been still further accentuated by the legislation which has been passed in the province in the last two years, of which Sir Girja Shankar Bajpai gave you some account. The effect of this legislation is this. The land of a statutory agriculturist cannot be sold in execution of a money decree. The most that the decree-holder can do is to apply for temporary alienation of the judgment-debtor's land for not more than 20 years, and even then provision has first to be made for the maintenance of the judgment-debtor and his family; and in the case of small holders where the average holding varies from 5 to 15 acres it can be readily understood that this does not usually leave much over for the decree-holder. Further, the agriculturist's plough cattle, his implements and his seed cannot be attached, nor can his crops except cotton and cane. Further, if he is sued, the interest charges can be examined and if they are found to be excessive they can be reduced. In this connexion, one of the legislative changes recently made has been to make certain provisions of the Usurious Loans Act mandatory and to fix rates of interest which may be deemed to be excessive. In the case of secured debts the rate for compound interest is 9 per cent. per annum and for simple interest 12 per cent. In the case of unsecured debts the rate is 18½ per cent. Further, when a cultivator dies, his ancestral land is not liable for the payment of his debts and he is also not liable to arrest. I think the House will agree that that puts the cultivator in a very strong position *vis-a-vis* the money-lender, so strong, in fact, that the Punjab Government is now definitely of opinion that no further legislation should be undertaken until creditor and debtor have been given time to adjust themselves to the new position. The Honourable Member who spoke in favour of the second Resolution paid me the compliment of quoting from a book which I wrote 12 years ago, a compliment which one does not always appreciate. He quoted a passage indicating that the moneylender was in a tremendously strong position. That was the case 30 to 40 years ago, but now the pendulum has swung almost completely back to the position which we found existing in the province 80 years ago when it came under our administration.

The effect of all this may be illustrated by a few cases that have recently come to my notice. A friend of mine went into a village the other day and examined the accounts of five money-lenders and compared the accounts of two years before the fall in prices with two years after the fall. He found that the amount advanced had been reduced by 55 per cent., that the number of loans had fallen by about the same proportion, and even more interesting, that unsecured loans had vanished almost completely, from 44 to less than 10 per cent. Another small point came out from his examination. Three of the money-lenders that he examined were professional money-lenders, or *sahukars*, and two of them were agriculturist money-lenders. He found that the professional money-lenders had reduced their advances by 66 per cent., whereas the agriculturist money-lenders had reduced theirs by

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only 30 per cent. I mention this because that is, I think, the weak point, perhaps the Achilles heel, in the invulnerability which now clothes the cultivator in the Punjab. The agriculturist money-lender has certain advantages under the new legislation as against the professional money-lender, and it remains to be seen what will be the effect of this. All one can say at present is that he is tending to replace the professional money-lender and that is one of the less satisfactory features of the legislation that has been passed.

Then, as to re-payment. Inquiries that I have made very recently from various members of the Co-operative Department who are in close touch with the village life throughout the Punjab leave no room for doubt that a certain amount of old debt is being automatically paid off or settled as a result of the economic disabilities of the cultivator. All my informants, with perhaps one or two exceptions, agree that the amount of debt repaid in this way is appreciable, and in the canal colonies it is said that the process is proceeding rapidly. To give you some idea of the way in which these settlements are made, I may mention the case of a man who had 2 squares, that is to say, a man who owned more than 50 acres, who settled a debt of Rs. 3,200 for Rs. 600; another man settled a debt of Rs. 1,400 by handing over 4 goats, said to be worth Rs. 38. In yet another case a man settled a debt of Rs. 500 by handing over a she-buffalo which was worth about Rs. 60. I mention these cases to show the House that, though the position of the cultivator has steadily deteriorated economically as a result of the fall in prices, from the point of view of agricultural debt, if any deterioration has occurred at all, it is nothing like as great as some Members' speeches suggest may have been the case. My own view is that in some ways he has gained by the fall in prices. He has been compelled to reduce his expenditure within reasonable limits and to consider the difference between necessary and extravagant expenditure, between productive and unproductive expenditure. Further, so far as debt is concerned, he has so far had the last word. It is he who has declared the moratorium which so many legislators have wished Government to declare on his behalf. Sir, I believe that, if one were to examine the conditions of village life all over India, one would find that in the last five or six years, through force of circumstances, comparatively little debt has been repaid apart from settlements. In the Punjab, at least, there has been a partial moratorium.

Now, I come to the question whether we are going to gain anything by further enquiries. My own view is that so admirably stated by my Honourable friend, Sir Girja Shankar Bajpai. I have really very little to add to the arguments that he brought forward against further enquiry. The Mover of the Resolution started by a reference to Sir Frederick Nicholson's monumental report, a report in two large volumes which is still worth study. But if all the reports published since then were to be piled up in front of me here, you would hardly see me, and we shall be only the worse for adding to them. Moreover, the salient features of this question of debt are now sufficiently well known. For example, no one doubts that debt in this country is very large: the exact figure people may dispute, but no one can possibly question

that in terms of the resources of the country, it is excessive. At the same time, in saying that I would like to remind the House that the same may be said of a dozen or 20 other countries in the world at the present moment. I could mention several of them, but as the time at my disposal is short, I will mention a single case only, the case of Italy. I take that because economic conditions in Italy are in some respects not very different from those in this country; particularly in Southern Italy. I find from a statement made in the Chamber of Deputies in 1933 that a rural population of 17 millions was carrying a debt of 224 crores. Compare with that the Punjab, which with a population of 15 millions carried about then a debt of about 140 crores. Further, it is well known that very few agriculturists in this country are out of debt, that debt to a very large extent is unproductive, that interest rates are high and that credit is greatly restricted—all these things are now within the full knowledge of every one of us who is interested in this difficult and complex subject, and even the causes of debt are no longer much in dispute. There is only one point which can still be regarded as a matter of controversy, and that is the question of debt legislation about which my Honourable friend, Sir Girja Shankar Bajpai, gave you a detailed account. To me personally it is a question whether this legislation is going to work for the benefit or for the disadvantage of the cultivator. Myself, I have always doubted whether this was the best way of dealing with the question, and I am fortified in that view by the opinion expressed by the Bombay Banking Enquiry Committee which, I think, wrote in their Report that the more the money-lender is restrained by law, the worse the borrower fares. At the same time I am bound to admit that extraordinary times such as we have been passing through require extraordinary remedies and it was probably wise in the circumstances to make experiments with different forms of legislation which 20 or 30 years ago, we should, most of us, have agreed savoured more of mediaeval than of modern times. But at the same time, as my Honourable friend, Sir Girja Shankar Bajpai, pointed out, the time for examining the effects of this legislation has not yet arrived. Most of these laws have been passed in the last year or two, and it takes a good many years before the full effect of the legislation can be ascertained. For example, there is the Regulation of Accounts Act which was passed in the Punjab in 1930, it is still a question whether that Act is going to be effective or remain a dead letter. I would, therefore, very strongly deprecate having an enquiry on that ground; and as to other grounds, as I have already stated, the general features of the problem are so well known that I do not think myself that we are going to get much further forward with it by having another enquiry. In fact, I would go further and say that another enquiry at the present moment might be an obstacle to progress because every one then would begin to postpone further action until the results of the enquiry were known.

Now, I come to the most vital aspect of the question, that is the question of remedies. These are still matters of great debate. But there is one thing to which I would draw the attention of the House. That is that as result of all the enquiries that have been made in the last 10 or 15 years, a large number of experiments are now being made in different parts of India. Madras, for instance, leads in the field of

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Land Mortgage Banks, the Central Provinces leads in the field of Conciliation Boards, and I think I may claim that my own Province, the Punjab, leads in the field of Consolidation of holdings. Now, all these three experiments seem to me definitely helpful and hopeful. Other experiments that are being made, such as the limitation of interest and the intensive restriction of credit are in my view much less hopeful. Madras with 70 Mortgage Banks is now showing that it is possible to lend money at six per cent. to people who are using it to repay their old debts and who may be counted upon, in the large majority of cases, to repay their loans punctually. That is an experiment and Madras has launched it so successfully that, in their case at least, it has almost emerged from the experimental stage. This example is being followed, I am glad to say, in almost every other province in India. I can speak with certainty in regard to the Central Provinces, Bombay, Bengal and the United Provinces. In my own province, the Punjab, which was the first in the field, I am sorry to say that we are finding it very difficult to make any progress because of a piece of legislation which was passed thirty years ago—the Land Alienation Act. The Land Alienation Act was mentioned in the House today as being a political measure. Whatever it was in its origin, there is no doubt whatever that it remains on the Statute-book as one of the most important economic measures passed in our Province. (Hear, hear.) At the same time though it has undoubtedly done great good, like every other law, it has its defects, and one of its defects is that it is making the working of Mortgage Banks extremely difficult. However, that is by the way. For India generally Mortgage Banks present a hopeful line of advance.

As to Conciliation Boards of which my Honourable friend, Mr. Griffiths, gave us an interesting example in the case of Bengal, that undoubtedly seems to be a very promising way of dealing with the question. For instance in the Central Provinces, according to a report which I received today, last year they reduced debt by 42 per cent. This agrees very closely with the figures given us by my Honourable friend, Mr. Griffiths, which, accordingly to a rapid calculation that I have made, show a reduction of 36 per cent. This agrees too pretty closely with the figures for a Board which the Punjab Government have set up in Panipat, which show a reduction of 39 per cent. It looks as if these Conciliation Boards would be able to reduce debts anyhow on paper, by something in the neighbourhood of 40 per cent. If they can do that, I think this House will agree that that will be a very useful measure of agricultural relief. In the Central Provinces, they have succeeded to such an extent that 28 Boards have now been set up. In my own Province we have not been quite so quick to move as in Central Provinces, and so far we have set up five Boards only. But I have no doubt that if we achieve the success that has been achieved in Central Provinces, we shall multiply their number. But one has to remember that in the Punjab at least,—I do not know what the figures are in other provinces,—the cost per board is Rs. 12,000 a year, and that a board cannot be expected to operate usefully in an area larger than a tahsil, and in the Punjab we have about 120 tahsils. There comes in the question of finance which always dogs us.

Then there is consolidation of holdings, and there definitely the Punjab leads. At the same time from what I saw of the same work being done in the Central Provinces 2 years ago, they are not very far behind us. In the Punjab we have now consolidated about 600,000 acres, the effect of that, as one speaker pointed out, is very much to increase the cultivator's surplus. That brings me to my last point which is this. All these measures, hopeful as they are for dealing with the immediate necessities of the case, leave the fundamental point untouched and that is.....

Several Honourable Members : The Honourable Member has exceeded his time.

Mr. M. L. Darling : I must apologise to the House for taking up so much of its valuable time but in another three minutes I will conclude with my last point, which is the most important of all, and that is that the measures of which I have been speaking and which are, I think, hopeful as a means of dealing with an emergent situation, are definitely palliatives and leave the main problem untouched. This problem is—how are you going to make the Indian peasant a better borrower and a more punctual repayer? And the point of that question is—if you increase his standard of living, if you wipe off his debt, however much better he may be for the next five, ten or even fifteen years, in another generation his position, I hold, will be exactly the same as it was before you applied these remedies. And that is shown by past experience. These conciliation boards are by no means a new experiment. They have been set up before in the Central Provinces and in Bihar and in Bundelkhand; and invariably, when they have not been accompanied by other measures, the net result has been that after ten, fifteen or twenty years the Indian peasant has been just as indebted as he was before. And that is why I should feel inclined to despair of this problem but for one thing, and that is the gospel of co-operation. If we had not got the co-operative movement among us, I should be inclined to despair of ever being able to get the Indian peasant out of debt, the reason being that the fundamental causes for his being in debt are not simply economic but very largely a matter of character, largely too a matter of the social and caste customs under which he lives, which make it impossible for him to do many things that every small holder in Europe must do if he wishes to make both ends meet and maintain a decent standard of living.

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member has exceeded his time limit.

Mr. M. L. Darling : I will take just one minute more. When I speak of this co-operative movement I claim to speak not only for the 700,000 co-operators in the Punjab but also for the 35 lakhs of co-operators in India. If any one 25 years ago had said that in the short space of a generation you would have in the Punjab 23,000 societies with 700,000 members controlling 12 or 13 crores of capital, one-third of which they own themselves, one would have been regarded as an impatient idealist. But that is the fact today and that is the hope for the future.

Mr. S. Satyamurti : Sir, I beg to move :

“ That the further discussion of this Resolution do stand adjourned to the 8th October, next.”

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[Mr. S. Satyamurti.]

My reasons are very simple and brief, and I will state them. The further discussion of this Resolution can afford to wait till the 8th October, because, whatever decision the House comes to and whatever action the Governor General in Council decides to take thereon, can wait for two weeks more. But the next Resolution on the agenda is one in support of which any action to be taken must be taken by the House in this Session, otherwise it will be much too late. This Resolution deals with elections and the freedom and the purity of these elections, in which I am sure all sides of the House are equally interested.

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member knows that adjournment of the debate can only be granted on substantive grounds and not to advance any particular Resolution, because that is fixed by ballot with which the Chair cannot interfere.

Mr. S. Satyamurti : Sir, I will give my substantive grounds. The House will have to decide, after listening to me and to such other arguments as other Honourable Members may advance, as to what is in the best interests of the House ; and I submit it is for the House to decide whether the decision on this question which has been discussed so far since this morning may not wait till the 8th October. Secondly, I submit that after all the elections are coming on early in January and February, and we want to see that this House has an opportunity of pronouncing on the question raised there.

Mr. President (The Honourable Sir Abdur Rahim) : The next Resolution can surely be reached, because there are two more days for Resolutions.

Mr. S. Satyamurti : No, Sir. I want to submit that, for each day, there is a separate ballot, and if it is not moved today, it lapses.

Mr. President (The Honourable Sir Abdur Rahim) : Is it not possible to reach it by agreement ?

Mr. S. Satyamurti : You may kindly send for and look at the results of the ballots for the next two days. If I may make a suggestion for your sympathetic consideration, I should like to suggest, without anticipating your decision, that we can have a vote on this Resolution at a quarter to 5 P.M. and we can reach the second Resolution and move it, and we can go on with the discussion the next day. Because, once we move it, it gets precedence on the next day, according to our rules and standing orders. So either you can kindly allow us to make this adjournment motion or be good enough to accept a closure at a time when, after the voting, there will be sufficient time left for us to move this motion.

Mr. President (The Honourable Sir Abdur Rahim) : I will see what other Members have got to say and I will see if the debate can be closed for a vote to be taken.

Mr. S. Satyamurti : We have had nine speakers, but none from our side, so far.

Mr. Basanta Kumar Das : Sir, I tabled an amendment to the first clause of the Resolution with a view to amplifying the terms of reference embodied in that clause and to give a fairly exhaustive enumeration of the points for inquiry ; but, Sir, you have ruled that the amendment should come at a later stage. As we are hard pressed for time, I have decided not to move the amendment but to speak on the Resolution. To the Honourable Members of this House the question of rural indebtedness is certainly a matter of deep thought, and I am sure the points which I was going to give do not require any elaboration or explanation from me. This is another reason why I refrain from moving my amendment. Sir, the question of rural indebtedness is certainly a very old one. How to improve the condition of the agriculturists of India is no doubt a complicated problem and in any attempt to solve it and bring about an allround amelioration of the condition of the agriculturists the first question that stares us in the face is certainly this all-engrossing question of rural indebtedness. Sir, in spite of what has been said by Sir Girja Shankar Bajpai and other Honourable Members on behalf of Government, it can be safely asserted that much has not yet been done in connection with this and the plight of the agriculturists is going from bad to worse and the necessity for a well planned scheme to be put into immediate execution for effectively tackling the problem has become absolutely necessary.

Sir, the indebtedness of the agriculturists of India, who form almost 77 per cent. of the total population of the country, is undoubtedly chronic and appalling and I put it to the House to consider the fact that the extent of the indebtedness of the agriculturists found by the Banking Inquiry Committee in 1930 to have been 900 crores of rupees has mounted up now to at least 1500 crores of rupees, while the total revenue to Government in rupees is only 36 crores and the total value of the principal crops is only 475 crores of rupees. Therefore, I most earnestly request the Honourable Members to visualise for one moment the miserable condition, the half starved and half naked condition of the peasants in the villages and the struggling plight of the poverty stricken middle class agriculturists and to say if the time has not yet come to make a bold and determined effort to remove the rural indebtedness of the country. No doubt the question of agricultural indebtedness is also a complicated problem ; but I submit no one will dispute the fact that the best interests of the country demand that this should be faced with a determination to solve it in the best possible way.

Sir, in spite of what we have heard from Government Members the justification for moving this Resolution will be found from the facts I am now placing before the House. The Central Government never thought of relegating this question to the provinces when it appointed the Central Banking Inquiry Committee. And we know the Labour Commission, the Agricultural Commission and the Banking Inquiry Committee have all recommended various measures to be undertaken by the Central Government and according to them hereditary indebtedness of peasants ought to be abolished by law and that a special rural insolvency Act ought to be enacted. They further recommended that the Usurious Loans Act ought to be suitably amended in order to make the Courts declare any rate of interest higher than 6 per cent. illegal and to cancel all the illegal arrears of interest. The system of granting agricultural loans and the taccavi

[Mr. Basanta Kumar Das.]

system of advancing credit has been found to be a failure bringing misery to the agriculturists as I shall presently show. It is not too much to plead therefore, that it ought to be radically amended. It is a legitimate demand that the Civil Procedure Code, sections 60 and 61, ought to be radically amended so as to abolish the detention and arrest of civil debtors. The proposed Bill which is now before the House does not go far enough. A minimum holding of the peasant and also a minimum quantity of grain ought to be exempt from attachment for civil decrees. The present section 61 of the Civil Procedure Code is not very useful. Then, again, Sir, the Banking Inquiry Committee indeed recommended that Government ought to establish immediately a system of Debt Conciliation Boards and help to scale down the burden of debts and that debt, eventually to be paid, has to be paid in a large number of instalments, where the creditors insist upon immediate repayment. The Government ought to offer them debentures or funds and regain that money in instalments from the peasants. But instead of doing any of these things, the Government has conveniently got the Economic Conference of 1934 to recommend in favour of provincial action and thus shelve its own responsibility. And, Sir, we have heard from the Honourable Mr. Griffiths and Honourable Mr. Darling what their two provinces are doing. But I put it to the House to consider whether the measures which have been adopted are not half-hearted and dilatory. I, therefore, assert that most of the Provincial Governments have so far failed to take any timely action. Even those Governments like the Punjab, the United Provinces, Bengal and Central Provinces and Assam which have passed some legislation have taken such an unconscionably long time that most of our peasants had to lose their lands in order to meet the moneylender's demands. Even after passing legislation, the Punjab, Bengal and also Assam have been very unwilling to render effective help to our peasants. The Central Provinces have pleaded want of funds for its failure to appoint sufficient number of conciliation boards. The Madras Act is perfectly useless since both the creditors and debtors have to agree upon the decision of the board before it can be enforced. The Bombay Government has been still flirting with a Bill for the last three years. A Bill in the Assam Legislative Council is only under consideration and has been really drawn up on the lines of the Madras Act. What is most needed immediately is the declaration of a moratorium for three years. The enactment of an all-India enabling Act, to help all the provinces to fall in line and to take timely action, to amend suitably the Reserve Bank Act, the Civil Procedure Code, the Usurious Loans Act, the Insolvency Act have all become an imperative necessity. Any more delay is dangerous. To talk any longer of this question being mainly provincial is to continue to do grave injustice to the great millions of our peasants. To talk of the sympathy of the Viceroy and Government of India for peasants, while refusing to do anything substantial to relieve this great and cruel burden of indebtedness, is sheer hypocrisy. (Applause.)

Sir, in any inquiry to find out the approximate amount of debt, it will be necessary to find out to whom the agriculturist is becoming indebted. But the landlords and moneylenders including the bankers no doubt come in first as the creditors of the agriculturists and naturally occupy a large part of our attention; and when we think of the indebtedness of the agri-

culturist it has been the usual charge against landlords and moneylenders that they deprive the agriculturist of his lands and contribute largely to his misery. But, in an inquiry into the causes of agricultural indebtedness, giving the moneylenders and the landlords their proper share of the blame, the Government and the cooperative societies will also be found to be great contributory to the miserable plight of the agriculturists. If the landlords and moneylenders take away the lands of the agriculturists, the Government and the cooperative societies also do not do less and cannot be free from that charge. Sales of revenue paying estates of the agriculturists in Bengal, in Assam, and I am sure in other parts of India, for arrears of revenue, are not infrequent. In those parts of the country where permanent settlement prevails, as for instance in Bengal and the district of Sylhet in the province of Assam, the Government holds also a position of landlord, being the owner of *khas* lands which are generally settled directly with the tillers of the soil. An examination of the position of the Government as landlord will undoubtedly reveal such facts as will show that the policy which the Government follows in regard to assessment and realisation of revenue for these *Khash Mehal* lands is a policy, which also contributes greatly to the indebtedness of the agriculturists. Then, Sir, while Government as a landlord is a creditor of the agriculturist and it also holds as a grantor of agricultural or *taccavi* loans, a prominent position of a creditor by the side of moneylenders. If this position of the Government has anything to do in aggravating the agricultural indebtedness of the people, should certainly be a point for inquiry. I have personal experience of how Government figures as a creditor and I therefore insist on that as a point for inquiry in order to ascertain how far the Government in its capacity as a creditor for agricultural and *taccavi* loans granted to the agriculturists with a view to help them in their distress, maintains its benevolent attitude when attempts are made for the realisation of these loans. These loans are granted on an undertaking taken from the borrowers that they will be paid up within a short period. When the debtors fail to pay up these debts within these stipulated periods on account of failure of crops or for some other reason, it is usually the case that distress warrants are issued against defaulting debtors for seizing their movables for the realisation of the unpaid dues. It is not unoften the case that the borrowers fail to pay up the dues even after such distress warrants are issued, with the inevitable result that they stand deprived of their movables for the payment of their debt to the Government. It can, therefore, be easily imagined how the Government creditor contributes to and even aggravates the miserable plight of the agriculturists. I may tell the House that I am not at all overdrawing the picture of how agriculturists indebted to the Government for agricultural loans have their misery enhanced by the harsh methods that are usually adopted for realising Government dues on account of Government loans. From my own district I can supply numerous instances to substantiate the case I am making. I am confident that there are many Honourable Members in this House who can speak of such experience and lend their support to the position I have taken up. My Honourable friend, Dr. Khan Sahib, told me that in *Mohmand* and *Khalil* parts of Peshawar District in North-West Frontier Government men take their place by the side of the agriculturists when the harvest is collected and take possession of the crops and other Government dues and do not give them even time to store up the crops.

[Mr. Basanta Kumar Das.]

Then, Sir, coming to the question of how far rural co-operative societies are of help and advantage to the agriculturists I may say that it has been also my unpleasant experience to notice numerous cases of agriculturists getting into difficulties for the loans taken by them from the co-operative societies of which they become members. The agriculturists' capacity to pay up the debts is always dependent upon the yield they get from their lands. Loans taken from co-operative societies are generally short term loans and the agriculturists not being able to pay up the loans within the periods stipulated find them in the same distressful predicament as in the case of loans taken from Government. Herein comes the necessity of amending the law relating to co-operative societies.

Sir, these are some of the points which I wanted to place before the House. Of the other points about which I am now unable to speak for want of time and on account of a party mandate to economise time in order to get to the next Resolution, the two most important points which I want to stress for the inquiry to be undertaken are to find out the areas of lands rendered waste and unproductive by periodic floods, railway embankments, construction of roads, waterhyacinth and other causes and the areas of lands classed as culturable waste fit to be brought under cultivation by irrigation, canalisation and by bunding up water courses.

Sir, I support the Resolution and resume my seat.

Several Honourable Members : Let the question be now put.

Mr. President (The Honourable Sir Abdur Rahim) : As regards adjourning the debate, I am afraid that cannot be done, but I am prepared to sit late in order to dispose of this Resolution and to allow the next Resolution to be moved.

Mr. R. F. Mudie (Government of India : Nominated Official) : I only wish to state one or two points. I do not wish to deal with the great difficulty of the task set to the committee. I think that point has been sufficiently disposed of. But I would ask Honourable Members of this House to consider the problem which is now facing Local Governments, or, if they would prefer it, the problem which will face the committee. When I say the problem still facing Local Governments, I do not wish to imply that Local Governments have not done a great deal. The province which I myself come from, the United Provinces, has probably done more than any other province. But I wish the House to consider the problem that the provinces had to solve. In 1930-31 they were faced with a situation of rural bankruptcy and most of their legislation was naturally directed to liquidating and reducing debts. For instance, the United Provinces passed six Acts. Four of these were devoted almost entirely to the liquidation of debt, and the other two to the regulation of lending in future. Just before the fall in prices the landlords' debt in the United Provinces was about 55 crores and the total value of zamindari fees in the United Provinces were valued at about 470 crores. Even then it was estimated that between 5 and 10 per cent. of the zamindars in the United Provinces were bankrupt. As soon as prices fell landed property decreased in value by about 25 per cent. and the number of bankrupt zamindars probably rose to about 12 or 15 per cent., of the whole, and many more were rapidly becoming bankrupt. The plight of the tenants was worse. The value of produce of the United Provinces before prices fell was over 200 crores. It fell in six months to 100

crores, and the debt of the tenants and small cultivators was practically equal to the annual produce of their fields. Probably 15, 20, or 25 per cent. of the tenants must have been bankrupt. It was natural in these circumstances that the United Provinces Government and the United Provinces Legislature should concentrate on the liquidation of debt, and that was the same I think in all provinces. But I submit, as my Honourable friend, Mr. Darling, has pointed out, that the real problem has not yet been faced. Mere liquidation or reduction of debt by Encumbered Estates Acts, or conciliation committees, or whatever other method you may employ, will do no permanent good at all. In 1881 the Jhansi Encumbered Estates Act was passed and it had no permanent effect whatsoever. In 1903 another Encumbered Estates Act had to be introduced and it had to be followed by the Bundelkhand Alienation of Land Act. The real problem that Provincial Governments have now to face is not the amount of debt—if that amount had been lent productively the state of India would have been different from what it is today,—nor is it necessarily the growth of the debt. The real problem is the nature of the debt. There are two important aspects. One is the large amount of money that is lent for unproductive purposes, and the other is the very high rate of interest charged on productive loans. In the United Provinces the Banking Enquiry Committee found that two-thirds of the debt was borrowed for unproductive purposes. In the cases of tenants and small cultivators only about one-third was unproductive, but in the case of the larger zamindars the unproductive debt was about 90 per cent. Money that is borrowed for unproductive purposes is pure waste and in the interest of every one unproductive borrowing should be curtailed. As regards the rate of interest on productive loans the rate in the Agra district, when I was there, in 1929, was over 22 per cent., I mean the average rate.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions : Muhammadan Rural) : What is the maximum rate ?

Mr. R. F. Mudie : The maximum was about 37½ per cent. Now, that is the very difficult problem before the provincial Governments—how to curtail one kind of borrowing and at the same time encourage the flow of capital at a reasonable rate of interest into another very similar channel. That is the problem.

Sir Ghulam Hussain Hidayatallah (Sind Jagirdars and Zamindars : Landholders) : May I ask a question of the last speaker ? Borrowing for the purpose of paying assessment is it productive or unproductive ?

Mr. R. F. Mudie : I do not intend to be led away into that maze, but I shall explain to my Honourable friend that the percentage of the United Provinces land revenue to the value of the produce is now 5 per cent. and before the fall in prices it was 3 per cent.

Pandit Govind Ballabh Pant : The percentage is 5 per cent. ?

Mr. R. F. Mudie : Yes.

Pandit Govind Ballabh Pant : One of the biggest zamindars of the United Provinces is sitting in front of him and he can consult him.

Mr. R. F. Mudie : I don't give way. That is the problem and as my friend, Mr. Darling, has said, the methods of solving the problem are well known. They are co-operation, land alienation Acts, the formation of land mortgage banks and of banks dealing with short term agricultural credit.

[Mr. R. F. Mudie.]

I do not wish in any way to deprecate what has been done about the co-operative societies but I naturally take a slightly less rosy view than my Honourable friend, Mr. Darling. In his province, largely due to his efforts, co-operation has been, I understand, a very great success. In the United Provinces where conditions are different, and the land tenure is different, it has not been such a success. I would not like to put all my money on the co-operative house in the United Provinces. Another obvious remedy is a Land Alienation Act. I have no time to deal with the possibilities of such an Act. The forms of restriction that will apply to one part of India will not be suitable in another. The Bundelkhand Act is based on the Punjab Act. It works fairly well in Bundelkhand but every one has agreed that though a restriction may be advisable in the United Provinces, the Bundelkhand Act cannot be transplanted *verbatim* across the Jumna. As regards Land Mortgage Banks, the action of Government must depend very greatly on the conditions of land tenure. Land mortgage banks might help a few zamindars in the United Provinces. When I say a few, I mean about 300 thousand but it would not touch the problem of financing the cultivation of 6 million cultivators. If you have a ryotwari settlement or a zamindari settlement as it is in the Punjab, land mortgage may be useful but it is not going to help the United Provinces. The United Provinces problem is the most difficult of all. The solution of the problem of financing, at a reasonable rate of interest, people who have very little credit. Solutions have been attempted in various countries. I would only recommend those Members who are interested in the subject to study what has been done in the United Kingdom by the Agricultural Credits Act, 1928, and to what has been done in Egypt by the Agricultural Credit Bank. These obvious remedies, although they may be examined by each Local Government, will have to be applied in different ways by different provinces. While therefore hoping that the Resolution of this House will encourage Local Governments to examine this fundamental problem in relation to their own circumstances, I cannot support the appointment of a committee.

Dr. Ziauddin Ahmad : We have repeatedly discussed on the floor of this House a number of Bills dealing with labour problems owing to the persistence of my friend, Mr. Joshi, whom I do not see in the House and the patronage of my friend, the Honourable Sir Frank Noyce, and his able supporter the Honourable Mr. Clow. We have also seen a number of Bills to protect the orphanage of Bombay, popularly known as the Mill Owners Association, with the generous patronage of the Honourable Sir Joseph Bhole, but I am sorry that in spite of the fact that about three-fourths of the population of this country live on land, we have done very little to improve the condition of this class of people. We have no doubt shed crocodile tears on several occasions, as we are shedding crocodile tears now but really we have not taken any action to improve their condition. Each time the argument is brought forward that it is a transferred subject and that it is really for the provinces to take action. I say it is really not for the provinces but for the Government of India to tackle this problem, as I shall show. It is fortunate that at present we have at the head of the Government a person who takes very great interest in agricultural problems and if nothing is going to be done during the next five years, I am sure that nothing will be done during the next quarter of a century. So, this is not the time for the Government to shove their responsibility on Provincial Governments, but to take it up themselves. There are really three problems

to face. I will mention them first and deal with them in turn later on. (1) According to my calculation based on the figures given by the Banking Inquiry Committee, the amount of interest paid by the agriculturists on agricultural debt is about 2½ times the revenue of the Government of India and on a major portion of this no income-tax is paid. (2) The second problem is the problem of co-operative banks and also land mortgage banks. (3) The third problem refers to the raising of the prices of agricultural products. I will take these items in turn. My friend, Mr. Griffiths, has given a case and said that the moneylender is a real necessity. It reminds me of a story of a person who had a dream that a person gave him a slap and also a rupee. When he got up, he found that marks of the slap were there but the rupee was not to be found. Mr. Griffiths reminded us of one part of the story and left out the other part, which has always been in existence before British rule came to this country. At that time after every twenty or thirty years the moneylenders were destroyed, their books were burnt and the moneylenders and the agriculturists started again with a clean slate ; but on account of 150 years of peaceful rule in this country, the debts have accumulated to an enormous extent and there is absolutely no question of wiping off the debt and destroying the papers of the moneylenders.

Mr. Sri Prakasa (Allahabad and Jhansi Divisions : Non-Muhammadan Rural) : Then destroy the Government also every thirty years.

Dr. Ziauddin Ahmad : I am referring to the argument of Mr. Griffiths. You are not Mr. Griffiths. If we were allowed to follow the old method, there would not have been this accumulation of debt. No doubt, several Provincial Governments have taken actions to meet the problem of agricultural indebtedness. My friend, Mr. Darling, to whom we are very thankful for coming to us today, has given some illustration of what has been done in the Punjab by means of conciliation boards. He is an expert on the subject and we hope that other Provinces will utilise his experiences. My friend, Mr. Griffiths, has also given some examples of what happened in Chandpur but in both cases I inquired what was the original sum borrowed by agriculturists, the original principal on which that amount was piled up. My friend also said that 11 lakhs were reduced to 7 lakhs but he did not say what was the principal on which that amount of 11 lakhs was reached. So in each case we have to consider the original principal. No doubt the actions that had to be taken by some Governments are really very wholesome and they will to a certain extent relieve the agriculturists, but not entirely. The conciliation boards if adopted everywhere may do some good. At the same time, we should find out, as my friend, Mr. Darling, has pointed, some satisfactory methods of doing it. Otherwise for twenty years the same conditions will recur, and again the moneylenders will be wiped off, not by the old methods, but by the newer method, by means of conciliation boards, and the only way by means of which this can be more permanently cured is as my friend, Mr. Darling, and my friend from my own Province, Mr. Mudie, suggested,—*viz.*, that we should establish land mortgage and co-operative banks for lending money on reasonable rates of interest. Sir, during the discussion of the Reserve Bank Bill we pressed from the Opposition side very strongly on the Government that they should reserve at least a crore of rupees every year from the profits of the Reserve Banks, to be given to those banks, because, without this capital, they will not be able to carry on their work with any great advantage. My friend, Mr. Mudie, said about the United Provinces that there is no money

[Dr. Ziauddin Ahmad.]

and unless we get some definite capital from the profits of the Reserve Bank, it will not be possible for us to establish those banks on sound lines, and this problem will not be effectively solved. This really is a very important problem but unfortunately the Honourable the Finance Member who had charge of the Reserve Bank Bill at that time never saw any village and had very little sympathy with the villagers. Of course I pointed out on that occasion that his whole knowledge of village life was something like the knowledge of anatomy of Avicenna, who wrote a book on anatomy upon a *post mortem* examination of one monkey. So Sir George Schuster once in his life-time saw a single village in the vicinity of Delhi and the whole of his knowledge of the rural population was limited to that one particular, casual visit and so he never appreciated the real problem. But I hope the present Government, under the guidance of an able Governor General, who is an expert in agriculture, will now come forward and set aside a substantial sum from the profits of the Reserve Bank for this particular purpose. Now, Sir, I come to the third problem, which is a very important problem, that of raising the price level of agricultural products. My friend, Mr. Morgan, drew attention to this particular fact. He said that the prices of cotton textile had gone up from 100 to 114, while the price of cotton had gone down from 100 to 74. The same is the case with other commodities. Now I ask the three representatives of the three provinces who have spoken whether they can effectively solve this problem of raising the price level. May I ask Mr. Darling, who represents the Punjab, whether the peasants of the Punjab get economic prices for the wheat which they sell? Certainly not. So unless the price level of these articles is raised, it is impossible to achieve prosperity. This problem can only be solved by the Government of India and not by the action of any individual Provincial Government. The Finance Member will say that it is not his province, and how can he raise the price level of agricultural products? But may I ask him—has he not raised the price level of the rupee? Sir, the world market for the rupee is not 1s. 6d. but is only 1s. 3d. or 1s. 2d., he has raised it artificially by enactment, and he raised the price level of a rupee from 1s. 2d. to 1s. 6d. Can he not adopt a similar method to raise the price level of three important commodities in India, viz., cotton, rice and wheat? If, therefore, you can raise the price level of these, then the price level of all the other agricultural products will be raised simultaneously in sympathy with the prices of these important articles. These are three very important problems and if the Government of India shoved on their responsibility to Local Governments, the time will come when the agriculturists will get up and themselves solve the problem—as they did solve them in the past.

The Honourable Sir Henry Craik: Sir, I think the House has been very fortunate today in having a debate on this extremely important and interesting problem, and it has been specially fortunate in having the benefit of the advice of so well-known and thoughtful an economist as Mr. Darling (Hear, hear)—whose books on the economy of the Indian village I would like to take this opportunity of commending to the careful study of all Honourable Members of this House. I am sure the House will agree with me that it owes a debt to Mr. Darling for coming to us today and giving us the benefit of the very many years' thought and study which he has given to this subject. (Hear, hear.) Now, Sir, I think previous speakers on these Benches have very fully explained

the objections to the precise Resolution before the House, viz., the appointment of a committee. I do not for a moment regret that the Resolution has been moved; still less do I regret any of the speeches with which it has been supported, but I must say that the arguments in favour of the appointment of a committee strike me as singularly jejune and wanting in reality. Some of the speakers have really seemed to be extraordinarily ignorant of what has already been done to try and tackle the problem of rural indebtedness. They seemed to be quite unaware that provincial Legislatures have passed some twenty-five to thirty Acts on the subject during the last two years and that somewhere about twenty-five more Bills are at this very moment under the consideration of provincial Legislatures. These measures deal with a number of possible solutions of the problem. There is, in some cases, the compulsory scaling down of debt, with, in some cases, the provision of a better security to the creditor. I think that is the feature of one of the United Provinces Bills. There is the compulsory limitation of the rates of interest, and a compulsion placed on the moneylenders to register and to furnish periodical accounts. There is the establishment of conciliation boards of which we have had a very interesting picture from two of the speakers on these Benches,—in some cases voluntary conciliation boards and in others compulsory conciliation boards. There have been other measures such as the establishment of land mortgage banks in certain provinces and certain subsidiary measures for the relief of debtors such as the abolition of imprisonment for debt, the security of holdings from attachment, and such measures as we have heard described for the consolidation of holdings and for the promotion of co-operative credit. All these measures have been either introduced or greatly intensified in their action within the period of the last two years. But neither the Government of India nor any Local Government is at the moment in a position to say which of these measures, taken singly or in combination, affords the best solution of the problem. But that these measures have accomplished a great deal already, I have no doubt whatever. The position seems to be now that, although there is this immense burden of debt on paper hanging round the neck of the peasant at the moment, so far as I am aware, nobody is trying to recover either the principal or the interest with any success. The debtor is not paying because he has not got the money to pay and the creditor or the great majority of creditors are not trying to recover because they know that they cannot recover. Thus there is, in effect, what is really a moratorium. The bulk of this debt is at the moment in a sort of frozen state. I do not say for a moment that it is not a great evil because it hangs round the cultivator's neck like the old man of the sea hanging round the neck of Sindbad the sailor. No doubt, when prices improve the creditor will again bring pressure to bear on the debtor. But at the moment the thing is mostly on paper and there cannot be the slightest doubt that the money-lender has to a great extent abated the traditional rapacity of his profession. The figures quoted by Mr. Darling are the best illustration of that that I can think of.

These various legislative measures have been introduced and passed by Local Governments in close consultation with the Government of India. We have asked them to let us know as soon as they are in a position to do so what they consider their effect has been and to give a most careful appreciation of their effect on the debt situation. Such replies as we have received are mostly to the effect that it is still too early to give considered

[Sir Henry Craik.]

appreciation, but so far as the situation can be appreciated, the effect has certainly been favourable. There has been, of course, a considerable drying up of credit, but that perhaps is not a bad thing and certainly, as I have said, the moneylender is less rapacious and less insistent in his demands.

Now, let me turn to the proposal put forward in the Resolution that we should appoint a Committee. Very many strong reasons against that have been given but let me add one more. In my opinion if such a Committee were to be appointed, it would prove not really a help but a positive embarrassment to Local Governments in their handling of these problems. Six months hence, when provincial autonomy is introduced, Local Governments would be perfectly entitled to say to a Committee appointed by the Central Government wandering round the provinces and making inquiries into what would then be purely provincial subjects: "We do not want you, kindly get out. We have already got all the information we want. We have already got our Legislature elected, mind you, on a far wider franchise than this House. We have already got our Legislature which is perfectly competent to deal with these problems. You are only getting in our way; please stand aside". I am quite confident the autonomous Provincial Governments would take that view and would consider this Committee more of a hindrance than a help. Further, even if it were for the Central Government to deal with this problem—and I do not say that in certain circumstances certain remedies might not have to be applied from the Centre,—we should not want a Committee to help us to decide on such remedies. We have enormous amount of information at our disposal. We are already very well aware what the problem is and we are in a very good position without the assistance of any Committee to decide what are the best remedies to be taken, if it is to be decided that there must be some remedy to be applied from the Centre. So, I submit that there is nothing to be gained by appointing a Committee. Let the House recognise that not only has the problem so far been tackled by Local Governments but that it is at the moment being tackled by the Local Governments and that when Local Governments, a few months hence, attain complete provincial autonomy on these subjects, they will not thank us but, on the contrary, they would probably be rather unkind to any Committee that we may appoint. Therefore, let the House give its verdict, if the Honourable the Mover wishes to press his Resolution, against the appointment of a Committee.

Mr. M. Asaf Ali : I move, Sir, that the question be now put.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That the question be now put."

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : I will put to the House the amendment of Dr. DeSouza first. The question is :

"That for the original Resolution, the following be substituted :

"That this Assembly recommends to the Governor General in Council to take immediate action on the recommendations of the Royal Commission on Agriculture, the Banking Enquiry Committee and the Civil Justice Committee for relieving agricultural indebtedness in India and for that

purpose to appoint a Special Officer with three non-official advisers to suggest measures in consultation with Local Governments on the lines of those recommendations."

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim) : Then there are a number of amendments.

Mr. M. S. Aney (Berar Representative) : They have not been moved.

Mr. President (The Honourable Sir Abdur Rahim) : I will now
5 P.M. put the original Resolution. The question is :

"That this Assembly recommends to the Governor General in Council to appoint a Committee consisting of both official and non-official Members, with non-official majority, to inquire into the question of indebtedness of agriculturists of the whole of India dealing particularly with the following points :

- (1) to find out :
 - (i) the approximate total debt,
 - (ii) the area of land which has passed from the hands of the agriculturists to money-lenders,
 - (iii) the area of land mortgaged with money-lenders at present.
- (2) to enquire and report on the remedies and provisions of law up till now legislated in different provinces for their amelioration and what results have been achieved by such measures in different provinces.

This Assembly further recommends to the Governor General in Council that the said Committee be authorised to incorporate in its report the ways and means and provisions of laws by which the interests of the agriculturists could be fully safeguarded and thereby extricate them from their present miserable plight."

The Assembly divided :

AYES—74.

Abdul Matin Chaudhury, Mr.
Abdullah, Mr. H. M.
Aney, Mr. M. S.
Anwar-ul-Azim, Mr. Muhammad.
Asaf Ali, Mr. M.
Ayyangar, Mr. M. Ananthasayanam.
Azhar Ali, Mr. Muhammad.
Badi-uz-Zaman, Maulvi.
Bajoria, Babu Baijnath.
Bhagavan Das, Dr.
Chaliha, Mr. Kuladhar.
Chattopadhyaya, Mr. Amarendra Nath.
Chettiar, Mr. T. S. Avinashilingam.
Chetty, Mr. Sami Vencatachelam.
Chunder, Mr. N. C.
Das, Mr. B.
Das, Mr. Basanta Kumar.
Das, Pandit Nilakantha.
Datta, Mr. Akhil Chandra.
Desai, Mr. Bhanubhai J.
Deshmukh, Dr. G. V.
Essak Sait, Mr. H. A. Sathar H.
Fazl-i-Haq Piracha, Khan Bahadur
Shaikh.
Gadgil, Mr. N. V.

Ghiasuddin, Mr. M.
Ghuznavi, Sir Abdul Halim.
Giri, Mr. V. V.
Govind Das, Seth.
Gupta, Mr. Ghansham Singh.
Hans Raj, Raizada.
Hidayatallah, Sir Ghulam Hussain.
Hosmani, Mr. S. K.
Jedhe, Mr. K. M.
Jehangir, Sir Cowasji.
Jogendra Singh, Sirdar.
Joshi, Mr. N. M.
Kailash Behari Lal, Babu.
Khan Sahib, Dr.
Khare, Dr. N. B.
Lahiri Chaudhury, Mr. D. K.
Laljee, Mr. Husenbhai Abdullabhai.
Maitra, Pandit Lakshmi Kanta.
Malaviya, Pandit Krishna Kant.
Mody, Sir H. P.
Mudaliar, Mr. C. N. Muthuranga.
Muhammad Ahmad Kazmi, Qazi.
Murtuza Sahib Bahadur, Maulvi Syed.
Paliwal, Pandit Sri Krishna Dutta.
Pant, Pandit Govind Ballabh.

AYES—*contd.*

Raghubir Narayan Singh, Choudhri.
 Rajah, Rao Bahadur M. C.
 Raju, Mr. P. S. Kumaraswami.
 Ranga, Prof. N. G.
 Saksena, Mr. Mohan Lal.
 Sant Singh, Sardar.
 Satyamurti, Mr. S.
 Sham Lal, Mr.
 Shaukat Ali, Maulana.
 Sheodass Daga, Seth.
 Siddique Ali Khan, Khan Sahib Nawab.
 Singh, Mr. Ram Narayan.
 Sinha, Mr. Satya Narayan.

Sinha, Mr. Shri Krishna.
 Sinha, Raja Bahadur Harihar Prosad Narayan.
 Som, Mr. Suryya Kumar.
 Sri Prakasa, Mr.
 Thein Maung, Dr.
 Thein Maung, U.
 Umar Aly Shah, Mr.
 Varma, Mr. B. B.
 Vissanji, Mr. Mathuradas.
 Yakub, Sir Muhammad.
 Yamin Khan, Sir Muhammad.
 Ziauddin Ahmad, Dr.

NOES—41.

Abdul Hamid, Khan Bahadur Sir.
 Acott, Mr. A. S. V.
 Ahmad Nawaz Khan, Major Nawab Sir.
 Ahmed, Mr. K.
 Ayyar, Diwan Bahadur R. V. Krishna.
 Bajpai, Sir Girja Shankar.
 Bhat, Mr. M. D.
 Buss, Mr. L. C.
 Chapman-Mortimer, Mr. T.
 Craik, The Honourable Sir Henry.
 Dalal, Dr. R. D.
 Darling, Mr. M. L.
 Das-Gupta, Mr. S. K.
 Dey, Mr. R. N.
 Grant, Mr. C. F.
 Griffiths, Mr. P. J.
 Grigg, The Honourable Sir James.
 Hudson, Sir Leslie.
 James, Mr. F. E.
 Jawahar Singh, Sardar Bahadur Sardar Sir.
 Khurshaid Muhammad, Khan Bahadur Shaikh.

Metcalfe, Sir Aubrey.
 Morgan, Mr. G.
 Mudie, Mr. R. F.
 Mukherjee, Rai Bahadur Sir Satya Charan.
 Naydu, Diwan Bahadur B. V. Sri Hari Rao.
 Noyce, The Honourable Sir Frank.
 Rau, Mr. P. S.
 Robertson, Mr. G. E. J.
 Roy, Mr. S. N.
 Sarma, Sir Srinivasa.
 Scott, Mr. J. Ramsay.
 Sen, Mr. Susil Chandra.
 Sharma, Mr. D.
 Sher Muhammad Khan, Captain Sardar.
 Singh, Rai Bahadur Shyam Narayan.
 Sircar, The Honourable Sir Nripendra.
 Spence, Mr. G. H.
 Thorne, Mr. J. A.
 Tottenham, Mr. G. R. F.
 Zafrullah Khan, The Honourable Sir Muhammad.

The motion was adopted.

RESOLUTION RE INTERFERENCE FROM PUBLIC SERVANTS IN THE ENSUING ELECTIONS.

Dr. Khan Sahib (North-West Frontier Province : General) : Sir, I beg to move the following Resolution :

" That this Assembly recommends to the Governor General in Council to take immediate steps to secure that Public Servants do not interfere directly or indirectly in the ensuing elections to the Reformed Legislatures."

Sir, it is a very important question.....

The Honourable Sir Henry Craik : Sir, I suggest that as the question is very important the House may now adjourn.

Mr. President (The Honourable Sir Abdur Rahim) : Does the Honourable the Mover want to make a speech ?

Dr. Khan Sahib : Yes, Sir.

Mr. President (The Honourable Sir Abdur Rahim) : He can speak on the next day.

Motion moved :

" That this Assembly recommends to the Governor General in Council to take immediate steps to secure that Public Servants do not interfere directly or indirectly in the ensuing elections to the Reformed Legislatures."

The Assembly then adjourned till Eleven of the Clock on Friday, the 25th September, 1936.

LEGISLATIVE ASSEMBLY.

Friday, 25th September, 1936.



The Assembly met in the Assembly Chamber at Eleven of the Clock,
Mr. President (The Honourable Sir Abdur Rahim) in the Chair.

MEMBER SWORN.

Mr. William Walker Nind, C.I.E., M.L.A. (Government of India :
Nominated Official).

QUESTIONS AND ANSWERS.

EXTENSION OF THE CHILD MARRIAGE RESTRAINT ACT TO CANTONMENT AREAS.

617. *Mr. M. Asaf Ali : Will Government be pleased to state what steps have been taken since answering my last question on the subject to extend the Child Marriage Restraint Act (Sarda Act) to cantonment areas ?

Sir Aubrey Metcalfe : Sir, I would refer the Honourable Member to the reply given on the 20th March, 1936, to question No. 1372. The position has not undergone any change since that answer was given.

Mr. M. Asaf Ali : May I know, Sir, what particular difficulty are Government experiencing in applying this Act to cantonment areas ?

Sir Aubrey Metcalfe : The Honourable Member is presumably referring to cantonment areas in Central India. The difficulties are the same as were stated before, namely, that there is no popular demand for such action, whereas petitions against the application of the Act have been received from several quarters.

Mr. M. Asaf Ali : Is it suggested, Sir, that the Child Marriage Restraint Act is to be extended only to areas where there is a demand for it ?

Sir Aubrey Metcalfe : The position is not the same in the administered areas in Indian States as in other cantonments or places in British India.

INDIANISATION AND ECONOMY IN THE INDIAN NATIONAL AIRWAYS
COMPANY.

618. *Mr. M. Asaf Ali : (a) Will Government be pleased to state whether at the time of granting the subsidy to the Indian National Airways this year, the attention of the latter was drawn to the fact that

(i) bulk of the highly paid staff of the Company was non-Indian, and
(ii) their over-head expenditure was excessive?

(b) Are Government aware of any economies effected by the Company, or any appreciable Indianisation of the highly paid technical and administrative staff of the Company?

The Honourable Sir Frank Noyce : (a) Government closely examined the Company's organisation before deciding to grant financial assistance and were satisfied

(i) that the non-Indian staff employed was necessary for the proper management and operation of the service; and

(ii) that certain branches of their activities, though desirable from the point of view of aviation development, had no claim to assistance from public funds in circumstances then existing.

(b) Economies have been effected by cutting down activities and services which were not commercially successful. An appreciable number of the more highly paid posts are at present filled by Indians. The Company also give facilities for training to Indians which was one of the important considerations which weighed with Government in deciding to give them financial assistance.

Mr. M. Asaf Ali : Is it not a fact, Sir, that the economies to which the Honourable Member is referring now had already been effected before this subsidy was granted? At any rate, we were given to understand in the Standing Finance Committee that it was so?

The Honourable Sir Frank Noyce : Not entirely, Sir. Certain activities had been closed down even before financial assistance was given, and certain other activities have been closed down, I think, since financial assistance was granted.

Mr. M. Asaf Ali : Will it be possible to specify the particular activities which have been cut down since the grant of this subsidy?

The Honourable Sir Frank Noyce : I should require notice.

Mr. M. Asaf Ali : I am afraid, Sir, I cannot give longer notice than this. Here is a question which was tabled, I think, about two or three months ago.....

Mr. President (The Honourable Sir Abdur Rahim) : If you want to know what particular activities have been curtailed, you should give notice.

Mr. M. Asaf Ali : I ask definitely here in part (b) : "Are Government aware of any economies effected by the company, etc.?" Now, the Government say they have effected certain economies. I think, Sir, I am entitled to ask what economies have been effected?

The Honourable Sir Frank Noyce : I have given my friend that reply. I was under the impression that what he is now asking was what economies were effected before financial assistance was given and what economies were subsequently effected. If he wants a statement of some of the economies effected, I can give it. The Calcutta-Dacca service has been closed down, the Rangoon Flying School has been closed down.....

Mr. M. Asaf Ali : They were both closed down before the subsidy was granted.

The Honourable Sir Frank Noyce : The Honourable Member has not asked in this question the specific question what economies were effected before financial assistance was given by Government and what economies were effected afterwards; if he had asked that, I would have given him a reply. I can only give him a statement of the position generally.

Mr. S. Satyamurti : May I know if the Government have made a condition before the subsidy was granted, that the non-Indian staff should train the Indian staff to take their place at the earliest possible moment?

The Honourable Sir Frank Noyce : I am not sure that they made a definite condition, in regard to the training of Indians, but as I have said, the Company has given facilities for such training, and that was one of the important considerations which weighed with the Government in deciding to give them financial assistance.

Mr. S. Satyamurti : How many Indians are being trained now by these non-Indians; and in what capacities?

The Honourable Sir Frank Noyce : Eight ground engineers.

Mr. S. Satyamurti : May I know if in any other capacity any Indian is being trained?

The Honourable Sir Frank Noyce : I do not know, but I can tell my friend that there are eight Indians holding higher paid posts in this company's organization, of whom one is Chief Traffic Officer for Delhi-Calcutta, one is a pilot, four are ground engineers, and two are traffic assistants.

Mr. S. Satyamurti : How many are non-Indians?

The Honourable Sir Frank Noyce : I am not quite sure, I think either 12 or 13.

Mr. S. Satyamurti : May I know if Government have any programme of Indianising this service, and if they have directed the company that that programme should be carried out?

The Honourable Sir Frank Noyce : The whole future of the company is still uncertain. The financial assistance that has been given will last only till the end of the current year, and the arrangement after that has not yet been decided.

Mr. M. Asaf Ali : With reference to part (b), is it not a fact that all the various persons named by the Honourable Member were already there before the subsidy was granted? I should like to know how many have been added since then?

The Honourable Sir Frank Noyce : I have told my friend that I must ask for notice.

Mr. S. Satyamurti : Will Government make it a condition that every non-Indian employed there should train an Indian to take his place at the earliest possible moment?

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LEGISLATIVE ASSEMBLY.

[25TH SEPT. 1936.]

The Honourable Sir Frank Noyce : That, in any case, is a hypothetical question, but, as I have said, Sir, the company are already giving full facilities for training Indians. Whether they should give additional facilities will be a matter for consideration when the question of giving further financial assistance comes up for consideration.

Mr. S. Satyamurti : I am asking whether Government will make it a condition precedent, before granting any further subsidy to this company, that it must be their primary concern to train Indians and to Indianise the service at the earliest possible moment?

The Honourable Sir Frank Noyce : I cannot say at this stage what conditions will be made or indeed whether any conditions will be made until the question of the grant of further financial assistance comes up for consideration. All I can assure the House is that the question of affording ample facilities for training Indians will be borne most carefully in mind.

Mr. T. S. Avinashilingam Chettiar : In view of the fact that this grant was only intended for one year,—at any rate we were specifically given to understand in the Finance Committee that it was to be for only a year, do Government propose to re-examine the question of giving a further subsidy?

The Honourable Sir Frank Noyce : I was under the impression that the grant had only been given for the current financial year. It may be that, but my Honourable friend behind me says that he thinks it is up to the end of December of next year. In any case the question of further financial assistance beyond that which has already been sanctioned will come up for consideration shortly.

Mr. M. Asaf Ali : May I just know whether the Honourable Member is aware of the fact that in the Standing Finance Committee we were definitely given to understand that this subsidy was intended only for the current financial year and no more subsidies would be granted? It was a definite promise.

The Honourable Sir James Grigg : That is going much too far. My impression is—I may be wrong—that it was a grant for one year and there was absolutely no commitment for the following year. But just as there was no commitment in favour, so there was no commitment against. That is my impression, but I have not verified it. But I am absolutely certain that there was no commitment in either direction for the following year.

Mr. T. S. Avinashilingam Chettiar : In view of the experience of these six months, do Government feel justified in giving this grant?

Mr. President (The Honourable Sir Abdur Rahim) : Next question.

The Honourable Sir James Grigg : May I add by way of emphasis, that I am absolutely certain that there was no commitment for the following year against a subsidy?

Mr. S. Satyamurti : Or for it?

The Honourable Sir James Grigg : That is my impression.

MEASURES TO COMBAT UNEMPLOYMENT.

619. ***Mr. M. Asaf Ali :** (a) Are Government aware that by far the most urgent need in respect of unemployment is a comprehensive survey of the entire problem, and immediate adoption of measures of relief?

(b) What steps have Government so far taken, or propose to take to meet this need?

(c) Are Government prepared to consider the advisability of undertaking the publication of a compendium of rules of admission and prospectuses of the various technical, industrial, military, aircraft, naval, mercantile marine, agricultural and such other recognised training centres as may provide openings to those who are looking for careers?

The Honourable Sir Frank Noyce : (a) and (b). I am not so confident as the Honourable Member that a comprehensive survey is by far the most urgent need. The problem has been surveyed by a number of committees, one of which is, I believe, still in being, and while further knowledge is always an advantage, it seems probable that the main facts are fairly adequately known. As regards measures of relief, I would refer the Honourable Member to the reply I gave to Mr. T. S. Avinashilingam Chettiar's starred question No. 24 on the 31st August.

(c) No, such action would not help to reduce unemployment.

Mr. M. Ananthasayanam Ayyangar : Have any arrangements been made so far to collect statistics of educated unemployed?

The Honourable Sir Frank Noyce : I have explained the position in regard to statistics more than once in answering questions on this subject.

Mr. T. S. Avinashilingam Chettiar : May I know whether they have finished consideration of the Sapru Committee's Report?

The Honourable Sir Frank Noyce : No, Sir.

Mr. N. M. Joshi : May I ask what is the committee referred to by the Honourable Member which he said is still in being?

The Honourable Sir Frank Noyce : The Committee appointed by the Government of Bihar.

Mr. M. Asaf Ali : With reference to part (c) of the question, may I know what are the difficulties in issuing a cheap guide for the students?

The Honourable Sir Frank Noyce : For one thing, I do not think it would be cheap: there is a multiplicity of institutions of different kinds. Another point is that it would rapidly become out of date. In any case I would remind the House that not only is unemployment primarily a provincial subject at present, but from the 1st April next it will become a transferred subject. This suggestion is one that could and should be carried out by Local Governments, if they consider it desirable. It is not a matter for the Government of India.

Mr. N. M. Joshi : May I ask whether the Government of India are aware that the unemployment among the educated people cannot be relieved unless the unemployment among the industrial workers is removed?

The Honourable Sir Frank Noyce : That is asking me for an expression of opinion.

Prof. N. G. Ranga : Have Government considered the possibility of providing unemployment for easily 2 millions of this middle class educated unemployed if compulsory primary or elementary education is established in this country ?

The Honourable Sir Frank Noyce : My Honourable friends on the opposite benches have from time to time pressed on the Government the necessity of obtaining statistics of unemployment. My Honourable friend, Prof. Ranga, seems to have access to statistics which are not available to me.

Mr. S. Satyamurti : May I know if Government have definitely given up the idea of an all-India comprehensive survey of the problem of unemployment ?

The Honourable Sir Frank Noyce : I do not know if Government have ever given up the idea. I do not think that they have ever entertained it.

Mr. S. Satyamurti : May I know if Government will ever entertain the idea ?

The Honourable Sir Frank Noyce : I have explained the position....

The Honourable Sir James Grigg : No.

Mr. S. Satyamurti : I want an answer from the Industries Member : I must really protest against the Finance Member's shouts when other Members are answering : it is most annoying, and besides it puts off the Members giving a proper answer : they dare not give a proper answer.

The Honourable Sir Frank Noyce : I am quite prepared to answer. I have explained the reasons why Government do not propose to undertake any comprehensive survey ; and I have nothing to add to the replies to parts (a) and (b) of Mr. Asaf Ali's question.

Mr. N. M. Joshi : May I ask whether the Government of India have come to any decision as regards the devising of machinery for the collection of statistics ?

The Honourable Sir Frank Noyce : I have answered several questions on that already. I must really refer my Honourable friend to those answers : I can repeat them, but they were given quite recently.

Mr. N. M. Joshi : No, not recently.

The Honourable Sir Frank Noyce : During the course of this Session on several occasions.

INDIA'S INDUSTRIAL POSSIBILITIES.

620. ***Mr. M. Asaf Ali :** Have Government taken any steps to collect and tabulate the data of India's industrial possibilities, since the publication of the Indian Industrial Commission's Report (1916-18) with a view to launching a cottage industry or small-scale manufacture campaign ? If so, how many schemes have they examined and published for the assistance of those who swell the ranks of the unemployed ?

The Honourable Sir Frank Noyce : As the Honourable Member is possibly aware, the development of industries is a transferred provincial subject, and it would be quite impossible for me to give in answer to a question any adequate summary of the numerous and extensive measures taken by different Governments to develop cottage industries since the publication of the Industrial Commission's Report. But the Honourable Member will find a considerable amount of information on this subject for the years 1920-28 in a publication entitled "The State and Industry", which is in the Library of the House, and the Government of India hope to publish very shortly another review giving similar particulars for the years 1928-35.

Mr. M. Asaf Ali : May I just know whether industries were a transferred subject in 1916 and 1918 or even in 1919, because the Honourable Member's reply refers to industries being a transferred subject all the time. What have Government done since then ?

The Honourable Sir Frank Noyce : I have said that the Government of India hope to publish very shortly another review giving the particulars in regard to what Government have done to develop industries since the publication of the report of 1928. I should have thought that Government might have been given a little credit for the trouble they have taken to compile that report ; but apparently my Honourable friend is still not satisfied.

Mr. S. Satyamurti : In view of the well-known difference of opinion among Members of the Government on the question of giving protection to large scale industries, will Government examine the question of encouraging the growth of cottage and small scale industries and of launching a campaign in this regard ?

The Honourable Sir Frank Noyce : The question is always under the consideration of Government ; and I have explained from time to time in reply to questions in this House what Government have done in regard to it.

Mr. S. Satyamurti : Have Government considered that the central problem of poverty in this country can be solved only by the development of cottage industries, that is to say, by providing occupation for millions of people, who have no occupation in their villages and homes for the best part of the year ?

Mr. President (The Honourable Sir Abdur Rahim) : These are matters of opinion, the Honourable Member is entitled to have his own opinion on the point.

Mr. S. Satyamurti : My opinion does not count : their opinion counts.

Mr. President (The Honourable Sir Abdur Rahim) : They are not bound to express an opinion.

Mr. S. Satyamurti : I am not asking for an expression of their opinion. I am asking whether they have considered the question of launching a campaign for the growth and encouragement of cottage and small scale industries, and the answer is that it is a provincial transferred subject. I am now asking whether, in view of their commitments in the matter in the past, they have considered the central prob-

lem of poverty in this country which can be tackled only, if they launch a campaign for the development of cottage industries.

Mr. President (The Honourable Sir Abdur Rahim) : I think it is a very comprehensive subject and it cannot be dealt with in supplementary questions and answers. Now, he can only answer yes or no.

Mr. S. Satyamurti : May I have an answer ?

The Honourable Sir Frank Noyce : All I can say is that I understood that you, Sir, do not consider an answer necessary.

RESTRAINT AND EXTERNMENT ORDERS ON SHRIMATI SATYAVATI OF DELHI AND RATAN PARKASH GUPTA.

621. ***Mr. M. Asaf Ali** : Will Government please state the detailed grounds for serving (a) Shrimati Satyavati of Delhi with a restraint order, and (b) Ratan Parkash Gupta with an order of externment ?

The Honourable Sir Henry Craik : (a) and (b). Both the persons named have for some time past endeavoured to stir up trouble and by their revolutionary sympathies and associations have exerted a dangerous influence on revolutionary and terrorist suspects in Delhi. Orders under the provisions of section 3 of the Punjab Criminal Law Amendment Act (as applied to Delhi) have therefore been served on them, as the Chief Commissioner was satisfied that such orders were necessary in the interest of the public safety and peace.

Mr. M. Asaf Ali : May I know what are the sources of Government's information with regard to the revolutionary sympathies and associations of these two individuals ?

The Honourable Sir Henry Craik : I do not think I can disclose the sources.

Mr. M. Asaf Ali : I do not want you to disclose anything which is secret, but I should like to know if you are in possession of any information which may be traced by any public pronouncement of any of these persons ?

The Honourable Sir Henry Craik : That I cannot say, Sir.

Mr. Mohan Lal Saksena : May I know if it is the policy of the Government to apply the provisions of the Public Safety Act and the Criminal Law Amendment Act against labour workers ?

The Honourable Sir Henry Craik : That depends upon what methods they employ in furtherance of their object.

Pandit Lakshmi Kanta Maitra : May I know if at the time of serving these orders on these two persons there were any terroristic activities in the province of the Punjab ?

An Honourable Member : This was in Delhi.

Pandit Lakshmi Kanta Maitra : They were proceeded against under the Punjab Criminal Law Amendment Act. May I know whether there were any terroristic activities at the time either in Delhi or in the Punjab ?

The Honourable Sir Henry Craik : The Act applies to Delhi. The Honourable Member wants to know whether there were any terroristic activities in Delhi or the Punjab ?

Pandit Lakshmi Kanta Maitra : Yes. If that is so, I should like to know what exactly they were in Delhi in particular.

Mr. M. Asaf Ali : I should like to know what evidence of terroristic activities in Delhi was in the possession of the Government at the time they took this action.

The Honourable Sir Henry Craik : I have informed the Honourable Member that the information in possession of Government is secret and I am not prepared to disclose it.

Mr. M. Asaf Ali : Surely we can have some little idea of.....

Mr. President (The Honourable Sir Abdur Rahim) : There is no use of asking that question. The Honourable Member has given his answer.

Mr. M. Asaf Ali : True, but I am simply wanting to know if it is possible for the Honourable Member to tell us of any particular incident.....

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member has said that it is not possible to disclose the information.

Mr. M. Asaf Ali : He said that about secret information, but I am talking about incidents that can be enumerated.....

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member has already replied.

Mr. S. Satyamurti : Was there any overt act of terrorism in Delhi at or about the time the orders were passed or since then ?

Mr. M. Asaf Ali : Not since 1929.

The Honourable Sir Henry Craik : One of these orders was served on July 19th and the other, I think, in August this year, but I have not got the exact date.

Mr. S. Satyamurti : I am asking whether any overt act of terrorism was committed at the time the orders were passed or since then.

The Honourable Sir Henry Craik : Since those dates, so far as I am aware, there have been no overt acts.

INTERCEPTION OF CORRESPONDENCE AND TAPPING OF TELEPHONES OF POLITICAL WORKERS OF DELHI.

622. ***Mr. M. Asaf Ali** : (a) Will Government please state the number, if not also the names, of the political workers of Delhi, whose correspondence is censored in transit and whose telephones are tapped by the C. I. D. ?

(b) Will Government please state under what legal provisions *general* as contra-distinguished from specific interception of correspondence and tapping of telephone is permissible ?

The Honourable Sir Henry Craik : (a) No.

(b) Under the provisions of the Post Office Act and the Telegraph Act.

Mr. M. Asaf Ali : Part (b) of my question was, "Will Government please state under what legal provisions *general* as contra-distinguished from specific interception of correspondence and tapping of telephone is permissible?" So far as I understand, the Telegraph Act does not provide for any general orders for interception of correspondence or any other kind of interference with communications. It only provides for specific cases.

The Honourable Sir Henry Craik : The Honourable Member has raised a legal point on which I do not think it is my duty to pronounce an opinion, but personally I am quite satisfied that the Acts to which I have referred give the Government full authority to take the action which they have taken.

Mr. M. Asaf Ali : Is there any authority in the Indian Telegraph Act for the tapping of telephones?

The Honourable Sir Henry Craik : Yes, section 5 (1) (b).

INTERCEPTION OF CORRESPONDENCE AND TAPPING OF TELEPHONES OF POLITICAL WORKERS OF DELHI.

623. ***Mr. M. Asaf Ali :** (a) Are Government aware that the C. I. D. enjoy unauthorised facilities with regard to tapping of letters and telephones by private arrangement with postal employees in Delhi?

(b) Are Government prepared to issue strict instructions to the Departments concerned to prevent unauthorised interference with the ordinary civil rights of citizenship?

The Honourable Sir Henry Craik : (a) No.

(b) Government do not consider it necessary to issue any instructions on the lines suggested by the Honourable Member.

Mr. Mohan Lal Saksena : May I know what authority decides whether the correspondence of a particular person is to be censored?

The Honourable Sir Henry Craik : The Governor General in Council, or a Local Government, or any officer specially authorised in this behalf by the Governor General in Council.

Mr. S. Satyamurti : May I know how orders are given for the tapping of telephones? Is it with regard to the telephones of A and B, or with regard to particular times or occasions, or is it that certain people's telephones are always tapped?

The Honourable Sir Henry Craik : I have stated on several occasions that I am not prepared to disclose any information about the working of the postal censorship. The same remark applies to the working of telegraph censorship.

Mr. M. Asaf Ali : With reference to his reply to part (a) of the question, will the Honourable Member kindly institute an enquiry into this matter if I tell him now on the floor of the House that to my knowledge the C. I. D. have had unauthorised facilities of interfering with the correspondence of various people, and among them was Dr. Ansari, letters to whom written by me were actually interfered with by somebody? Will he make enquiries into this matter?

The Honourable Sir Henry Craik : No.

Mr. M. Asaf Ali : Now that I am giving you the information on the floor of the House, will you not make enquiries?

The Honourable Sir Henry Craik : Because I do not accept the Honourable Member's statement as correct.

Mr. M. Asaf Ali : Do you think I am lying?

Mr. President (The Honourable Sir Abdur Rahim) : Order, order.

Mr. M. Asaf Ali : I am giving definite information. I should like to know what exactly the Honourable Member means by saying that he does not accept my statement as correct. I am making a statement which is perfectly true and you have no business to say you do not accept my statement.

The Honourable Sir Henry Craik : You have no business to address me like that,—address the Chair.

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member (Mr. Asaf Ali) has no business to put questions in that form or to speak in that way.

Mr. M. Asaf Ali : I should like to know exactly what the Honourable Member means when he says he does not accept my statement as correct.

Mr. President (The Honourable Sir Abdur Rahim) : He has given his answer. Next question.

Mr. S. Satyamurti : On a point of order, Sir. When an Honourable Member makes a statement on the floor of the House he accepts responsibility for the truth of the same.....

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member (Home Member) does not necessarily mean that he is not speaking the truth, but he says he is not prepared to accept that statement....

The Honourable Sir Henry Craik : I am perfectly prepared to explain if the Honourable Member desires an explanation. He asks, am I prepared to accept the statement that there has been unauthorised interception of certain correspondence? I say I am not, because the Honourable Member cannot know what interception is authorised and what is not.

Mr. M. Asaf Ali : May I now tell the Honourable Member that I had it directly from the very sources which were tapping these letters, that they did tap my letters to Dr. Ansari while he was in Germany, and it is on the basis of that information that I am asking the Honourable the Home Member to make enquiries.

The Honourable Sir Nripendra Sircar : That does not show that it is unauthorised.

Mr. M. Asaf Ali : If he likes, I can give the names. Will he then make enquiries?

The Honourable Sir Nripendra Sircar : May I point out that it is no use continually repeating that he has had it from a particular source? What is authorised and what is unauthorised is not a question really for my Honourable friend unless he knows all the facts.

Mr. M. Asaf Ali : The facts are these. You yourself say that certain persons are authorised to tap certain letters.

An Honourable Member : Address the Chair.

Mr. M. Asaf Ali : In this particular instance this particular person was not authorised and yet in conspiracy with the postal authorities he did tap these letters.

The Honourable Sir Nripendra Sircar : Who is this person ?

Mr. M. Asaf Ali : I am prepared to give his name as soon as you want it.

Mr. President (The Honourable Sir Abdur Rahim) : Very well. Next question.

INTERCEPTION OF CORRESPONDENCE OF CERTAIN CLASSES OF PERSONS.

624. ***Mr. M. Asaf Ali :** (a) Is it a fact that the correspondence of all or many of the persons belonging to openly constituted and conducted organisations which have for their objects the dissemination of advanced political and economic theories, such as socialism or communism, or such associations as the Progressive Writers' Association, is subjected to interception by the C. I. D. in Delhi ? If so, on what grounds ?

(b) If the reply to part (a) be in the negative, are Government prepared to make inquiries in this behalf ?

The Honourable Sir Henry Craik : As I have stated on several occasions in reply to previous questions Government are not prepared to give any information regarding postal censorship.

Mr. S. Satyamurti : Have any tests been laid down by Government, as to what kind of correspondence is to be interfered with, and what kind of telephones, or is it left to the police officers concerned to do just what they like ?

The Honourable Sir Henry Craik : The Honourable Member is trying to get me to give information which I said I am not prepared to give.

Mr. S. Satyamurti : What I want to know is whether there is any superior authority in the Government of India or somebody with some intelligence who lays down these tests, or is it left to ignorant policemen to interfere as they like ?

The Honourable Sir Henry Craik : It certainly is not left to an ignorant policeman.

Mr. S. Satyamurti : Does the Home Member himself attend to this ?

The Honourable Sir Henry Craik : I have said that the powers under the Act can be exercised by the Governor General in Council or the Local Government or any officer specially authorised by the Governor General in Council in this behalf.

Mr. S. Satyamurti : What is the lowest grade of officer, who is authorised to exercise these powers ?

The Honourable Sir Henry Craik : The Honourable Member is again trying to get information which I am not prepared to give.

Mr. S. Satyamurti : Not even the lowest grade of officers ?

Sir Cowasji Jehangir : May I ask the Honourable Member whether there are openly constituted and conducted organisations for the dissemination of communism ?

The Honourable Sir Henry Craik : There is a communist party of India which has been declared to be an unlawful association. To the best of my belief it is still in existence.

Mr. N. M. Joshi : May I ask whether under the Indian law preaching of communism is a crime ?

The Honourable Sir Henry Craik : If the Honourable Member means a theoretical advocacy of communism as a political theory, I do not think that by itself is a crime. It depends upon the way in which the argument is put forward.

Mr. Mohan Lal Saksena : May I know if these orders for interception of letters are periodically revised ?

The Honourable Sir Henry Craik : There again the Honourable Member is asking for information which I am not prepared to give.

Mr. M. Ananthasayanam Ayyangar : May I know how many Members on this side of the House have got the proud privilege of having their letters censored ?

The Honourable Sir Nripendra Sircar : You are quite harmless.

SEARCHES IN CONNECTION WITH POLITICAL SUSPECTS OR PROSCRIBED LITERATURE OR TERRORISTIC ACTIVITIES IN DELHI.

625. ***Mr. M. Asaf Ali :** (a) Will Government please state how many searches in connection with political suspects, or proscribed literature or terroristic activities have been carried out in the Delhi Province during the last two years ?

(b) In how many of these, incriminating matter was found ?

(c) In how many instances, did the alleged incriminating matter so obtained serve to secure convictions ?

The Honourable Sir Henry Craik : (a) No searches were made in connection with political suspects, eighteen searches were made in connection with proscribed literature. During investigations into 12 cases, 59 searches were made in connection with terrorist activities.

(b) 15.

(c) One. Other cases are, however, pending.

Pandit Lakshmi Kanta Maitra : What is the nature of the incriminating matter found ?

The Honourable Sir Henry Craik : I could not say off-hand. There were in all 15 cases.

Pandit Lakshmi Kanta Maitra : Were any arms or ammunition found ?

The Honourable Sir Henry Craik : I must ask for notice.

Mr. M. Asaf Ali : May I know if most of the incriminating matter found was nothing more than what is generally described as red posters ?

The Honourable Sir Henry Craik : I have not got that information here but I think on certain occasions in connection with certain searches something more dangerous than that was found.

LANDING GROUNDS, AERODROMES AND RUNWAYS MADE AND AIR-PORTS
FITTED OUT FOR NIGHT FLYING.

626. ***Mr. M. Asaf Ali :** (a) Will Government please state how many new landing grounds, aerodromes and runways have been made, and how many air-ports fitted out for night-flying, since the grants of 1935-36 and 1936-37 were sanctioned ?

(b) How many army landing grounds have been thrown open to civil aviation since my last question on this subject was answered ? If none, why not ?

The Honourable Sir Frank Noyce : (a) A statement is placed on the table showing the progress made with the Central Government programme for the provision of new landing grounds and runways, and the installation of night lighting equipment at aerodromes since the commencement of the financial year 1935-36.

(b) Since the Honourable Member's question last year, 20 Army landing grounds have been thrown open to civil aircraft subject to certain conditions. There are, in addition, 28 landing grounds in charge of the Royal Air Force which have always been open to civil aircraft.

Statement showing the progress made with the Central Government programme for the provision of new landing grounds and runways and the installation of night lighting equipment at aerodromes since the commencement of the financial year 1935-36.

1. New Landing Grounds.

Cuddapah	Completed.
Mughal Bhim	Work in progress.

2. Improvement of landing ground surfaces.

(a) Runways completed at Jacobabad, Delhi, Gaya, Akyab and Bassein.

(b) Improvements in progress at Chittagong, Dum Dum and Juhu.

3. Night lighting installations at aerodromes.

Delhi completed.

Work nearing completion at Karachi, Hyderabad, Uterlai, Allahabad, Cawnpore, Gaya, Calcutta, Akyab, Rangoon and Bombay.

Mr. M. Asaf Ali : What are the conditions under which these landing grounds are available for civil aviation ?

The Honourable Sir Frank Noyce : Those conditions are contained in the notice to airmen No. 44 of 1936, a copy of which I shall be very glad to pass on to my Honourable friend.

Mr. M. Asaf Ali : How many of the 92 lakhs or thereabouts have been utilised up till now ?

The Honourable Sir Frank Noyce : I must have notice of that question. That information is not asked for in the question.

Mr. Lalchand Navalrai : May I know from the Honourable Member if the Indian National Airways or any other company works night flying ?

Mr. President (The Honourable Sir Abdur Rahim) : Next question.

MANUFACTURES OF AEROPLANES IN INDIA.

627. ***Mr. M. Asaf Ali :** Have Government investigated the possibilities of manufacturing aeroplanes in India ? If so, will they kindly publish the result of such investigation ?

The Honourable Sir Frank Noyce : The attention of the Honourable Member is invited to the replies given to parts (a), (c) and (d) of Mr. Satyamurti's starred question No. 131 in this House on the 5th September, 1935. The investigation referred to in the reply to part (d) of that question has disclosed the suitability of certain Indian timbers for use in the manufacture and repair of aircraft. Whether they can be supplied on a commercial scale is still in doubt but particulars of the timbers have been communicated to the De Havilland Aircraft Company, Limited, Karachi, and are being published for general information.

RECOMMENDATIONS OF THE ROYAL COMMISSION ON LABOUR PERTAINING
TO RAILWAYS.

628. ***Mr. Mohan Lal Saksena :** (a) Will Government be pleased to lay on the table a statement giving full information regarding the action taken by them on the various recommendations of the Indian Labour Commission, pertaining to Railways ?

(b) Will Government state which of the recommendations they have finally decided not to accept ?

(c) Will Government state what action they have taken on recommendation number 48, regarding the substitution of departmental labour for contract labour ?

(d) Will Government lay on the table a statement giving in detail steps taken by them and Provincial Governments during the last four years for carrying out the recommendations of the Indian Labour Commission ?

(e) Will Government state what steps have been taken to give effect to recommendation number 212, regarding exploring methods for the alleviation of existing hardships arising from the need of provision for sickness ?

The Honourable Sir Frank Noyce : (a) to (e). The Honourable Member will find full details of the action taken both by Central and Provincial Governments and on Railways in respect of the Commission's recommendations in the annual reports which have been issued on this

subject. A copy of the Fourth Report, which is the latest Report available, was supplied to him in February last.

Prof. N. G. Ranga : With regard to part (b), will Government state whether there are any recommendations of the Labour Commission which they have finally decided not to adopt or accept?

The Honourable Sir Frank Noyce : I would refer my Honourable friend to the report I have mentioned, which will give him full information on this subject. There are several hundred recommendations in the Report of the Labour Commission and it is quite impossible for me to state offhand which of them have been accepted by Government and which have not.

STRIKES IN FACTORIES.

629. ***Mr. Mohan Lal Saksena :** (a) Will Government state the total number of strikes that took place in factories throughout India during the last two years, and on how many occasions were the provisions of Trade Disputes Act taken advantage of by the parties?

(b) Will Government state the reasons why the machinery provided by the Trade Disputes Act for resolving points of difference between employers and employees, was not frequently availed of?

(c) Are Government prepared to consider the advisability of amending the Trade Disputes Act in such a manner that it may work more effectively?

The Honourable Sir Frank Noyce : (a) and (b). The number of strikes in 1934 and 1935 were 159 and 145, respectively. Three applications were made during the period for invoking the settlement provisions of the Trade Disputes Act and of these two were rejected for non-compliance with the necessary conditions, while the third was made by a trade union which was subsequently declared illegal under the Criminal Law Amendment Act, 1908.

(c) I would refer the Honourable Member to the Trade Disputes (Amendment) Bill which was introduced in this House on the 31st August, 1936.

INDIANS OUTSIDE INDIA EXTERNEED OR NOT PERMITTED TO RETURN TO INDIA FOR POLITICAL REASONS.

630. ***Mr. Mohan Lal Saksena :** Will Government state the names of the Indians outside India who have been externed or are not permitted to return to India for political reasons?

The Honourable Sir Henry Craik : I would invite the Honourable Member's attention to the reply given by me to Pandit Paliwal's question No. 370 on the 13th September, 1935, which states the position, except that Mr. Sailendra Nath Ghose has since applied for and Government have agreed to his being granted facilities to return.

PERSONS REFUSED PASSPORTS FOR GOING OUT OF INDIA.

631. ***Mr. Mohan Lal Saksena :** Will Government be pleased to state the names and addresses of the persons who were refused passports for going out of India during the last three years?

The Honourable Sir Henry Craik : I would invite the Honourable Member's attention to the reply given by me to his question No. 821 on the 22nd April, 1936. The figure then given was for the two years 1934 and 1935. The figures for 1933 and the first seven months of the present year are, respectively, 62 and 34, so far as I am aware.

FINAL AUTHORITY IN THE MATTER OF GRANT OF PASSPORTS.

632. ***Mr. Mohan Lal Saksena :** Will Government state which is the final authority in the matter of grant of passports?

The Honourable Sir Henry Craik : I would invite the Honourable Member's attention to the reply given by me on the 25th February last to his question No. 824.

TACKLING OF THE UNEMPLOYMENT PROBLEM.

633. ***Mr. Mohan Lal Saksena :** Have Government considered the recommendation of the Unemployment Committee Report, United Provinces? If so, what action, if any, do they propose to take regarding the tackling of the unemployment problem in the country?

The Honourable Sir Frank Noyce : The attention of the Honourable Member is invited to the reply given to Mr. T. S. Avinashilingam Chettiar's question No. 24 in the Legislative Assembly on the 31st August, 1936.

Mr. Mohan Lal Saksena : Has the attention of Government been drawn to the note by Mr. Gavin-Jones, a member of the United Provinces Unemployment Committee, who has said that the question is mainly for the Government of India to tackle and not for Provincial Governments?

The Honourable Sir Frank Noyce : As regards Mr. Gavin-Jones's note, Sir, I would refer my Honourable friend to the speech made by the Honourable Mr. Clow in the Council of State during the debate on this subject. I cannot remember the date but if he will look up the discussion, he will find a full statement of the Government's attitude towards that matter.

FEE FOR CERTIFICATE OF POSTING.

634. ***Mr. Mohan Lal Saksena :** Is it a fact that the fee for certificate of posting is half an anna for every three articles or any less number? If so, are Government prepared to consider the advisability of modifying the rules in this way that if the number of articles be one, the fee should be only one pice?

The Honourable Sir Frank Noyce : The reply to the first part of the question is in the affirmative. As regards the second part, Government will consider the suggestion made by the Honourable Member.

NOMENCLATURE USED IN GOVERNMENT PUBLICATIONS IN REFERENCE TO INDIAN LANGUAGES.

635. ***Mr. Mohan Lal Saksena :** (a) Are Government aware that in paragraph 29 of the Posts and Telegraphs Pocket Guide the word 'vernacular' has been used in reference to Indian languages?

(b) Are Government prepared to expunge it and issue instructions that in future this nomenclature should not be used in Government publications in reference to Indian languages?

The Honourable Sir Frank Noyce : (a) Yes.

(b) No.

Mr. S. Satyamurti : Sir, is it not a fact that "vernacular" means the tongue of the slave, and that being so, will Government consider the omission of this word from all Government publications, and use some more appropriate and dignified word in its place?

The Honourable Sir Frank Noyce : Sir, if this word "vernacular" had the implications applied to it by my Honourable friend, I hardly think it would have been used in this House in a question by my Honourable friend, Mr. Amarendra Nath Chattopadhyaya, *viz.*, question No. 323 in which he asked :

".....Will Government be pleased to state if newspapers, weeklies, and monthlies, in English and vernacular, are supplied to the political prisoners in the Andamans?....."

Of my Honourable friend's nationalistic attitude there can be no doubt, and if he is content with the word, I think, Sir, Government can well be.

Mr. S. Satyamurti : That is a sort of dialectical answer, Sir; will my friend consult a decent dictionary? I say, Sir, that "vernacular" means the tongue of the slave. Will they call "English" a vernacular in their country. If so, I am willing that that word should be used here also. Thus, Scotch is not called a "vernacular". (A voice : "yes"). It is not. I ask the Government to examine this question, *viz.*, that "vernacular" means the tongue of the slave. We know that we are slaves but why do you call us slaves? (Laughter.)

The Honourable Sir Frank Noyce : Sir, the word "vernacular" has the sanction of usage, it is used by many universities, and when the universities decide to discontinue its use, then it will be time, I think, for Government to consider the point.

Mr. S. Satyamurti : Is the Honourable Member aware that the Madras University has discontinued the use of this word and in its place has substituted the words "Indian languages"? Will Government consider this matter? I want a specific answer.

The Honourable Sir Frank Noyce : That is surely not a matter for me but for my Honourable friend who represents the Department of Education, Health and Lands. This question refers to the use of the term in the Posts and Telegraphs Guide. As long as it is sanctioned by such authorities as universities, I see no reason why its use should be discontinued in that Guide.

Mr. S. Satyamurti : Sir, my friend, Sir Girja Shankar Bajpai, is an Indian and I would now ask him—can he or can he not get the Government to examine this question, *viz.*, that our language ought not to be called a "vernacular", which means the language of the slave?

Sir Girja Shankar Bajpai : Sir, speaking from the purely educational point of view, what I would like my Honourable friend to

consider is the possibility of the Inter-University Board making a suggestion about the usage or non-usage of the word "vernacular", then the Government will consider that.

Mr. S. Satyamurti : Will Government put it before the Inter-University Board's next meeting?

Sir Girja Shankar Bajpai : Sir, that Board is not connected with Government. It is a non-official body; the Central Advisory Board is an official body.

Mr. S. Satyamurti : Will Government take up this question, consulting any authorities which they wish to consult?

Sir Girja Shankar Bajpai : Sir, my friend says that the Madras University have expunged the use of the word "vernacular" from their statutes. I submit, if other universities feel like that, or if all the others do not feel like it, since the Madras University is represented on the Inter-University Board, the representatives of that University feel like that, they can put the matter before the Board and it will be for that Board to put forward a suggestion to that effect.

Mr. S. Satyamurti : May I take it that Government refuse to do anything in this matter, until the Inter-University Board have considered this matter?

Sir Girja Shankar Bajpai : Sir, my Honourable friend himself said that he is limiting his suggestion to the educational field but what I submit for his consideration is that it is for the Inter-University Board to explore the facts. I am speaking for education.

Mr. S. Satyamurti : Very well, let us now go back to my friend Sir Frank Noyce. I am asking the Honourable Member why he won't with his usual courtesy examine this matter at least? I am not asking for a final answer.

The Honourable Sir Frank Noyce : My answer is that I see no reason to reconsider this until the matter is reconsidered for all Government publications.

Mr. President (The Honourable Sir Abdur Rahim) : Next question.

PROVISION OF EXTRA POSTMEN FOR LEAVE ARRANGEMENTS.

636. ***Mr. Mohan Lal Saksena :** (a) Will Government state what percentage of extra hands is provided amongst postmen in lower subordinate ranks to make provision for leave arrangements?

(b) Is it a fact that the percentage is not equal to that provided for higher services, and consequently the postmen and subordinate employees are not able fully to avail of their casual and privilege leave because of the shortage of extra hands? If so, are Government prepared to consider the advisability of increasing the number?

The Honourable Sir Frank Noyce : (a) None.

(b) It is not a fact that postmen and subordinate employees are not able fully to avail themselves of privilege leave because of the non-existence of a leave reserve. The employment of substitutes in privilege

leave vacancies of postmen and subordinate employees is permitted. Substitutes for postmen are readily found from amongst qualified members of the lower grade staff and substitutes for lower grade staff are found without difficulty from outsiders. There is, therefore, no need to create a leave reserve for postmen and subordinate ranks. As regards casual leave, the Honourable Member is referred to the reply given to part (b) of his starred question No. 1230 on the 16th March, 1936.

Mr. Mohan Lal Saksena : Will Government state the percentage of postmen and lower subordinate employees who avail themselves of privilege leave every year ?

The Honourable Sir Frank Noyce : No, Sir. It would be an impossible task to collect information of that character.

Mr. Mohan Lal Saksena : Will the Honourable Member collect the figures only for one province and let us know ?

The Honourable Sir Frank Noyce : No, Sir. It would be impossible to judge general conditions from the statistics of one province.

Mr. Mohan Lal Saksena : He may take any province he likes ?

The Honourable Sir Frank Noyce : No, Sir.

Prof. N. G. Ranga : Is it not a fact that quite a good number of these postmen and men of the lower subordinate ranks are not allowed to avail themselves of this leave for want of a leave reserve ?

The Honourable Sir Frank Noyce : I have said, in reply to the question, that it is not a fact that postmen and other subordinate employees are not able to avail themselves of privilege leave because of the non-existence of a leave reserve, and as regards casual leave I would refer my Honourable friend to the reply I have already given.

Mr. N. M. Joshi : In view of the answer of the Honourable Member that postmen and some other classes of postal employees are not able to avail themselves of leave for want of a leave reserve, will he consider the proposal of establishing some leave reserve ?

The Honourable Sir Frank Noyce : No, Sir. I have explained the reasons why Government do not propose to establish a leave reserve.

Mr. N. M. Joshi : May I know what are the reasons for not establishing a leave reserve ? I am sorry I did not hear the Honourable Member's reply ?

The Honourable Sir Frank Noyce : I explained that there is no need to establish a leave reserve because it is easy to find substitutes in the vacancies of subordinate employees. Substitutes for postmen are readily found from amongst qualified members of the lower grade staff and substitutes for lower grade staff are found without difficulty from outsiders. There is, therefore, no need to create a leave reserve for postmen and subordinate ranks.

Mr. Mohan Lal Saksena : Is it a fact that resolutions have been passed by the various Provincial Conferences of postmen and subordinate

employees every year in which demand has been made for having a leave reserve ?

The Honourable Sir Frank Noyce : I know that a large number of resolutions have been passed by conferences of postal employees and I have no doubt that this point also is included in them, though I cannot say so definitely off-hand.

Mr. Mohan Lal Saksena : May I know whether this demand has been repeated from year to year by every Provincial Conference of the postmen and subordinate employees ?

The Honourable Sir Frank Noyce : Very probably, and, if any reply has been given to it, it is the one which I have given in this House.

Prof. N. G. Ranga : May I know why no action has been taken upon the representations made by the postmen and subordinate employees repeatedly from year to year from several provinces ?

The Honourable Sir Frank Noyce : Action has been repeatedly taken on their representations. They are dealt with on their merits.

Mr. N. M. Joshi : In view of the fact that the Honourable Member himself admits that the postmen are not able to avail themselves of the leave.....

The Honourable Sir Frank Noyce : I admitted nothing of the kind. I said that it is not a fact that postmen and subordinate employees are not able fully to avail themselves of privilege leave because of the non-existence of a leave reserve. As regards casual leave, I have already given the answer. I must protest against attributing to me what I have not said.

Mr. N. M. Joshi : I am sorry that the Honourable Member should protest against a thing which he himself did not say loudly.

Mr. President (The Honourable Sir Abdur Rahim) : Next question.

VILLAGE POST OFFICES OPENED DURING THE LAST TWO YEARS.

637. ***Mr. Mohan Lal Saksena :** Will Government state provincewise the number of new village post offices opened during the last two years ?

The Honourable Sir Frank Noyce : The information is being collected and will be placed on the table of the House in due course.

POSTAL RATES FOR INLAND LETTERS AND POSTCARDS IN CERTAIN COUNTRIES.

638. ***Mr. Mohan Lal Saksena :** Will Government lay on the table a comparative statement of postal rates for inland letters and cards enforced in the years 1914, 1919, 1925, 1930, and 1935 in the United States of America, Japan, England, France, South Africa and Portuguese India ?

The Honourable Sir Frank Noyce : A statement containing such information as is available is placed on the table of the House.

Statement.

Name of country.	Postage rate (In-land) in force in the year 1914.		Postage rate (In-land) in force in the year 1919.		Postage rate (In-land) in force in the year 1925.		Postage rate (In-land) in force in the year 1930.		Postage rate (In-land) in force in the year 1935.		Remarks.
	Letters (initial rate).	Postcards (Single).	Letters (Initial rate).	Postcards (Single).	Letters (Initial rate).	Postcards (Single).	Letters (Initial rate).	Postcards (Single).	Letters (Initial rate).	Postcards (Single).	
England	1d.	½d.	1½d.	1d.	1½d.	1d.	1½d.	1d.	1½d.	1d.	
United States of America.									3 cents.	1 cent	
Japan									3 sen.	1½ sen.	
France									50 cen-times.	40 cen-times.	
South Africa									1d.	½d.	
Portuguese India									6 reis.	3 reis.	
											Not Available.

CIRCULAR REGARDING LETTERS BEARING PHOTOS OF LEADERS AND SLOGANS OF BOYCOTT.

639. *Mr. Mohan Lal Saksena : Have Government issued any circular regarding letters bearing photos of leaders and slogans of boycott ? If so, will Government lay on the table a copy of the same and also state the reasons that have impelled the postal department to take this action ?

The Honourable Sir Frank Noyce : Yes. A copy of the Director-General's (Post Office) special Circular No. 25, dated the 16th August, 1930, which was republished in Director-General's (Post Office) Circular No. 12, dated the 28th May, 1936, is laid on the table of the House. The Circular was issued in pursuance of rule 46 of the Indian Post Office Rules. Instructions have since been issued in Director-General's Special Circular No. 25, dated the 31st July, 1936, that no action should be taken for the present in pursuance of clause (ii) of paragraph 2 of the special Circular No. 25 of the 16th March, 1930.

INDIAN POSTS AND TELEGRAPHS DEPARTMENT.

(POST OFFICE.)

DIRECTOR-GENERAL'S CIRCULAR No. 12.

Thursday, 28th May, 1936.

I.—PROHIBITED ARTICLES.

General File.

All Post Office officials should note that the orders contained in this office Special Circular (Post Office) No. 25, dated the 16th August, 1930, are still in force and should continue to be followed. The Circular is reproduced below for ready reference.

2. Part I of this office Circular No. 6, dated the 23rd April 1931, in which it was intimated that articles merely bearing the portrait of Mr. Gandhi should no longer be treated as prohibited, is cancelled. Such articles should also be forwarded to the Dead Letter Office and treated in the manner laid down in paragraph 3 of the Circular reproduced below.

3. A postal notice on the subject is under issue.

DIRECTOR-GENERAL'S (POST OFFICE) SPECIAL CIRCULAR No. 25, DATED THE 16TH AUGUST, 1930.

It has been ruled by the Government of India under section 21 of the Indian Post Office Act that no article should be transmitted through the post which has on its outside or on its cover, any matter which is prejudicial to the maintenance of law and order or which is in furtherance of a movement which is prejudicial to the maintenance of law and order, or any matter which tends directly to cause loss or injury to any community or class of persons. The object of this rule is to enable Government to suppress the use of such labels as the "Boycott British Goods" labels which are being pasted on postal articles by the senders in some parts of this country, and to enable similar objectionable practices to be checked.

2. Accordingly, it is hereby ordered that no article (including postcards, letters, etc.), should be transmitted by post bearing thereon labels or stamped impressions, photographs, or writings—

(i) conveying any exhortation to "Boycott British Goods" or any other class of goods, or to carry out, any other form of boycott.

(ii) embodying portraits of Mr. Gandhi or any other prominent leader of the civil disobedience movement, or containing the words "Swatantra Bharat" (*separate India*), or similar words in furtherance of the civil disobedience movement,

(iii) containing other matter manifestly and specifically intended to further the civil disobedience movement.

3. Any such article found in the course of transmission by post should be forwarded to the Dead Letter Office and the Dead

* Rules 210 to 214 of the Indian Post Office Rules, 1933.

Letter Office should deal with it in the manner provided in section 39 of the Post Office Act and rules* 194 to 198 of the Indian Post Office Rules as if it were an undelivered postal article which cannot be disposed of under section 37 or 38 of the Act.

4. It should, however, be carefully noted that these orders do not apply to articles bearing "slogans" of an unobjectionable character such as—

"Buy Swadeshi Goods" or

"Support home industries",

or such impressions as trade marks, or devices adopted for business purposes on their stationery by commercial or social associations and the like.

5. Any case in which doubt may exist as to the application of the orders should be reported immediately to the Head of the Circle concerned who will, if necessary, refer it to the Director-General by telegraph for orders.

6. A postal notice on the subject is under issue.

G. V. BEWOOR,

Director-General of Posts and Telegraphs.

NON-SUPPLY OF THE COPIES OF ACTS AND OF BUDGETS, AS FINALLY PASSED BY THE LEGISLATIVE ASSEMBLY TO THE MEMBERS OF THE ASSEMBLY.

640. *Mr. Mohan Lal Saksena : Are Government aware that copies of the Acts of legislature and of budgets, as passed finally by the Legislative Assembly, are not supplied to the Members of the Assembly ? If so, are Government prepared to issue instructions that in future they should be sent to the Members ?

The Honourable Sir James Grigg : Acts of the Indian Legislature and the Budget of the Government of India, as finally passed, are published in the Gazette of India, copies of which are supplied to the Members of the House.

Mr. Mohan Lal Saksena : Is the Honourable Member aware that the copies of the Gazettes are not handy and it will lead to great convenience if they were supplied separately free to Members ?

The Honourable Sir James Grigg : That is the answer I gave. The Acts and the Budget are printed in the Gazette and Members get copies of the Gazette.

Prof. N. G. Ranga : In view of the fact that Government publish the Budget in a separate book form, will Government consider the advisability of supplying copies of that particular publication to every Member of the House ?

The Honourable Sir James Grigg : No, Sir. I think the information is already supplied to Members in a form which is quite convenient.

Mr. Mohan Lal Saksena : May I know if it is a fact that the copies published in the Gazette are not handy and will Government consider the advisability of supplying the Acts as passed and the Budget as finally published ?

Mr. President (The Honourable Sir Abdur Rahim) : The information is already supplied in a convenient form, and that has always been the practice. Next question.

FIXATION OF THE PRICES OF GOVERNMENT PUBLICATIONS.

641. *Mr. Mohan Lal Saksena : (a) Will Government state how the prices of Government publications are fixed ?

(b) Are Government aware that a large number of copies of these publications remain unsold because of high prices ?

The Honourable Sir Frank Noyce : (a) The sale price of Government of India publications is ordinarily determined by adding 50 per cent. to the actual cost of production to cover sale commission, advertising, cataloguing, etc., and dividing the amount by the total number of copies printed.

(b) Government have no reason to believe that this is so.

Prof. N. G. Ranga : Is it not a fact that a large number of the copies of many of the publications of the Government of India are left unsold and are later on offered for free distribution amongst the Members of the Assembly if they were to ask for them or they are destroyed ?

The Honourable Sir Frank Noyce : The facts may be that as stated by my Honourable friend, surplus copies have been printed in the past which are now available free of cost to such Honourable Members as ask for them, but I have in recent years gone carefully into the matter and have taken steps to see that the number of surplus copies is reduced to the lowest possible figure. I do not think there is much reason for complaint now.

Mr. Mohan Lal Saksena : Will Government consider the advisability of reducing the price of the Legislative Assembly proceedings from five annas to two annas per copy ?

The Honourable Sir Frank Noyce : I have already explained to my Honourable friend the method by which prices are fixed. That method is presumably applied in the case of the price of the Legislative Assembly proceedings and there seems no reason why it should be altered.

Mr. Mohan Lal Saksena : Is it a fact that the copies of the Legislative Council proceedings in the United Provinces are sold at two annas per copy ?

The Honourable Sir Frank Noyce : I imagine that the proceedings of the Provincial Councils are not as voluminous as those of the Assembly.

Mr. Mohan Lal Saksena : Will the Honourable Member satisfy himself that every copy of the Legislative Council Proceedings of the United Provinces is as voluminous as those published here ?

(No answer.)

Prof. N. G. Ranga : Have Government considered the possibility of the copies of the proceedings of this House becoming more popular if the price was reduced? They will then sell on a larger scale and thus make up the loss that will have to be initially incurred in lowering the price.

The Honourable Sir Frank Noyce : All relevant points have been taken into consideration in fixing the price.

Mr. N. M. Joshi : May I ask you, Sir, as President of the Assembly, whether the Members of the Legislature are not entitled to get the final copies of the Acts which the Legislature itself passed? I would like you, as the President of this Assembly, to give us a ruling.

Mr. President (The Honourable Sir Abdur Rahim) : Next question.

GOLD EXPORTED FROM INDIA SINCE ENGLAND WENT OFF THE GOLD STANDARD.

642. ***Mr. Mohan Lal Saksena :** (a) What is the total weight of gold exported from India since England went off the gold standard?

(b) Have Government consulted the Indian businessmen and financial experts in the matter of the export of gold? If so, with what result?

(c) Are Government prepared to consider the advisability of appointing a small committee of disinterested financial experts to enquire and give opinion on this question?

The Honourable Sir James Grigg : (a) About 34½ million ounces.

(b) There has been no need, for a variety of views have been volunteered.

(c) No.

Mr. S. Satyamurti : With regard to the answer to part (c) of the question, may I know why the Government do not consider the advisability of appointing a small committee?

The Honourable Sir James Grigg : I have answered that at great length in various debates of the House and I think it is much too long a subject to be dealt with in reply to a supplementary question.

Mr. S. Satyamurti : Since the export of gold is still going on, will Government consider the advisability of appointing a committee of financial experts?

The Honourable Sir James Grigg : The process that the Honourable Member desires to see is going on of itself. Since India has developed a much bigger export surplus of merchandise, the export of gold is falling off which is what any ordinary person would have expected.

Mr. Mohan Lal Saksena : May I ask whether the Finance Member had a talk with Mr. Darling, who was here yesterday, about the effect of the policy of unrestricted export of gold on the villagers?

The Honourable Sir James Grigg : I have had from time to time, but I do not quite see the relevancy of this question.

THE INDIAN COMPANIES (AMENDMENT) BILL—contd.

Mr. President (The Honourable Sir Abdur Rahim) : The House will now resume consideration of the Bill further to amend the Indian Companies Act, 1913, for certain purposes, as reported by the Select Committee.

Sir Leslie Hudson (Bombay : European) : Sir, when I was speaking day before yesterday, I was endeavouring to point out to the House some of the advantages which the managing agency system has extended to industry in India. I quoted one or two cases and I will just quote one more fact, which I think will justify the statement that the vast majority of the prosperous concerns in India today have been built up under the managing agency system. The present paid-up ordinary and deferred capital of the 31 companies in one particular Managing Agency group totals nearly Rs. 324 lakhs and the market value of the shares is now over 7½ crores of rupees. During the 15 years, 1921 to 1935, tax free dividends totalling over Rs. 12½ crores were paid on the ordinary and deferred shares of these companies, the average dividend on the equity capital of these companies being over 25 per cent. per annum during these 15 years. Now, a record of this nature cannot be achieved without sacrifices, and the managing agents have from time to time foregone considerable amounts in order to assist companies which have got into difficult positions, a policy encouraged by long term managing agency agreements which give the managing agents a fair chance to recoup their losses by subsequent participation in the profits of the company after its return to prosperity. There is one very significant fact in connection with this particular managing agency, which commenced business in the 19th century, and that is that no creditor of any company under their management has ever lost money through his debts from the company as whenever a company has been forced into liquidation the managing agents have invariably honoured the debts of the company.

I hope I have said sufficient to justify not only the existence of managing agents but to prove to the House as clearly as I can, that managing agents would never have taken the financial risks I have mentioned if they had not been certain that their long period agreements would not be interfered with, and that there would be no arbitrary time limit imposed which might prevent them making good their outlays and recouping their losses. It might be argued that what I have said applies just as much to agreements which may be entered into hereafter as it does to existing agreements. That is true, and we have not overlooked the point, and that is why, as I say, we see a danger in sub-section (1), but that is no reason why, if we can prevent it, we should allow the danger to spread to existing agreements.

The managing agency system is a characteristic feature of the trade and industry of this country. I think it is safe to say that the majority of the cotton, jute and other mills, the tea gardens and the coal mines in India are under the control, management and supervision of managing agencies, and I do not suppose that Honourable Members who have taken the trouble to seek impartial information on this matter will dispute the conclusion of the Indian Industrial Commission in its report published at the end of the war when they said that "the managing agency system has a far greater list of successes to its credit than can be shown by ordinary company management under individual managing directors". The

[Sir Leslie Hudson.]

Industrial Commission went on to say "we are much impressed by the strong evidence of the high financial prestige possessed by the better class of agency firms, and of the readiness of the investing public to follow their lead, a position only reached, we recognise, by a policy extending over many years, of efficient management, cautious finance, and watchful attention to the interests of their clients' enterprises". That is the case we bring before the House today; that is the justification for our argument that the arbitrary date of expiry which this provision of the Bill seeks to stamp on the face of all existing agreements is unwarranted and unwise. We do not think that the interests of Indian trade and industry will be served by the uncertainty which may arise from the enactment of sub-section (2); we think that by driving an arbitrary coach and four through the sanctity of contracts it establishes a dangerous precedent which this House ought to resist, and we are of opinion that the meritorious services rendered by existing managing agents, some of which I have briefly described, justify the policy of non-interference with existing contracts. We have the honest doubt that the principle which it is sought to lay down in sub-section (2) is not only questionable but also objectionable. We recommend our amendment in all seriousness, and we ask the House to pause and consider carefully before it lends itself to the enactment of these provisions. If the doubt which we feel is shared by other Honourable Members, let them support the amendment and expunge these provisions from the Bill. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim): Amendment moved:

"That in clause 42 of the Bill, sub-sections (2), (3) and (4) of the proposed section 87A be omitted and sub-section (5) be re-numbered as sub-section (2)."

Mr. Akhil Chandra Datta (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): Sir, I rise to oppose the amendment moved by my Honourable friend, Sir Leslie Hudson. I certainly agree with Sir Leslie Hudson that the system of managing agency has rendered yeoman's service to the cause of industry in this country, but at the same time, it cannot be disputed that there are inherent defects in the system. Some of them have been described categorically by Mr. Susil Chandra Sen in his report and I do not wish to take up the time of the House now by repeating all he has said in his report. The defects have also been carefully summarised by the Tariff Board in their report regarding the grant of protection to cotton textile industry. Therefore, Sir, the position is this. Although the system is necessary, it is an evil,—it is a necessary evil. I think it is almost admitted that this is an evil which in the fulness of time must be eradicated. The whole question is whether that time has come or not. This amendment does not raise the question of abolition. The question is, is this a system which we can afford to perpetuate? That is the whole question. The inevitable result of the acceptance of this amendment will be to make a very large number of existing companies perpetual and non-changeable. In view of the articles of these companies, and terms of agreement it will be impossible to oust the managing agents of these companies without the provision which the proposed amendment seeks to delete. Now, Sir, the whole scheme of this Bill is that we do not want either to perpetuate the system nor do we want to abolish the system altogether now and today. In the language of the Honourable the Law

Member, we want to strike a golden mean, the golden mean so far as the existing companies are concerned, is to give them further lease for a few years more so that, a time might come when our industry will be able to do without the management and the financial assistance of the managing agents. Sir, I oppose the amendment.

The Honourable Sir Nripendra Sircar (Law Member): Sir, I oppose the amendment moved by my Honourable friend, Sir Leslie Hudson. As there are more than 140 amendments,—though I am sure many of them will not be moved,—I think it will be for the convenience of the House if very briefly within 10 or 12 minutes I explain to the House the attitude which Government will take as regards the different classes of amendments. That, I submit, will be much shorter than making a speech every time an amendment is put up.

As regards this particular amendment which has been moved by my Honourable friend Sir Leslie Hudson I agree that it is expropriatory. I further agree, Sir, that the right of compensation which has been given by the Select Committee is of no substantial value to them. I entirely agree with him and at the proper time I shall have to request my Honourable friend to consider whether this boon is worth accepting which brings nothing to them but may possibly be an embarrassment to the companies because the ordinary shareholders, not having studied carefully the judgments of Lord Justice James and so on, may think that getting rid of a managing agent may involve them in litigation and heavy expenses. Now, Sir, in my previous speech I explained at great length, and I do not desire to cover the same ground, why while we realise that this is expropriatory, yet what other considerations have led us to move for these restrictive measures. As I said, I do not desire to cover the same ground, but I will remind my Honourable friend of what I said on the last occasion:

"I have got to explain how long the nursing has got to be done by managing agents and what is the amount of risk that they take with a view to show that to proceed further than what we have done in the Bill will be an expropriation which will not be justified by the necessities of the case, and it will not be fair to existing managing agents in spite of the abuses which in some cases have been proved."

Sir, to the best of our judgment we have arrived at what we do consider to be a golden mean, although we are well aware that the existing managing agents are entirely dissatisfied with these conditions, nor is it strange that there should be difference of opinion in a matter of this kind. Sir, I do not think it will be wasting the time of the House if I very shortly recapitulate to them what are the provisions which have been suggested in the Bill,—some of them already passed,—which hit the existing managing agents and their contracts. I will proceed very rapidly. By clause 7 we have compulsorily included certain articles, and provisions to the contrary in the articles of companies and managing agents' agreements which gave higher rights to managing agents are now abolished. This clause is retrospective in the sense that it will prevail over provisions in contracts applicable to existing managing agents. Then, by clause 14 of the Bill, managing agents will have to disclose at the statutory meeting the names of persons constituting the managing agency and changes in the personnel which again is retrospective as the existing managing agents are under no such liability under the articles or under the managing agency agreements. Then, Sir, by clause 29 we have made them liable to a fine, a

[Sir Nripendra Sircar.]

very liberal amount of fine, for default in holding a general meeting. And by clause 30 the disclosure of certain matters in the statutory report has been made compulsory, for instance, arrears of call due from the managing agent, commission or brokerage paid or to be paid to the managing agents in connection with the issue or sale of shares. By the same clause the managing agent becomes liable to a fine of Rs. 500 if any of the numerous requirements laid down by clause 30 are not complied with. Then we come to clause 42 relating to managing agents, part of which is under discussion now. Under the proposed section 87-A (2), the existing managing agents' contract is terminated, after whatever may be the period provided for him by his agreement. In 87-B the transfer of office by all managing agents including existing managing agents is prohibited, the statute overriding the rights of managing agents under existing agreements. Under the same section a charge created by him or an assignment made by him of his remuneration is declared void as against the company; and under section 87-B if an existing managing agent wants any term of his agreement to be varied, he has got to go before the shareholders. Under section 87-D loans to managing agents are prohibited. This applies to existing managing agents and overrides any provision to the contrary in their agreements. Under 87-G the managing agent is disabled from exercising his powers, if any, to issue debentures as also to invest funds of the company except with the authority of the directors and within limits fixed by them.

Then, under 87-H, speaking colloquially, the managing agent is prohibited for engaging in a competing business with the company on his own account. By clause 46 the existing section relating to disclosure of contracts to shareholders which is now applicable to directors is extended to managing agents. By clause 48 the requirements of the prospectus have been extended to disclosures therein of names and descriptions of the managing agents or proposed managing agents, provisions in the articles or in any contract as to the appointment of managing agents, and the terms of contract of payment to managing agents. Under clause 59 the managing agent is made liable to a fine for default in making over to receivers goods or property or invoices, etc., belonging to the company. By clause 64 if proper books of account are not kept the managing agent becomes liable to imprisonment and fine; and by clause 67, if a partner of the managing agency's firm is nominated director of any other company, the remuneration received by him in connection with the management of that other company has got to be included. And then by clause 103 the managing agent becomes liable to imprisonment and fine if he makes default in any of the numerous matters covered by clauses (a) to (p) of that clause. I hope, Sir, at no distant time some of these provisions will be availed of.....

Sir H. P. Mody (Bombay Millowners' Association : Indian Commerce) : You have killed the managing agent, body and soul. Have you left anything ?

The Honourable Sir Nripendra Sircar : I do not admit he has any soul but we are after his body.

By clause 111 no banking company can have managing agents at the expiration of two years, and by clause 113 a managing agent wrongfully retaining possession of the property of the company becomes liable to a small fine of Rs. 5,000. Then, Sir, I will not go into form F, where there

are separate heads for calls due from managing agents, advances to managing agents, and so on.

Now, Sir, I think to deal with the matter fairly one should take the cumulative effect of all these 21 or 22 items and not pick out a piece and say, "After all it is a mere pin-prick". But some of them are pin-pricks and some are wounds inflicted with heavier instruments, and we have to take the sum total of the loss of blood caused to the managing agent. (Laughter.)

Sir, on the question as to whether these restrictions are just or whether they err on the side of leniency or on the side of stringency, there are bound to be differences of opinion. I am sure, my Honourable friend, Sir Homi Mody, will say that they have been very unjustly dealt with, they have been almost strangled, and if they survive it is because like the proverbial cat they have nine lives. Sir, applying these principles, the attitude of the Government will be, if I may indicate it very shortly, that they will oppose amendments if any for increasing the period of twenty years,—there are three or four amendments in that direction, I think,—it will also oppose amendments if any for any substantial relaxation of the restrictions which have been placed on managing agents, old and new. It will also resist amendments like Nos. 42 and 43 moved by my friend Pandit Govind Ballabh Pant.

Pandit Govind Ballabh Pant (Rohilkund and Kumaon Divisions : Non-Muhammadian Rural) : They are very mild.

The Honourable Sir Nripendra Sircar : They may be mild, but as I have said, there has been a considerable loss of blood, and I don't want to extract more. As I was saying, Government will most strenuously resist amendments which will compel existing managing agents, in spite of provisions to the contrary in the agents' agreement, to come up before shareholders before the expiry of the period of 20 years. It will equally oppose amendments like the one proposed by my friend, Mr. Husenbhai Laljee, in connection with the existing managing agents who are remunerated on the basis of production by way of commission. The reasons for this I have indicated already, and if necessary and if the occasion arises, I shall supplement my reasons in my speech at the proper time.

Sir, as regards transfer or assignment of office, while we may be quite prepared to consider any attempt to define these words, we shall certainly strongly oppose any attempt to make the transfer of the agency permissible without the approval of the shareholders, and for reasons already stated, and after careful consideration since the publication of the Report of the Select Committee, Government will not be able to support the claim for compensation if the general sense of the House is against such a provision. Sir, the amendment is directed to lay down that in case of new managing agents, there will be no minimum remuneration and that they will devote time and spend money on the principle of no pains no pay. This will also be opposed. And lastly, Sir, amendments preventing managing agents from directly or indirectly concerning themselves with any contract or arrangement with the company will be resisted on grounds analogous to those which were urged in connection with directors' contracts. I do not claim, Sir, that I have dealt exhaustively with all classes of amendments, but I think I have given a fairly accurate idea of what our attitude is, and following those principles, Sir, I oppose my Honourable friend's amendment.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions : Muhammadan Rural) : Sir, I have got a series of amendments under this clause in my name, and if you will permit me I should like to make only one speech in regard to all the amendments standing in my name.....

Mr. President (The Honourable Sir Abdur Rahim) : The amendment now under consideration is that of Sir Leslie Hudson.

Dr. Ziauddin Ahmad : Very well, Sir, I shall speak on that. I like to point out that the managing agency system has not proved very beneficial. Secondly, I should like to prove that shareholders are unnecessarily exploited. These are the only two points I should like to make. In the first place I should like to say that the proposed measures are certainly improvements on the existing state of affairs, but from my point of view they do not go far enough ; I would very much like them to go a little further than what is provided for in this Bill. We have sold gold worth 280 crores since England went off gold standard in 1931. Now, a very small portion of it has been invested in Government securities. The Rupee loan in 1932 was 607 crores ; today it is again 607 crores. We have increased investment in Savings Bank and Cash Certificates by about 50 crores only. Therefore, a large amount of this money was available, and it could have been very easily invested in industries had the condition of the industries been satisfactory. My friend the Mover has really blamed the investors that a large number of them have not come forward, compared with the managing agents, to invest their money in these companies. The money is there, but the people have no confidence in most of these companies. People say it is not distress gold. If it is not so, then it must be invested somewhere, and I would like to ask the Honourable the Finance Member whether he could explain in the course of the discussion here.....

Babu Baijnath Bajoria (Marwari Association : Indian Commerce) : Is the export of gold also due to the fault of managing agents ?

Dr. Ziauddin Ahmad : No, no, you please wait till I finish my sentence. I would ask the Finance Member to answer this point : Where have all these 280 crores gone to ? That money has not been invested in Government paper ; it is not distress gold, according to the opinion of the Finance Member. That means it must have been invested somewhere. Now, where is it invested ? I am sure any substantial portion of that amount has not been invested in Indian companies on account of certain inherent defects ; really we cannot see where all this money has been invested. My point is, the condition of the industries should be improved so that the people may have enough confidence in them and they may invest their money. The sale of gold is still continued, and we must provide for some avenue for investment. Sir, I would like to describe the condition of the managing agents.....

"The managing agency system is peculiar to India. It is defined by John Bull as a contrivance invented by the capitalists of India for the prevention of dividends. For the successful working of the system, it is necessary that a managing agent should manage several companies dealing with the same, and allied business. He is thus the managing agent or in close partnership with several companies....."

Several Honourable Members : What is that book ? Where are you reading from ?

Dr. Ziauddin Ahmad : It is called Sillatam :

"By this arrangement he can bring to liquidation any company whose shareholders are of an inconvenient temper. It gives him special opportunities for exploitation. In many cases the power of the managing agent has tended to increase with the passage of time, and often a firm that started only with managing a company has ended by selling raw materials to it, contracting for stores and distributing its products and even effecting its insurances. With a multitude of interests to look after, managing agents have been naturally conservative and reluctant to embark on new ventures, and owing to the multiplicity of interests and the location of their offices at great distances from their concerns, they have never been able to be in close touch with their companies as is desirable. In some cases the managing agents get a percentage on the quantity manufactured by the mill. In order to get higher discounts, he encourages larger production for which there is no demand. The managing agent himself purchases the manufactured articles at uneconomic prices. The company loses in this manner, but the loss of the company is the gain of the managing agent. The method is primarily responsible for increase in the cost of production and inability of Indian industries to compete with foreign articles. A clever managing agent conceals his inefficiency. He carries on a propaganda in favour of the protection of industries, on which he lavishly spends money.

A clever managing agent rushes to the seat of the Government, where he licks the Commerce Member, bluffs the Finance Member, kicks the Home Member, humours the Law Member and ignores all the other Members, and he takes full advantage of the absence of co-ordination among those members."

Mr. President (The Honourable Sir Abdur Rahim) : I suppose the Honourable Member is not going to read the whole book ?

Dr. Ziauddin Ahmad : No, just one relevant paragraph more, and I will finish.

Mr. President (The Honourable Sir Abdur Rahim) : He can only read a few extracts, but he cannot read any particular statement that might have appeared in any publication at any great length like that.....

Dr. Ziauddin Ahmad :

"The tendency of the agency is to pass from father to son or to one other relative and to be regarded somewhat in the light of a family possession has greatly impaired efficiency of management and has left the concerns virtually at the mercy of agents. The managing agents are too powerful to be removed either by the Government or by opposition. A catastrophe alone can save the shareholders, the labourers and consumers from their iron grip."

An Honourable Member : Who is the author of the book ?

Dr. Ziauddin Ahmad : Mulla du Piazza according to a well known legend :

"It is the duty of the Government to create a situation by which investors will have confidence in our industries. That is really the principle on which I stand. We demand protection of industries by taxing the consumers : we force him to pay higher prices and for whose benefit ? Not for the benefit of the labourers, but for the benefit of the managing agents ; and to this I very strongly object. I have described so far the condition of the managing agents....."

The Honourable Sir Nripendra Sircar : Sir, I think the House ought to know—otherwise they may be frightened by the size of the book—that it is really the Government of India Gazette, but there are some typed pages he has put inside.

Sir Cowasji Jehangir (Bombay City : Non-Muhammadan Urban) : Why do you hide the book ? Bring it out.

An Honourable Member : Who is the author ?

Dr. Ziauddin Ahmad : A Member may call by whatever name he likes. It is Sillatain ; and it contains all possible reflections. The Honourable Member's interruption is irrelevant :

"As regards the condition of the shareholders, I would like to describe it by a story. This story is not only true in this particular case, but it applies to a very large number of honest persons who want to invest their money. There was an honest gentleman who after 30 years' service retired with a bonus of Rs. 50,000. He settled down in a country place ; he attended church very regularly ; he attended the evening school and took his constitutional walk very regularly and he helped in every way the social life of the village. Suddenly, everybody noticed that he had absented himself from the church. He was not seen in the school nor he was found on his walk. There was a good deal of talk and the village parson said he would go and discuss the matter with him ; and he went to him and asked him what the matter was and whether he was suffering from communism. He said 'No, I am suffering from something much worse than communism.' Then the parson asked him 'Are you suffering from Bolshevism ?' He said 'No, I am suffering from something much worse than Bolshevism : I am suffering from the terrorism of a managing agency.' The parson then said 'I have heard of terrorism in Bengal ; but I have never heard of terrorism of the managing agency.' Then the honest gentleman gave him Sillatain to read. His face became red with anger and afterwards the honest man described what happened. He said he saw a glowing prospectus of a company which promised a dividend of 10 per cent. : he invested Rs. 40,000 out of the Rs. 50,000 he had in this particular company and now he had heard that the whole thing had failed on account of the special contract which the managing agents had with that particular company.....

Sir Cowasji Jehangir : May I ask the Honourable Member whether this was another Dr. Ziauddin ?

The Honourable Sir Nripendra Sircar : And the same company ?

Dr. Ziauddin Ahmad : No : I suffered, but not so badly as this particular gentleman.....

Mr. Susil Chandra Sen (Government of India : Nominated Official) : Was it the same company in which Dr. Ziauddin Ahmad suffered ?

Dr. Ziauddin Ahmad : It is not correct to ask detailed questions in a story. It was the New National Mills in Ahmedabad where the managing agents cannot be removed except by his own voluntary resignation and nothing could remove them. It is all interlude. Coming back to the story, the parson prayed "Oh God, have mercy upon us. Pardon our sins. Protect every honest man from dishonest persons". Here this story ends. As I said, I have really two problems to discuss. One is how to keep the managing agents within their bounds and how to create confidence in the small investors so that they may be able to invest their money. We suggested several methods in the course of the discussion ; and all these methods have not been accepted by this House. We suggested that publicity should be given to every thing that is going on in the company. That was really a great check but this was not accepted by the House. Then we suggested that small investors should have some kind of representation in the company, proportional representation or by special statute.....

Mr. Akhil Chandra Datta : On a point of order, Sir, how is all this relevant to the amendment we are now discussing ?

Mr. President (The Honourable Sir Abdur Rahim) : I really think the Honourable Member ought to deal with the amendment that has been moved.

Dr. Ziauddin Ahmad : It is getting late for Friday prayers. I reserve the rest of my speech for other occasion. I oppose the amendment.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in clause 42 of the Bill, sub-sections (2), (3) and (4) of the proposed section 87A be omitted and sub-section (5) be re-numbered as sub-section (2)."

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim) : Today being Friday, the House is adjourned early and will meet at 2-15.

The Assembly then adjourned for Lunch till a Quarter Past Two of the Clock.

The Assembly re-assembled after Lunch at a Quarter Past Two of the Clock, Mr. Deputy President (Mr. Akhil Chandra Datta) in the Chair.

Mr. T. Chapman-Mortimer (Bengal : European) : Sir, I move :

"That in clause 42 of the Bill, in sub-section (2) of the proposed section 87A, for the words 'shall not continue to hold office after the expiry of twenty years from the commencement of the said Act unless then re-appointed thereto or unless he has been re-appointed thereto before the expiry of the said twenty years' the words 'may, unless, he shall have been re-appointed after the commencement of the said Act, be removed from office by a special resolution of the company, after the expiration of twenty years from the commencement of the said Act' be substituted."

Sir, I fear that after I have opposed so many amendments put forward by some of my friends opposite, when I move an amendment of this kind which may perhaps not meet with the approval of the Honourable the Law Member, they must begin to look upon me as somewhat of a hoary defender of bad, wicked vested interests, like some big bad wolf in sheep's clothing. Sir, I listened with close attention to the words that fell from the lips of the Honourable the Law Member. He said that he had been faced with great difficulties—people on one side urged the complete abolition of the managing agent, and on the other they wanted very reactionary proposals to be put through, and that he had chosen what he believed to be a fair middle course. Sir, I think in every part of the House we are absolutely agreed that, throughout, in his conduct of this Bill, he has shown that he has endeavoured to secure fair play for all parties. Well, Sir, among other things, he referred to his own rather large knife and the tremendous loss of blood that the managing agents were losing in consequence. There is, in this clause 42 as it has emerged from the Select Committee, an instance of this pretty considerable liability, and I hope he may perhaps see fit to believe that our amendment is rather like a second operation which is sometimes necessary to cure the patient. Now, Sir, the importance of this amendment, as we understand the position, lies in two things. In the first place, we believe that without this amendment, the Bill as it stands, will give no chance to the shareholders to decide what they want done to the company at the end of the sentence to which they have been committed by the Honourable the Law Member. In the second place, and much more

[Mr. T. Chapman-Mortimer.]

important than that, is the effect which this clause of the Bill, if passed as it stands, will have upon the finance of companies in India and upon the money markets of this country.

Now, Sir, in regard to the first, I have not very much to say beyond this. I would urge upon Honourable Members opposite the view that it is an unreasonable thing, it seems to me, to say that shareholders should have no say whatsoever in the disposal of the managing agency arrangement, which will be the case if clause 42, 87A (2) of the Bill passes as it stands. In our view, the breaking up of a managing agency agreement or the termination of it is a matter that may be of very serious consequence to the company. At the very least, it is bound profoundly to influence the attitude of the managing agents towards that company and of the public towards that company, and, above all, of the banks towards that company in the years preceding the termination of the agreement. Now, Sir, it is the common practice on our side of India for managing agency agreements to be for fixed periods, and we ourselves have always held the view, that it is the most sane practice in regard to managing agency agreement. But we all know that in many other parts of India this is not the case, and when 20 years after the coming into force of this Act you are faced all over the country with the termination of managing agency agreements, I submit, Sir, that we shall probably find in this country that we are facing a minor, possibly a major, financial crisis,—certainly many of these companies will be facing a crisis. (*An Honourable Member* : “Oh.”) I can tell my friend who just now said Oh that there are many companies that today would go into liquidation at once if the managing agent called in his loans. If you have a loan outstanding, and if you have not got sufficient control over the company by way of sufficiently a large block of shares of that company to ensure that you will be re-appointed at the end of 20 years you will naturally say to yourself—‘I cannot go on allowing these loans to be outstanding’. The first thing you will therefore do is to see that you get all your money back from the company. When that happens, the company will have to do one of two things. It will either have to go to the banks, or it will have to sell up its assets and go into liquidation. In regard to the first, there are one or two considerations that I should like to place before you. Most of you probably know that in this country the usual practice is that when a company borrows from a bank, the managing agent has also to put his signature on the document.

Now, Sir, Honourable Members will probably have seen the book ‘Industrial Organization in India’, and if I may, I will just quote very briefly from it. They refer to the Imperial Bank of India Act of 1920 which “prohibits the Bank from discounting or advancing on the security of any negotiable instrument of any individual or firm, etc., etc., unless at least two persons or two firms unconnected with each other sign that document”. Now, Sir, though in the case of the other banks that legal provision does not exist, the usual practice is for these banks to insist upon a second signature. Professor Lokanathan suggests that the reason for that is that because the managing agents finance the companies in the first instance, the banks say ‘You must give another signature’, and that the

easiest way is to get one who is on the board of one of their companies to sign the document. With all deference to the learned professor, I should like to point out that that is not the reason at all for this method of borrowing. Those Members of this House who have any knowledge of the financing of the commerce of the British Empire of a large part of the world commerce through the City of London will know that the way in which loans are negotiated, and above all, bills and so on, is to insist upon two signatures. That is the real origin, in my opinion, of this method that has been in practice in India for so long. The company goes to the bank and says, “Please let me have a loan”, and the bank says, well, “What is your security?” They offer security which probably is in the form of goods which they themselves produce. The bank says, “That is not enough. Supposing the market goes down and the price of that article falls considerably—the margin between the price at which it now sells and the loan that I am giving you will not be sufficient to save me from serious loss”. It then turns to the managing agent who is responsible for the good management of the company, and he says, “I must have your signature too”. That, Sir, is the real origin of this practice and without it companies in this country will, in my opinion, find it extremely difficult in the future to get finance.

Well, then, I come back to the argument that I put forward a moment ago, namely, that when the time comes for the termination of the managing agency, the managing agent calls in his loans. The company then goes to the bank and says, “please let us have a loan in order to pay off the managing agent”. The bank says, “What is the security?” They say, “We have these goods”. But that will not be enough and the managing agent will certainly not help to negotiate that loan because he will then be responsible for it, and—as the Honourable the Law Member has told us,—is really not entitled to very much in the way of compensation. His argument on that point seems to me to indicate more than ever how right we are in our contention that this amendment of ours should be adopted. Before I close, I just want to say one word more. It is generally assumed that only the individual company or the individual managing agent will be concerned. But that will not be the case; because in actual fact it may easily happen that 20 years from now India may be passing through one of those trade crises which all the world experiences from time to time, and if at that time credit is to be still further shaken by the fact that hundreds of companies—and there will be hundreds of these companies—have to go to the banks to get loans and that they will not be able to get those loans at all in some cases or in other cases (because they happen to be strong companies) though they will get loans it will be at a higher rate of interest—that I believe to be a very serious consideration. It is on these practical grounds that I commend this amendment to the House. Sir, I move.

Mr. Deputy President (Mr. Akhil Chandra Datta) : Amendment moved :

“That in clause 42 of the Bill, in sub-section (2) of the proposed section 87A, for the words ‘shall not continue to hold office after the expiry of twenty years from the commencement of the said Act unless then re-appointed thereto or unless he has been re-appointed thereto before the expiry of the said twenty years’ the words ‘may, unless, he shall have been re-appointed after the commencement of the said Act, be removed from office by a special resolution of the company, after the expiration of twenty years from the commencement of the said Act’ be substituted.”

The Honourable Sir Nripendra Sircar : Sir, it is a very gloomy picture which my Honourable friend has drawn—but does it not strike him that it will equally apply—and all those arguments which he has advanced will equally apply if 25 years is substituted for 20? His trouble is that in the 18th or 19th year the managing agent will begin collecting his dues and the bank will say, “The managing agent is not helping you. I cannot lend you any money”, and the company will come to grief. Supposing my Honourable friend’s amendment is accepted, will not that take place in the 23rd or 24th year instead of in the 19th or 20th year?

Mr. Sami Vencatachalam Chetty (Madras : Indian Commerce) : The generation will be over.

The Honourable Sir Nripendra Sircar : A generation is taken at 33 years. Therefore, every bit of the arguments that my Honourable friend has advanced will apply with equal force after another five years. Take for instance, the trade crisis. How do we know that the trade crisis will be in the 20th and not the 25th year? How does my Honourable friend know that? He is not an astrologer. (Laughter.)

An Honourable Member : He is the managing agent!

The Honourable Sir Nripendra Sircar : But, Sir, the argument of my Honourable friend that the shareholders will get no chance shows that, after all, there is much altruism even in business. (Laughter.) The heart of the managing agent is melting for the shareholder, the poor shareholder! (Laughter.) The poor shareholder, “he gets no chance of removing me”—that is his complaint! Is there anything in that? Supposing in the 18th or 19th year he comes up before the shareholders and says, “This is the position. I cannot carry on after the 20th year. Will you kindly tell me whether you are going to renew my agreement?” What is the difficulty? There is not the slightest difficulty. In substance my Honourable friend’s amendment will mean, as he wants a special resolution after 20 years knowing that in most cases the managing agent has got a large bloc of shares that resolution could never be passed. It may really amount to substituting 25 years for 20 years. Sir, I oppose.

Mr. Deputy President (Mr. Akhil Chandra Datta) : The question is :

“That in clause 42 of the Bill, in sub-section (2) of the proposed section 87A, for the words ‘shall not continue to hold office after the expiry of twenty years from the commencement of the said Act unless then re-appointed thereto or unless he has been re-appointed thereto before the expiry of the said twenty years’ the words ‘may, unless, he shall have been re-appointed after the commencement of the said Act, be removed from office by a special resolution of the company, after the expiration of twenty years from the commencement of the said Act’ be substituted.”

The motion was negatived.

Pandit Govind Ballabh Pant : Sir, I move :

“That in clause 42 of the Bill, in sub-section (2) of the proposed section 87A, for all the words occurring after the words ‘the said Act’ the following be substituted :

‘and shall cease to hold office any time after five years from the commencement of the said Act, if the Company has by resolution passed at a general meeting decided to terminate his services, provided that no such resolution shall be passed unless thirty years have elapsed since the Managing Agent

or his predecessor first occupied such office. Nothing in this sub-section shall prejudice the right of the company to re-appoint the Managing Agent or to determine his office before the prescribed period in accordance with any provision in the Articles of the Company or in any agreement with the Company.”

I fully apprehend the import and implication of the proposition that I have placed before the House. The words with which the Honourable the Law Member concluded his speech while winding up the motion for the consideration of the Report of the Select Committee are still ringing in my ears, and he gave us a frank view of what he thinks of this amendment even this morning when he replied to the amendment moved by my Honourable friend, the Leader of the European Group. I beg to assure the House that I have examined and scrutinised the terms of this amendment that I have the honour of moving just now, again and again in the light of the remarks made by the Honourable the Law Member and also in the light of the propaganda articles issued by the Department of Public Information during the last week or two. But I am constrained to confess that I remain unshaken : and but for the conviction that this clause is necessary and essential I would not have intruded at this stage on the time of this House or on the attention of the Honourable Members of this House. I confess that this amendment is of a far-reaching character and that, if accepted, it will mean a great change in the present system of management of industries in this country. It will revive hope in many a breast. It will open an era for industrial development, expansion and growth. It is in that belief that I am making this amendment. Sir, I must assure the Honourable Members of this House that I do so with a full sense of responsibility.

Before dealing with the amendment or what it exactly means or why I am appealing to the House to accept it, I should like to lay stress on one or two remarks which have fallen from the lips of Sir Leslie Hudson and Mr. Chapman-Mortimer. I wish the House to take note of what the Honourable the Leader of the European Group observed while he was arguing for his amendment. He said after this provision in the Bill, which remains unchanged and which he wanted to see altered, no managing agent will hereafter finance the companies that may be in his charge. The concerns in the charge of the managing agents will no longer receive any financial assistance from the managing agents. That, Sir, has been the main pivot on which the continuation of the managing agency system has been urged. It has been defended mainly on the ground that the managing agents have been financing the companies and if they cease to be connected with these concerns as managing agents then financial difficulties will ensue. Now as Sir Leslie Hudson has already assured the House, whether you retain this provision in the form in which it is or whether you alter it, that source is to dry up hereafter and no finances are expected from that quarter. So let there be no delusion in this respect. The sole ground on which that system has been justified has been cut down from the feet of those standing on this ground, and there is no reason left for the prolongation of the managing agency system so far as the existing companies are concerned. There was another remark which was made by Mr. Chapman-Mortimer and I would also like to invite the attention of the House to that. In substance, he argued that all industrial concerns were subject to the control of the shareholders and the wishes of the shareholders should count in these matters. I

[Pandit Govind Ballabh Pant.]

entirely endorse his remarks and if he will be pleased to consult the amendment that stands in the list in my name, he will find that I am giving power only to the shareholders to decide whether the existing managing agents should or should not continue. He said, and rightly too, that the final decision should rest with the shareholders. I hope consistently with his regard for that wholesome principle he and those associated with him will support my amendment.

Now, coming to the amendment itself, I should like to state in a few words what is its exact meaning. In fact, I have left no room for ambiguity. It is plain enough. Every managing agent should have finished a minimum period of 30 years before he is disturbed. That is No. 1. No. 2 there should be no interference with his terms or with the tenure till five years have elapsed from the commencement of this Act. No. 3—Even then his term should not automatically come to an end but it should be left to the shareholders to decide whether they consider it desirable and expedient in the interest of the industry with which that particular managing agent happens to be associated that his term of managing agency should be terminated. The amendment that I have proposed is perfectly equitable. It is, as I will try to show hereafter, even generous and no managing agent should cavil either at this amendment or at me for having moved it. Sir, I should like just to point out what was the original suggestion of the expert who had opportunities of considering this question, I think, more dispassionately than many sitting here, who had a larger mass of material at his disposal than we have and who had not only the benefit of his own personal experience at a place like Calcutta, but who had also for his guidance the opinions received from Local Governments and others who are usually associated in their public functions and capacities with matters of this type.

Sir H. P. Mody : His education was incomplete then ?

Pandit Govind Ballabh Pant : He had not been educated by you till then. (Laughter.) What Mr. Sen said appears at page 34 of his report. He says :

“As to existing managing agencies, I would suggest that the old terms should come to an end after one year from the amended Act coming into force, notwithstanding anything contained in the Articles or the agreements.”

Sir H. P. Mody : Shame !

Pandit Govind Ballabh Pant :

“and that thereafter terms will have to be arranged afresh as if the managing agent was being appointed for the first time.”

Well, Sir, this was the view of Mr. Sen and he had stated in his introduction :

“Some of my recommendations may appear at first sight to be too drastic while others may appear to be too moderate. On a closer consideration, however, I hope it will be found that I have tried to bring my recommendations to the irreducible minimum.”

Well, Sir, that was the irreducible minimum set forth in plain and unambiguous language by Mr. Sen whom I congratulate on his sound impulse and right judgment. I have been in close association with the Honourable the Law Member in this matter and I have not lost all hope

from that quarter even. I am an incorrigible optimist and I believe that righteousness has potency in it and if the proposal that I am placing before the House is wholesome and sound, as I believe it is, there is no reason why it should not prove acceptable to the Honourable Members of this House. Sir, I just placed before you the final, reasoned and considered opinion of Mr. Sen. The next stage that was reached was the decision of the Government itself. The Government had before them Mr. Sen's report and all the materials dealing with this question, including the reports relating to the annual administration of registered companies along with their balance sheets and, probably, the complimentary addresses presented to the managing agents. When I spoke of complimentary addresses, I was not using a formal expression only. I have seen such addresses and they have occasionally been published.

Sir, I should like to reiterate what I said before. I do feel that the managing agents have served a useful purpose and that the country has reason to be beholden to them. I have said so in my minute of dissent ; I have said so in the speech which I had the privilege of delivering on the floor of this House while dealing with the report of the Select Committee, and I also accept that there are esteemable gentlemen amongst the managing agents. But I want the managing agents to realize that, today, industry has ceased to be the isolated concern of an individual or of any group. I want them to realize that every day there is such an onward march in the field of research, co-ordination, standardization and so many other things in the field of industry that if these vital concerns are left in the charge of persons, who in most cases have no title to them except the accident of calling themselves the sons of their fathers, then we will be running a grave risk and it is just possible that industries may be altogether effaced in the stiff competition which they have to face day in and day out. It is from that point of view that I want them to look at this problem, and not only from the narrow and sordid point of view of a few rupees and annas or a few pounds and shillings. Is the present system conducive to the maximum amount of efficiency ? Does it ensure that ? If not, is it desirable to insist upon an exploded system which has hampered the growth of industry because of its innumerable handicaps and which is bound to handicap it further ? Sir, that is the main reason which I want to place before the Honourable Members of this House. However, that is by way of a digression. I will go back now to the position of the Government itself on this point before they were entangled in the dark meshes of the vested interests who are ordinarily incapable of looking ahead and taking a far-sighted view of things : for, ultimately, there is no conflict of interest, and if you will look ahead and far ahead from sublime heights, you will notice that all those mounds and out-hills, which seemed to hamper and obstruct your view when your vision was circumscribed, will completely disappear and you will see a fine prospect before you for miles and miles. I want them to take a far-sighted view of these things. Sir, this is what the Government observed in this connection ; this is the decision of the Government of India before they were vitiated by the members of the informal Committee ; before they had come in contact with them.

The Honourable Sir Nripendra Sircar : “Before they were improved.”

Mr. S. Satyamurti (Madras City : Non-Muhammadan Urban) : Before they met Sir Homi Mody !

Pandit Govind Ballabh Pant : Sir, at page 20 of the tabular statement the provisional Government proposal was stated as follows :

"Notwithstanding anything to the contrary contained in the articles of association of the company or in the agreement with the company, no managing agent of a company appointed prior to the Act coming into force shall hold office beyond five years from the date when this Act shall come into force."

Now, that was a categorical, unconditional and unqualified provision there. Five years,—and all managing agencies should be extinguished, obliterated and exterminated. I am not making any such absolute, unreserved and unqualified proposal. I think I am much more fair to the managing agents than this provisional decision of the Government. I am certainly going much further than the period proposed by my Honourable friend, Mr. Sen. I say they must have five years in every case, but even after the expiry of five years, they must have so many more years as may be needed to make up the minimum of thirty years from the time they got the agency. Government had not attached any such rider or any such condition. Sir, I hope Government will still be able to revise their opinion. When they did not allow themselves to be guided solely by the advice of their expert adviser, and when, after that, they allowed their opinion to be changed in the light of discussions they had in the informal committee, I do not think that the position is altogether hopeless and I still expect that, as the Government was able to change its mind so often previously, it will yet be able to examine the question in a dispassionate manner, and if it finds that the decision embodied in this Bill can be improved upon, then it will be prepared to accept my amendment. Sir, I ask the Honourable Members of this House, if they have any confidence in my Honourable friend, Mr. Sen, to accept my amendment. Mr. Sen wanted them to give a period of one year only. They must accept the proposition that the Government was in a better position to deal with things in a chaste manner, uncontaminated by any corrupt influence (Hear, hear), when it first arrived at a decision free from imposition from any quarter.

Mr. S. Satyamurti : "Mody or Chapman-Mortimer." (Hear, hear.)

Pandit Govind Ballabh Pant : Sir, I accept what the Government then decided. I endorse their view and I go still further and say that even after the expiry of these five years, if a managing agent has not completed his thirty years, let him have the remainder of the term needed to make up a minimum of thirty years. Then, Sir, why should there be any objection to this clause ? Is an objection to be pitted against this amendment simply because the Government has since arrived at another decision to suit Sir Homi Mody ? I can very well understand the sigh of relief with which this decision must have been received by the managing agents after the publication of the recommendation of Mr. Sen and the original decision of the Government itself. Now, there has been a lot of talk about expropriation. I will come to that a minute later but I would at this stage like to invite the attention of the House to a point which has already been mentioned by the Honourable the Law Member. If Honourable Members will refer to

page 63 of the present Bill as it has emerged from the Select Committee, they will find there the following provision :

"No banking company shall, after the expiry of two years from the commencement of the Indian Companies (Amendment) Act, 1936, employ a managing agent for the management of the company."

Sir, this represents the collective opinion and wisdom of the Select Committee, and here you will note that, whether it be the existing banks or whether it be the banking concerns that may come into existence hereafter, none of them will have a managing agent after 2 years. Even if the managing agent of an existing bank had been appointed permanently without any rights invested in the shareholders to remove him, and although he may have been in office only for one year, at the time of commencement of this Act, after taking all the trouble to float such bank or company, still he must vacate his office after 2 years. Not that I am sorry for it,—I welcome it.....

The Honourable Sir Nripendra Sircar : Banks have no managing agents. So far we could trace only one.....

Pandit Govind Ballabh Pant : I know of at least one, Varshney and Company. There may be others too. When Government have introduced a clause like this, I presume there is an evil which has to be remedied, otherwise they would not have inserted this fictitiously and in vain. There must be cases to which the clause can be and is applicable, and it must be with a view to attain certain object that this provision has been embodied in the Bill. Therefore, so far as this plea of expropriation goes, it is covered by this clause. If there are reasons, and satisfactory reasons, then the mere argument that a person is to be a managing agent under an agreement is not enough to enable him to retain his office, and the question has to be considered in the light of public exigencies and public interests. Sir, as Honourable Members are probably aware, one-third of the registered companies in our country are banking and insurance companies. Out of about 10,000 registered companies, the insurance and banking companies are more than 3,000 in number. So this provision will affect about one-third of the banking and insurance concerns to the extent they have the managing agents. Then we find that of the remaining two-thirds, more than half are being run by managing agents today, and all those concerns which really matter and in which the public are mostly interested are in charge of managing agents. All textile concerns, for example, except four, are in charge of managing agents. Almost all the tea companies are in charge of managing agents ; almost all coal companies are in charge of managing agents ; almost all steel and iron companies and similar other companies like cement companies and so forth are in charge of managing agents. These between them form the real backbone of industry in India today. Now, Sir, I would like the Honourable the Law Member to compare the growth of the Bengal Chemical and Pharmaceutical Works with other concerns in this country. Could this national concern make the remarkable progress if it had been under the control of a managing agent, and if it had not been nursed by the selfless labours of that great saint and patriot Acharya Ray ? (Applause from Congress Benches.) I think it is the only institution in this country which has got more than 200 graduates working within its portals, it is the only institution of its type in the country which has

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fulfilled one of the most primary needs and requirements, and yet it has never been run on a mercenary basis. The growth and development and the great good that the Bengal Chemical and Pharmaceutical Works have done, afford proof, incontestable and indisputable, of the superiority of the direct system of management as against the managing agency system.

Sir, the bogey of expropriation has been raised. Also the plea of sanctity of contract. I am not one of those who hold that a contract should be treated as a scrap of paper.

3 P.M. I would not follow England in the course it has adopted towards its creditor countries to whom it has refused to make even symbolical payment in spite of repeated appeals. I am not one of those men who would like to follow the lead of Great Britain in that matter. I do attach some significance to contracts. But, Sir, does the theory of expropriation hold good here? Has any one cared to examine the question in its comprehensive and true aspects and bearings? To whom these concerns owe their existence today? That is the main question. If this question had come to us before the year 1922, one could have trotted out the theory of *laissez faire*, but since the year 1922 much water has flown down the bridge, and every single industry which exists today is alive only because of the voluntary and willing sacrifice of the community, otherwise it would have died long before. Sir, the policy of discriminating protection altogether wipes out this exploded theory of *laissez faire* in the matter of industries. Has any one cared to calculate what amount the public are contributing towards the maintenance of these industries? Could a single cotton or textile mill or an iron and steel concern survive a night here if the protective duties were withdrawn? And on whom does the burden of these protective duties fall? Even today we find that we are contributing 12 crores in the form of protective duties to keep out articles with which our industrialists here cannot compete. Those gentlemen who have read this book by Hirendra Nath Dey,—"The Indian Tariff Problem"—I have brought with me only one of the elementary books on the subject,—those gentlemen who have read this book must have seen what a burden is imposed on the general taxpayer on account of protective duties. I will just refer to page 90 of his book relating to "the cotton tariff". It relates to the year 1927-28, and as my friend, Sir Homi Mody, knows very well, the import duty at that time was almost a quarter, and much less than what it is today. This is what Mr. Dey says in his book :

"If the sum shown as the net gain of Indian producers is divided in the ratio of 60 to 40 per cent. as between the millowners and handloom weavers, the share of the former would be Rs. 465 lakhs per annum. The total paid up capital of the Indian cotton mill industry in recent years may be estimated at approximately rupees four thousand lakhs. During the period in question, therefore, the consumers contributed in the shape of higher prices a sum of money which works out to between 11 and 12 per cent. on the annual paid up capital of the cotton-mill industry in India."

Sir H. P. Mody : Do you accept these economies?

Pandit Govind Ballabh Pant : I do not accept indiscriminately any person's ideas or doctrines. I apply my own reason and accept what appeals to me. I accept part of the economies even of my friend, Sir

Homi Mody, including the policy of protection, over which I will fight with him hand in hand every day. At the same time, I realise that there is a countervailing duty imposed on us to see to it that the costs of production are reduced to a minimum and the production of goods is fostered at the most economic and lowest possible cost, for I ever see before me the image of the poor and starving masses in the land. Who is today really maintaining the Indian cotton industry? I do not want to discourage him, but should he contribute in order to fatten the managing agent, in order to give him more than is really necessary for the protection of that industry? Look at the emaciated and famished faces of the toilers in the village or the labourers in the city and look at the faces of some of my friends here who, in spite of all the operations performed by the Honourable the Law Member, seem to be still basking like the gigantic animal on their benches as happily and merrily as ever!

So, Sir, I want the House to look at the question from the proper angle and from a proper perspective. There is no question of expropriation involved. If these industries exist today, they have to be thankful to this Assembly for what it has done since the year 1924 onwards. If these industries exist today it is because of the policy of discriminating protection which has cost us directly or indirectly an amount of not less than 360 crores to this day. It is because of this that these industries have survived and still exist. What is the total sum invested in cotton industry today? About 40 crores. And what is the import duty that we are paying on textiles that we import? 10 crores. So that 25 per cent. of the total capital invested is being given away by me and the other poor people in this country every year in order to enable these textile industries to function. Then, the loss is not only these 10 crores. Protective duty is bound to raise the level of prices at least in the case of goods of a superior quality and if you add no more than 10 crores on that account, the public is undoubtedly contributing at least 20 crores a year for the maintenance of this industry in which the entire sum invested comes to 40 crores, of which perhaps the managing agent's share is not more than 5 or 10 crores. For this fraction, has he got such a right that we should be charged with expropriating him when we suggest no more than this that the shareholders should be given the option and opportunity of deciding whether the managing agency system should continue on the existing terms after five years? This charge is very unfair to the man who is really today maintaining the cotton textile industry. Then, again, let us go to iron and steel. We are paying something between 40 to 60 rupees per ton on ingots, iron bars, iron pipes and everything that we import from other countries and the total protective duty comes to about one crore or 75 lakhs. And who are the paymasters? You come to us when you want protection. You appeal: "Well, hold the baby, otherwise it will expire; or administer oxygen to this drowning adult, otherwise he will sink. He is engulfed and plunged in deep waters, and unless you share your nourishment with him he cannot be saved." But here you say you have no voice. It amounts to expropriation! Is it not impudent, ungracious and unkind? When you know that everyone of these industries is being maintained by the community, the managing agent must feel grateful to the public for their voluntary sacrifice. He must be grateful to this Assembly for having enabled him to live so long. We are still

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prepared to give him a further lease of life. We do not want to be hard on any agent, be he a European or be he an Indian. But my friends say : "You are bound to contribute everything for our upkeep but we alone are the masters and must get our pound." That is a plea, Sir, which cannot possibly be accepted by any sane person. Similarly, go to sugar. What is the total amount invested in sugar ? It is less than 3 crores. And what is it that we are paying ? Something like 8 or 9 rupees per cwt. in the form of import duty in order to raise the price of sugar to enable these agents to run the sugar mills. The poor and the starving consumers of this country are contributing every season much more than the total capital invested in sugar in order to maintain this sugar industry and yet you say the managing agents should have 2 to 3 per cent. on sales, something on the purchases, 10 per cent. on the total profits, 6 per cent. on the money invested and Rs. 1,000 to 2,000 per month in addition ! If you add up the whole thing, you will find that the amount of dividends paid to the shareholders bears no proportion to what the managing agents get in the form of commission, interest and other things. And it is not a caricature. I am prepared to quote chapter and verse. As I read out the other day from Lokanathan's book, they do not worry too much about dividends as income for subsidiary services and other sources fetches them much more. Sir, with these facts before you, is there any reason why you should not make an attempt to remodel these industries, to bring down the cost of production and to democratise industries to the extent possible ? Sir, the position is this. So far, our industrial concerns have been more or less like family concerns and the old canker of heredity has arrested the pace of progress. So, Sir, we have to take a large view of things. Why talk of expropriation ?

[At this stage, Mr. President (The Honourable Sir Abdur Rahim) resumed the Chair.]

Let us assume that we decide today to withdraw these import protective duties. I ask my Honourable friend, Sir H. P. Mody, what will be the value tomorrow of a share which is being quoted today for Rs. 10,000 in the share market in textile or sugar or iron and steel companies ? It will be a big zero. So, Sir, the entire value that it possesses is because of the contribution that I make. If there was expropriation at all, then it is I, that am expropriated of the little that I possess when you prop up these industries which could not stand on their own legs except through and with my contribution. Expropriation was mine and not theirs. You took something from me in order to sustain yourself. If the principle of expropriation is to be applied, then the best thing would be to form a national syndicate of India (Hear, hear), so that they may take charge of all these industries for which they have paid much more than the original capital invested in these industries out of their hard earned money. But I am not making that suggestion. I only suggest that after the managing agents have completed their 30 years, let the shareholders exercise their discretion in the matter. What has been the history of these industries ? Really if these suffer, have not these managing agents had their day ? Did they not make hay not only when the sun shone, but also when it rained heavily. They did it always. What were their

earnings between the years 1915 and 1922 ? I would remind Honourable Members of the speech that was delivered here by Sir Charles Innes in which he said that between these eight years, the shareholders had earned 51 per cent. per year on the capital invested by them in these industries and I believe the managing agents had earned during this period several hundred per cent. on the money invested by them. That is the reason to which we owe over-capitalisation in some of these industries. They had money which they could not utilise otherwise and they invested it in their concerns. That is what happened. Now, this House should remember that protection has been given to each industry for a definite period, for example in the case of textile industry, this protection will come to an end on 31st March 1939 and in the case of iron and steel, it should come to an end on 31st March 1941. Now what is going to be our attitude towards this ? As Honourable Members are aware, much has been said about financing by the managing agents and the Honourable the Law Member read out to us a lot of stuff about the managing agents in Ahmedabad. What is the real truth ? The real truth is while the total paid up capital there is less than five crores, the capital debt along with short term debt exceeds 10 crores. That is the state of the finances in Ahmedabad. I submit, Sir, there is a very grave problem before this House and it is this. What is going to be their attitude after 1939 and after 1941 when these questions have to be dealt with again ? Will they now allow these industries to deteriorate further and run the risk of having to pay even higher duties or will they adopt such means as, without being unjust and unfair, will secure the running of these industries on economic lines ? I ask my Honourable friend, Sir H. P. Mody, whether he is satisfied that the continuance in office of the present managing agents will enable these industries to compete with the rest of the world without any protection after 31st March 1939. If he agrees, if he gives this assurance here, I withdraw my amendment.

Sir H. P. Mody : In some cases, that will be so.

Pandit Govind Ballabh Pant : Some may be, it may be one-fourth, one-sixteenth or one-hundredth. I know my Honourable friend is clever enough. I ask whether after 1941 he is going to assure us that there will be no occasion for any further protective duty on iron and steel ? Is he going to assure us that after 1939, there will be no occasion for any further continuance of the duty on sugar ? ; if not, I warn you not to dispose of this large question summarily by introducing the fiction of expropriation. It is not so. This is a matter which affects the entire community, because it is the community which is in fact today maintaining these industries. What have the managing agents been doing ? As I have already said, I do not in any way insinuate that all are of the same type. Some of them are esteemable persons and widely respected, but these questions have to be considered from a broader and impersonal point of view. I should ask you to consider what some of these managing agents have been doing. Let it be borne in mind that my remarks do not apply to all. I have before me the Directory of the Ahmedabad industry and I think the Honourable the Law Member has studied it because he quoted certain paragraphs from it the other day. If he will be pleased to look at relevant statements, he will find that the commission paid to the managing agents almost equals the total dividends paid to the whole lot of shareholders. The managing agent is sometimes an individual, sometimes the

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 agency has many partners as in the case of Currimbhoy and when one agent dies, there are often several heirs, and evidently all of them cannot be equally efficient and competent.

Sir H. P. Mody : Like father, like son.

Pandit Govind Ballabh Pant : Let my Honourable friend, Sir Homi Mody, answer how often the reverse is true. Then, again I find, on adding up the figures from 1929 to 1933, that the total amount paid to the managing agents on account of their commission alone was one crore, 66 lakhs, and that to the shareholders by way of dividends, two crores and 18 lakhs. I took a period of five years. Apart from this, the managing agents had their commission for sales, had their commission for purchase and they had 10 crores invested directly or indirectly at six per cent. That must have fetched at least three crores during this interval at the rate of six per cent. I also find here, I think perhaps the Honourable the Law Member has seen it, that sometimes the good managing agents borrow money for long terms at six per cent. and when the company has no use for it, they purchase Government paper at 2½ per cent. for the benefit of the company as they would not like this money to remain unutilised. I thank them for the care they take of the funds of the company.

Then, there is another thing which must cause an amount of concern,—the share quotations are going down day by day. Many of the mills have their shares today at a lower value than they were some years back. The portents are that the industry will be still in a greater difficulty if the management does not improve, with the result that we will be asked to raise the import duty higher still. Can the country afford it? If not, what are you going to do to put a stop to this progressive deterioration? What methods are to be used to modernise industry, to economise the process of production and to make things easier? After all, Sir, there is only one object of all industry, and in our country particularly that has to be constantly borne in mind. It is to raise the standard of comfort of the average citizen, to produce more wealth, to reduce unemployment. Will any of these three objects be achieved reasonably if the present system continues without any change? So far as the managing agents of three-fourths of the big concerns are concerned, my Honourable friend, Sir Leslie Hudson, Bird and Co. and Baird and Co. and all the other companies, import every man from England and they would not have a single person here as their partner. Sir R. N. Mukherji was lucky, but how rare are such cases, in spite of the fact that the share capital is held by Indians in some cases to the tune of 60 per cent. But all their partners must be those whom they like or trust. So Indians are ruled out. But the fact remains that the present managing agency system in Calcutta and other places stands in the way of the employment of Indians. If there were boards of directors elected by the shareholders, there would certainly be a larger number of Indians in these various concerns. The other day the Honourable the Law Member rightly and properly laid stress on the fact that industrial talent in our country was so scarce. How can you have it? With these hereditary foreign managing agents how can any Indian, howsoever talented, get an opening? How can you have any scope for industrial

talent? It is sure to be throttled and atrophied. Not that we have not got it, but we have no scope for it. And that is how indigenous industrial talent is starved and crippled. Let us now examine the argument about the sanctity of contracts. Let us see how far those arguments are correct. After all, which contracts carry sanctity? Suppose I were to enter into a contract with my constituents today that I and my sons and my son's sons and my son's grandsons and their grandsons will continue to represent them in this Legislature to look after, protect and promote public interests. Is it a fair contract and is anybody bound by it? Or suppose Sir Homi Mody were to enter into a contract with the New Theatres Limited to the effect that he will dance there till he attains the age of 60 and after him his son will dance there and after him his son's son and so on, is that contract an equitable one? Is that binding on him?

Sir H. P. Mody : Yes, if I could dance.

Pandit Govind Ballabh Pant : Suppose Sir Homi Mody cannot dance, then what? I pause for a reply. (Laughter.) Supposing Sir Homi Mody's son cannot dance, then what? The point to remember is this, that all these contracts relating to managing agents depend for their proper functioning on the personal qualities, on the intellect, on the industrial talent, on the energy and resourcefulness and on the credit of the managing agent. And such a contract cannot possibly be valid except for the period during which such individual retains those qualities, and that is the reason why I have put the period of 30 years. We know that a man generally loses his vigour and vitality after the period of 30 years. Even in Government service, I believe 30 years is the maximum period. After that limit senile decay sets in. So, Sir, I allow for a period of 30 years to the managing agent, and after 30 years the managing agent does not retain the vigour and vitality and the energy which is needed for supervising and controlling and regulating big concerns. And who suffers? Not the shareholders alone,—I do not so much worry about them,—but the entire body. We are placed on the horns of a dilemma. Whenever we are asked to grant protection to a nascent or to an old industry in jeopardy or embarrassment, our impulse can lead us only one way, and we would extend protection whatever be the cost. On the other hand by wasteful methods and unintelligent management you raise the price unduly and sometimes altogether beyond our capacity. It is because I want that industry should run on sound lines, it is because I want that the manager should be a genuine manager, that I urge that you must give the shareholders the option of determining the term of undesirable agents. Sir, the members of the European Group and Sir Homi Mody and others acquainted with business will, I trust, accept that a great deal depends on the *entrepreneur*, on the personal qualities of the man who is in charge of the management. How has Ford built up such a huge concern? Those who have read the history of the growth of the Ford motor works must have been struck by his wonderful genius. I was struck when I read there that every labourer gets a minimum wage of 7 dollars. I know even in our own country when we had good capable managers, men like the great Tata, they took charge of textile mills that had gone to ruin and to pieces and they brought them to life and they made them the most prosperous concerns. I know in one case Shri Kasturbhai Lalbhai took charge of a mill that had gone into liquidation. He built it up and now it is one of the most

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prosperous mills. It is because the man factor got a chance and asserted itself; and when you deprive industrial concerns of that vitalising energy, how can they thrive or grow on healthy lines? Sir, it must be conceded that a contract of this type for more than 30 years would be against public policy, and *ab initio* invalid and void. My proposal however allows a 'minimum term' of 30 years though in our country, as Honourable Members may be aware, the average longevity is only 23 years as against 48 years in the United Kingdom. But still I have given 30 years which is the normal period of active service even in England.

Now, Sir, I will refer to the terms of some of these agency contracts to show how very solicitous of the interests of the general public and of the shareholders the managing agents are. I will just refer to a few of them and they may be taken as illustrative of the general run. How very just, how very equitable these are and how unfair it would be to touch these contracts,—and I certainly would not touch them even with a pair of tongs.—I will ascertain from the House in the light of the contents of these contracts. I will not mention the names of the mills: but if anybody is curious to look at them, I hope Sir Homi Mody will testify to the authenticity of this document—I do not want to mention any names here....

Sir H. P. Mody : You just say Ahmedabad or Bombay.

Pandit Govind Ballabh Pant : I have got cases from Ahmedabad, I have got cases from Bombay and from great Calcutta. I will just read out one—a mill from Ahmedabad. I will not read out all the terms, but only one or two: it is stated that the agents shall be paid a commission of either 4 per cent. on the sale proceeds of yarn and cloth or 3 pies per pound on such sale proceeds and commission of 10 per cent. on other sale proceeds. The amount of commission shall be credited to the agents account bearing interest at 6 per cent. per annum with three months rests and if a company is liquidated then 10 years' commission will be paid. If the managing agent resigns with company's consent then 12 years' commission is to be paid: and what comes next is even more interesting. Notwithstanding such resignation the commission to be paid to the firm shall never be forfeited or surrendered. A man will resign and yet he will get compensation in the form of 12 years' commission; and after that he will continue to receive his commission without rendering any service whatsoever. Can anything be more equitable, more sacrosanct and sacred than this? I pause for a reply from Sir Homi Mody....

Sir H. P. Mody : It is very equitable to the managing agent!

Pandit Govind Ballabh Pant : If that is your idea of equity, I bow to it: I now see why we have been differing. Then I will read out another document. It is again like this....

An Honourable Member : Is it from Ahmedabad?

Pandit Govind Ballabh Pant : These are all Ahmedabad. If anyone wants to verify my remarks he is welcome to do so. I have got several instances before me, but in order to save the time of the House I may shortly say that in most of them the terms are that they are to get 4 or 5 per cent. on sales, 10 per cent. on purchases, 10 years' commission if the company goes into liquidation, 12 years' commission if he resigns and

the company agrees to let him off; and after all that he will continue, even after the resignation, to receive the commission promised initially though he will have no concern with the business. These are the terms. But throughout these agreements there are certain common factors and they are these: firstly, every managing agency is to be permanent. The only way to get rid even where there is a provision is this—and it is a very simple method which only subtle ingenuity could devise—that you must hold an extraordinary meeting and give six months' notice—and mind you, not by advertisement,—only they forgot to add 'not by post' and that the letters should be delivered to the shareholders personally—and they must have at least six months' notice so that shareholders may during that time reflect and cogitate over the matter so as to be able to take a cool calculated view of things. After that, in cases where the people are very lenient, three-fourths, and in other cases where they are not so very lenient, seven-eighths should be personally present, and not by proxy, in order to pass a resolution for the removal of the agents. Can anything be easier or simpler than this? That is again a characteristic of the equitable nature of these agreements, which we should respect even if our country goes to dogs or to the other world....

Sir Cowasji Jehangir : All these are Ahmedabad, I presume—these six that you have mentioned and that you are analysing?

Pandit Govind Ballabh Pant : At least one of the mills in Bombay is still getting the remuneration for the managing agents in that form of percentage on the price of goods sold....

Sir H. P. Mody : That is getting precious little.

Pandit Govind Ballabh Pant : I know very few are getting anything, because recklessness sometimes has its own revenge. Here is one relating to a coal concern: it might interest my friends over there: it says:

"Monthly allowance at Rs. 1,500 and such commission on profits, etc., as the agent may from time to time consider advisable:"

In another case, it is Rs. 3,000 and commission on profit at the rate of 10 per cent. and then it goes on, all goods are to be purchased by the agents and all goods are to be sold by the agents and they are to get extra commission on that; and the method of removal is as easy as in the other cases. Now there are other agreements which I will read out. There is a jute mill in Calcutta—I can name the mill if required, but I will not mention the name of the managing agent. The remuneration is 2 per cent. of the gross proceeds, Rs. 1,500 per mensem, 10 per cent. on net profits, insurance to be made by the company itself, all purchases to be made by the managing agents, all sales to be made by the managing agents: all jute to be sold or cleared through the agencies of the managing agents all over the country and by none else. Then, there are other companies and concerns about whom we have got similar notes here. There is a company which belongs to the province of Bengal and so it may interest Mr. Sen here—4 per cent. on total proceeds of all yarn and cloth, 5 per cent. on bills for pressing, dyeing, bleaching, with interest at 6 per cent. being half yearly and 10 times the commission on liquidation and 12 times on resignation. Then there is another company which pays 45,000 per year and 5 per cent. on profits....

An Honourable Member : Where is that company ?

Pandit Govind Ballabh Pant : Calcutta. I do not think I should tire out the patience of the House by reading all this out : all these companies have more or less similar terms : 4 per cent. of profits, 5 per cent. on dyeing, pressing, etc., 10 times compensation on liquidation and 12 times if resignation is accepted. I have already taken up too much of the time of the House.

We had yesterday this pamphlet signed by a man named Bajoria—Narayandas Bajoria. I do not know how far it is true....

The Honourable Sir Nripendra Sircar : Seven-eighths untrue, I am informed by another Bajoria.

Pandit Govind Ballabh Pant : Then one-eighth is true and what I am stating should be taken as belonging to that one-eighth.

The Honourable Sir Nripendra Sircar : I may inform my Honourable friend that this Bajoria wanted, as the proceedings will show, remuneration from the company and it was turned down. That is the reason for the pamphlet.

Mr. S. Satyamurti : When thieves fall out, honest men come into their own.

Pandit Govind Ballabh Pant : I cannot vouch for the correctness of the statements in this book.

The Honourable Sir Nripendra Sircar : I shall be able to show its incorrectness.

Pandit Govind Ballabh Pant : I tried to consult some people and they told me that similar pamphlets had been published previously, and that all these facts had been given publicity but no suit for damages had been filed against him and no proceedings for defamation had been taken against him. That is all I know.

Babu Baijnath Bajoria : That does not prove that the statements mentioned in the pamphlet are correct.

Pandit Govind Ballabh Pant : I state the fact. Whether it proves or disproves anything is another matter. I state a fact which you may take into account.

Mr. President (The Honourable Sir Abdur Rahim) : If the facts are not admitted, I do not think it is right to make use of them.

Pandit Govind Ballabh Pant : They may be admitted or not admitted. But it is not this gentleman Bajoria who is concerned, but it is some other man who is not here. How can you....

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member is not sure of the correctness of the facts stated.

Pandit Govind Ballabh Pant : I am sure to the extent that I am told that facts of this very nature had been published from time to time without any action being taken by the persons concerned.

The Honourable Sir Nripendra Sircar : No, but they have been contradicted.

Pandit Govind Ballabh Pant : I do not want to refer to anything that may be of a doubtful character and I do not want to attack or to make the least insinuation against any individual. I should be sorry if I did, and I should be sorry if anything I am saying here should in any way injure the credit of any individual. I am here forced to make reference to these things which are most unpalatable to me, in the discharge of my public duties, and only because it is necessary to bring certain things to light. One or two things more and I have done. Honourable Members are aware that in the olden days our industry was built without any protection in the form of import duties. We had true pioneers then who established these mills and who competed with the world. Why is it today that, in spite of all these protective duties, our industry is deteriorating ? I accept to a certain extent that there is economic depression, but that is not enough. Those who have cared to study these things must have been impressed by a common feature and it is this. So long as the first pioneer, the genuine captain of industry is there, the concern flourishes, progresses, grows and spreads like the banyan tree. When he is gone and the responsibility falls on those who are his successors and heirs, as unfortunately they are not possessed of similar sterling qualities, the concern deteriorates and very often it goes to grief and meets with disaster. It is because our managing agents are not men of the right type, if they happen to be managing agents simply by rule of succession without having shown qualities of enterprise, that these concerns suffer. Sir, we have been told a lot about the financing by these gentlemen. I won't deal with this matter at any length but I would invite the attention of the Honourable the Law Member to certain facts which are well-known. What was the Currimbhoy Group smash due to ? Was it not due to this vicious system of financing ? Out of 12 mills eight went into liquidation and the public lost three crores of rupees, almost as much as all the Ahmedabad mills together possess in their capital form. Then, again, there were other mills which suffered in the same manner. I think we should not go into these things, they are well-known. Then there was a mill which had a capital of 20 lakhs but the managing agents had advanced monies to it, so the capital of 20 lakhs was reduced to two lakhs. And now shares were floated in order to pay off the debt of the managing agents. Similarly, in another case the managing agent had certain loans due by the company and the company was asked to convert them into debentures and shares carrying three times the normal voting power. In one case which is nearer home in my own province, a gentleman acquired for one rupee share two votes while originally ten rupee share did not carry more than one vote. If the managing agent invests money, one thing has to be borne in mind that it is a halter round the neck of the firm, and you can enter into a *satta* with anybody if you deposit with him 5 or 10 per cent. to meet the loss. Give him 10 per cent. of the amount for which you want to wager and he will take it. The point, Sir, is this, that the managing agent has got shares at his disposal. When he advances money he can count upon the shares capital in case of deficit. I do not in any way blame him, in fact, I thank him for financing, but the point remains that it is to his advantage to so finance. What he advances he can normally always expect to recoup because he has got the security and absolute control of the share amount. Otherwise, why is it that the managing agents do not purchase shares and instead deposit money by way of loan ? They can easily purchase shares

[Pandit Govind Ballabh Pant.]

and there must be some reason. It is because they want to have the security of these shares for their advances. To some extent this financing, this method is responsible for the arrest of the growth of industry in our country, and that has been recognised by all, by Tariff Boards and by everybody. There is only one thing in the end that I would like to say and it is this, that this managing agency system has contributed towards inefficiency and incompetence, and all cases of liquidation—and there have been many—have been due to this incompetence and inefficiency. I am reading from the report of the Tariff Committee :

“ We are satisfied that no mill in India which could be regarded as run with fair efficiency and economy had up to the present been forced into liquidation as the result of the depression. None of the mills which have so far gone into liquidation had the smallest chances of surviving except in boom conditions. A study of the evidence we received at Ahmedabad will be found instructive on the point. A long list of mills which had gone into liquidation in that and adjacent centres was placed before us, but in almost every case there was very definite evidence that the liquidation was the result of incompetence and inefficiency and in some instances of dishonesty.”

In short, my submission is this, that industry is not an isolated concern of the shareholders and the managing agents alone. It reacts on the entire people in the country, on their economic condition, on employment, on standard of living, on everything that conduces to material well-being. When it is coupled with a policy of discriminating protection, then it becomes the direct concern of the people. You cannot ask people to maintain industry when it cannot pay itself, and on the other hand, follow methods which lead to waste and deprive it of the assistance of competent men. I want our industries to expand and multiply, I want that the day may soon dawn when we may not have to import a single article from abroad. I want our industries to advance so that we may be able to compete in the open market with the rest of the world. That can only be done if the man factor receives proper attention and that man factor can receive proper attention only if too much weight is not attached to this old and obsolete managing agency system. Sir, I move the amendment standing in my name and I hope that in the interest of industrial advance, equity and justice and for promoting the growth of new industries, Honourable Members of this House will accept the proposal which I have ventured to place before them in spite of the opposition of the Honourable the Law Member.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

“ That in clause 42 of the Bill, in sub-section (2) of the proposed section 87A, for all the words occurring after the words ‘ the said Act ’ the following be substituted :

‘ and shall cease to hold office any time after five years from the commencement of the said Act, if the Company has by resolution passed at a general meeting decided to terminate his services, provided that no such resolution shall be passed unless thirty years have elapsed since the Managing Agent or his predecessor first occupied such office. Nothing in this sub-section shall prejudice the right of the company to re-appoint the Managing Agent or to determine his office before the prescribed period in accordance with any provision in the Articles of the Company or in any agreement with the Company ’.”

I understand the Leader of the House wishes to make some statement.

STATEMENT OF BUSINESS.

The Honourable Sir Nripendra Sircar (Leader of the House) : On Monday, Sir, the House will first dispose of the third reading of the Cantonments Bill and will then return to the Company Bill, which will be proceeded with on Wednesday and Friday. Tuesday and Thursday, as Honourable Members are aware, are non-official days.

The Assembly then adjourned till Eleven of the Clock on Monday, the 28th September, 1936.

(1897)

LEGISLATIVE ASSEMBLY.

Monday, 28th September, 1936.

The Assembly met in the Assembly Chamber at Eleven of the Clock,
Mr. President (The Honourable Sir Abdur Rahim) in the Chair.

MEMBERS SWORN.

Mr. Panambur Raghavendra Rau, M.L.A. (Financial Commissioner,
Railways) ;

Mr. John Bartley, C.I.E., M.L.A. (Government of India : Nominated
Official) ; and

Mr. Herbert Daniel Benjamin, M.L.A. (Government of India :
Nominated Official).

QUESTIONS AND ANSWERS.

RECOMMENDATIONS OF THE LEGISLATIVE ASSEMBLY ON THE HAMMOND
COMMITTEE REPORT.

643. *Mr. Mohan Lal Saksena : (a) Will Government be pleased
to state what action has been taken by them on the recommendations of
the Legislative Assembly on the Hammond Committee report and with
what results ?

(b) Were the Local Governments consulted in the matter ? If so,
will Government lay on the table a copy of their views ?

The Honourable Sir Nripendra Sircar : Sir, I may be allowed to
tell the House that I have answered these questions on short notice.
My friend came up to me and inquired if I would accept short notice, and
I agreed, and he then put me not only these two parts, but other parts as
well, but rather than raise a point of order, I shall answer this question
over again.....

Mr. President (The Honourable Sir Abdur Rahim) : I don't see
why you should answer them.

Mr. Mohan Lal Saksena : I want to put a few more supple-
mentaries, because on that day I could not ask them.

Mr. President (The Honourable Sir Abdur Rahim) : I cannot allow
that.

(1899)

RETRENCHMENT ON RAILWAYS.

644. *Dr. Ziauddin Ahmad : (a) Are Government contemplating to further retrench railway employees in (i) State, and (ii) Company-managed Railways ?

(b) If so, on what principle will these retrenchments be carried on ?

(c) Have Government formulated any rules for the guidance of the Agents and other railway officers for retrenchment ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Adjustment of the numerical strength in various categories of establishments to current requirements is proceeding, involving in some cases the discharge of surplus staff.

(b) and (c). I would refer the Honourable Member to the reply given to part (a) of starred question No. 371 asked by Mr. Mohan Lal Saksena on the 14th September, 1936.

Mr. S. Satyamurti : Will Government issue instructions to see that the low paid staff are not first retrenched, and that all possible economies in the higher paid staff are explored and carried out before the low paid staff are retrenched ?

The Honourable Sir Muhammad Zafrullah Khan : The question really is whether there is surplus staff, and there is no question of high paid or low paid staff. If it is found there is surplus staff in certain sections, I am afraid there will have to be retrenchment.

Mr. S. Satyamurti : With regard to surplus staff in certain grades, will Government at least consider that the retrenchment of those who are in the higher grades will be effected before the low paid staff is touched ?

The Honourable Sir Muhammad Zafrullah Khan : I do not know whether that is practicable, but that can be looked into.

Pandit Krishna Kant Malaviya : Can the Honourable Member tell us whether he will provide employment for those who will be retrenched ?

The Honourable Sir Muhammad Zafrullah Khan : How could employment be provided for if it is decided that a certain number of staff are not wanted, because there is not enough work for them. I don't see how employment could be provided for those who are retrenched.

Pandit Krishna Kanta Malaviya : You could provide some other employment so that they may not starve and die. That is what I want.

The Honourable Sir Muhammad Zafrullah Khan : I am afraid I am unable to follow the suggestion.

Mr. N. V. Gadgil : Will there be a waiting list maintained so that when vacancies occur the retrenched men could be taken on from that list ?

The Honourable Sir Muhammad Zafrullah Khan : As on this occasion retrenchment is not on the basis of short service or other similar considerations, but on the basis of comparative efficiency or inefficiency, no waiting lists will be maintained.

Mr. Mohan Lal Saksena : Is it a fact that the Railway Federation has asked for a Court of Inquiry ?

The Honourable Sir Muhammad Zafrullah Khan : I believe so.

Mr. Mohan Lal Saksena : Have Government accepted that suggestion ?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir.

Mr. Mohan Lal Saksena : May I know the reasons why the Government are not going to accept it ?

The Honourable Sir Muhammad Zafrullah Khan : The reasons have been discussed at length with the Federation.

Dr. Ziauddin Ahmad : Will Government give preference to the retrenched men when vacancies occur instead of taking on new men ?

The Honourable Sir Muhammad Zafrullah Khan : I have answered that just now.

Mr. M. Ananthasayanam Ayyangar : Has the Government considered the possibility of utilising the services of persons who would otherwise be unemployed by enlarging the scope of the production of materials required for railway services ?

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member is embarking on very wide questions.

CLOTH PURCHASED BY THE INDIAN STORES DEPARTMENT FOR CERTAIN DEPARTMENTS.

645. *Prof. N. G. Ranga : Will Government be pleased to state :

(a) the total purchases of cloth made by the Indian Stores Department for the Military, Railway and Posts and Telegraphs Departments ;

(b) the purchases made for each of these Departments ;

(c) the kinds of cloths and the counts of the cloths purchased by the Indian Stores Department ;

(d) how much of this cloth is purchased from the Indian Mills and hand-loom weavers ; and

(e) whether the Indian Stores Department is prepared to purchase most of the cloth of counts 35s. and less from the hand-loom weavers in order to relieve the growing unemployment and economic distress of the hand-loom weavers, and if not, why not ?

The Honourable Sir Frank Noyce : (a) and (b). The purchases of cloth (cotton and woollen piecegoods) made by the Indian Stores Department during the year 1935-36, on behalf of the three Departments amounted in value to :

	Rs.
Defence Department	19,18,000
Railways	10,80,000
Indian Posts and Telegraphs Department	1,70,000
Total	31,68,000

(c) A statement of the various kinds of cloth purchased for the three Departments mentioned is placed on the table.

No record is maintained of the counts of yarn used in various kinds of cloth purchased by the Indian Stores Department. Purchases of cloth are not made on the basis of counts but according to specifications which lay down

- (i) the construction, i.e., the number of threads per inch warp and weft way,
- (ii) weight, and
- (iii) the tensile strength.

	Rs.
(d) Indian mills	31,02,000
Handloom weavers	2,000

The balance represents imported cloth.

(e) Contracts are placed by the Indian Stores Department with the lowest satisfactory tenderers who quote to specifications and terms of delivery laid down. Handloom weavers, or those dealing in their manufactures, are at liberty to quote for such articles as can be satisfactorily made by them. The Indian Stores Department is actually purchasing several hand woven articles such as *durries*, *newar*, *lungies*, *tapes*, *wabbing*, etc.

Statement of purchases of various kinds of cloth.

Cotton.	
Sponge cloth.	Twill, cotton of colours.
Drills of colours.	Cloth, red, white, yellow, etc.
Dosutie.	Flannelette.
Cloths, Table, Tea Tray.	Towels and Towelling cloth.
Duck cloth.	Cambrie.
Dungaree.	Corduroy.
Pugree cloth of colours.	Sheets and Sheeting.
Calico.	Long cloth.
Gauze absorbent.	Bandage cloth.
Silica cloth.	Netting, mosquito.
Dhotie cloth.	Holland and Lining cloth.
Fringes, Pankha, cloth.	Turbans, blue.
Lungies, blue.	
Woollen.	
Serges.	Cloth, Drab mixture.
Oxford cloth.	Cloth, collar.
Flannels.	Twill and broad cloth.
Cloth, scarlet.	Serge, fine.
Blanketting cloth.	Serge, Service Dress.
Flannel, fine.	Baize cloth.
Bunting.	

MINOR ACCIDENTS ON THE MADRAS AND SOUTHERN MAHRATTA RAILWAY.

646. *Prof. N. G. Ranga : Will Government be pleased to state :

- (a) if they are aware of the minor accidents caused on the 9th May on the railway passenger from Biragunta to Bezwada and

23rd June on the Grand Trunk Express between Chin-naganzam and Tenali owing to some defects in the carriages or engines or both ; and

- (b) if it has been brought to their notice that the Madras and Southern Mahratta Railway are neglecting their renewal and replacement works and the proper maintenance of track, etc., to safeguard the comfort, convenience and safety of passenger traffic on their lines in view of the impending possibility of the Government taking over the management of the Railway ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes.

(b) There is no foundation for the suggestion.

ACTION TAKEN ON THE RESOLUTION re STATE MANAGEMENT OF THE MADRAS AND SOUTHERN MAHRATTA AND BOMBAY, BARODA AND CENTRAL INDIA RAILWAYS.

647. *Prof. N. G. Ranga : Will Government be pleased to state what action has been taken or is proposed to be taken on the Resolution of the Assembly that the management of the Madras and Southern Mahratta Railway and the Bombay, Baroda and Central India Railway should be taken over by Government ?

The Honourable Sir Muhammad Zafrullah Khan : The Resolution referred to by my Honourable friend did not refer to the Bombay, Baroda and Central India Railway.

The question of taking over the management of the Madras and Southern Mahratta Railway is under consideration.

CLEANING OF CARRIAGES AND LATRINES OF TRAINS.

648. *Prof. N. G. Ranga : (a) Are Government aware of the fact that the carriage and latrine therein attached to the Calcutta-Madras Mail on the seventh of July at Waltair were not at all cleaned ?

(b) Do Government propose to see that all carriages and latrines of all trains are properly cleaned after a night journey at the nearest junction in the early morning ?

The Honourable Sir Muhammad Zafrullah Khan : (a) No.

(b) The attention of Railway Administrations has already been drawn to the Honourable Member's previous interpellations on this point, and Railway Administrations have again been asked recently to take steps to ensure that latrines in all carriages are attended to during the early hours of the morning.

AMALGAMATION OF BOOKING OFFICES AND EXTENSION OF WAITING ROOMS AT WALTAIR.

649. *Prof. N. G. Ranga : (a) Will Government be pleased to state if they are aware of the great inconvenience caused to third class passengers by having two booking offices widely apart at Waltair but for different Railways and by the narrow waiting rooms and by the negligence of Railway authorities in cleaning them ?

(b) Do Government propose to see that the booking offices are amalgamated, the waiting room extended and properly cleaned at frequent intervals?

The Honourable Sir Muhammad Zafrullah Khan : (a) and (b). There are two windows in the same wall of the third class booking office at Waltair station approximately seven feet apart. For the convenience of passengers, tickets are issued from one window for stations on the Bengal Nagpur Railway and *via* and from the other for stations on the Madras and Southern Mahratta Railway and *via*. The third class waiting hall measures 44 feet by 22 feet and further accommodation is provided outside the station building. The waiting hall and surroundings are cleaned by sweepers at frequent intervals. It is not proposed to make any extensive alterations until it is definitely decided whether the development of the Port of Vizagapatam will necessitate an alteration in the existing site of Waltair station.

ACTION TAKEN ON THE RESOLUTION re PROTECTION TO COTTAGE INDUSTRIES

650. *Prof. N. G. Ranga : Will Government be pleased to state what action they have taken or propose to take upon the Resolution passed by the Assembly during the Delhi Session to extend the policy of protection to the cottage industries?

The Honourable Sir Muhammad Zafrullah Khan : The Honourable Member is referred to the reply given by me to starred question No. 39 by Mr. S. Satyamurti during the current Session.

SURPLUS MATERIALS OF THE CALCUTTA CHORD RAILWAY.

651. *Pandit Nilakantha Das (on behalf of Mr. Amarendra Nath Chattopadhyaya) : (a) Will Government be pleased to state the actual total value of materials, tools and plants, that remained surplus after completion of the Calcutta Chord Railway construction, and how and when they have been disposed of?

(b) Will Government be pleased to state what worth of materials out of this surplus have been retained for the use of the East Indian Railway, and how much for any other State Railway in India?

(c) Will Government lay on the table a list of such materials, tools and plants, in detail indicating their respective original value and their present worth, retained after disposal of the surplus?

(d) Will Government be pleased to state whether the various items of materials, tools and plants have been sold to individuals, (i) by private negotiations without calling for open tenders, or (ii) by public auctions? If so, in the case of (i) was it within the competence of the Agent to have approved such piece-meal sales of one Estate, without the prior sanction of the Railway Board, or did the Railway Board accord their sanction?

(e) If the Railway Board accorded their sanction, did they take into consideration the fact that they would require fresh materials, tools and plants, for their new construction in case they sold away the materials, tools and plants, aforesaid or that they would get better price and better

return by selling them to parties who would take charge of constructions of the New Howrah Bridge or the Cochin Harbour constructions?

(f) How many public auctions were held during the period between the date of closing of construction of the Howrah Chord line and the last day of the auction of materials, tools and plants, under reference?

(g) Did the Railway Board give permission to sell these tools and plants by private sale, even after knowing that big construction work, like the Howrah Bridge and the Cochin Harbour were under contemplation, and the tender for the former was to be decided by the end of July and the latter already taken up?

(h) If the answer to part (g) be in the affirmative, what were the reasons which led them to sanction such sales?

(i) Will Government be pleased to state the exact amount realised by selling these materials, tools and plants, by private negotiations and public auctions after paying auctioneers' commission and meeting sundry expenses, if any, and state the actual original cost of the materials, plants and tools, i.e., their book-value?

The Honourable Sir Muhammad Zafrullah Khan : (a) The total purchase value of materials, tools and plant that remained surplus after the completion of the Calcutta Chord Railway was Rs. 43 lakhs approximately. These materials have been disposed of from time to time since the closing of the construction up to July, 1936, by :

(i) auction; (ii) sale to other Railways, Commissioners for the Port of Calcutta and the Engineer-in-Chief, Vizagapatam Harbour; (iii) private treaty, and (iv) by being utilised on the East Indian Railway.

(b) The value realised for the plant utilised on the East Indian Railway and of that transferred to other railways, Calcutta Port and Vizagapatam Harbour was Rs. 8,35,000 and Rs. 5,29,000 respectively.

(c) The time and labour involved in preparing the detailed list asked for will be incommensurate with the results obtained. The original value of the plant utilised by the East Indian Railway and of that transferred to other railways, Port of Calcutta and the Vizagapatam Harbour was approximately Rs. 19,23,000 and Rs. 10,62,000 respectively. The present worth of this material is as given in reply to part (b) above.

(d) (i) and (ii). Yes. It is within the competence of the Agent to approve of sales of surplus stores negotiated by private treaty.

(e), (g) and (h). Do not arise.

(f) Four.

(i) (1) Value realised for materials sold by private negotiations Rs. 1,32,000 approximately. Their original cost Rs. 4,23,000 approximately.

(2) Value of materials sold by public auction Rs. 81,600 approximately. Their original cost Rs. 9,00,000 approximately.

Mr. President (The Honourable Sir Abdur Rahman) : This sort of questions really ought to have been unstarred.

Pandit Lakshmi Kanta Maitra : Was the sale advertised?

The Honourable Sir Muhammad Zafrullah Khan : I believe so.

CLASSIFICATION OF PRISONERS.

652. ***Pandit Nilakantha Das** (on behalf of Mr. Amarendra Nath Chattopadhyaya) : Will Government be pleased to state if the principle of classification of political or ordinary convicted prisoners is the same ?

The Honourable Sir Henry Craik : The principles of classification of all convicted prisoners are the same.

CLASSIFICATION OF EUROPEAN PRISONERS.

653. ***Pandit Nilakantha Das** (on behalf of Mr. Amarendra Nath Chattopadhyaya) : Will Government be pleased to state if European prisoners are classified in the same way as other non-European prisoners ?

The Honourable Sir Henry Craik : I would invite the Honourable Member's attention to the Home Department Communiqué, dated the 19th February, 1930. The rules contained therein make no discrimination on the ground of race.

Mr. S. Satyamurti : Is it a fact, Sir, that European convicts are usually given Class B ?

The Honourable Sir Henry Craik : A certain number are.

Mr. S. Satyamurti : Are there any European prisoners anywhere in India, murderers, dacoits, or robbers in class C ?

The Honourable Sir Henry Craik : I cannot say at the moment, but I have seen European prisoners in jails classed C.

Mr. Mohan Lal Saksena : Are they not given better treatment than the C class Indian prisoners ?

The Honourable Sir Henry Craik : No.

Pandit Lakshmi Kanta Maitra : Is it a fact that these European prisoners enjoy the privilege of having their *punkahs* pulled by Indian convicts in jails ?

The Honourable Sir Henry Craik : I do not know ; not as a rule, I think.

Mr. T. S. Avinashilingam Chettiar : May I know, Sir, if Government accept the principle that all prisoners coming from the European community and committing the same offence will be sent to the same class of prison ?

The Honourable Sir Henry Craik : Classification does not depend on the offence.

Mr. S. Satyamurti : Are European prisoners in class C treated, in exactly the same manner as Indian prisoners in class C ?

The Honourable Sir Henry Craik : They are kept in a separate ward.

Mr. Mohan Lal Saksena : What is the actual cost of maintenance of each Indian prisoner as compared with the European prisoner of the same class ?

The Honourable Sir Henry Craik : How can I tell that ?

Pandit Lakshmi Kanta Maitra : Am I to understand from the Honourable Member that even in the classification of these European prisoners the nature of the offence committed does not count ?

The Honourable Sir Henry Craik : Well, I should suggest that the Honourable Member should read the Communiqué to which I have referred ; he will then see how the classification is made.

Mr. S. Satyamurti : Is the Honourable Member sure that there are European prisoners in the C class ?

(Voices from the Official Benches : " That has been answered ".)

TUBERCULOSIS IN AJMER.

654. ***Rai Bahadur Seth Bhagchand Soni** : (a) Is it a fact that tuberculosis is increasing in the City of Ajmer ?

(b) Have Government taken any steps to check this evil ? If not, why not ?

(c) Are Government prepared to consider the advisability of providing better treatment and medical aid for the tuberculosis patients ?

(d) Is it a fact that there was a tuberculosis sanatorium at Madar in the vicinity of Ajmer ?

(e) Are Government aware that the sanatorium at Madar was closed down by the Missionary authorities ?

(f) Will Government please state why this sanatorium was closed ?

(g) Is it a fact that people from Ajmer also used to go there for treatment ?

(h) Are Government aware that the people of Ajmer have to suffer a lot for want of any sanatorium in its vicinity ?

(i) Are Government prepared to consider the advisability of taking up the above mentioned sanatorium for the benefit of tuberculosis patients suffering from this dreadful disease ?

Sir Girja Shankar Bajpai : (a) There is no specific evidence to this effect.

(b) and (c). Two new wards of ten beds each were added, through private generosity, to the Victoria Hospital, which is a State-aided institution, for indoor treatment of tuberculosis.

(d), (e) and (g). Yes.

(f) For lack of funds.

(h) This is possible.

(i) Government will consider the Honourable Member's suggestion when the financial situation permits of this.

ADMISSION OF AJMER STUDENTS IN THE MEDICAL COLLEGES OF OTHER PROVINCES.

655. ***Rai Bahadur Seth Bhagchand Soni** : (a) With reference to their reply to my starred question No. 1090, parts (b) and (c), will Government be pleased to state what further progress has been made in the

matter of obtaining facilities for the admission of Ajmer students in the Medical Colleges of other provinces ?

(b) Is it a fact that some students from Ajmer have been refused admission by the Lucknow and Bombay Medical Colleges during these few months ?

(c) Are Government prepared to consider the advisability of allotting some funds for the medical education of Ajmer students ?

Sir Girja Shankar Bajpai : (a) The question is under the consideration of the University of Lucknow.

(b) The Government have no information.

(c) Funds are already allotted for this purpose. For instance, scholarships are given from time to time from central revenues to enable students from Ajmer-Merwara to study in certain medical colleges. Students from Ajmer-Merwara are also admitted into the Medical School at Indore, which receives a grant from central revenues.

CURTAILMENT OF THE EXISTING FRANCHISE BY THE DELHI MUNICIPAL COMMITTEE.

656. ***Mr. M. Asaf Ali :** (a) Are Government aware that the Delhi Municipal Committee have revised their Electoral Rules, and raised the general property qualification of voters (both owners and occupiers), from Rs. 3 to Rs. 5 rental value or rent ?

(b) Are they also aware that those qualified under existing Rules have objected to this amendment on the following grounds :

- (i) that the proposed amendment amounts to disenfranchisement which, apart from being illegal, is opposed to the spirit of Government's policy of progressive extension of franchise until the goal of adult suffrage is reached ;
- (ii) that the proportion of electors who have exercised their electoral right during the past elections has been exceptionally high, which clearly indicates that the existing municipal suffrage has been fully appreciated and exercised ; and
- (iii) that the failure of all election petitions after the last general election clearly shows that all allegations of abuse of electoral rights were unfounded, and the curtailment of franchise cannot be justified on the ground that the existing franchise is unwieldy and encourages corruption ?

(c) Are Government aware that the proposed amendment of Electoral Rules includes stricter provisions against corrupt practices and irregularities at elections ?

(d) If so, are Government prepared to uphold the objection of those who have protested against disenfranchisement, and refuse to sanction such of the proposed amendments as aim at the curtailment of the existing franchise ?

Sir Girja Shankar Bajpai : (a) to (d). The Chief Commissioner, Delhi, has decided not to alter the franchise qualification from a rental value of Rs. 3 to Rs. 5 per mensem.

BIHARI EMPLOYEES IN THE SUPERIOR SERVICE OF THE BENGAL AND NORTH WESTERN RAILWAY.

657. ***Mr. B. B. Varma :** Will Government be pleased to state the number of Bihari employees in the superior services of the Bengal and North Western Railway ?

The Honourable Sir Muhammad Zafrullah Khan : Government have no information.

GRIEVANCES OF THE TRAVELLING PUBLIC ON THE BENGAL AND NORTH WESTERN RAILWAY.

658. ***Mr. B. B. Varma :** (a) Are Government aware of the inconvenience to which the passengers are put due to the running of mixed passenger trains on the Bengal and North Western Railway with goods vehicles and shunting being done at all stations, which results in the late arrival of the trains ?

(b) Do Government propose to take any action to remove the grievances of the travelling public ?

(c) Are Government aware that the light in the trains become very dim due to a large number of goods wagons being attached in mixed passenger trains ?

The Honourable Sir Muhammad Zafrullah Khan : (a) No.

(b) I understand from the Agent that steps are being taken to reduce the number of mixed trains now running.

(c) The attaching of wagons does not affect the lighting except in so far as speed may be reduced.

ACCIDENT AT SEGauli ON THE BENGAL AND NORTH WESTERN RAILWAY.

659. ***Mr. B. B. Varma :** (a) Has the attention of Government been drawn to the serious accident that took place at Segauli (Bengal and North Western Railway) station on the 31st January, 1936 ?

(b) Is it not a fact that this serious accident would not have occurred if the dead end of the railway line had not been only ten feet apart from the station building ?

(c) Is it a fact that the dead end of the railway line is again being reconstructed at the old place ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes.

(b) It is not possible to say what might have happened had conditions been different. I understand about 50,000 trains have been safely received on the line since the station was opened 38 years ago.

(c) Substantial earth-backed buffer stops are being erected at an increased distance of 34 feet from the new station building, the sidings being shortened.

Pandit Lakshmi Kanta Maitra : Have Government tried to ascertain the reason for this accident ?

The Honourable Sir Muhammad Zafrullah Khan : I would require notice, but my impression is that the train was switched on to the dead line by mistake.

THIRD CLASS CARRIAGES BUILT BY THE BENGAL AND NORTH WESTERN RAILWAY.

660. *Mr. B. B. Varma : Will Government be pleased to state the total number of the third class carriages built each year, with and without latrines, by the Bengal and North Western Railway from 1924 to 1936 ?

The Honourable Sir Muhammad Zafrullah Khan : A statement containing the required information is laid on the table.

Statement showing III class carriages built or re-built and fitted with or without latrines on the Bengal and North Western Railway during the period 1924 to 1936.

Year.	Fitted with latrines.	Not fitted with latrines.
1924	20	..
1925	27	22
1926	33	3
1927	17	21
1928	13	4
1929	15	12
1930	20	4
1931	25	..
1932	16	..
1933	5	..
1934	..	..
1935	2	..
1936	8	..
Total	201	88

The above statement includes III class compartment provided in composite bogies.

Mr. President (The Honourable Sir Abdur Rahim) : This is another question which ought really to have been unstarred. It takes so much time of the House and sometimes causes inconvenience for an Honourable Member not to consider beforehand whether such questions should not be unstarred.

GOODS WAGONS OF THE BENGAL AND NORTH WESTERN RAILWAY.

661. *Mr. B. B. Varma : Will Government be pleased to state :

(a) the total number of goods wagons built by the Bengal and North Western Railway from 1932 to 1936 ;

(b) the total number of goods wagons supplied to sugar mills during the cane crushing season from 1932 to 1936 ;

(c) the total number of sugar mills situated on the Bengal and North Western Railway ;

(d) the total number of goods vehicles supplied to carry goods other than sugar-cane and sugar ; and

(e) the average amount of earning from each of the sugar mills since 1932 ?

The Honourable Sir Muhammad Zafrullah Khan : (a) 880.

(b) 582.

(c) 67 including those refining gur.

(d) 1,986,410. This includes wagons supplied to factories for sugar and molasses, also for carriage of sugar manufactured elsewhere than in factories on the Bengal and North Western Railway. Separate details are not maintained.

(e) Information is not available.

APPOINTMENT OF MR. POTHAN JOSEPH AS EDITOR OF PROGRAMME AT THE DELHI BROADCASTING STATION.

662. *Sir Muhammad Yakub : (a) Has Mr. P. Joseph, lately Editor of the *Hindustan Times*, been appointed as editor of the programme at the Delhi Radio Station ?

(b) What salary is to be given to Mr. Joseph ?

(c) Was the post advertised ? If not, why not ?

(d) Are Government aware that, as the editor of the *Hindustan Times*, Mr. Joseph was making strong attacks on the Delhi Broadcasting Station ?

(e) Are Government aware that Mr. Joseph, as editor of the *Hindustan Times*, carried on a great deal of hostile propaganda against the Government and supported the civil disobedience and boycott movements started by the Congress ?

(f) Are Government aware that Mr. Joseph is notorious for his anti-Muslim attitude and activities and as the editor of the *Hindustan Times*, he always attacked Muslim leaders and opposed all measures for the betterment of the Musalmans ?

(g) Is it the intention of Government to encourage anti-Muslim and anti-Government activities at the Delhi Broadcasting Station ?

The Honourable Sir Frank Noyce : (a) Mr. Pothan Joseph was appointed News Editor at the Delhi Broadcasting Station, but before

he had actually entered on his duties he desired to be excused from joining service. His appointment has accordingly been cancelled.

(b) to (g). In view of the reply to part (a), it is unnecessary to reply to these parts of the question.

IMPROVEMENT OF THE HARDWAR RAILWAY STATION.

663. *Mr. Mohan Lal Saksena (on behalf of Mr. Sri Prakasa) :
(a) Have Government received any suggestions regarding the improvement of the Hardwar Railway Station (East Indian Railway) from the Hardwar Improvement Advisory Committee ?

(b) If so, have Government taken any decision on the same and what action, if any, has been taken in this behalf ?

(c) What is the average monthly income from the Hardwar Railway Station ?

(d) Is it a fact that a model of the station was exhibited at the Wimbledon Exhibition to show what an amount of money can be made by a railway company in India from such a small station ?

(e) In view of the fact that an *Ardh-Kumbh* fair is to take place after a short time, are Government prepared to consider the necessity of widening the main platform and putting a shed over the whole of this platform as well as the island platform to protect pilgrims from rain and sun ?

(f) Is it a fact that pilgrims have to wait in open pens, from which they are given access to the platforms only after the arrival of trains ? If so, are Government prepared to consider the necessity of covering these pens ?

(g) Is it a fact that the third class waiting shed is about 200 feet away from the main platform and is not much used by pilgrims, as they prefer to be in pens to get access to the platform as quickly as possible after the arrival of trains when these are opened ?

(h) Are Government aware that the over-bridge connecting the main platform with the island platform is too narrow to cope with the rush of pilgrims ? If so, are Government prepared to take steps to widen the same ?

(i) Is it a fact that an underground passage was constructed in 1921 at a cost of about a lac of rupees, which is only allowed to be used at the *Kumbha* and *Ardh-Kumbha Melas* ? If so, are Government prepared to instruct that the same should be kept open at all times, and if that be not regarded as practicable, at least on the occasions of rush of pilgrims at the various annual *melas* at Hardwar ?

(j) Is it a fact that vehicles are not allowed to come inside the station compound and that these have to be left by pilgrims a long way from the station on the public road ? If so, are Government prepared to consider the desirability of providing some space for the parking of vehicles in the compound ?

(k) Is there any proposal for the remodelling of the whole of platform and if so, when is it likely to materialize ?

The Honourable Sir Muhammad Zafrullah Khan : (a) The Divisional Superintendent, East Indian Railway, Moradabad, met various gentlemen including a member of the Hardwar Improvement Advisory Committee to discuss proposals for improving Hardwar railway station in September, 1935. The matter was again discussed at site by the Chief Operating Superintendent with the present Divisional Superintendent in September this year.

(b), (e) and (k). The East Indian Railway propose to undertake the following works :

- (i) Widening down main platform by about 20 feet.
- (ii) Converting the existing goods shed platform into an island platform.
- (iii) Removing the existing island platform.
- (iv) Improving entrance to station and waiting rooms.
- (v) A new overbridge.
- (vi) Conversion of the building lying below the bank into upper and intermediate class waiting rooms.

They intend to begin the work this year.

(c) The Honourable Member is referred to part (f) of the information laid on the table of the House on the 31st August, 1936, in connection with unstarred question No. 591 put by Mr. Muhammad Azhar Ali on the 7th April, 1936.

(d) Government have no information.

(f) Yes. This proposal was among those mentioned in the answer to part (a). More trees are to be planted between the third class waiting hall and the down platform.

(g) The use of the sheds by pilgrims depends on the nature of the traffic. When there is a heavy rush the sheds are fully used, as well as the space in front. There are two special pilgrim platforms adjacent to the shed, which are used for trains terminating at and starting from Hardwar when there is a large mela.

(h) A new overbridge is to be provided.

(i) An underground passage was provided in 1921 at a cost of about Rs. 20,000. Ordinarily it is only used during the *Ardh-Kumbh Melas*. A copy of the proposal has been sent to the Agent, East Indian Railway, who states that there is no reason why this passage should not be kept open whenever there is heavy traffic, but that pilgrims dislike it as the approach is awkward and the ramp steep.

(j) Yes. It is hoped that alterations to the existing entrance will be completed this year.

Pandit Lakshmi Kanta Maitra : Is it not in the contemplation of the Government to put in a big covered passenger shed ?

The Honourable Sir Muhammad Zafrullah Khan : I have given a full list of the improvements that are intended to be made.

Mr. Lalchand Navalrai : May I know from the Honourable Member if the level of the enclosures will also be brought up to the level of the

platform under this scheme? At present the enclosures are down below and the platforms are higher up. Therefore, there is much inconvenience. Is that also in this scheme of improvement that is now going to be launched? With reference to the new construction which the Honourable Member has said will be begun soon, is this idea also included in that scheme?

The Honourable Sir Muhammad Zafrullah Khan : It does not appear to be so.

Pandit Lakshmi Kanta Maitra : Is it not a fact that the approach to the station enclosure is about nine feet lower than the station platform?

The Honourable Sir Muhammad Zafrullah Khan : I am not personally so aware but I have an impression that that is about the difference in level.

Pandit Lakshmi Kanta Maitra : Is Government not going to raise that level to such an extent as to facilitate the coming in and going out of pilgrims also?

The Honourable Sir Muhammad Zafrullah Khan : I believe a good many of these improvements to which I have made reference will provide facilities.

Pandit Lakshmi Kanta Maitra : Is it known to the Honourable Member that the huge enclosure I referred to is the place where pilgrims are confined?

The Honourable Sir Muhammad Zafrullah Khan : I hope nobody is confined. (Laughter.)

Pandit Lakshmi Kanta Maitra : I mean the pilgrims are confined, in the sense that all the entrances are closed and the pilgrims are kept there, and there is no shed over it.

The Honourable Sir Muhammad Zafrullah Khan : I am not so aware of it.

Mr. Lalchand Navalrai : Will the Honourable Member bring this question of difference in levels to the notice of those concerned in this reconstruction?

The Honourable Sir Muhammad Zafrullah Khan : I believe those who are concerned with this matter have personally inspected the spot and have suggested these improvements which are being undertaken.

Pandit Lakshmi Kanta Maitra : Is there any railway official representing railway interests on this "improvement advisory committee"?

The Honourable Sir Muhammad Zafrullah Khan : I am not aware.

Pandit Lakshmi Kanta Maitra : Is it not a fact that yearly a very huge amount is collected in the shape of terminal taxes and that still very few facilities are afforded to the pilgrims?

Mr. President (The Honourable Sir Abdur Rahim) : That is a matter of argument.

Pandit Lakshmi Kanta Maitra : Are Government going to place some of their representatives on the advisory board to represent the interests of the railway authorities on that board?

The Honourable Sir Muhammad Zafrullah Khan : I believe it is the usual case with terminal taxes that they are collected by the railway but handed over to the municipality.

EFFECT ON THE EARNINGS OF RAILWAYS OF INCREASING FARES AND FREIGHTS.

664. ***Mr. S. Satyamurti :** Will Government be pleased to state :

(a) whether their attention has been drawn to the leading article in the *Amrita Bazar Patrika* of the 15th of July entitled the "Railways' Blunder";

(b) whether they are aware that in other countries fares and freights have been reduced during the last few years with satisfactory results; and

(c) whether they have considered or will consider the effect on the earnings of railways of increasing freight rates?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes.

(b) So far as Government are aware, reductions in fares and rates in other countries have not been followed by increases in revenue in every case.

(c) Yes.

Mr. S. Satyamurti : May I know in how many cases, reductions in fares and freights have increased the revenue,—if that is the only satisfactory result?

The Honourable Sir Muhammad Zafrullah Khan : I am afraid no such information is available. Besides, fluctuations in earnings are not always due only to one cause and a good deal of analysis would be required in order to determine to what causes they are due.

Mr. S. Satyamurti : With regard to this question of increasing fares and freights, are Government considering the question of differentiating between long distance and short distance, in the case of goods traffic?

The Honourable Sir Muhammad Zafrullah Khan : That is, telescopic rates? I believe telescopic rates are already in force in certain cases.

Mr. S. Satyamurti : Will Government consider the desirability of reducing the freights on milk and food supplies and on fodder, in view of the need for the larger transport of these articles?

The Honourable Sir Muhammad Zafrullah Khan : I believe the Honourable Member expressed in one of his questions an apprehension some time ago that these rates were being increased and I was able to give a reply to him that no such increase was contemplated. If he will put down a fresh question with regard to anything else that he wants to find out, I will try to procure the information for him.

Mr. Ram Narayan Singh : May I know, Sir, what are the circumstances which have enabled other countries to reduce their freights and fares?

The Honourable Sir Muhammad Zafrullah Khan : I could not answer such a large question in answer to a supplementary question.

REPRESSION POLICY IN INDIA.

665. *Mr. S. Satyamurti : Will Government be pleased to state :

(a) whether their attention has been drawn to the news letter No. 3 issued by the Foreign Department of the All-India Congress Committee and published in the *Indian Express* of Sunday, the 12th of July, 1936 under the heading "A Fortnight's Budget of Repression in India" ;

(b) whether they have changed their policy in respect of repression in India ; and

(c) if not, why not ?

The Honourable Sir Henry Craik : (a), (b) and (c). The Honourable Member presumably refers to the policy adopted by Government in dealing with subversive movements ; if so, there is certainly no change of policy.

Mr. S. Satyamurti : May I know whether, with regard to all these acts of repression as I call them—Government may not accept the description—the only object of the Government is to put down subversive activities and no other object ?

The Honourable Sir Henry Craik : The object of Government is to cope with crimes against the State and the subjects of the State.

Mr. S. Satyamurti : May I know whether with regard to the ensuing elections, Government will take steps to instruct Local Governments, not to issue preventive orders, but only to punish offences if committed ?

The Honourable Sir Henry Craik : I can give no such undertaking. Anyhow, that does not arise out of any answer that I have given.

Mr. S. Satyamurti : May I know if Government are aware that, in the North-West Frontier Province, for example, orders prohibiting meetings and processions in connection with elections are being passed ?

The Honourable Sir Henry Craik : I do not see that that question arises out of any answer that I have given.

Mr. President (The Honourable Sir Abdur Rahim) : The question is too general.

Mr. S. Satyamurti : These repressive activities on the part of the Government are mentioned in several newspapers, which have appeared in several provinces ?

Mr. President (The Honourable Sir Abdur Rahim) : I have no doubt that it is not fair to refer to a leading article in some newspaper and then put questions on that. However, this is one of the old questions that have been passed, but there must be a limit. Besides, I understand there is a Resolution on that subject.

Mr. S. Satyamurti : But, Sir, I should like to get some material for that Resolution. I am asking whether Government are aware that, as part of this policy of repression to which reference is made in clause (a) of the question, in the North-West Frontier Province, for example,

orders prohibiting processions and meetings in connection with the election propaganda are being issued.

The Honourable Sir Henry Craik : I do not admit that there has been any repression.

Mr. S. Satyamurti : I am not asking about repression. I am asking whether with regard to this.....

The Honourable Sir Henry Craik : The question does refer to repression. That is a very offensive word. Suppose I asked you "Have you stopped beating your wife ?" That is really the form of your question.

Mr. S. Satyamurti : I have never beaten my wife.

The Honourable Sir Henry Craik : Exactly, and Government have never repressed.

Mr. S. Satyamurti : Can my friend tell me that the Government of India has never repressed anybody in India ?

Mr. President (The Honourable Sir Abdur Rahim) : I cannot allow questions of that type to continue.

Mr. S. Satyamurti : I am merely asking this, whether Government are aware that, in the North-West Frontier Province, orders prohibiting processions and meetings for election propaganda are being issued ?

The Honourable Sir Henry Craik : I have said that that does not arise out of any answer that I have given.

Mr. S. Satyamurti : That question is for the Honourable the President to decide.

Mr. President (The Honourable Sir Abdur Rahim) : I have said that that question does not arise. A specific question like that ought to be put separately.

Pandit Lakshmi Kanta Maitra : Is it not a fact that in some provinces the legitimate activities of the labour leaders have been interfered with ?

Mr. President (The Honourable Sir Abdur Rahim) : That is another question that does not arise.

Mr. S. Satyamurti : May I ask whether Government propose to issue orders that, with regard to election propaganda in respect of future elections next year, Local Governments should not issue orders prohibiting meetings and processions for election propaganda ?

The Honourable Sir Henry Craik : I have already said that I can give no such undertaking.

Mr. S. Satyamurti : So the Government of India do not propose to implement the Governor General's address to this House in which he wanted the voters to have the freedom to vote, inasmuch as they do not propose to issue orders to Local Governments not to interfere with the processions and meetings in connection with the ensuing elections ?

The Honourable Sir Henry Craik : Government of India have no intention to interfere with the discretion of Local Governments to deal with the unlawful meetings connected with the elections.

Mr. S. Satyamurti : May I know whether Government are going to leave it to the Magistrates to determine before processions for meetings take place that they are going to be unlawful ?

The Honourable Sir Henry Craik : Obviously, the Magistrates are perfectly entitled to exercise the statutory powers which they have.

Mr. President (The Honourable Sir Abdur Rahim) : I think this matter ought to be debated further on the Resolution.

EMPLOYMENT OF "DUFFERIN" CADETS.

666. ***Mr. S. Satyamurti :** Will Government be pleased to state :

- (a) whether their attention has been drawn to the leading article in the *Hindu* of the 13th of July, 1936, with regard to increasing the employment of ex-"Dufferin" cadets ;
- (b) the number of "Dufferin" cadets who are still unemployed ;
- (c) whether they are aware that all the Indian Chambers of Commerce have complained about the failure of the British Shipping Companies to encourage Indian cadets ;
- (d) whether they propose to evolve some scheme whereby the cadets of the "Dufferin" would be employed by the various shipping companies, in proportion to their tonnage in the coastal trade, and that not a single deserving and trained cadet of the "Dufferin" would remain unemployed ;
- (e) whether they propose to prepare a census of the unemployed cadets ; and
- (f) whether they are prepared, before fresh contracts are entered into with the shipping companies, to get assurances from them that they would take early steps to employ all the cadets ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Government have seen the article referred to.

(b) The information in the possession of Government shows that at the beginning of August, 1936, the number of certificated ex-cadets of the "Dufferin" out of employment was nine. Of these two were discharged by the shipping companies concerned so as to enable them to appear for a superior certificate, and one had left his company's service for reasons not known.

(c) Representations from several Indian Chambers of Commerce have been received by Government.

(d) I would invite the attention of the Honourable Member to my reply to part (b) of his starred question No. 186. I would, however, like to add in this connection that it is obviously impossible for Government to ensure that not a single deserving and trained cadet of the "Dufferin" remains unemployed, as employment must necessarily depend, among other things, on the existence of vacancies in the service of the shipping companies.

(e) No.

(f) No.

Mr. S. Satyamurti : May I know whether Government are aware that, on the 14th of February, the 17th of February and the 26th of February, both in this House and in another place, Government have given specific undertakings that, before the mail contract now held by the British India Steam Navigation Company expires in March, 1937, the fullest consideration will be given to the possibilities of providing further occupation for ex-cadets of the "Dufferin" ?

The Honourable Sir Muhammad Zafrullah Khan : I believe the Honourable Member has already put down a question to that effect, I shall try to answer it when it is reached. I think the Honourable Member is now reading out that question.

Mr. S. Satyamurti : I am reading nothing. I am simply asking whether the Government of India are aware that, on three different dates in last February, Government gave specific and categorical undertakings both in this House and in another place, that before the mail contract expires with the British India Steam Navigation Company in 1937, they will undertake to explore the possibility of getting these cadets employed ?

The Honourable Sir Muhammad Zafrullah Khan : There is a notice with regard to a similar question which is down on the agenda. But without guaranteeing that the dates given are correct, I may say that Government did promise consideration and they have given full consideration to the question.

Mr. S. Satyamurti : Have the Government come to any conclusion as a result of that consideration ? If so, what is that conclusion ?

The Honourable Sir Frank Noyce : The whole question of the continuance of the contract with the British India Steam Navigation Company is under consideration and I may say that that aspect of it to which my friend has referred is receiving our most careful consideration.

Mr. S. Satyamurti : May I know whether Government are aware that the total amount paid to the P. and O., for example, for carrying the mail during the quinquennium ending 1931, was Rs. 2,75,00,000 ?

The Honourable Sir Muhammad Zafrullah Khan : I am not so aware.

Mr. N. M. Joshi : May I ask the Honourable Member what he exactly meant when he said that two of the cadets were discharged for higher studies ? Did they go to some other place for higher studies or could they not be employed further on the ships of these Companies ?

The Honourable Sir Muhammad Zafrullah Khan : I would require notice of that question. My impression is that it was at their request that they were given these facilities.

EDITORIAL NOTES IN THE *Indian Finance* ON THE PACT WITH JAPAN.

667. ***Mr. S. Satyamurti :** Will Government be pleased to state :

- (a) whether their attention has been drawn to the editorial notes in the *Indian Finance* of the 11th of July, 1936 on the pact with Japan ;

- (b) whether they in their negotiations with Japan, are insisting on treating the trade relations between the two countries as a whole ; and
- (c) whether they propose to take steps to see that the negotiations result in achieving the object of expansion of trade between the two countries ?

The Honourable Sir Muhammad Zafrullah Khan : (a) to (c). Yes, Sir.

Mr. S. Satyamurti : May I know whether there is a stalemate, or rather an absolute stop, in the negotiations between India and Japan ?

The Honourable Sir Muhammad Zafrullah Khan : It depends upon how the Honourable Member defines a stalemate or a stop.

Mr. S. Satyamurti : I want to know whether negotiations are still going on, or there has been a suspension of the negotiations ?

The Honourable Sir Muhammad Zafrullah Khan : There is no suspension.

Mr. S. Satyamurti : May I know when the negotiations are expected to be completed ?

The Honourable Sir Muhammad Zafrullah Khan : I am unable to say.

Mr. S. Satyamurti : May I know what is the reason for the delay in the completion of the negotiations ?

The Honourable Sir Muhammad Zafrullah Khan : There are no special reasons. After all, negotiations have to proceed stage by stage and each side has to put forward different aspects of the question.

Mr. S. Satyamurti : May I know if there is any attempt to put off these negotiations, or at least their termination, till after Ottawa is replaced in some form or other ?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir.

Mr. S. Satyamurti : May I know whether there is any attempt to coerce Japan by saying that India will make better terms with Britain unless Japan agrees to these particular terms ?

The Honourable Sir Muhammad Zafrullah Khan : I do not want any such inference to be drawn, but surely Honourable Members will understand that when commercial negotiations are going on between two countries, it is not conducive towards an easy solution of the questions that are being discussed to supply detailed information with regard to all the stages of the discussion.

Mr. S. Satyamurti : What are the reasons for this inordinate delay in the completion of the negotiations, especially in view of the fact that the negotiations started a few months ago ?

The Honourable Sir Muhammad Zafrullah Khan : There is no inordinate delay.

ARTICLE ENTITLED " INDIAN AIR FORCE " PUBLISHED IN THE *Statesman*.

668. ***Mr. S. Satyamurti :** Will Government be pleased to state :

- (a) whether their attention has been drawn to the leading article entitled ' Indian Air Force ' in the *Statesman* of the 20th of July, 1936 ;
- (b) whether they are still, considering the question of revising the rates of pay and method of recruitment to the several branches of the Indian Force, and if so, on what lines ;
- (c) whether it is a fact that of the 124 Indian recruited apprentices, only 51 are serving or are under training, the remaining 73 having to be regarded as wastage, and if so, the reasons for this large number of wastage ;
- (d) whether it is a fact that of the proposed Indian Squadron only the first flight is complete and has recently moved to Peshawar for advanced training, the second is devoid of all air gunners and Wireless personnel and the third is not even in sight, and if so, why ; and
- (e) whether they propose to take steps to investigate and remedy by suitable measures, the present unsatisfactory position of Indian Air Force ?

Mr. G. R. F. Tottenham : (a) Yes.

(b) Yes, (except in the case of officers), on the lines of improving the present rates of pay and of recruiting more suitable personnel.

(c) Yes. Those who dropped out were of an unsuitable type, and I think the main reason was that at first it was not easy to say what types would prove most suitable for this new and very technical service.

(d) Yes, but the formation of the first squadron of the Indian Air Force is proceeding according to a set programme which had to be cautious no less than progressive.

(e) Yes, as stated in (b) above.

Mr. S. Satyamurti : With reference to part (b), may I know what is the total estimate of the increase, as a result of the new rates of pay ?

Mr. G. R. F. Tottenham : We have not yet finally settled what the new rates of pay are going to be and so I cannot give the estimated cost.

Mr. S. Satyamurti : What are the changes contemplated in the method of recruitment ?

Mr. G. R. F. Tottenham : We originally started by open advertisement in the papers and that led to a number of people coming in who really did not wish to join the Air Force, but who wanted to get the technical training and then go into business on their own. We are now altering this by using our own army agencies for the purpose of getting the sort of people who are accustomed to serve under discipline and who will be anxious to make a career in the Indian Air Force.

Mr. S. Satyamurti : Are Government securing a better type of recruits now ?

Mr. G. R. F. Tottenham : I think there has been a distinct improvement in the kind of recruits we have had recently, but I do not think we shall get on to really satisfactory lines until we have made up our minds as to the new rates of pay and conditions of service.

Mr. M. Asaf Ali : Is there any chance of those who are being trained in the Delhi Training Centre being recruited ?

Mr. G. R. F. Tottenham : I do not think that arises out of this question.

Prof. N. G. Ranga : What is the effect of the new scales of pay ? Economy or more expenditure ?

Mr. G. R. F. Tottenham : Extra expenditure.

Prof. N. G. Ranga : Why is it that the introduction of new scales of pay has resulted in extra expenditure, while all the time the Government have been pleading want of money ?

Mr. G. R. F. Tottenham : The class of recruits we have been getting has not been satisfactory, and one of the reasons for that is that the pay has not been good enough.

Pandit Lakshmi Kanta Maitra : Have all these 73 men who were discharged given a period of probation ?

Mr. G. R. F. Tottenham : They were put under training like everybody else.

Pandit Lakshmi Kanta Maitra : How long ?

Mr. G. R. F. Tottenham : Just the same as everybody else.

Prof. N. G. Ranga : Are Government aware that in this country considerable public opinion prevails that Indianisation should be effected in the services only for the purpose of economy and not for increasing the expenditure ?

Mr. G. R. F. Tottenham : Yes, Sir. I am perfectly well aware of that. But it is also a fact that the pay to be given to these mechanics in the Indian Air Force will be less than the pay which is given to the British airmen in the Royal Air Force.

EXPLOSION IN A COLLIERY AT SITARAMPUR.

669. ***Mr. S. Satyamurti :** Will Government be pleased to state whether their attention has been drawn to a newspaper article reporting a serious explosion in a colliery at Sitarampur, and whether they have taken steps to investigate the causes of the explosion and publish the results of the enquiry ?

The Honourable Sir Frank Noyce : I have seen the article in question. The Chief Inspector of Mines has made a full investigation of the causes of the accident and has submitted a detailed report to Government. They do not propose to publish this report, but I may inform the House that the Chief Inspector finds that the accident was due to the ignition of inflammable gas and that the probable cause of the ignition was an open lamp carried by one of those who lost their lives in the accident. There was apparently no record of any inflammable gas ever having been found in this mine.

Mr. N. M. Joshi : May I ask why the Government do not propose to publish the report ?

The Honourable Sir Frank Noyce : Because it is a departmental report and it is not customary to publish such reports.

Prof. N. G. Ranga : Are Government aware of the fact that when such accidents happen in England and when they have an enquiry, the results of that enquiry are made available for the Press as well as the public ?

The Honourable Sir Frank Noyce : No, Sir ; I am not aware of the practice in England.

Mr. N. M. Joshi : May I ask whether in accordance with the Mines Act, it is not necessary to have an enquiry made into this accident ?

The Honourable Sir Frank Noyce : That is a question for the Local Government. The Local Government can order a formal enquiry, if they think fit, but in this case they are satisfied with the report of the departmental enquiry.

Pandit Lakshmi Kanta Maitra : Are these mines periodically inspected and supervised by the departmental authorities ?

The Honourable Sir Frank Noyce : Yes, Sir ; but this was a disused mine and hence the trouble. As I said, the cause of the ignition was probably an open lamp carried by one of those who lost their lives in the accident.

Pandit Lakshmi Kanta Maitra : Then, do I understand that these mines, previous to the accident, were not supervised by any mining authority ?

The Honourable Sir Frank Noyce : I cannot say off hand to what extent disused mines are inspected.

ARTICLE ENTITLED "DEVELOPMENT OF ROAD TRANSPORT" PUBLISHED IN THE *Hindustan Times*.

670. ***Mr. S. Satyamurti :** Will Government be pleased to state :

- whether their attention has been drawn to the leading article entitled 'Development of Road Transport' in the *Hindustan Times* of the 16th of July, 1936 ;
- whether they propose to consider, before taking any steps to control motor traffic with a view to eliminating competition with railways, the question of making the railway service more efficient ; and
- whether they propose to consider the whole question from the point of view of cheap, efficient and comfortable services for the public, so as to co-ordinate all forms of public conveyance ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes.

(b) Every endeavour continues to be made for increasing the efficiency of the railway services.

(c) That is the object of Government who are taking such steps as are practicable at the present moment to obtain the co-ordination suggested in the Honourable Member's question.

Mr. S. Satyamurti : May I know whether Government have specifically examined the question that areas to be served by roads and areas to be served by railways should be demarcated, so as to see that we get the maximum benefit and convenience for passengers who use either the road or the railway ?

The Honourable Sir Muhammad Zafrullah Khan : No such survey has been made, but I doubt whether any such survey can be made except perhaps in very isolated areas where it could be said that certain areas should be reserved for road services and certain others for railway services.

Mr. S. Satyamurti : In view of the fact that there are large parts of the country still where there are no roads worth mentioning, will Government consider the evolution of a policy which will allocate to each of these forms of transport, road and rail, different parts of the country, so that we may avoid on the one hand wasteful competition, and on the other increase communications throughout the country ?

The Honourable Sir Muhammad Zafrullah Khan : As the Honourable Member is aware, efforts are being made in the direction of achieving the maximum amount of co-ordination and he is aware of some efforts in the form of attempted legislation as well as the application of the road fund and improvements in railway services.

Prof. N. G. Ranga : With reference to part (c), the provision of cheap and comfortable services, will Government be pleased to state whether they are taking any steps at all to provide for cheap and efficient and comfortable services in view of the fact that they explained that in these days of depression they could not place on the railway either the new improved third class bogies or any other improvement ?

The Honourable Sir Muhammad Zafrullah Khan : That is an argument ; the question I have already answered.

Mr. Ram Narayan Singh : What are the methods which the Government have been adopting to improve the efficiency of railway services ?

The Honourable Sir Muhammad Zafrullah Khan : Several methods, like frequent railway services in certain places, house to house deliveries and collections and so on.

Mr. Ram Narayan Singh : Are they aware of the fact that corruption in the department is a great bar to efficiency ?

Mr. President (The Honourable Sir Abdur Rahim) : Order, order. That question is not in order.

Prof. N. G. Ranga : Were any definite steps taken since last year to provide cheap railway service for passengers ?

The Honourable Sir Muhammad Zafrullah Khan : I do not know what my Honourable friend means by cheap services. If he means reduction of fares over certain sections, yes.

NEW RULES FOR RECRUITMENT TO THE INDIAN CIVIL SERVICE.

671. **Mr. S. Satyamurti :** Will Government be pleased to state :

(a) whether their attention has been drawn to the leading article entitled ' Recruitment to the I.C.S. ' in the *Hindustan Times*, dated the 16th of July, 1936 ;

(b) whether the reason for the recent change in the rules of recruitment to the Indian Civil Service in Great Britain was that the British candidates who could hold their own against Indians in the competitive examination were not forthcoming, and those who are actually coming to sit for the examination were no match for Indians in the open competition ; and

(c) whether they have considered that the proposal to appoint British candidates by nomination and selection will tend to deteriorate the quality of the service ?

The Honourable Sir Henry Craik : (a) Yes, by the Honourable Member's question.

(b) In my speech on the Honourable Member's adjournment motion discussed on the 31st August, 1936, I have stated the real reasons for the shortage in British recruitment.

(c) As I have said before, appointment by selection will not affect the efficiency of the Service.

Mr. S. Satyamurti : May I know whether there is a proposal to place these gentlemen who are selected by nomination on probation for a limited period of time, and then confirm them, or send them away, if they do not prove equal to the task of their offices ?

The Honourable Sir Henry Craik : They will be on probation in England for a year.

Mr. S. Satyamurti : Is there no probation for them in India, where they are actually to discharge their duties ?

The Honourable Sir Henry Craik : No, Sir.

Mr. S. Satyamurti : May I know the reasons why Government will not recommend to the authorities concerned to have a probation for these gentlemen as this is a new experiment, so that we may have the results of these nominations tested by actual experience ?

The Honourable Sir Henry Craik : There is no system of probation for the Indian Civil Service except the period of probation in England and I see no necessity to introduce it.

Mr. S. Satyamurti : May I know if Government have considered the fact that so far the members of the Indian Civil Service have been recruited by examination ?

The Honourable Sir Henry Craik : Not entirely.

Mr. S. Satyamurti : Except a few recruits in India for redressing communal inequalities ?

The Honourable Sir Henry Craik : There was considerable recruitment after the war by selection of British candidates.

Mr. S. Satyamurti : Now that this system is sought to be made permanent and that was only temporary, may I know if Government will consider the question of pressing on the authorities concerned the need for probation for a short period in India ?

The Honourable Sir Henry Craik : No, Sir.

Prof. N. G. Ranga : Is there any time limit for the continuance of this condition of there being 50 Englishmen and 50 Indians for the Indian Civil Service ?

The Honourable Sir Henry Craik : That is an entirely different question which does not arise out of this.

REMOVAL OF INDIAN PHILOSOPHY FROM THE LIST OF OPTIONAL SUBJECTS FOR THE INDIAN CIVIL SERVICE EXAMINATION.

672. ***Mr. S. Satyamurti :** Will Government be pleased to state :

- (a) whether their attention has been drawn to the leading article entitled ' the I. C. S. examination ' in the *Hindu* of Wednesday, the 15th of July, 1936 ;
- (b) whether they were consulted before the Secretary of State for India excluded Indian Philosophy, Experimental Psychology and Physical Anthropology from the list of optional subjects for the Indian Civil Service examination in India with effect from the examination to be held in 1938 ;
- (c) the reasons why the Secretary of State has singled out Indian Philosophy while maintaining Metaphysics, i.e., Western Philosophy, Moral Philosophy and Logic as optional subjects ;
- (d) whether they have investigated or will investigate the truth of the impression that certain categories of students are being unduly handicapped in this competitive examination by the disproportionate importance attached to certain subjects or groups of subjects and the minor position assigned to others of equal cultural value ; and
- (e) whether they will investigate the whole question, and remedy the proved defects ?

The Honourable Sir Henry Craik : (a) Yes.

(b) They were consulted before the syllabus was changed.

(c) Indian Philosophy is transferred to form part of " Sanskrit Civilisation ". Metaphysics is retained because there is no subject " Western Civilisation " of which Western Philosophic Thought could form an integral part.

(d) and (e). Government have no reason to suppose that any categories of students are unduly handicapped.

Mr. S. Satyamurti : What are the marks now assigned to Indian philosophy as part of " Sanskrit Civilization ", as opposed to " Western Philosophy " in the optionals ?

The Honourable Sir Henry Craik : I do not think there are any separate marks assigned. There are marks for the whole subject

" Sanskrit Civilisation ", and questions on philosophy will be asked in that subject.

Pandit Lakshmi Kanta Maitra : Is it the Government of India who recommend to the Secretary of State the particular form of syllabus for this examination ?

The Honourable Sir Henry Craik : If the Honourable Member means changes in the syllabus, yes. As far as I remember, the changes were originally recommended by the Public Service Commission, considered by the Government of India and recommended to the Secretary of State, and the Secretary of State has the final word.

Pandit Lakshmi Kanta Maitra : May I know whether in opening a new subject as " Sanskrit Civilisation " the Indian universities were consulted in the matter ?

The Honourable Sir Henry Craik : Yes, they were ; it is not a new subject anyhow.

Mr. S. Satyamurti : With reference to the answer to clauses (d) and (e), may I know whether, as a matter of fact with regard to this question of certain categories of students being unduly handicapped in this competitive examination by the disproportionate importance attached to certain subjects or groups of subjects and the minor position assigned to others of equal cultural value, they have actually investigated this matter, and if so, by whom, and when, and what are the results of the investigation ?

The Honourable Sir Henry Craik : The matter was most carefully considered by the Public Service Commission in connection with various university authorities all over the country. The syllabus was changed because for certain subjects hardly any examinees appeared. There is no point in retaining a subject if there is one or possibly no candidate for that subject. It is a question of expense. We had hardly any candidates appearing in these subjects, and it is difficult to find examiners to examine them.

LETTER ENTITLED " TRANSPORT ADVISORY COUNCIL MEETING " PUBLISHED IN THE *Roy's Weekly*.

673. ***Mr. S. Satyamurti :** Will Government be pleased to state :

- (a) whether their attention has been drawn to a letter from a Simla Correspondent published in the *Roy's Weekly* of the 13th of July, 1936, entitled ' Transport Advisory Council Meeting ' ;
- (b) whether they have investigated or will investigate the possibility that railways can yield annually 15 crores of rupees of profit if only leakages are stopped, salary bills adjusted to the requirements of the case, and railway time tables framed not to suit the requirements of a few European and Anglo-Indian employees, but of the general public ;
- (c) whether it is a fact that, while they have reduced salaries of the subordinate staff to something lower than what existed in 1918-1919, in the case of superior services the scales are practically the same ;

- (d) whether the services are being as rapidly Indianised as they can ;
- (e) whether it is a fact that the reservation of communal proportions has tended to deteriorate the quality and efficiency of the services ; and
- (f) whether they propose to take all reasonable and possible steps to improve the working of the railways before they take steps to tax further the users of the roads ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes.

(b) and (f). Every effort is being made to reduce working expenses and improve the working of railways including the stoppage of leakages, but I am unable to understand on what basis the figure of 15 crores quoted in the letter referred to has been arrived at and what grounds there are for the suggestion that railway time tables are framed to suit the requirements of the railway staff belonging to certain communities.

(c) and (e). No.

(d) The policy laid down by Government for the Indianisation of the railway services is being pursued systematically from the year 1926 ; recruitment in India being made at the rate of 75 per cent. of the total number of vacancies in the superior services as a whole.

Mr. S. Satyamurti : With reference to the answer to clause (c), may I know what are the facts ; that is, whether the salaries of the subordinate staff have not been reduced to something lower than before 1918 and 1919, while in the case of the superior services the scales have remained exactly the same ?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir ; in the case of the superior services they have not remained exactly the same. And, as I tried to explain during the budget debate, the reduction in the scale of the two categories does not treat the subordinate staff unfavourably as compared with the superior staff.

Mr. S. Satyamurti : With reference to the answer to clause (d), may I know whether this goal or need for rapidly Indianising the services is being steadily kept in view year after year ?

The Honourable Sir Muhammad Zafrullah Khan : Yes, Sir.

Mr. S. Satyamurti : May I know whether they propose to thoroughly Europeanise the Railway Board shortly ? Is that the policy of Indianisation ?

The Honourable Sir Muhammad Zafrullah Khan : As I have explained, the policy of Indianisation is that the recruitment to the superior services is being made on the basis of 75 per cent. Indians and 25 per cent. Europeans.

Mr. S. Satyamurti : With reference to the answer to clause (e), may I know what the results have shown so far ?

The Honourable Sir Muhammad Zafrullah Khan : The results have not shown any deterioration.

Mr. S. Satyamurti : May I know if, in the case of recruits from all communities, minimum qualifications of efficiency are insisted on ?

The Honourable Sir Muhammad Zafrullah Khan : Yes, Sir. Nobody is appointed to the superior services who is not certified by the Public Service Commission as fit for appointment to these services.

Mr. S. Satyamurti : And may I know if, after they have been recruited to the services, any communal proportion is applied to recruits in the case of promotions ?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir.

Prof. N. G. Ranga : With reference to part (c), is it not a fact that there has been very much smaller retrenchment in numbers in the case of the superior services than in the lower services ?

The Honourable Sir Muhammad Zafrullah Khan : I must have notice of that question.

Mr. M. Ananthasayanam Ayyangar : Is there a single Indian as Agent in any of the State Railways or Company-managed Railways ?

The Honourable Sir Muhammad Zafrullah Khan : There was one who has recently retired,—Mr. B. R. Singh.

Mr. M. Ananthasayanam Ayyangar : Has any Indian been appointed in his place ?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir, he was succeeded by a non-Indian officer.

Mr. M. Ananthasayanam Ayyangar : Is there no competent Indian to be appointed as Agent ?

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member cannot ask that question without previous notice.

The Honourable Sir Muhammad Zafrullah Khan : Is that question fair to the Indian officers themselves ?

UNEMPLOYMENT PROBLEM.

674 ***Mr. S. Satyamurti :** Will Government be pleased to state :

- (a) whether they have taken any steps to deal with the unemployment problem in the country, especially among the educated classes ; and
- (b) whether they propose to take steps to have a census of the amount and nature of unemployment in the country ; and whether they propose to place before the Assembly any proposal for dealing with this question on an All-India basis ?

The Honourable Sir Frank Noyce : (a) I would refer the Honourable Member to the replies I gave to Mr. Akhil Chandra Datta's starred question No. 183 on the 7th February last and Mr. T. S. Avinashilingam Chettiar's starred question No. 24 on the 31st August, 1936 and to the supplementary questions arising out of them.

(b) I have more than once explained the reasons which make a census of unemployment impracticable ; but Government are considering

the possibility of securing further statistics bearing on the problem of educated unemployment. If legislation is required for this purpose, proposals will be placed before the Assembly.

Mr. S. Satyamurti : In view of the fact that we return to this question again and again, will Government be pleased to favourably consider the question of taking a census of unemployment in this country ?

The Honourable Sir Frank Noyce : I have explained the reasons which in our view make a census of unemployment impracticable, and I have nothing more to add.

Mr. S. Satyamurti : Will Government reconsider the question, in view of the strong feeling on this side of the House, as is shown by numerous questions, morning after morning ?

The Honourable Sir Henry Craik : All by him.

Mr. S. Satyamurti : No, by many others. And even I have a right to ask questions.

The Honourable Sir Frank Noyce : Government are perfectly aware of the strong feeling which exists on this question, and I need hardly say that they have given it the fullest consideration. If they considered a census of unemployment practicable they would carry it out, but they do not consider it practicable and therefore they are unable to carry it out.

Mr. S. Satyamurti : Will the Government of India consult the Local Governments, and invite their co-operation and help in this matter of taking a census of unemployment throughout the country ?

The Honourable Sir Frank Noyce : As I have said, Government have considered this matter very fully in all its aspects and have come to this conclusion ; and at the moment I see no sufficient reason to reconsider the matter.

Mr. S. Satyamurti : I am simply asking whether they will consult Local Governments in this matter and invite their opinion, co-operation, and help.

The Honourable Sir Frank Noyce : I should like my Honourable friend to examine the reasons why we have found a census of unemployment impracticable. These have been stated : if he will examine them, I think he would inevitably come to the same conclusion as we have done.

Mr. M. S. Aney : Apart from the question of a census being practicable or impracticable, is the Government in a position to give an approximate idea of the number of unemployed in this country ?

The Honourable Sir Frank Noyce : As regards educated unemployment, we hope to get information.

Mr. M. Ananthasayanam Ayyangar : With respect to unemployment amongst industrial workers, is the Government considering the desirability of instituting unemployment insurance on the lines of the Act in England ?

The Honourable Sir Frank Noyce : I do not think that that arises out of this question : I have explained the position in regard to that on several occasions.

ARTICLE ENTITLED "ROAD RAIL PROBLEMS" PUBLISHED IN THE *Statesman*.

675. ***Mr. S. Satyamurti** : Will Government be pleased to state :

- (a) whether their attention has been drawn to the leading article entitled "Road Rail Problems" in the *Statesman* of the 18th July, 1936 ;
- (b) whether they propose always to bear in mind the necessity for co-ordinating the railway and road transport, without unfairly crippling the legitimate activities of the roads concerned ;
- (c) whether they propose to investigate the possibility of introducing modern transport facilities, where none exists, in large tracts of India to-day ; and
- (d) whether they propose to take in hand, either directly or through Provincial Governments a progressive policy of road construction, so as to be served by lorry and bus owners, as they are not served by railways ?

The Honourable Sir Frank Noyce : (a) and (b). Yes.

(c) and (d). Roads are, as the Honourable Member is aware, a provincial transferred subject, but the Government of India are doing all they can in consultation with Provincial Governments to extend the general system of communications by opening up areas at present inadequately served by railways or roads.

Mr. S. Satyamurti : With reference to part (d) of the question, may I know what progress has been made in this very important matter and do the Government propose to deal with this question in a comprehensive manner, as I think it is about the only conclusive solution of this problem ?

The Honourable Sir Frank Noyce : I should like to say that I welcome this question. It seems to me that in the Motor Vehicles (Amendment) Bill which is already before the House and the Road Resolution we shall shortly be placing before this House, we are doing exactly what the Honourable Member wishes that we should do.

Prof. N. G. Ranga : Are Government aware of the impression prevailing in the country especially in the Punjab and Madras that through the activities of the Road Development Fund and also through the legislative proposals proposed to be taken by the Government of India, they are trying to unfairly cripple legitimate activities.

The Honourable Sir Frank Noyce : May I ask my Honourable friend to put his question somewhat more briefly ?

Prof. N. G. Ranga : Are they aware of the prevalence of the impression in the Punjab and Madras and other parts of India that they are trying to cripple the legitimate activities of the roads concern ?

The Honourable Sir Frank Noyce : If such an impression exists, it is entirely incorrect.

ARTICLE ENTITLED "FULL SPEED AHEAD" REGARDING AGRICULTURAL IMPROVEMENTS PUBLISHED IN THE *Amrita Bazar Patrika*.

† 676. *Mr. S. Satyamurti : Will Government be pleased to state :

- (a) whether their attention has been drawn to the leading article in the *Amrita Bazar Patrika* of the 19th of July entitled 'Full Speed Ahead', regarding agricultural improvements ;
- (b) whether they will consider the arguments advanced therein, before they decide to import experts into this country ;
- (c) whether they are aware that pure drinking water is a rarity in many villages of this country ; that medical assistance in many rural areas is non-existent, and the burden of debts on them is crushing ; and
- (d) whether they have considered or will consider the suggestions in the article, viz., "Let crop research and cattle improvement go on, but along with them let the land revenue be reduced, and let the *ryots* have sufficient food and clothes and adequate medical assistance and above all relieve them from the burden of debts that is crushing them inch by inch" ; and, if not, why not ?

Sir Girja Shankar Bajpai : (a) Yes.

(b) The two experts referred to in the article are being invited for the purpose indicated in His Excellency's address to the Advisory Council of the Imperial Council of Agricultural Research, a copy of which has been placed in the Library. Government do not agree that the considerations urged in the article in question affect the desirability of this step.

(c) and (d). Government recognise that there is room for improvement in the matter of water supply and medical relief in villages and the rural development grants placed at their disposal by the Government of India. Local Governments are also fully alive to the importance of relieving agricultural indebtedness and several of them have passed legislation to deal with the problem. The reduction of land revenue is entirely a matter for Local Governments.

Mr. S. Satyamurti : With reference to parts (c) and (d) of the question, may I know whether Government are considering setting apart every pie they can spare, either from the Government of India clauses, rather than in importing experts or in other schemes which, however useful they may be, are less important and less urgent than this ?

Sir Girja Shankar Bajpai : I may first deal with the point as regards the experts. These two experts have been asked to visit India in order to help the Imperial Council of Agricultural Research to see, whether the activities that have been carried on so far (and that have cost something in the neighbourhood of a crore of rupees) are susceptible of improvement in the direction of being made more practical. My Honourable friend has from time to time asked questions on the subject of research being related more to reality. One of the reasons why we asked these experts to come out was to assist us in doing that

and I think that the expenditure is in no way disproportionate to the importance of the work. As regards what my Honourable friend said regarding the utilisation of funds for specific purposes, I can assure him that to the extent that the Government of India can assist in that direction, they are assisting.

Mr. S. Satyamurti : Have Government any information as to the number of villages in the country, in which drinking water is a rarity ?

Sir Girja Shankar Bajpai : My Honourable friend asked a question on that point during the Delhi Session and I informed him that we do not have information readily available for India as a whole.

Mr. S. Satyamurti : Will Government collect, through the agency of Local Governments, some statistics to show how many villages there are in this country, in which drinking water is available at a very great distance, or not available at all ?

Sir Girja Shankar Bajpai : I am prepared to convey that suggestion to the Local Governments ; but as to whether they will find the investigation commensurate with the probable results, I am not prepared to say.

Mr. S. Satyamurti : As regards the question of agricultural indebtedness, may I know if the Government of India have any information as to the actual relief given to these debtors, by means of legislation or other measures in the various provinces ?

Sir Girja Shankar Bajpai : I think I explained the position or attempted to explain the position the other day ; in the course of the debate I drew attention of the House to the fact that in most provinces the legislation had not been operating sufficiently long for results to be seen ; but I may mention that in the Central Provinces, where this legislation has been in force since 1933, I believe that the indebtedness there to the extent of Rs. 2.26 crores has been scaled down by 46 per cent.

Mr. S. Satyamurti : Have Government considered or will they consider that the central problem in this matter is of enabling the peasant to pay off the balance, even after debts have been scaled down ? Will they consider these two methods of action, first, of wiping out all debts which have been repaid by principal and reasonable interest, and secondly, taking over all other debts, and paying off the creditor, and recovering the money from the debtors in easy instalments ?

Sir Girja Shankar Bajpai : In the course of the discussions that day, I explained what action had been taken by Local Governments in the matter of scaling down debts. I am not in a position now to supplement the information that I then gave.

Prof. N. G. Ranga : Are Government aware of the fact that malaria is rampant in the villages and will they conduct an all-India anti-malarial campaign on a widespread scale, and are they also aware that Mahatma Gandhi recently was a victim of this scourge ?

Sir Girja Shankar Bajpai : The prevalence of malaria is not a new discovery.

CONDITION OF INDIANS IN TRANSVAAL AND BRITISH GUIANA.

677. *Mr. S. Satyamurti : Will Government be pleased to state :

- (a) whether their attention has been drawn to the leading article entitled "Transvaal Indians" in the *Statesman* of the 19th of July, 1936 ;
- (b) whether they will continue to press on the South African Government the claims of Indians in that Dominion ;
- (c) whether they are keeping in touch with the conditions of Indians in British Guiana ;
- (d) whether they propose to keep in touch with the report of the recent Commission and the Government decision thereon ; and
- (e) whether they propose to make proper representations to the Colonial Office, from time to time, on this matter in order to secure justice for Indian labour ?

Sir Girja Shankar Bajpai : (a), (b) and (c). Yes.

(d) and (e). His Majesty's Government has agreed to afford the Government of India an opportunity to consider and comment on the Report of the Committee of Enquiry into the labour disturbances in British Guiana, before any action is taken on that report.

Mr. S. Satyamurti : May I know at what stage the proposal to create an overseas department of the Government of India stands ?

Sir Girja Shankar Bajpai : In the stage in which it stood last year—the stage of consideration.

Mr. S. Satyamurti : May I take it that nothing will be done, until the new Federal Government comes into being, if it does ?

Sir Girja Shankar Bajpai : If my Honourable friend will ponder a little, he will probably recall what I said—that the question whether a separate overseas department was necessary would be taken up after the separation of Burma, and not necessarily wait till the inauguration of Federation.

CLASSIFICATION OF POLITICAL PRISONERS.

678. *Mr. S. Satyamurti : Will Government be pleased to state :

- (a) whether their attention has been drawn to the statement of Babu Rajendra Prasad, ex-President of the Indian National Congress, published in the *Amrita Bazar Patrika* of the 20th of July, 1936, through the United Press from Lucknow, dated the 19th of July, 1936, regarding classification of Political Prisoners ;
- (b) whether they propose to examine the suggestions contained therein ;
- (c) whether they propose to abolish the separate classification of Political Prisoners and create a special class for all of those convicted of political offences not involving violence to person or property, and, if not, why not ;

- (d) whether they propose to consider the abolition of the Andamans as a Penal Settlement, and, if not, why not ;
- (e) whether they propose to allow Political Prisoners to have association among themselves, especially in the Andamans, at least so long as it continues as a Penal Settlement for Political Prisoners ;
- (f) whether they propose to allow a daily newspaper to every Political Prisoner, as also books to which no reasonable objection may be undertaken ; and
- (g) whether they are prepared to consider the whole question of the treatment of Political Prisoners and amend the rules in such a manner as to guarantee better treatment to them ?

The Honourable Sir Henry Craik : (a) Yes.

(b) The Government have examined the suggestions made in the statement.

(c) and (g). There is no "separate classification of political prisoners" at present. Government do not propose to depart from the principles laid down in the Home Department Communique of February 19, 1930, because they consider those principles (which were formulated after discussion with prominent Members of this House and very careful consideration) to be fair and reasonable.

(d) The Government do not intend to abandon the Andamans settlement. The reasons given in the Resolution of 27th February, 1926, still apply.

(e) Prisoners convicted of terrorist crimes confined in the Cellular Jail at Port Blair are allowed to associate during the day.

(f) Adequate provision is made under the rules for the supply of papers and books to literate prisoners. Government do not consider it necessary to provide every prisoner with a daily newspaper.

Mr. S. Satyamurti : With reference to the answer to clauses (a) and (b) of the question, may I know whether Government have examined the criticisms of the treatment of the political prisoners compendiously so-called, and why do they consider, in spite of this criticism that there is no need for any change being made in the rules regarding the separate classification of these political prisoners ?

The Honourable Sir Henry Craik : I have already answered that question. We have examined that question and we consider there is no case for a change being made in the rules.

Mr. S. Satyamurti : Since the last classification was made in consultation with prominent Members of this House, will Government consider the desirability of consulting prominent Members of this House, before they decide not to make any change in the rules ?

The Honourable Sir Henry Craik : If the Honourable Member had said before they decided to make any changes in the rules, I might have agreed, but I have said that Government do not propose to make any changes in the rules.

Mr. S. Satyamurti : Several of us are *ex-convicts*, and we know exactly what prison life is.

The Honourable Sir Henry Craik : I am well aware of that.

Mr. S. Satyamurti : May I know then, why Government are not prepared to consult those Members of this House, who are competent to offer an opinion ?

The Honourable Sir Henry Craik : There is nothing to consult them about.

Mr. S. Satyamurti : On the question of the fairness or unfairness of the working of these rules, in respect of what are called political prisoners ?

The Honourable Sir Henry Craik : As I have said, if we were considering changes in the rules, then there might have been some cases for consultation.

Seth Govind Das : Are Government aware that, in the last Civil Disobedience Movement, as there was no separate class created for political prisoners, the local officials were most vindictive in giving different classes

Mr. President (The Honourable Sir Abdur Rahim) : A question like that complaining of all sorts of allegations cannot be allowed.

Seth Govind Das : Sir, I am only asking whether the Government are aware of the fact that in many of the provinces even lawyers were put in "C" class and many respectable people who should have been classed as "A" class prisoners were put in "C" class ?

The Honourable Sir Henry Craik : I am not aware of that.

Mr. President (The Honourable Sir Abdur Rahim) : Legislative Business.

Mr. M. Ananthasayanam Ayyangar : On a point of information, Sir.

Mr. President (The Honourable Sir Abdur Rahim) : Is it with regard to this Bill ?

Mr. M. Ananthasayanam Ayyangar : No, Sir, with regard to the questions.

Mr. President (The Honourable Sir Abdur Rahim) : The question hour is closed.

THE CANTONMENTS (AMENDMENT) BILL—*concl'd.*

Mr. G. B. F. Tottenham (Defence Secretary) : Sir, I move :
" That the Bill further to amend the Cantonments Act, 1924, for certain purposes, as amended, be passed."

Sir, in view of the statement I made on the last occasion, I think I should refer for a few moments to the amendments that were passed by this House on that occasion. Having examined and studied the provisions of the Government of India Act, to which the Honourable Member then referred, I may say that the Government are prepared to agree that the voting disqualifications in Cantonments should be the same generally as the disqualification for electors of Provincial and Central Legislatures.

It is true that the effect of the Honourable Member's amendments, which were carried by this House, combined with certain provisions in our Cantonments Act which do not exist in the Government of India Act, will make the position in Cantonments slightly more favourable than the position for electors to the Legislatures. Whether it will be necessary to put that right in another place is a matter for consideration, but I do not myself think so, because the question is not of great importance in view of the fact that mercifully in Cantonments there are not a large number of people to whom these disqualifications would be likely to apply. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Motion moved :

" That the Bill further to amend the Cantonments Act, 1924, for certain purposes, as amended, be passed."

Khan Sahib Nawab Siddique Ali Khan (Central Provinces : Muhammadan) : Sir, I am glad that the Honourable Member in charge of the Bill has moved the third reading of this Bill. On the last occasion, when this House was discussing this Bill, clause by clause, and when two amendments were moved by my Honourable friend, Mr. Mohan Lal Saksena, and carried by the House, much against the wishes of the Honourable Member in charge of the Bill, I thought that the Bill would be withdrawn. I think, Sir, the Honourable the Defence Secretary, having accepted the radical amendment of my Honourable friend, Mr. Gadgil, the amendments of my Honourable friend, Mr. Mohan Lal Saksena, were in substance consequential and necessary. However, the Bill is now moved for the final consideration. I think, Sir, that the Bill is improved in certain matters, such as the constitution of the Boards' Franchise, initiative as to taxation, and the constitution of the Bazar Committees. The Bill when it was first introduced contained many reactionary clauses and particularly the abolition of Local Governments' supervision from the local self-Governments in cantonments altogether. I am glad that the Report of the Select Committee did away with the reactionary features of the Bill and I would have been very much glad if the official majority in each cantonment had been done away with. In fact, from the speeches delivered by the official Members while the Cantonment Act of 1924 was under consideration, it is abundantly clear that the local self-Government in cantonment matters would be completely democratised subject to the requirements of military in point of general health, sanitation and discipline of the troops. It seems Government was adamant and the next best, namely constitution of Bazar Committees, finds place in the Bill.

Sir, I know that the military authorities concerned are looking on these Bazar Committees with distrust, but from the views I have ascertained from the residents of cantonments in my constituency, I am able to say that if worked in proper spirit and if there is no interference by the military section in the Cantonment Board, the people concerned are prepared to give this experiment a fair trial. In the matter of taxation, I think the proposals that may be submitted by the Board should be submitted after ascertaining the views of the Bazar Committees. After all, it will be the bazar people who will have to pay the taxes, and it is but fair that their voice should prevail. I further think that there should have been a statutory obligation on the Government for the contribution towards primary education in the cantonment area. As things stand today,

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Government do not contribute much. Sir, as a result of this Bill, there will be elected Boards in all 91 cantonments. At present there are 32 Boards with elected members. As a result of this Bill, there will be some change in the constitution of these 32 Boards; of these 32, 12 are not affected, 13 will have an increased number of elected members, and only in the case of seven cantonments the elected strength will be reduced by one in five and by two in two. In the case of these seven, therefore, I would urge the Honourable the Defence Secretary to take into consideration whether as a result of the census taken immediately after the passing of this Act the existing strength could not be maintained. Personally, I do not attach much importance to the number when the relative strength remains the same. But if it is possible to get over this difficulty, all avenues should be exhausted.

Sir, I welcome the declaration of the Government not to lay any claims to lands in the bazar areas and further to demarcate the Bazar area with a view to future expansion.

I congratulate the Honourable the Defence Secretary, and I hope the promised instructions in the matter of distribution of seats, franchise, non-interference in bazar matters, maximum delegation of functions to Bazar Committee, will be issued immediately after the Bill becomes an Act. I also congratulate the Members of the Select Committee and especially my Honourable friend, Mr. Gadgil, for doing their utmost to get as much as possible from the strong arm of the Defence Secretary. With these words, I support the third reading of the Bill.

Mr. Mohan Lal Saksena (Lucknow Division : Non-Muhammadan Rural) : I rise to make a few observations on the Bill at this stage; Sir, if I do not offer any congratulations to my Honourable friend, Mr. Tottenham, it is not because of any lack of appreciation on my part of those qualities of his which mark him out from most of his colleagues on the Treasury Bench, but because I do not believe in occupying the time of the House in these idle formalities, and also because I do not find the provisions of this Bill to be sufficiently liberal and progressive to warrant any expression of special satisfaction on our part. You are aware that, during the consideration stage, a number of amendments were moved from this side of the House, to bring the Bill in conformity with public opinion and although Mr. Tottenham opposed them vigorously, I know that he did not do so, because he considered them to be unreasonable, but because he felt that he would not be able to carry his constituency—the army—any further. Also this side of the House was a little handicapped because of the understanding arrived at among the Members of the Select Committee, and it was therefore no surprise to me, therefore, that most of my amendments met the fate which they have. All the same, I venture to commend to my Honourable friend, Mr. Tottenham, and the Government those words which were spoken at this very place last week in regard to another Act,—that matters. If those words could be said of an Act which has been universally condemned as wholly unsatisfactory and thoroughly retrograde, I think I am on stronger grounds when I commend those words to my Honourable friend, Mr. Tottenham, in regard to a measure which has, at its back, an understanding which was arrived at between two sections of this House in the Select Committee.

In this connection, I would like the Honourable Member to bear in mind the adverse comments which have appeared in the press and also the fact that even the representative character of the Executive Committee of the All-India Cantonments' Association, as it is constituted at present, has been questioned. I am reminding him of this in order that he may not carry away the impression that public opinion has got what it wanted in regard to the administration of cantonments. There is a section of people which is not satisfied with the Bill. I want my Honourable friend to administer this measure in a sufficiently liberal spirit and in a manner such that the civil population in the cantonment areas may feel that a new leaf has been turned in the administration of cantonment boards. He should see that the cantonment boards henceforth are municipal institutions in the true sense of the term and not merely agencies to register the decrees of the military officials. Sir, I would also like that he should bear in mind that non-official public opinion should have an effective voice in the administration of cantonment boards, and therefore such cantonments as have got a larger number of elected members under the existing Act should not be deprived of their present strength of elected members and the rules have therefore to be liberally interpreted to that end. At present there are 76 cantonments in India, and out of these 30 have got elected cantonment boards. Again, of these 30 elected boards, there are eight which will be adversely affected by the new measure. At present they have got 51 elected members, and under this measure their strength will be reduced from 51 to 39, that is, by about 25 per cent. If we take individual cases, we find that the cantonment of Kasauli whose population is 2,452 will have only one elected member instead of four as at present, and if only eight persons were added to the population, they would get four. Now, we know that since the census was taken six years have passed, and we also know the circumstances in which the last census was taken when an important section of the public non-co-operated with the census operations. We also know that the population in India has been growing, and if a census were taken now, the number will be much greater than would be requisite to bring Kasauli into the second class cantonment board. In the cantonment of Jullundur the population is 9,990 that is, it is short by ten only to bring it into the category of a first class cantonment and thus it will have only six elected members instead of seven. If we take the population of Multan we find that it is 7,933, and at present the number of elected members is 7, while under the new measure it will be six. Similarly, in the case of Bareilly, we find that the population is taken according to the last census. In the case of Allahabad, it will be reduced from seven to six; in the case of Karachi, from seven to five; and in the case of Hyderabad (Sind) from five to four. Now, Sir, what I want to submit is that when this Act is brought into operation, orders should be issued for a fresh census. And after all, it should not be a very difficult task. There are not more than 10 lakhs of people, or, taking into account the increase, they may be 12 lakhs, and a census can be taken without much expenditure and in a very short time. Again, as regards hill cantonments the census should be taken during summer. Even in the case of those cantonment boards where the population is not sufficient to warrant the same strength of elected members as at present, I would suggest to the Defence Secretary that he must issue necessary instructions that in these cantonments at least, instead of military officers, the officer commanding should nominate the sufficient number of non-officials so that their present non-official strength

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may not in any case be reduced. Similarly, in the case of nominated boards, I find there are at least two which will have only one elected member while at present they have got two nominated members. I would ask the Defence Secretary to consider the cases of these two cantonment boards as well, which are Jhelum and Dera Ismail Khan.

Then I would refer to clause 1 of the Bill. We find from the Select Committee's Report that sub-clause (2) has been added with a view to provide for cases where because of preliminary action such as the making of rules or the preparation or publication of lists of voters has to be taken, it may not be possible to enforce the Act forthwith. I want the Government to give an assurance to this House that this Act will be brought into force even in these cantonments as early as possible, and in any case, not beyond one year. I want that no delay should be made in putting this Act into operation as this measure has been already overdue.

Then, Sir, I come to clause 14. We find that under clause 14 power is given to the Governor General in Council that a Board might be suspended or superseded for a period of one year by reason of military operations. The words 'military operations' have not been defined but I take it that it will not mean ordinary practice or *chandmari* or such other minor operations but will only mean cases of actual war or in the case of the Frontier the military operations in regard to the frontier tribes. I come to clause 16, that is regarding bazar committees. Now, we are aware that the official majority was agreed to on the definite understanding in the Select Committee that the bazar committees will be given the fullest powers so far as municipal affairs are concerned and therefore I would ask the Defence Secretary to assure the House once again that subject to the considerations of health, welfare and the discipline of the soldiers, all powers in municipal affairs in the bazar area and the lands therein will be delegated to the Bazar Committee. Even in the Select Committee report, it is said :

"We trust, however, that steps will be taken to ensure that real powers and responsibilities are conferred upon Bazar Committees."

Then, Sir, I come to the question of land administration. It has been said that in bazar areas the Government will lay no claim to proprietary rights so far as bazar is concerned. As regards other land, there is the scheme of perpetual leases. The other day there was a question regarding the Almora Cantonment where a certain person who claimed to be the proprietor of a bungalow was fined for having cut down trees and I put a question to the Defence Secretary whether in the case of perpetual leases the lessees will be able to cut down trees. He said he was not sure. I want to make sure about it. After all where is the use of having a perpetual lease if they are not going to have undisturbed possession or they are not allowed to enjoy the same rights which they have been enjoying so far. Then there was another question about the private lands in cantonments. That was not replied to by the Defence Secretary the other day because he said that information was not available and it would take a long time and involve considerable labour to get the figures. I gathered from that there is at least sufficient private land in cantonment areas and after all in regard to all land which is disputed or in which the Government claims proprietary rights we must bear in mind that these

persons have been encouraged to settle in cantonments and they have been encouraged to invest large sums of money and if at this stage they would not be allowed the enjoyment of those privileges and those rights which they have been enjoying for such a long time and in the hope of which they have invested large sums of money. There is no reason why the Government should in this scheme of perpetual leases not guarantee them these rights and their undisturbed possession of the land. I hope that the Defence Secretary will give an assurance on the points on which I have asked him for an assurance so that we may be in a position to support the third reading of the Bill. With these words, Sir, I resume my seat.

Mr. G. R. F. Tottenham : Sir, I have been asked to do a good many things during the passage of this Bill through the House and apparently the final demand is that I should increase the population of certain cantonments. (Laughter.) I am quite prepared to accept paternity of this Bill, but I do not think my philoprogenitive proclivities can go further than that. I have, however, certain figures here which may be of interest to the House with reference to what both the Honourable speakers said just now. At present there are 13 elected boards which have 15 members ; there are two which have 13 members ; there are six which have 11 members ; and there are nine which have only nine members. It is a definite provision of the existing law that the number of elected members in an elected board need not on any occasion reach the maximum. It is left entirely to the discretion of the officer commanding the station how many military officers he nominates, and if he nominates only one military officer then only one non-official is elected as his counterpart. If this Bill is passed into law, our calculations go to show that in 14 cantonments there will be 15 elected members ; in 11 cantonments against two, there will be 13 elected members ; in seven cantonments against the present six, there will be 11 elected members ; in 14 cantonments as against nine, there will be nine elected members ; and in 31 cantonments which have no elected boards at all there will be a small elected board. That, Sir, I think shows that on the whole the provisions of this Bill should be satisfactory from the non-official point of view. I admit that there may be cases such as those mentioned by Mr. Saksena where the number of the non-official population as recorded at the last census may be within a very few of a particular figure which would enable the Board to have an additional elected member. The Bill however itself provides that "the civil population shall be calculated in accordance with the latest official census or, if the Governor General by general or special order so directs, in accordance with a special census taken for the purpose", and I can undertake that these special powers will be used in suitable cases where the margin is a very small one and makes all the difference between one class of cantonment and another. We have no intention of being over-strict on that point.

Now, Sir, the next point on which the Honourable Member asked for an assurance was that the Bill, if passed, would be brought into operation without delay or at least within one year. I can give the assurance that it will, if passed, be brought into operation without delay. There are certain sections in it, such as those dealing with water supply arrangements, which depend upon an agreement between the cantonment board and the Military Engineer Service. It is possible that some of these

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negotiations may take more than a year, but I can assure Honourable Members that, if delay takes place, it will not be on account of dilatoriness on the part of the Military Engineer Service; and I hope that these new agreements will be reached as soon as possible. Then, Sir, the Honourable Member asked whether the clause about military operations was going to be widely interpreted or strictly interpreted. There, again, I can assure him that it is only going to be used in those frontier cantonments where military officers have to leave the cantonment to proceed on active service. The reason for it is that the military officers on the Board may have to go away to fight, and it would be unreasonable that the Board should be left to be run entirely in their absence by the non-official members. The use of the section will be limited to those cases in which the absence of the soldiers makes it necessary. The next point was with regard to the Bazar Committees. Well, Sir, I have given assurances in the past with regard to that matter and I can only say that I meant those assurances. We have every intention of starting off these Bazar Committees with a real chance to function and to exercise responsibility and power. It will depend upon the manner in which that responsibility is actually exercised whether they will continue to be given those powers, or whether they will be given increased powers or whether they will be given less powers. That is a matter on which I myself cannot give any assurance at the moment. I can only say that we have every intention of giving them every chance to function successfully. Then, Sir, I think the only other point was with regard to the one or two references to land which the Honourable Member made at the close of his speech. As regards the right to the trees growing on the soil in which bungalows are built, I will certainly take that point into consideration in drawing up this new model lease that is now under consideration. I would like to make it clear that our only object now in preventing people from cutting down trees and so on is simply to preserve the amenities of cantonments. We have no objection to the owner of a house cutting down a tree here or there if it interferes with his view or for some other good reason of that kind, but what we do object to is, when there are a number of nice trees in a compound, that the owner of the house should cut them all down and sell them for profit. That is a thing we do not like and I think we have every right to try and put a stop to it. As regards the question of private land in cantonments, it is true that there are certain areas which we have always recognised to be private and over which Government have no claim whatsoever. It is quite unnecessary in such cases to consider a lease of any kind. The land is freehold and Government have nothing whatever to do with it and I can assure the Honourable Member that there will be no attempt on our part to interfere with such private land in cantonments. These, Sir, are all the points raised by Honourable Members and I think I need only say, in conclusion, that I am most grateful to the House for their co-operation in placing this measure on the Statute-book. (Applause.)

Mr. President (The Honourable Sir Abdur Rahim) : The question is : " That the Bill further to amend the Cantonments Act, 1924, for certain purposes, as amended, be passed."

The motion was adopted.

THE INDIAN COMPANIES (AMENDMENT) BILL—*contd.*

Mr. President (The Honourable Sir Abdur Rahim) : Before I come on to the item of the Indian Companies (Amendment) Bill, I ought to mention to the House that it has been impressed upon me by the Leader of the House that the progress so far made with the Bill has been very slow, and that unless better progress is made now, the Bill itself will be in jeopardy and I do hope that every section of the House, therefore, will co-operate with me in seeing that a satisfactory progress is made with the Bill; and, so far as I am concerned, I should be prepared to sit late today and on the next official day longer than usual, and, if it also be the desire of the House, I should be prepared to dispense with the question hour. (Voices : " No, no, no.") Very well, if that is not the desire, then, of course, I shall be prepared to sit today till 6 o'clock, and on the next official day and, if necessary, also the day after. The House will now resume further consideration of the Bill further to amend the Indian Companies Act, 1913, for certain purposes, as reported by the Select Committee.

Sir H. P. Mody (Bombay Millowners' Association : Indian Commerce) : Mr. President, my Honourable friend, Pandit Govind Ballabh Pant, in a speech which was listened to with great attention, and if I may say so, with respect, covered the whole field of the managing agency system. My own performance will be of a more modest character. Sir, during the last few months the whole of India has been ringing with the denunciation of managing agents. No epithet seems to be too severe for them, and they are held up as a sort of criminal tribe which has got to be reclaimed, with the severest possible measures that could be applied to their reclamation. Even poisoners, perjurers, dacoits and bigamists occasionally excite a little sympathy, but somehow or other a managing agent can only succeed in producing an atmosphere of bitter hostility.

An Honourable Member : Why is that so ?

Sir H. P. Mody : It is for my Honourable friend to answer that. If he prefers the other people, I have nothing further to say : it is a matter of choice.

Mr. S. Satyamurti (Madras City : Non-Muhammadan Urban) : You do secretly what others do openly.

Sir H. P. Mody : Then, the palm must be given to us for a little bit of cleverness. Sir, my idea is, when I get back to Bombay, to start " a society for the protection of managing agents ". (Laughter.) I have not yet decided who the President shall be, but so far the choice lies between my Honourable friend, Mr. Satyamurti, and my Honourable friend, Mr. Joshi—(Laughter)—two very tried and trusted friends of industries. (Hear, hear.) Now, why this hostility—I want to ask my Honourable friends ? What have the managing agents done in the course of these last sixty years and more to incur so much odium at the hands of a certain section ?

An Honourable Member : What have they not done ?

Sir H. P. Mody : I want my friends to remember that a handful of men in the face of public apathy, Government indifference, the lack of technical skill, and various other obstacles have built up in India an

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industrial development which has placed this country amongst the first dozen industrial countries of the world, though I recognize that there is a considerable leeway yet to make up and that India may still be regarded as in the infancy of her development. Take, for instance, the case of the textile industry. Who has promoted the textile industry? Who has established it? The textile industry was established by a few people in the sixties of the last century and for years together, I should say for nearly seventy years, not only did it not receive the slightest encouragement from Government, but it actually encountered every kind of difficulty that could be placed in its path. (Hear, hear.) Sir, the fashion amongst the Treasury Benches recently has been to say, "oh, the consumer is being bled, protection has become rampant and that some revision must take place in the tariff policy of Government". I ask, how long has this tariff policy been in operation? Only for a miserable ten years, if even that; and so far as the textile industry is concerned, it received a most meagre measure of protection only as recently as 1930.

An Honourable Member : What about the swadeshi movement?

Sir H. P. Mody : I will come to every point, if you will have a little patience. I was saying that in spite of it all, the industry has prospered, has grown, until today it nearly produces three-thousand five hundred million yards of cloth as against a total consumption of between four-thousand five hundred and five thousand million yards,—and it is not due to any protection, it is not due to any encouragement on the part of anybody, but it is due entirely almost, or if that is a little exaggeration, then very largely to the energy, the enterprise and the sacrifices of managing agents. (Voices : "Question, question.") And, Sir, those who talk of agricultural development, the burdens on the consumer, and the like, must realise what an enormously important part the textile industry plays in the agricultural economy of this country. Very nearly half the total cotton crop of this country is consumed by the indigenous industry, and those people who know anything about it should know that if there was no textile industry, something like 3 million bales would probably be not grown at all. There are no further world markets to capture. Then, take the case of the steel industry. Out of what was 30 years ago a jungle in every sense of the word, there has grown up a town of enormous importance, housing very nearly 1,00,000 people, a town which has become the second in the province, and an industry which employs 25,000 people and which pays crores of rupees every year in wages. I want to ask whether such development was at all possible without managing agents? The arguments that are advanced are : Very well, let us are no longer wanted. In other words, they are going to be cast aside as a worn-out shoe. My answer is that it is because of the fact that managing agents have a very considerable interest in their concerns, and that it has been possible in times of depression to carry on companies in the hope of better times, and it is because of that that the industries of the country are today what they are. I assure my Honourable friends that there have been a dozen occasions during the last 25 years, on which, if the management had been left in the hands of directors, the necessary

money would not have been forthcoming, the necessary sacrifices could not have been made, and the concerns would have gone to the wall. Now, Sir, my Honourable friend, Prof. Ranga, the other day attacked the managing agent as a dishonest fellow.

Prof. N. G. Ranga (Guntur *cum* Nellore : Non-Muhammadian Rural) : You said that.

Sir H. P. Mody : That is the last thing I will say.

Mr. S. Satyamurti : But the first you should do.

Sir H. P. Mody : My Honourable friend, Prof. Ranga, is a bit of an enigma to me. From the way in which he continually prates about the peasant and the proletariat, I said to myself that he must be at least a cultivator growing rice, or, if he was a little more prosperous, potatoes, mangoes and the like. Imagine my astonishment when I found that he was only a professor of economics. And, when as a professor of economics he talks about peasants and cultivators, much as if he was flesh of their flesh and bone of their bone, much as if he belonged to them and they belonged to him, all I can say is that he must be suffering very vicariously. And when he so suffers, he reminds me of the young husband who was very agitated when a certain happy event was about to take place in the family. The doctor said : "Compose yourself, my good man. I have brought hundreds of babies into this world and never lost a father yet." (Laughter.) Now, Sir, my Honourable friend also talked of fat agents. Somehow or other, whenever managing agents or capitalists of any class are being spoken of, they are in the popular imagination associated with a lot of weight and fat. But, literally speaking, what are the facts? Can you, Sir, or anybody else imagine a more hungry looking specimen of a managing agent than my Honourable friend, Mr. Mathuradas Vissanji. (Laughter.) And, taking the other side of the picture, can anyone find a more prosperous consumer than the gentleman who adorns the bench opposite, and who is conspicuous by his absence, a man who looks every inch a consumer?

Now, Sir, I come to the amendment of my Honourable friend, Pandit Govind Ballabh Pant. What does it say? The amendment, in effect, seeks to whittle down the period of 20 years which has been fixed in the Bill. I want my Honourable friends to remember that even the period of 20 years is a violation of many existing contracts, and you want to still further reduce the period to five years.

Pandit Govind Ballabh Pant : Not necessarily to five years.

Sir H. P. Mody : But in many cases it comes to five years, as I shall presently show. At the outset, I may say, I do not hold the extreme view about the sanctity of contracts. I do not say that they are in all circumstances inviolate and inviolable, but I do say and I submit it with great confidence that after all there are limits beyond which you cannot lay hands upon contracts between two parties, even in the public interest. My Honourable friend, the Law Member, the other day recited a long list of restrictions which are being sought to be placed upon managing agents. I should have thought that would have been sufficient for the purpose of ensuring a fair deal for the investor in this country. But my Honourable friend, Pandit Govind Ballabh Pant, and those of his way of thinking want to go still further. I want to ask why are these contracts considered

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unconscionable? Were they effected between two parties, one of which was in a weak position and therefore susceptible to pressure, influence and intimidation? No, Sir. The contracts are between parties, both of which are at arm's length and if anyone suggests to me that the shareholders either individually or in the mass are a hopeless, impotent sort of people, I say no.

Mr. N. M. Joshi (Nominated Non-Official) : They are unorganised.

Sir H. P. Mody : They may be, but that is just what my Honourable friends have got to see about. There is another argument in support of my contention that these are not unconscionable bargains. It may be that in the past, when people were not organised, a number of contracts might have been of a character which could not bear to see the light of day. But what has been happening during the last two or three years, particularly in Bengal, where there have been so many recent floatations? There have been the same provisions about managing agency as in the older contracts. Sir, as I was saying the effect of this amendment would be that in a number of cases, the managing agencies would terminate automatically within five years.

Pandit Govind Ballabh Pant (Rohilkund and Kumaon Divisions : Non-Muhammadan Rural) : Not automatically.

Sir H. P. Mody : Whether automatically or by the application of a little pressure, it comes to the same thing. If I am going to be executed, whether I am going to be executed automatically or by some round about process, does not interest me much.

An Honourable Member : Are you a Managing Agent?

Sir H. P. Mody : Yes, of a sort. The effect of this amendment will be that managing agencies which have existed either in their present form, or through their predecessors, for a period of 30 years, will have only another five years to run. What is the magic about 30 years? Is it suggested that in these 30 years the managing agent has amassed a fortune, and therefore he should not complain if his managing agency agreement should be terminated and he should be compelled to approach his shareholders for a renewal of it? Suppose, I, a managing agent, have come on the scene during the last two or three years, and my predecessors have been in office for 30 or 40 years; the penal provisions of this amendment will apply to me who have only come on the scene very recently. That is the result : that I, who have probably invested in a particular company large sums of money, I, who have held myself responsible for loans from the banks, am pushed out, or am under the danger of being pushed out inside of five years. Then, Sir, consider the anomalies and the injustices of this. Some managing agents may go out in five years, some in seven, some in ten, some in fifteen, and so on. A managing agent who has incurred the heaviest sacrifices may have to go out in five years. A managing agent who has fattened on the gains of a particular company may be in a position of continuing for 15 years or even 20. All these anomalies are inherent in the amendment of my Honourable friend.

Now, Sir, my Honourable friend's principal objection on the last occasion was that he did not believe in the principle of heredity. None of us believes altogether in the principle of heredity, but we do have some

respect for heredity, and I submit that a managing agent, who has invested a great deal of his own money, and who is in many cases the largest single shareholder in his concern, has a right, so to speak, to expect that the concern will be carried on after him by his children. I do not know whether my Honourable friends realise that the whole of Ahmedabad, whether my Honourable friends realise that the whole of here-industry or at least a good bit of it was built up on the principle of heredity. I am told, though I cannot vouch for it personally, that whenever a managing agent had a son born to him, he put up another mill, with the result that out of one mill grew two, three, four, half a dozen, and Ahmedabad today is one of the most prosperous and important centres of the industry. There is nothing wrong about the law of heredity. My Honourable friend, Pandit Pant, employed a personal argument, and said, supposing there was a managing agency agreement with Sir Homi Mody that he was to dance until he was 55 years old, and thereafter his son should dance, and so on. Well, Sir, if I have got the strength in me, I should dance, and so on. Well, Sir, if I have got the strength in me, I should certainly dance until I am 55, or even later, and when my son follows me, I am sure he will be able to dance a great deal better. To come back to the point, I ask my Honourable friends not to make things too difficult. They must bear in mind the sacrifices which have been made by the managing agents in the past. I shall give a very few figures to show what only in one centre of the textile industry, namely, the textile industry of Bombay, the managing agents have done in the course of the last ten years. Commission given up, 54 lakhs, interest given up, 110 lakhs, loans converted into capital—which is, of course, a much lesser security—278 lakhs, losses through guarantees, 75 lakhs, other losses, 19 lakhs, thus making a total of five crores of rupees inside of ten years. This is hard cash, and no humbug about it. I am asking my Honourable friends to bear in mind such sacrifices of managing agents. I am asking my Honourable friends to bear in mind the fact that India still is in the infancy of industrial development, and things must not be made too difficult for her. My Honourable friend, Pandit Govind Ballabh Pant, talked about the burden on the consumer and he read from a book certain figures which appeared very impressive because they dealt in crores. It is rather curious that my Honourable friend should find himself on this occasion in the company of the Honourable the Finance Member, who argued in much the same way during the last Budget Session or in the one before that. It seems to me, Sir, that a bad case, like adversity, makes strange bed fellows.

Having said this, I want to welcome with both arms my Honourable friend, Pandit Govind Ballabh Pant's assurance that he would be the first to stand up for the industrial development of this country, he would be the first, under certain safeguards and conditions, to stand up for tariffs, he would be the first to try to make India as self-sufficient in respect of her essential requirements as it is possible to be in the modern world. I welcome that assurance, but I want him to act up to that assurance, and not be led away by a consideration of how certain people possessing a little power and authority may have misbehaved themselves. Questions of this importance are not to be disposed of by a consideration of the way in which some people may have behaved in the past. There are black sheep everywhere, not confined merely to the class of managing agents. I could name a good few in probably every profession or calling, but I say that that is not a matter which ought really to obsess the view point of my Honourable friends. After all, the real safeguard lies not in a Bill like this, though

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the Bill is stringent enough, but in the vigilance of the investor. We have in Bombay, as I said on the last occasion, a very vigilant and efficient Shareholders' Association, and I expect Shareholders' Associations to spring up in other important centres of industries also, and it is with those bodies that the real safeguard of the investor must rest. Take my Honourable friends here; I would say with regard to the Congress Benches that Mr. Bhulabhai Desai, Pandit Govind Ballabh Pant and Mr. Satyamurti are the managing agents, and those gentlemen who sit behind them are the shareholders. The three gentlemen enjoy very large powers admittedly, we hear of their doings from time to time, but we know at the same time that on critical occasions, it is not these managing agents that decide the issue, but the shareholders behind them. (Laughter.) In much the same way, Sir, the salvation of the man who invests his hard-earned earnings in the shares of a company lies not in provisions of the law, but in the vigilance which he can exercise, and the organization which he can help to build up for the purpose of making his voice felt. I repeat that this amendment is of a very penal character, of an expropriatory character, and the House ought not to support it. (Applause.)

Mr. S. Satyamurti : Sir, after this burst of eloquence, I want the House just to look at the amendment and not to be carried away by his words. Now, let us look at Amendment No. 42, which my Honourable friend, Pandit Govind Ballabh Pant, has moved: Let us analyse its terms, so that we may know exactly what it asks the House to vote for:

"A managing agent shall cease to hold office any time after five years from the commencement of the said Act",

That is to say, they are safe from 1937 to 1942, and nothing can happen to the managing agents till 1942. The amendment goes on to say--

"if the company has by a resolution passed at a general meeting decided to terminate his services,"

There was a good deal of talk about "automatic execution". May I know what 'automatic' means? Does it not mean that the "company has, by a resolution passed at a general meeting, to decide to terminate his services"?

Sir H. P. Mody : Execution takes place unless there is a reprieve.

Mr. S. Satyamurti : Even eloquence ought not to justify inaccuracy. I suggest that my Honourable friend was misleading the House, I do not say deliberately, but perhaps he did not read the amendment carefully. The amendment says that he shall cease to hold office:

"if the company has by resolution passed at a general meeting decided to terminate his services,"

There is no automatic execution.

The Honourable Sir Nripendra Sircar (Law Member) : No, it is automatic suspension.

Mr. S. Satyamurti : No, not even that. All this talk about managing agents and their virtues and their being saints are a little unconvincing, when in the next breath these estimable gentlemen say that the shareholders are not reasonable, they will

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cut their nose to spite their face, and they will therefore terminate all managing agencies. Who told you so? If these managing agents have made these enormous sacrifices and given advances and somehow kept the business going, why should you think that all these shareholders are people who do not know what is good for themselves? Why do you assume that? You say the real safeguard is in the vigilance of the shareholders. Then why don't you trust them? I have not yet understood why the Honourable the Law Member, the Leader of the European Group, and my Honourable friend who spoke last, are all so unanimously suspicious of the shareholders.

The Honourable Sir Nripendra Sircar : Because of the Bombay corners.

Mr. S. Satyamurti : Very good. Therefore, because of the Bombay corners the Honourable the Law Member says, "You must make it a general rule with regard to all shareholders". But, if we use the same argument and say that because of dishonest managing agents and their notorious robbery of some companies, of which I will give examples, you must enact legislation, they say, "Oh, no, they are exceptions; you must not treat all the managing agents like that. There are very good managing agents and there are black sheep in all professions. Therefore don't legislate for them". Therefore, may I ask why are you legislating against all shareholders? You know there are some Bombay corners, and is it absolutely fair to suggest that in all these Bombay corners the motive was mere selfishness, unscrupulousness, personal animosity, and not any other desire to serve the companies? I think, Sir, you must apply the same test to both. I agree, adopting my Honourable friend's pharaseology, that there are black sheep among all managing agents, and shareholders. Therefore, if you do not want to legislate for all managing agents, at least be consistent and say that you ought not to apply to shareholders all over the country, your knowledge or your estimate based on that knowledge of the possibility of shareholders abusing this power. At least, I appeal to this House to believe that, at the end of 5 years, managing agencies are not automatically terminated. On the other hand, it comes before the shareholders; and I want to put before the House that, in the case of good managing agents, it is perfectly possible for the managing agents to get even better terms than they have been getting, if they have done so well, if they can convince the shareholders that the industry needs them, that their services have been given freely and generously, and that they possess the talent, ability, and character to serve the industry. I ask them to trust in themselves and in the shareholders, to believe that these managing agency aspects will be renewed, if necessary, on even better terms.

Then, Sir, the proviso follows:

"Provided that no such resolution shall be passed unless thirty years have elapsed since the Managing Agent or his predecessor first occupied such office."

That is another condition,—there are 30 years. No managing agency can be touched, even after the five years after the passing of the Act, unless the said managing agency has had the comparatively long period of 30 years' service. My friend asks, what is the magic in the 30 years? The magic is this, that, during 30 years, any decent managing agent would have had ample opportunities of proving to the shareholders that it is to their interest to continue his term of office.

Sir H. P. Mody : He may not be managing agent for 30 years.

Mr. S. Satyamurti : He or his predecessor.

Sir H. P. Mody : He may be a different man.

Mr. S. Satyamurti : But the shareholders will take the entire services rendered by the managing agents during all these 30 years, in deciding whether to continue that system in that company or not. And I, therefore, submit, Sir, that, apart from all other arguments on the question, the House has got to look at the terms of the amendment, and vote one way on this question—this amendment is not so comprehensive as my friend sought to make out, but it is a very modest, very reasonable, and practicable amendment; they all have 5 years more. At the end of 5 years, if they have had 30 years, it will be open to the shareholders, on a fair and just consideration of all relevant matters, to come to a conclusion, either to renew or not to renew the managing agency, or to accept the terms as they are, or to improve them or make them harsher, as against the managing agents. It will ultimately depend on the question of whether the shareholders taken as a whole have come to the conclusion that it is to the interest of the company to keep these managing agents or not. My Honourable friend, the Law Member, interjected in answer to my question as to why they want this amendment not to be accepted, "Because of Bombay corners". Now, Sir, I want to ask him another question if I may. Clause 42 provides for the expiry of both existing and new agencies at the end of 20 years. What about the Bombay corners at the 19th year or the 18th year? It proves too much. It proves that, "once a managing agent always a managing agent" ought to be the principle. It will satisfy my friend, but it will not satisfy the industry, and therefore this talk of corners proves too much. It proves this that you ought to have no termination of managing agents at all at any time. But, after all, it seems to me that, if you are to have sufficient faith in shareholders, nobody ought to hesitate in accepting this amendment. My friend said that the whole country has been for the last few weeks ringing with the denunciation of managing agents. I think he was painting an overdrawn picture. As a matter of fact, I think from those benches with all the august authority of the Publicity Department of the Government of India, pamphlets have been raining on our devoted heads praising the great managing agents, their great services to Indian industry, and stating why they ought not to be interfered with. Who inspired those? Therefore to say that the whole country has been ringing with the denunciation of managing agents is just that type of exaggeration, of which managing agents alone are capable. Then, Sir, my friend, in that facetious manner which has gone on ever since the discussion on this Bill started, mentioned two names of Honourable Members, my friend, Mr. Joshi, and myself, and said: "These are friends of industry". Sir, the Honourable the Law Member has had a lot of good humoured fun at our expense, by painting imaginary boards of directors. I want to return the compliment, and I want to paint an imaginary firm of managing agents, consisting of Sir Homi Mody, Mr. Chapman-Mortimer and Mr. Griffiths. That will be an ideal firm of managing agents. Sir Homi Mody told us in one of his expansive moods the other day, "What do I care for anything except my own interests? The shareholders—let them go to the other place. What do I care? Let me get my share of the income. As for the shareholders, we shall see". That is his managing

agency. Mr. Chapman-Mortimer, with an ingenuity which I have learnt to admire in him, will devise means of how to increase the commissions and profits of managing agents, in various ingenious ways. I will not pause to describe them,—he knows them better, than I can describe. I will not even name the instances, but I think Calcutta knows, more than I do, how some of these very famous managing agency firms have done the shareholdings in the eye, by all kinds of sales and purchases of goods and raw materials. Then, Sir, there remains the third member of the firm, the Chief Whip of the Government Party. If shareholders dare to meet, he will at once pass an order under section 144 on these gentlemen, and say 'you shall not meet' in the full confidence that the Honourable the Home Member will defend him on the floor of this House, whatever he does. So that will be the ideal firm....

Babu Baijnath Bajoria (Marwari Association : Indian Commerce) : Why should Sir Homi Mody be on two ideal boards of directors?

Mr. S. Satyamurti : I don't mind the exchange between Mr. Bajoria and Sir Homi Mody, because I have found that, while in the Select Committee he was all for shareholders, something has happened to him since, to show a special affinity for managing agents again. I cannot understand the metamorphosis, but if my friend, Mr. Bajoria, wants to be a managing agent, I wish him all joy. Then, Sir....

Sir H. P. Mody : Will you take shares in such a concern?

Mr. S. Satyamurti : I have no money to take shares anywhere. Then, Sir, my friend asked two rhetorical questions—who has built the textile industry, who has built the steel industry? I do not want to discount the foresight, the energy, or the initiative of the late Tatas. I think India owes a debt of gratitude to them for the great service they have done to Indian industries in many directions; nor do I want to discount the services rendered to this country by the pioneers of the Indian cotton industry in spite of the iniquitous excise duty. I am grateful, all India is grateful to them; but if today textiles and steels survive in spite of the competition, ruthless competition from my friend's friends' country and from Japan, there is no doubt whatever that we humble people, the poorest in the land, pay for that protection....

An Honourable Member : What about Bengal?

Mr. S. Satyamurti : I am not going to talk in provincial terms, but all of us in India pay for the protection to the textiles and the steels. Let not my friend, Sir Homi Mody, walk away with the impression that the managing agents are the only men who keep up these industries. Will you give up the protection?...

Sir H. P. Mody : Not just now, but after another 20 years.

Mr. S. Satyamurti : You give up the protection and see where you stand. Then, as regards the textiles, apart from protection, but for the Congress gospel of Swadeshi, which has reached throughout the country and which has made the poorest and the richest in the land sacrifice for encouraging Swadeshi, where would the textiles be today? My friend was here encouraging the Government to pass Ordinances after Ordinances, whereas we were picketing foreign cloth shops we were beaten in the open streets, our women insulted, a volunteer named Babu Ganu was killed in Bombay, he placed his body before a lorry carrying foreign cloth,

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another man was killed in Tiruppur, in order that you may fill your pockets; and it seems to me, Sir, that sheer gratitude at least ought to make my friend hesitate before he so arrogantly claims, for the wonderful genius of the managing agents, all the expansion of the textile industry in this country. I think we have a claim, we have established a moral claim to have a powerful voice as to how this....

Sir H. P. Mody : Who disputes it ?

Mr. S. Satyamurti : Then accept the amendment.

Sir H. P. Mody : No, you accept my view point.

Mr. S. Satyamurti : No, nothing of the kind.

Then, Sir, my friend, with refreshing frankness which is always associated with him, admitted that there is no point in talking too much about the sanctity of contracts, and therefore I hope there will be no elaborate argument hereafter about the sanctity of contracts. All this formula Sir Henry Maine's 'from statutes to contract' has gone by the board. Today, humanity stands in this position that you ought to have not only contracts, but also adjustments. If the law will be merely contracts, the larger fish will eat the smaller fish, and so on, there will be no humanity, no adjustment, no equality, no justice, and therefore we agree that these contracts ought to be examined. My friend then asked—**are these unconscionable contracts?** Yes, a thousand times, yes. I will presently read a few extracts from these contracts to this House to show how unconscionable they are, and I will try to convince the House that one of the parties to the contracts was exploited by the other, the weaker by the stronger. My friend knows better than I do, and yet he was talking through his bare head, he has neither a hat, nor a turban,

Mr. President (The Honourable Sir Abdur Rahim) : I think the Honourable Member may stop now and resume his speech after lunch.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. Deputy President (Mr. Akhil Chandra Datta) in the Chair.

Mr. S. Satyamurti : Before we adjourned, I was saying a word about cornering, and I should like to add one more word. What is there to prevent the shareholders of any company cornering shares now, in order to make the position of the managing agents almost intolerable and step into their shoes? Therefore, Sir, this argument of cornering is not very convincing. We have had a great deal of mention made by every speaker on the other side, including the speaker who spoke just before me, about the sacrifices made by the managing agents. Sir, my mouth watered at the mention of the sacrifices made by these managing agents. It seems to me that any company which is insolvent has only to apply to this assembly of gentlemen, and they will find all the money needed, they give up their commissions to put the company solvent again. Is

that the only side of the shield? Is there no other side of the shield? Sir, while I am not anxious to discount such sacrifices as may have been made, I think fairness demands, in order to enable the House to decide this question fairly and squarely, that the other side of the shield must also be presented, and I am now quoting from the New Testament—**I am authority**, I hope, has not yet been given up by the Government,—I am referring to Dr. Lokanathan's book, and you find from that Book, at page 345, that this burden of payment does work very hard in the case of some companies. A table is given at the bottom of page 345 from which I shall quote only the following figures. In 1927, in 75 mills, after allowing for depreciation, the loss was Rs. 736,309, the Agents' office allowance was Rs. 547,569. Similarly the net commission was Rs. 2,539,908, total allowances Rs. 3,087,477. In 1930, in the year of losses also, they drew this commission, and I should like, Sir, to draw the attention of the House very briefly to the statement given at page 921, on Paper No. VIII, Part III, of the Bombay Shareholders Association's memorandum in which percentages of commission on the basis of profit are given in the case of 8 mills, and they vary from 22 per cent., 33 per cent., 36 per cent., 60 per cent., 40 per cent., and so on. I do not want to tire the House or detain them too long on these figures, but I merely want to convince my friends that there is another, and uglier side to this picture. While undoubtedly some managing agents may have made sacrifices, most of them have done nothing, and, in this period of thirty years, the boom period was included; and I think, Sir, if some of these managing agents took us into their confidence, they would be able to tell us how much they made in those years. Now, taking the sacrifices and the gains they have made, I think I can say fairly accurately that after all the managing agents have made the best of both the worlds.

Then, Sir, there was one argument in the Honourable the Law Member's speech, both on an earlier occasion and on a later occasion as well, which consisted of this syllogism,—he said, all industry requires finance,—the major premiss; Indian industry cannot get this finance/except through managing agents—minor premiss: conclusion—therefore, managing agencies must be perpetuated with all the abuses, except to the extent to which the Bill seeks to remedy them. That is a perfect syllogism, Sir, but it seems to me there is a lacuna in that. It is a vicious circle; it must not be permanent. Why should Indian industry be allowed to continue to depend for finance, only on managing agents and their kindness? As early as 20 years ago, the Indian Industrial Commission recommended other systems by which finance may be found for Indian industries directly by Government assistance, or by Industrial Banks. Such Banks are well-known in other countries. Having done nothing in the matter, now we are told that, since we are helpless, we have to get finance only from managing agents, and therefore perpetuate them. It seems to me that we cannot acquiesce in that. At any rate, I hope the House will accept this amendment which does not destroy managing agencies, but which gives them a full lease of life, provided they are good and honourable, and really helpful to the companies, whose managing agents they are.

I find that Sir Leslie Hudson in his speech, a full report of which I was able to read in the *Statesman* of Saturday, refers to the great

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services rendered by managing agents and claims credit for them. I have no quarrel with that claim, but I want to convince the House, if I can, that there is a heavy price paid for these managing agencies, and there is really a conflict of interests between managing agents and shareholders; and although, normally speaking, their interests ought to coincide, they do not, in many cases. For this reason, I want to give this capital reason :

2 "the managing agents regard the earnings from shares as subordinate to their earnings in other capacities and fields of activity. Several managing agents receive a commission on their purchases and credit this commission to their own account. They get very much more out of these purchases than out of the shareholders, and the fact is that managing agents have found that the profits which they receive from their ownership of the shares in the mill companies are not so important, as the profits which a large number of related side activities afford them."

That is my complaint against the managing agency system :

"While it would be wrong to say that the practices described above are universal in the cotton industry, there is little doubt that they are sufficiently wide-spread to cause the greatest distrust of the system."

3 I want to quote only one more sentence from this Book. "The system results, therefore, in a very poor return to the shareholders as such, which acts as a check to investment, or at any rate the inducement to investment in industrial concerns will never be very strong under the existing system. . . . The system should be rid of all its ugly features, so as to be able to perform for industry, services even more valuable than it has done in the past". On the whole, Sir, I also want to say that these managing agents, in most of these companies, manage to keep in their own hands the dominant voice in the management of these companies. On this question of Indian managing agency systems,—I am not now talking of European companies, who are claimed to represent the quintessence of ability, experience, knowledge, sacrifice and honesty,—I want to say this, and I have the high authority of the New Testament for that again :

4 "So far as the Indian section of the managing agency system is concerned, its continuance can be explained and justified only because of the concentration of ability, experience, and capital in the hands of a few persons who have done great service to industrial development. If it became possible to persuade them to do for industry in an altered status what they have been doing as members of agency firms, the result would perhaps be wholly good. There are no benefits which would be lost by such a change, for those benefits are not the result of the system but of the ability and resources of the persons who run the system."

Is it suggested, Sir, that if at the end of five years, after the passing of the Act, and after thirty years of management, this amendment operates, my friend, Sir Homi Mody, would not be able to go before any meeting of shareholders and persuade them with his well-known eloquence, his great ability, sacrifice, and honesty as managing agent to allow him to continue as managing agent? Therefore, it seems to me that the amendment will not affect honest, capable, managing agents. As for dishonest managing agents, the sooner they go the better, for everybody concerned.

Now, Sir, I am sorry my friend, Mr. Susil Sen, is not here, I understand his father is ill, I hope he will soon be with us again, and give us the benefit of his ripe experience and knowledge of the law on the

subject,—Mr. Sen has come to the conclusion that, unless these proposed amendments of the law are made retrospective to the extent to which they deal with abuses, this Bill will be of no effect whatever. Therefore, I suggest that this time limit of 5 years or 30 years, whichever is longer, is ample enough for managing agents, to show how they have served the industry, and therefore they have nothing to lose by having to go before the shareholders. Whatever the merits of the managing agents in respect of textile, steel, or other industries in their infant stages, a time must arrive, even in these industries, when they ought to be able to do without these managing agents, unless they act on the principle of the British Government that Indians must always be treated as infants or minors, and therefore they must be there all the time. If really the managing agents have done their best for these industries, there ought to be enough shareholders and directors who can manage these concerns without the necessity for these managing agents being continued. But, after the first ten or fifteen years, the managing agents' agreements should be revised and the payment reduced to what is fair and that is what would be regarded as a fair remuneration of a board of directors with a managing director. Therefore, at every stage, this remuneration ought to be reduced and scaled down; and I really plead with the House to look at the amendment, i.e., the actual wording of it, and not read into it meanings subtly suggested by clever advocates for the perpetuation of this system. I repeat that the amendment does not automatically terminate any managing agency whatever. All agreements get five years after this Act, and even in the case of those agreements that have not had thirty years from the beginning, they will get the extended period. At the end of that period, the shareholders will come to a general meeting and decide; and I may add, from what I have read of the literature on this subject, that in most concerns the managing agents have a very big and dirty finger in the pie, and therefore they can easily manipulate the meetings and they can get their managing agencies renewed, unless the shareholders are thoroughly convinced that the managing agents ought not to continue. After all, why should managing agents be so afraid of seeking the suffrage of their shareholders? Even in this Assembly, all of us think we are the best Members: we represent our constituencies here; but even we have to get out after three years, and persuade our constituents to send us again, or be sent back home. Therefore I do not see why managing agents should fight shy of this test by their shareholders, who after all are the owners of the company, and must have a voice in deciding this matter.

My Honourable friend, Sir Homi Mody, this morning was speaking of the argument put forward by the Deputy Leader of the Congress Party about the interests of consumers in respect of protected industries. In a tone, in which I thought I suspected some jealousy, he said "I see in the Deputy Leader in the company of the Finance Member". Yes, I the Deputy Leader, in the company of the Finance Member, but intellectual the sole confidence of the Honourable the Finance Member, but intellectual agreement cannot be comprehended even by my friend, and I want to tell my friend and other capitalists in this country that while we shall always fight for the industrialisation of our country consistent with the needs of our people as a whole, and we shall try to help India to become self-sufficient, we are not going to allow a few capitalists to pocket all

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the profits of protection in their own pockets. The time has arrived when I think increasingly the voice of the consumers will be heard on the floor of this House ; and the Honourable the Finance Member perhaps is building better than he thinks : he may perhaps think he is benefiting his own country, but I think he will find in the long run that it benefits our country more : the interests of the consumers, of the cottage industries, and of the hand-loom weavers cannot continue to be sacrificed to the rich capitalists of Bombay and Ahmedabad, for ever and ever. The time has come when we must review the situation, and I am one of those who feel that we must reconcile the interests of the consumers, the taxpayers, and the industrialists. It can be done. But, unless the managing agents come to our rescue and agree to share their large and sometimes ill-gotten gains with those to whom they rightly belong, they will find in this House, and more in its successor, very little sympathy with them. I want to tell my friend that the Federal House will consist of the States' representatives and of the representatives of the provincial lower houses, elected indirectly on the basis of proportional representation in communal compartments. It is not going to be easy for him to get protection for industries, unless they are going to show some more disinterestedness and some amount of concern for others besides themselves, some amount of feeling for this country, which is paying for this protection : unless we get a genuine return in the form of increased prosperity not only for twenty people in Bombay and Ahmedabad, but for at least some millions in this country. That is the relevancy of this argument ; and I plead with the managing agents not to walk into the trap which the Government may set up and oppose this amendment, but to throw themselves on our mercy and on our confidence. Do not depend on Government ! Remember what Cardinal Wolsey said. " If I had served my God with half the zeal with which I served my King, He would not have forgotten me in my gray hairs ". I warn managing agents that they are relying on a broken reed. This Government will not be there, but we will be there all the time. Their successors will not be able to give you the protection though you might get it from them today. Hereafter, in this matter at least, there are no safeguards. I have read the Government of India Act carefully, and I think there is no safeguard there for managing agents ; and therefore they have got to remember that their future depends not on the Government, but on the people of this country and the people of this country are determined to see that, if we are to pay for protection, we will not allow the profits to go into the pockets of a few people. If you are doing real work and you believe in your own high character and efficiency, come before us and satisfy us. Why this distrust of shareholders ?

Sir H. P. Mody : They are a funny lot, sometimes.

Mr. S. Satyamurti : Not more funny than the managing agents ! Therefore, I suggest that, from all relevant points of view, this amendment ought to be accepted.

One word more, and I have done. I am told that we three people sitting on this bench are the managing agents of the Congress Party. Very good. I will make a sporting offer on behalf of my distinguished friends and myself. We will exchange the managing agency with

Sir Homi Mody : will he accept the exchange ? In this managing agency, there are no profits, direct or indirect.

Sir H. P. Mody : That I shall find out later !

Mr. S. Satyamurti : You can never find out, because there is none. Secondly, in this managing agency, the shareholders are all wide awake : one man one vote—no deferred shares, no preference shares, no debentures, no hanky panky about anything : it is all straightforward and....

Captain Sardar Sher Muhammad Khan (Nominated Non-Official) : Is hanky-panky a parliamentary word ?

Mr. S. Satyamurti : I am sorry it is. Moreover, this Congress Party is not a company working for profits. It is working for service, and if my Honourable friend will exchange his managing agency with me, I am perfectly willing to exchange places with him. Do you accept the offer ?

Sir H. P. Mody : Are you prepared to exchange ?

Mr. S. Satyamurti : Yes. (Interruption.) Sir, my Honourable friends so suspect Sir Homi Mody that, even when a gift comes from him, like the gift from the Greeks, they distrust it. Therefore, I will not accept it. But, Sir, I want to conclude on this note. This amendment has got to be looked at, purely from the point of view of Indian industry ; and it seems to me that, unless we reconcile the legitimate interests of shareholders with such legitimate rights as managing agents may possess, we are doing no service to Indian industry. I support the amendment. (Cheers.)

Sir Cowasji Jehangir (Bombay City : Non-Muhammadan Urban) : Mr. Deputy President, the very best case in the world can be ruined by exaggeration, and although I am a member of that criminal tribe who is not only a managing agent but a hereditary one, I believe that, at least in this House, when we are legislating on a measure which, to a certain extent, has within it, potentialities of the greater advantage to the industry, as well as of the greatest harm, we should consider every issue that is brought up before us impartially and not be carried away by sentiment or exaggerated language. Now, Sir, this exaggerated language has led us, in my humble opinion, into a confusion of the issues before us just now. We are not discussing whether the agency system in India should be abolished or should be made illegal. We are not even discussing its advantages or its disadvantages. My Honourable friend, the Leader of the European Group, in a very eloquent speech, gave us the advantages of the agency system when he moved an amendment on another part of this Bill. The Honourable the Deputy Leader of the Congress Party who moved this amendment was, I regret to say, led into discussing the agency system from a wider point of view than was necessary for his amendment. Nobody is going to deny in this House—certainly I am not going to deny it—that there are defects and have been defects in the managing agency system. What this amendment is aiming at, is not the abolition of the managing agency system, but is, to a certain extent, an indirect way of trying to reduce this 20 years' life that has been given to all managing agents. What he is attempting to do is to guillotine the agreements of such managing agents as have been in existence for 30 years, five years after this Act comes into operation. But may I remind my Honourable friend that by this amendment

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he does not do away with the managing agency system? He merely substitutes one managing agent for another, or, to be more accurate, he allows the possibility of one managing agent being substituted for another in companies that have been existing for 35 years.

An Honourable Member : On easier terms.

Sir Cowasji Jehangir : The attack has been against the managing agency system and that, I contend, has been the confusion of the issues. The amendment does not seek to end the managing agency system. The amendment only seeks to put one managing agent in the place of another. Now, Sir, let me try and distinguish between managing agents. In the managing agency system there are two distinct and definite kinds of remuneration, one on profits and the other on production. I am one of those who honestly believe that the day for remunerating the managing agent on production is over. I honestly and sincerely believe that it is wrong in principle, and I also honestly and firmly believe that some of those agreements are unconscionable and deserve to be ended immediately. There is no room now for agents to take their agency commission when the company has made no profits, and I can give cases where the agents have drawn commission higher than the profits for the year. Now, Sir, all those cases, or nearly every one given by the Honourable the Mover of this amendment were cases of agents who are remunerated on production. Does this amendment aim at ending these unconscionable agreements and contracts of taking their remuneration on production? No. This amendment does not do away with that, nor did my Honourable friend ever make the point in his speech that that was what he was aiming at. If he was aiming at putting an end to these agreements and these contracts, I will have the greatest sympathy with his amendment. But that is not what he is doing. Mr. Deputy President, there seems to be general agreement in this House, leaving aside the question of sanctity of contract, that if an agreement is unfair, is unjust and even if entered into with the approval of the shareholders, there is nothing wrong, there is nothing unjust in putting an end to such agreements through the instrumentality of this Legislature. A Court would do it. An unconscionable contract would be put an end to by a Court of law, and although I am one of those who would stand by the sanctity of contracts, I am not going so far as to say that a managing agent, who has been taking his commission at a rate higher than the profits of the company, shall be allowed to do so on the ground of sanctity of contract. Therefore, if this House was aiming at putting an end to such agreements and such contracts within a reasonable time, I would be one with them. But my Honourable friend has attacked all managing agents, whether they be remunerated on profits or on production. He makes a distinction between a company that has been started a few years and 30 years ago. I for one cannot see the logic of that argument. If we have agreed—and we have agreed—that 20 years should be allowed to the managing agent after the passing of this Act, then, why does my Honourable friend attack only the managing agents who have been in existence for 30 years, or shall I say, companies who have had the managing agency system for 30 years? Why should he attack those alone? Let him come forward straightaway and say that he does not agree with 20 years. Then I can understand it.

Let him come forward and say, as I have already said, that he wants to put an end to all managing agents who are remunerated on production. I can understand that argument, and sympathise with it, but I cannot understand making a distinction between managing agents, whether they be remunerated on profits or on production, simply because they happen to be managing agents for 30 years. I cannot understand the logic of that distinction. Therefore, while sympathising with the object he may have in view of putting an end as soon as possible to a contract, which may be unjust and unfair, I cannot be a party to a wholesale condemnation of all managing agents, which is embodied in his amendment. Sir, this debate has gone over a wide field and instead of restricting it to the narrow issue I have explained, my Honourable friend has tried to remind us that if we are in existence—(we the managing agents of the textile industry and perhaps steel),—it is due to protection. I admit that if the textile industry in India today is in existence, it is due to protection and I go further and say that, if it had not been for this protection there might not have been one mill working in India today; but from this my Honourable friend desires to argue that it is the people of this country who are contributing towards our profits, if profits we ever see. May I remind my Honourable friend, the Pandit, that if there was no mill industry in India to check the prices of the imported article it is more than likely that the consumer would be paying a higher rate for his cloth than he is today?

Mr. N. M. Joshi : Why?

Sir Cowasji Jehangir : Because the importer would put any price he likes on his cloth and make you pay. That was actually the state of affairs some years ago.

An Honourable Member : What about Japan?

Sir Cowasji Jehangir : Japan and every other importing country is kept in check by the indigenous industry.

3 P.M. It is when dumping comes in, it is when circumstances do not allow the home industry to live, then protection becomes necessary and what is the object of that protection? It is not only for the employment of a few hundred thousand men. It is not only for that, the mills should work in India, but also that in the future the imported article should not come into this country at any price which may be fixed by a combine of importers. That is one of the objects of protection and that is the insurance that this country gets by paying for the protection it gives to any industry, whether it be the textile industry or steel industry. Take the steel industry. It is existing today on protection. Suppose there was no steel industry in India. Then the imported article would come in at a price which would be fixed by the importers.

An Honourable Member : Is there no competition among them?

Sir Cowasji Jehangir : They would have a combine very quickly and it would come in at a price fixed by the importers. Therefore if you give this protection to steel,—it is an instance only—it is an insurance against the country having to pay exorbitant prices for that article in the future. Well, Sir, I would ask my Honourable friend to look at it from that point of view also. We readily admit, as I have done before, the generosity of this House and of the assistance of Government for the protection that these industries receive and it is most encouraging to find

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my Honourable friend, the Pandit, who stands up and says that, whatever his politics may be, he is a protectionist for this country, because if my Honourable friend, the Pandit, can be a protectionist for this country, believe me that protection is the right thing for this country. Knowing my Honourable friend as I have now learnt to know him, I am convinced that, though he may be a very advanced socialist—he may be or may not be—he is honest, and if the Honourable Member can say that he stands by protection in the future, Honourable Members may take it that the principle of protection for this country is to the advantage of this country and that if you are to pay for it, you are paying for it for the advantage of this country and for the advantage of ourselves. Sir, I do not wish to take up more of the time of this Honourable House. I can only beg of Honourable Members to look at these questions that are involved in this Bill with one object alone—what is the best thing to do in the interests of the country and, if I may say so without being audacious, I am convinced that the Honourable the Leader of the House who is in charge of this Bill looks upon this question with no other object in view, namely,—what is the best thing to do in the interests of the country. My Honourable friend, the Pandit, has admitted the advantages of the agency system. He has very generously acknowledged the debt of gratitude this country owes to the managing agents of old. The question whether there should be managing agents or not is not before us today. The only point before us today is,—will you do an injustice to certain managing agents who deserve your support, by putting them to the trouble of having to go to their shareholders five years hence for a renewal of their agency agreement, when you do not insist upon that principle for a large number of others. There are black sheep everywhere. If my Honourable friend, the Pandit's amendment is carried, perhaps certain black sheep will be caught. Certain men who deserve well of you will also be caught.

Mr. N. M. Joshi : Why ?

Sir Cowasji Jehangir : Because there are managing agents of concerns which are thirty years old, who deserve well of the country and well of you, Mr. Joshi ; managing agents who have employed those whom you now stand to represent and without whom you would not have been a Member of this Honourable House, because you would have had nobody to represent. You might have been a successful pleader in the High Court but you would not have been in this Honourable House representing labour. That is a dead certain fact. Now, I was just saying that this amendment may catch some evil doers. I believe it will. It will catch some of those who are remunerated today on production—an evil which we must eradicate out of this country. It has done more harm to the managing agency system than anything else. It is not only confined to one part of India ; it is an evil which extends to all parts of India and perhaps the worst cases will be found outside my Presidency. But I am not going into details. I say the time will come when perhaps, even before the lapse of twenty years, an amendment of this Act will be necessary to stop this evil but this amendment is not going to do it. This amendment is going to catch many honest and honourable managing agents who deserve well of the country and, therefore, since while it might do some good, it will do great deal of injustice, I would appeal to my Honourable friend, however sincere his motive may be, not to press this amendment before this House,

lest he may do an injustice, lest he may do harm to men who, as he has acknowledged, have served their country to the best of their ability, have served the industries of this country.

Several Honourable Members : I move that the question be now put.

Sir Ghulam Hussain Hidayatallah (Sind Jagirdars and Zamindars : Landholders) : Sir, I will not waste the time of this House by making a long speech. I will make only a few observations on this amendment. Sir, a few days back my friend, the Honourable Sir Leslie Hudson, brought forward an amendment to abolish the time-limit of twenty years for the existing managing agents and the House did very well in rejecting it. Today we are discussing the amendment of my Honourable friend, Pandit Govind Ballabh Pant, who goes to the other extreme. Now, Sir, the provision in the Bill is a very salutary provision. It continues the managing agencies of the existing companies for twenty years more. I call this provision a happy compromise between the two extremes, that is, the original amendment of my Honourable friend, Sir Leslie Hudson, and the present amendment of my Honourable friend, Pandit Govind Ballabh Pant. Now, the proposer of this amendment and the supporter of this amendment are agreed that the managing agents of the new companies should continue for twenty years, but, Sir, as regards the managing agents of the existing companies, they do not agree to their continuance for twenty years. Now what fault have these managing agents done ? For one thing, they had a perpetual tenure and we are confiscating their right by statute. They therefore ought to be treated as well as the managing agents of the new companies, and why should we mete out a different treatment to them ? Again, the Honourable the Mover of this amendment cited the analogy of Government servants. But he ought to realize that the analogy of Government servants cannot apply to industrial undertakings. Whatever he and his supporters might have said about the managing agency system, it is recognized by all in India and elsewhere that in India the managing agency system is an integral part of the industrial development of this country. They have developed the various industries, they have financed these industries, and when the companies are in a bad way, they come forward, borrow on their own security because the banks won't lend money to the limited companies in order to improve the companies position. In spite of all these services that the managing agency system has rendered to the industries of this country, the Select Committee has made no fetish of the sanctity of contracts ; and in the interests of the consumer whose cause the Mover was advocating and in the interests of the shareholder the Select Committee has reduced their time from a perpetual tenure to twenty years only.

Now, Sir, I will illustrate my point. Suppose we accept the amendment of my Honourable friend, Pandit Govind Ballabh Pant, and take the case of a company which has been in existence for twenty five years. Sir, we all know that to nurse and develop an industry requires a long time. Suppose for twenty years it might have done well but during the last five years, because they were years of depression, it is in a bad way. Who comes to its help ? Who gives it money to see it through difficult times ? Sir, it is the much-maligned and much-abused managing agents who on their own security get for it large sums of money in order to tide it over difficult times. Now what will happen to the managing agents of this

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company? Well, they have financed the original company, they have again borrowed on their own credit large sums of money in order to see the company through difficult times. Well, will they have the time? Only five years remain for them. How will they make good their losses? How will they reap the fruits of their economic and efficient management? Then, Sir, when this Bill was circulated for eliciting public opinion, about one hundred and thirty opinions were received. About one hundred and five are in favour of twenty years. Twenty-one wanted more than twenty years for the existing managing agents. Four only were for shorter periods. Even the shareholders of Calcutta are in favour of twenty years. Therefore, Sir, twenty years should meet the view point of all concerned. Now, Sir, a complaint was made by the Mover of the amendment as regards the remuneration as the previous speaker told him that if the managing agent did charge commission on production, we should not tolerate that, but he has not brought forward that amendment. The remuneration of the companies' managing agent is fixed by contract. In every case we should not brush aside the sanctity of contracts. Look at the risks the managing agents are incurring. They finance a company in difficult times, they borrow money on credit, and instances cannot be wanting, one can multiply instances to show that some of the managing agents, when the companies are in a bad way, have returned to the companies a substantial share of their remuneration. I now come to another point that was raised by the Mover. He said, "if they are good people, these managing agents, they could be re-appointed". Well, one does not know the mind of the shareholders. They may or may not appoint the same managing agents, and I am afraid, especially after the campaign of vilification against the managing agents, they stand very little chance of that. With these few words, Sir, I oppose the amendment.

Mr. N. M. Joshi : I move, Sir, that the question be now put.

Mr. M. S. Aney (Berar Representative) : Sir, my Honourable friend, Mr. Joshi, is very anxious to see that this debate is not prolonged too much and is brought to an end at once. I assure him that I shall not take much time. Sir, I have listened to the debate on this clause, particularly the amendment moved by my Honourable friend, Pandit Govind Ballabh Pant, with the closest possible attention that I could give to it. Having heard him very attentively, I was trying to find out what were the arguments by which he was supporting the particular amendment before the House. There was much in his arguments which no doubt deserves the consideration of the House but the question raised by his amendment was of a limited nature. The question was not whether the managing agency system is to exist or not to exist. Most of his speech, which was full of eloquence and showed a great mastery of facts, was directed towards demonstrating that the managing agency system, notwithstanding the some little good which it might have done and which he acknowledged in the beginning of his speech, had after all been full of evils and required to be radically cured. As a member of the Select Committee, he has expressed his opinion that the managing agency system is to inure, and and I venture to say that in his speech also he took it as a thing which is to remain as a part of the Indian industrial system for some time, but he thinks that the evils with which that system is fraught can be mitigated

by certain remedies. Now, we have to find out whether the particular amendment which he has put forward before this House is likely to relieve the Indian industry of the evils of the managing agency system, about which we had such an eloquent speech from him. In my opinion that is the only logical way in which we can approach the question. The clause of the Bill before the House is no doubt the result of a good deal of discussion and deliberation in the Select Committee and probably represents the compromise between conflicting interests which were represented on the Select Committee. It says that the hereditary system of managing agency ought to go. Therefore, in my opinion all the arguments about the efficiency and competency of the personality of those who represent the managing agency system and which loomed large in the statement made by my Honourable friend, are now absolutely out of consideration. We are not here now to defend or to perpetuate the hereditary system of managing agency. That thing disappears by the very clause which the Select Committee has recommended for our consideration. All the managing agency systems will automatically come to an end after the lapse of 20 years after the passing of this Bill. That is the period given to the agencies both, old and new. The only difference will be this. The amendment of my Honourable friend lays down a period of 30 years as a proper period of the life which the old managing agency system should enjoy. If that period of life has expired before the commencement of this Act, then they get a period of five years more. If that period does not expire before the commencement of this Act, then they will automatically have a period of 30 years. Now, what I want to know from him is this. What is the particular advantage which he hopes to gain by insisting upon the question of the termination of the old managing agency system being considered at the end of five years?

Mr. Sami Venkatachalam Chetty (Madras : Indian Commerce) : Revision of terms.

Mr. M. S. Aney : I am coming to that. Why does he make a distinction between the old managing agencies and the new managing agencies when both of them will have to work under a common Act. If you think that the provision contained in this Bill gives you certain safeguards and certain material to check the evils of the system in the case of new managing agents, is it not possible that those safeguards will also be a check upon the working of the old managing agents after a period of 30 years? Therefore, I think that there is a common law which will apply to the old managing agents as well as the new managing agents. Whatever may have been the evils due to the actions of the managing agents in the past when they were working under a different law, why don't you give them a chance of carrying on their work for a period of 20 years under the new law. If you think that the safeguards there are insufficient, then put in amendments to this clause in order to have a better check upon their work instead of trying to do away with them altogether at the end of five years simply because they have served a period of 30 years. Then there was another argument which my Honourable friend put forward. He said that a man who has put in 30 years of service is not generally an efficient person to carry on any arduous or responsible work. I do not want to take him seriously at that argument. I believe in support of his arguments he could not think of anything else but the rules by which Government servants have to retire at the

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end of 30 years service. On the other hand, I believe that the experience that is gained by a man after 30 years solid work will be a valuable asset and I am quite sure that persons who have served for 30 years under the Government of India and were in charge of Railways and Indian finance have been approached by business concerns to take up at the end of that period more responsible posts on much higher emoluments. They are offered extraordinary remuneration so that their services could be availed of. I am sure the experience that a man gets in running a big concern for a large number of years is in itself an asset which no company will like to lose advantage of. Then, there is another point which I want this House to consider seriously. If you really want this managing agency system to end, end it at once. Don't give them a period of notice; don't tell them that they are to go at the end of five years. If you do that, you will be doing more harm to the industry. They may create a situation in the industry which will spell the ruin of it altogether. Therefore, if you want to give them a period of life, give it now. I want you to look at this question not from a prejudiced point of view or from a sentimental point of view. If those who have been in charge of the industry for a period of 30 years know that they are to go at the end of five years then they will not care for the prosperity of the industry at all. They would care only for their present profits by hook or crook. What are the safeguards you have got in this Act against such an eventuality? The period of 20 years is a different thing. The man knows that he has got to do his work, probably by that time another generation will come into existence at the end of 20 years. The position in my opinion and from a business point of view is fraught with great danger if only a period of five years is given to them. In the interests of the industry, therefore, I feel this is a danger of a very serious nature and it is this fear of mine which makes me hesitate to accept the amendment which my Honourable friend, Pandit Govind Ballabh Pant, has moved with so much eloquence. Notwithstanding all the arguments which have been advanced, I am not convinced as to the soundness of the policy which my Honourable friend advocates by means of this amendment. I, therefore, ask the House to consider seriously and to see whether the compromise arrived at in the Select Committee is not the wiser course for the House to follow. I will command the House to accept the Select Committee provision in preference to the amendment moved by my Honourable friend, Pandit Govind Ballabh Pant. (Applause.)

The Honourable Sir Nripendra Sircar : Sir, the attitude of Government as regards this particular amendment was declared by me in no unequivocal terms when I spoke on a previous occasion. I referred specifically to this amendment of Pandit Pant and if I may read from the proceedings just four lines :

"Having given the best consideration to the fact and for a pretty long time the proposal which we have made namely 30 years should be given to the existing managing agents as also to the new, represents the limit to which Government are prepared to go in this matter, that is to say, we are not prepared to accept a lesser period for the existing managing agents."

Sir, that result, that conclusion, was arrived at after considering all opinions which were put forward before us and after taking into consideration all the contentions in favour and against, which can possibly

be raised; and nothing new has been raised in this debate, although we have been talking for about a day, that will still be our attitude. I was sorry to hear from my Honourable friend, Mr. Ananthasayanam Ayyangar, that the Law Member had uttered a threat. That was with reference to the concluding lines of my speech on proportional representation. Sir, I am indeed sorry that any Honourable Member should take it in that spirit. I think it is my duty to tell the House not by way of bluff or by way of threat what the attitude of the Government is on a particular matter. I hope I shall not be accused of bluffing this House or of having used a threat again if I make my position perfectly clear about this amendment. This Bill consists of 115 clauses. Some of the clauses run into 20 sub-clauses and so there are 500, or 600 or 700 provisions in this Bill. Over 400 amendments have been notified and it is only in respect of three matters that after the most careful consideration we have come to the conclusion that we must take a definite stand. It is not a question of threat. If any Honourable Member feels that this Bill is not worth having unless the amendment of Pandit Govind Ballabh Pant is carried, it cannot be a question of yielding to a threat, he can say "I do not care for your Bill, it is not such a prize, such a treasure that my sleep will be disturbed if you drop the Bill". You can legitimately take up that attitude if you feel that this amendment is very very important. (Interruption.) I always feel that an interruption which is inaudible is worse than an audible interruption. I said there are only three matters. (Interruption.) Again, like Tennyson's brook something is going on murmuring, but I cannot exactly follow what is the muttering. Out of 700 provisions in respect of which there are more than 400 amendments, and there are only three points one of which has been disposed of, that is proportional representation. The second one, I am dealing with at present. The third one, I will not refer to at all, because I do not propose to anticipate, and that question may or may not arise. In so far as I have aroused my Honourable friend, Mr. Satyamurti's curiosity, I, at the present moment, will disappoint him and not tell him what the third point is.

Mr. S. Satyamurti : Chartered Accountants.

The Honourable Sir Nripendra Sircar : You may go on making guesses, and one of them may be right. My Honourable friend, Mr. Satyamurti, asked the House to carefully read the amendment and not be carried away by any misrepresentations which have been made as regards its purport. I have done that even before I had that warning and caution from my Honourable friend.

[At this stage, Mr. President (The Honourable Sir Abdur Rahim) resumed the Chair.]

As I read this amendment, it means that after five years the managing agent has got to go before the shareholders. He becomes a tenant at will. His position is that it is hanging in the air. If my Honourable friend had said that he will automatically go out after five years, although I consider that extremely unreasonable and would equally resist it strongly, I can understand that. The position under the amendment is this, that after five years, the managing agent may be turned out any moment, provided the shareholders decide that at a meeting. I say, Sir, that politicians having only theoretical consideration before them may provide for such

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situations, but a man who is going to risk money, who is going to risk lakhs of rupees can he possibly go on under such circumstances? He does not know what is going to happen to him within such a short time as five years. That argument which has been repeated so often, "Oh! if he is a good man, why should he not be appointed again?" I have tried to meet that in my previous speech, but I shall refer to it again. My Honourable friend, Mr. Satyamurti, turned aside the Bombay corner in a light hearted manner. There he did not try to read the New Testament and what Lokanathan says about the Bombay corners. As I read that book, I believe the position was this. When an Indian managing agent in Bombay or Ahmedabad became financially weak, and therefore, there was an opportunity of some one coming in to capture the managing agency that situation led to what the author calls disgraceful corners, I will not use the word Bombay. The situation gave the chance of driving out the managing agents and secure for the speculators who were parties to the corners, the profits of the managing agency. Now, Sir, my Honourable friend is right in saying that "that happened in Bombay or in some other parts of the world, why then strike the whole of India?" The answer is obvious. The answer is that in other parts, for instance in Bengal, the managing agents speaking generally have been in strong financial position. Therefore this opening for another agency coming in for the scramble, for this canvassing and this cornering, all these do not arise, but that situation will arise all over India if we accept this five years period. From next year, attempts will be made knowing that if there is a successful canvassing, if there is successful cornering, the managing agent can be driven out after five years and these scandals will occur all over India because, what was the reason for the Bombay corners? The reason was that there was a chance of driving the managing agents out and that chance will occur, if it is known that all through India, every managing agent can be driven out after five years. The "corners" are not of course the sole or the main reason for my opposition.

Then, Sir, the argument is this. Oh, why should you be afraid of the shareholders? Why have any distrust in the shareholders? Sir, the two arguments are rather destructive. We are legislating and providing 50 different conditions and provisions, why? Because the shareholder is ignorant, he is weak, he is disorganised, he has been exploited, he does not know his own business and so on and so forth. If that is so, are we to understand that on only one occasion, namely, when he is deciding whether a new managing agent will be appointed, on that occasion he will be the quintessence of all that is intelligent and all that is far-seeing? I submit not. There is a golden mean between these two extremes.

Then, Sir, I need hardly point out that the 20 years' rule is after all a kind of empirical formula which cannot be absolutely justified by reason. If we choose 19 years the same arguments against it may be applied as also against 21. But whatever the difference in the situation of different managing agents may be under the 20 years' rule, the complication and the unjust uncertainty which hit managing agents who require equal treatment in different ways arise at once from this 5 years' rule. Take the case of a managing agent who has come in only two years ago, in 1933. But he had predecessors, worthless predecessors or

very good predecessors, but one had nothing to do with the other. Now, this man who has been here for two years has got to go up to the shareholders after five years, whereas another man who has been there, let us say, for 25 years,—he has also to go up to the shareholders after five years. When my Honourable friend, though not seriously, gave the analogy of the Government servant becoming effete after 30 years, he probably for the moment forgot that his own language refers to the managing agent and his predecessor. Well, Sir, in turning out Government servants we do not calculate the period of service of their ancestors.

Pandit Govind Ballabh Pant : They have no perpetual lease.

The Honourable Sir Nripendra Sircar : No, nor will the managing agents now have any perpetual lease. We are now concerned with the predecessor. The predecessor, if it is used in a technical sense, indicates some kind of devolution of interest but there is no technical sense in which my friend has used it, and, therefore, the predecessor may be some one who has absolutely nothing to do with nor concerned with the present managing agent. I cannot understand why because another man was in possession or in occupation for a number of years, that will be taken into consideration in driving me out or compelling me to before the shareholders.

Sir, I do not want to cover the same ground but I spoke at length,—some Members will agree and others will equally disagree,—that unless there is fixity of tenure for a fairly reasonably long period which has been fixed at 20 years, you cannot expect the managing agent to risk his money. Taking again the case of the managing agent who has come in only in 1934, his predecessors being in occupation for 35 years, what is the system followed by many of the managing agents? They get their money by long-term deposits of seven years. He has only another five years to run, but he may have the previous year taken the deposits with which he is running the Mills; he is personally responsible for having guaranteed loans and for the return of those deposits. Is it to be cut off after five years?

Mr. T. S. Avinashilingam Chettiar (Salem and Coimbatore cum North Arcot : Non-Muhammadan Rural) : The same question arises after 20 years, according to your position.

The Honourable Sir Nripendra Sircar : Yes. However unmindful I may be of relevant factors, that is one of the things that I remember, that is, the same question will arise after 20 years. And I remember the argument of my Honourable friend, Mr. Satyamurti, that you will have the same position at the 18th or the 19th year. But in that case the managing agent has a fairly long period whether it is 17, or 18 or 19 years, within which to adjust his affairs. But if you compel him to go to the shareholders after five years,—the managing agent who has come in the year 1935,—what chance has he of being in the same position as he would have been if he had been tried to be disturbed at the end of 18 or 19 years? Or in other words, for the benefit of my Honourable friend, Mr. Chettiar, the argument is that five is not equal to twenty. Sir, the argument which really ought to be considered is this; that the benefit of this five years' rule is that after five years,—the shareholder gets a chance,—of revising the terms. If the bargain with the managing agent is particularly unconscionable, at the end of 5 years the shareholders say, "No, you go out; I will not have you unless you agree to more

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reasonable terms". That certainly is a matter which has got to be considered. But I met this argument on a previous occasion, and I showed from facts and figures that so far as Ahmedabad is concerned, and those figures have not at all been contradicted (but I know that other people are waiting to follow me so that I cannot give any reply) that the Ahmedabad paid-up capital is only 4 crores out of 100 odd which represents the paid-up capital of Indian companies, that there are only 77 mills out of which this vicious system applies only to 28. And the point which I made was, are you going to legislate with a view to punish a small fraction, a law which will hit others who are not open to this comment? Now, Sir, even as regards these excessive profits and so on, I admit there have been abuses, I have never tried to minimise them, but I do say that many of the criticisms which have been levelled against them are absolutely unfair and unjust. I would not have come to facts and figures but for the fact that I am compelled to do it by what my Honourable friend, Mr. Satyamurti, has said. He said, "Look at part 8, the opinion of the Bombay Shareholders' Association. In their third part they have given 8 or 9 instances of excessive profits and those profits go up to somewhere between 30, 40, 50 per cent." and so on. Sir, I took considerable trouble to scrutinise those figures and I shall convince this House that those figures are absolutely wrong; that is to say, I am not going to enter into any elaborate calculation to show that 38 per cent. shall be reduced to 32, or anything of that kind. But they are fundamentally wrong and they present an absolutely incorrect picture in the third volume of their memorandum. I will not take the House through all of them; but the examples which they have given—taking only some of them, two or three, rather by way of example than as trying to be exhaustive—what they have done is this—and I hope my Honourable friend, Mr. Satyamurti, will check me—in the figures of profit which they have taken, they have taken commission earned, and not taken into account the commission which has been given up. How gigantic those figures are I shall give to this House with reference to the particular mills which have been chosen by the Bombay Shareholders Association. The first Mill mentioned there is the Aruna Mills: They have taken from the books the commission earned for the five years, not noticing that in 1929 the commission earned was Rs. 14,995, of which the whole was given up: in 1930 the commission earned was Rs. 72,481, of which half was given up—that is not taken into consideration at all. Probably the worst case of misrepresentation—I do not say deliberate, but that is the effect—Rs. 90,142: the whole of that was given up. In 1931 and 1932 small bits, if any, given up. In 1933, the commission earned was Rs. 85,882, and the whole amount was given up. The total commission which they gave up is about two-thirds of what had been earned. Yet in making the calculations, whoever has made the calculation has made the mistake—let us be charitable—of taking into account the commission earned and not the commissions actually received. They are to be found in the very book from which these figures have been calculated. While this was happening, what was the dividend which they were giving? Again, at page 204, from 1929 to 1933—10½, 10, 11½, 11 per cent. and in the worst year it was 8 per cent. that is the average amount of dividends which the Ahmedabad mills were giving. I am talking of the average. As I said, I do not

desire to multiply instances, but there are other instances which are still more remarkable, and this, I assure the House, is not one or two items picked up, but I have got the whole list of them. I will give you the case of another mill—the Becharadas Mills: in 1929 they earned Rs. 48,925 and gave up Rs. 32,617: that is to say, they took only one-third. In 1930 they earned Rs. 47,995 and gave up Rs. 31,863: in 1931 they earned Rs. 52,325 and gave up Rs. 52,311: probably for some reason they kept only Rs. 24 and gave up the whole of the rest. In 1932, they earned Rs. 46,590 and gave up about Rs. 18,000. If one makes a calculation, he will find that 63 per cent. of the remuneration has been given up actually. Yet there was not one year in which the shareholder was not getting any dividends. Another misrepresentation is this. If there is an office allowance—let us say Rs. 1,000 a month, and the managing agency has got Rs. 12,000 that amount is included in the profits. Has he not got to engage a typewriter, and keep a gramophone and a telephone for amusement of his assistants and clients.....

Sir Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhammadan Rural): And a typist girl!

The Honourable Sir Nripendra Sircar: And a typist girl, I am told. Is that profit? That is the idea of profit here. If you get Rs. 15,000 for running an office, then Rs. 15,000 represents your profit! Then there is another, let us say, mistake, which is still more serious, and that is this: the managing agents get, let us say, a lakh of rupees during the year: that lakh of rupees is promptly put down as profit! But what about the money which he has spent? What about the men he has employed, who have been paid out of his own pockets? I would not have touched this subject at all, and I can say a lot more about it, but because my Honourable friend, Mr. Satyamurti, referred to the third part of this book of the Bombay Shareholders Association, I desire to submit to the House that they should not be misled by figures which are not correct.

I have not heard from my Honourable friend, Pandit Govind Ballabh Pant, whether my contentions were wrong in my previous speech, that finances are rather difficult to get in India for industrial ventures—whether any of the contentions which I raised—and which I do not desire to repeat—are wrong. If they are not wrong, however much we may think that the ideal condition is a company which has no managing agent, I have made my submissions to this House that ideal conditions do not exist here.....

Pandit Govind Ballabh Pant: I did deal with the matter about finances. But my answer so far as my amendment is concerned is this: that if the shareholders felt that it would be difficult for the business to run without the financial aid that the managing agents alone could render, then they would keep them on.

The Honourable Sir Nripendra Sircar: I have heard that.....

Mr. S. Satyamurti: On a point of order, Sir; when a member says 'hear, hear', it does not mean that the speaker does not hear him, but he wants that the whole House should hear him!

The Honourable Sir Nripendra Sircar: I am one of the House! Coming back to my friend, Pandit Govind Ballabh Pant, I know that argument: this shareholder who is a stupid man should not be allowed....

Pandit Govind Ballabh Pant : Who deserves to be protected against the managing agents !

The Honourable Sir Nripendra Sircar : Please do not go on interrupting me. I understood your point : here is a stupid man who cannot be allowed to remain unprotected, but must be kept at arms length, who requires protection like a *purdanashin* woman or a lunatic.....

An Honourable Member : Or the very learned man !

The Honourable Sir Nripendra Sircar : and yet this shareholder will develop extraordinary intelligence when he has to consider the financial situation of the company.....

Pandit Govind Ballabh Pant : The argument throughout has been that the shareholders are not a collective body and they require to be protected as against the managing agents—not that they cannot look after their interests in any matter whatsoever, but that the managing agent is too strong for them.

The Honourable Sir Nripendra Sircar : If that were the argument, then there should be no reason for protecting them where there is no managing agent : but we have put in so many clauses for protecting them in connection with companies which may have no managing agents whatsoever. They are scattered : that I know : but I do not admit the proposition that by mere association intelligence increases. In fact, my view is that a few intelligent men—I am not pointing my fingers at anybody—if they are allowed to remain in charge of affairs, the world will be much better than when they are dominated by the association or the collection or the mob which sits behind them. Let us proceed.....

An Honourable Member : You are for dictatorship ?

The Honourable Sir Nripendra Sircar : If I get a suitable one : I do not find one here.....

Mr. S. Satyamurti : Apply to Hitler !

The Honourable Sir Nripendra Sircar : No, Sir. I am a very mild man.

I think I have almost finished. I have one more point to urge. Sir, when I was listening to my Honourable friend, Mr. Satyamurti, and when he appealed to Sir Homi Mody that he should not rely on the Government and that he should rely on him.....

Mr. S. Satyamurti : No, no. On the people of this country.

The Honourable Sir Nripendra Sircar : Mr. Satyamurti in this House is like Louis XIV, he is the State, he is the Congress, he is the people, he is the country, he is every body. (Laughter.)

Mr. S. Satyamurti : I am too modest to say that.

The Honourable Sir Nripendra Sircar : He asked Sir Homi to look to him and his friends for help. Government may not be too reliable, but God help Sir Homi Mody if he has got to rely on such others. (Laughter.)

Mr. S. Satyamurti : But even God won't help him if he relies on you. (Laughter.)

The Honourable Sir Nripendra Sircar : But I think so far Sir Homi Mody has done very well indeed by relying on I should not say whom. (Laughter.) He knows he has done very well, whether in the matter of protection or in other matters.

I do not think I should take up the time of the House any further. We have considered the matter very carefully. I do not desire to be misunderstood. I hope that Honourable Members will not take it as a threat because they are not children to be coerced by a threat. They can say, "Drop the Bill. We do not care for the Bill. Let the Bill be dropped". But having considered the matter very carefully and after having taken part in this debate, I repeat that the opinion of Government which remains unchanged is, that they are not prepared to cause an upheaval which in their own opinion will certainly follow if all shareholders know that a disturbance may be caused within such a limited period as five years, to all existing managing agencies. That is a provision which in our opinion will create a situation so full of mischief and danger, and with such immense possibilities of retarding the industrial development of the country, that it is my honest conviction that if you are going to provide for managing agents' agreements being disturbed after five years it will be much better to have the old law and not try what is not an improvement but what will be a source of mischief injuring the industrial development of this country. That is our deliberate opinion and I think that it is but fair that the House should know it. We do not regard it as a mild attack as my Honourable friend, Pandit Govind Ballabh Pant, said, but we do think that this will drive us to a position which we cannot contemplate with equanimity. Sir, after all, the disappointment of not being able to carry the Bill through the House does not matter in the least when compared to the mischief of being a party to enacting something which is not in the interest of any body and which will irretrievably retard the industrial development of India. (Applause.)

Some Honourable Members : Let the question be now put.

Mr. Bhulabhai J. Desai (Bombay Northern Division : Non-Muhamadan Rural) : I do not rise to indict the managing agents in their personnel or in their system, for that cannot be supposed to be the underlying motive of the amendment that is before the House. I also realise that I speak under a sense of strain by reason of the position to which Government have been driven by what they believe to be the effect of an amendment of this character on the industries of this country. Nonetheless, speaking as an intelligent shareholder and also speaking as a man who has not to rely either on the Old Testament or the New, and relying largely on personal experience during a period extending over 30 years of the industrial life of more than one city in India, I owe it to the House and to myself that the House should calmly consider the issue before it, for it has been presented as if it belonged to one of two extremes. I wish to tell and assure my Honourable friends who happen to be either managing agents or their advocates that I yield to none in my respect for many of them. But when you say a thing is not an unmixed evil, what you really mean is, and I think that is the better way of expressing it, that it is also not an unmixed good, and where you are faced with a situation of this character, it is perfectly futile to think that you have met an argument by merely stating the extreme position and destroying it. These

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words are important to be borne in mind in order that it may not appear, so far as I am concerned and those who think with me are concerned, that there is any degree of hostility against any method of management of business in this country which makes for an all round progress. While you may regard the smallest encroachment on what you possess as a hostile mood, it is only those who so regard it, who think so, for if you believe that any encroachment on what now exists is an expression of hostility, you are bespeaking more your own mind than my own. The position with which we are faced is this, and I should like once more even at the risk of repetition to read the motion before the House, in order that some of the misinterpretations, most of them unconscious, and some of them not warranted, may not remain during the remaining course of the discussion. The amendment says :

"and shall cease to hold office any time after five years from the commencement of the said Act, if the Company has by resolution passed at a general meeting decided to terminate his services, provided that no such resolution shall be passed unless thirty years have elapsed since the Managing Agent or his predecessor first occupied such office."

It does not require very much of legal knowledge to understand that the term of thirty years, which is spoken of in the amendment as appertaining to the managing agent or his predecessor, must of necessity mean the present managing agent or his predecessor from whom he has derived his title. Its meaning cannot be a succession of detached or unattached men who have merely occupied the office from time to time, so that we may clear the ground by understanding the true import,—to whom the 30 years period applies,—and so that it may not be said that the man whom you are driving out is a man who had only two years as a managing agent, inasmuch as other persons unconnected with him have served for the previous 28 years. It can and must only mean in the context that it is the present managing agent having derived his title from his predecessor that has had a period of 30 years, in order, if you like to say so, to provide for his risks or to compensate him for all the services that he has rendered. With that premise it is more easy to understand the amendment before the House.

I am very much indebted for the frank manner in which my Honourable friend, Sir Cowasji Jehangir, has addressed this House. At all events, he has helped me to understand his two propositions being accepted by the managing agents and their supporters ; first, that so far as any remuneration is based on the basis of production, the sooner it goes the better, and the second which he said is that the protection extended by the Legislature has served to extend the life of many an industry the members of which were presided over by my Honourable friend, Sir Homi Mody, for many years past. If he had only taken up the managing agency of service instead of the managing agency of profit, I might have understood the analogy that he gave and the advice he administered. I am not going to make him the offer that my friend, Mr. Satyamurti, made to change places, for I do not propose to do it. I feel it infinitely higher to stand on a managing agency of service than on piling up the gains. Therefore, there is no question of exchange. So far as we are concerned, we stand on the platform of service and shall do so to the best of our ability. Having cleared the ground, I wish to point out that the manner

in which we submit this amendment is of an extremely modest character. For it is said, what is the magic in the 30 years which the amendment speaks of. May I ask, Sir, whether there is any greater magic spell in the 20 years which are prescribed for fresh managing agencies to come ? I understand that to involve this important statement of consequences and I understand that to involve this important statement of gains and losses. If for the future the managing agent has 20 years period of time to serve or to earn, whichever way you look at it, taking the good years with the bad and taking the lean with the fat and also making allowances for the risk that he runs and the intelligence he brings to bear upon it, he has a sufficient period of time according to the opinion of this House as it appears that there is a consensus of opinion on that basis. Why is it that it is said that a 30 years period has any less sense, if not more magic. If we understand and the House understands that the Legislature in its wisdom thinks that a period of 20 years is sufficient in order to induce a new managing agent to undertake a new business, with all its risks, with all its services, with all its financial assistance, then why is it wrong to say that a managing agent and his predecessor from whom he has derived his title, who have all of them in common enjoyed the benefit as well as the risks should not at the end of that period be asked to quit his post. Whatever may be the interpretation of my friends, option is given to the shareholders as a body to reconsider the position and why is it assumed that a reconsideration of that position, unless it be a confession of guilt, must amount to a dismissal. It is necessary to examine this idea of perpetual rights with a certain degree of dispassionate consideration before we proceed further with this question of the 30 years period. I wish to call the attention of this House to a judgment of the Court of Appeal recently delivered by the High Court of Bombay and reported in the Bombay Law Reporter of the year 1934, the case of Ramkumar Potdar against the Sholapur Spinning and Weaving Company, Limited. I wish here to point out that there was a time when perhaps the words Sholapur Spinning and Weaving Company, Limited, was almost an alternative word for one of the most successful concerns on our side. I remember the time when a 500 rupees share of that firm used to be quoted at almost as much as Rs. 8,000. The managing agents of that company were Morarji Gokuldas and Company. The two founders of that company were Morarji Gokuldas and Virchand Deepchand. After many successions of assignments the next important point to remember is the clause regarding the appointment of managing agents which occurred in the memorandum of association, because of the belief that it became alterable by reason of the limited provisions of section 12 of the Indian Companies Act. The language of the appointment was Morarji Gokuldas and Company and of any partner or partners of which such firm may consist at any time from time to time. Considering this tenure of perpetuity, created by this wide and universal language, one would begin to think that the period of time that we are considering is neither so insignificant nor is an exploitation. The interpretation of those words as given by the Learned Chief Justice is to be found on pages 926 and 927. This is what I wish to quote :

"The clause provides, as I have said, that the firm of Morarjee Gokuldas and Company, or whatever member or members that firm may for the time consist of shall be agents, etc. Strictly speaking, as soon as new members are introduced into the firm, a new firm is constituted. The plaintiff relies on the words " (And I wish to call the particular attention of Members to these words) " " whatever member of

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members that firm may for the time consist of' but the facts are that at the date of the incorporation of the company the firm consisted of two individuals, one of whom died in 1880 and the other of whom died in 1908 and none of the present members of the agency firm were ever partners with either of those two individuals. Whatever meaning may be given to the words 'whatever member or members that firm may for the time consist of', it seems to me quite impossible to say that the present members of the firm of Morarjee Gokuldas and Company who were never members of the firm at a time when either of the persons who constituted the firm at the date of the incorporation of the company were alive, can be said to be members of the firm named in the memorandum. The argument of the appellant really seeks to endow this firm with the attributes of a corporation having perpetual succession so far concerns its relations with the company."

I hope and trust that the true effect of these words will be seriously considered by those who imagine that, whatever may be the width of language used in a memorandum or any article or any contract of appointment, there is a perpetual contract between them and the company and once it is realised that there is no such perpetual contract all this talk of expropriation, all this talk of cutting down their lives, will soon disappear, for I have not the slightest doubt that if you carefully examine many of the existing managing agency firms in many parts of India, they have run up the period laid down in the judgment and you may be quite certain that, so far as talk of legal rights is concerned, there is very little vestige of it. It is in this light that I want the House to consider the amendment which is before the House, for indeed if it is competent, as the Honourable the Law Member says, for people to create corners, whenever managing agencies are about to be vacant, I may inform him that it is within my personal knowledge that people have already realised the consequence and the import of this judgment and the futility of putting it in the memorandum of association and suits have been filed for the purpose of a declaration that that managing agency agreement is terminated. I know of no case myself in the City of Bombay for the purpose of displacing the managing agents yet. Whether such a position will be created or not, I can say with a certain degree of confidence, knowing the corners in the shares of the different mills that have taken place in Bombay, that it might have been the result or the prime motive of the cupidity of speculators in which they themselves in most cases went to ruin. They have never been resorted to for the purpose of displacing any managing agents whatever nor have they ever resulted in a single managing agent yet being displaced. If that is so, there is not very much in this bogey of corners left. You are therefore left with this foundation. The system is not merely tolerated,—because I am not one of those who believe in what I may call giving an ungrudging merit to any good that is done for the purpose of the industries of this country, but this House has undoubtedly the right, not merely as a matter of legislative principle but has also the right, because it must be remembered that the managing agent forms as much part of the Indian social fabric as the shareholder as well as the citizen and the tax-payer, and it is not with a view to saying, as my friend, Sir Homi Mody, thought, that we sit in the same side or the same group or in the same part as the Finance Member that we talk of the sacrifices of the consumer. He is indeed very much mistaken; but when we talk of the sacrifices of the consumer, we talk of willing sacrifice, given only in order that the larger interests of the country may be subserved, but only to that extent and no further,

and that very sacrifice demands and gives us the right to say that if other citizens have made sacrifices, who are you to come and tell us, "we have vested perpetual interests and rights", neither of which is right, but assuming it is right, who are you to say that the willing sacrifice of the Indian people for the purpose of raising national industries of a necessary character, should count for nothing? If they bear the sacrifice, why should you not join in the sacrifice in the same willing manner as they have done, and that willing sacrifice, my friends must remember, has been two-fold. I am not here to extol any particular organization or to extol any particular step or even to justify it to non-believers but the fact remains that it is due to those who stand for that national attitude of mind that a man wants to inquire whether this is made in Bombay or in Lancashire. Undoubtedly, it is the same patriotic spirit in another land which makes "Buy British" the slogan, it is the same spirit which makes "Buy Indian" the slogan here (Hear, hear), but those who profit by it immediately and those who live on the voluntary sacrifice of others must, as citizens of that society, realize their obligation to that society (Hear, hear), and not merely point out the supposed dangers of dislocation, to which I next come.

(At this stage, Sir H. P. Mody wanted to interrupt the Honourable Member.)

I refuse to give way. The next thing I wish to say is this that I do not apprehend myself because, if I felt that the Honourable the Law Member's apprehensions were right as regards the dislocation of any single, decent industrial concern in this country by reason of a provision that the shareholders may be allowed an option of voting whether their services will be continued or not, I should, even disagreeing with everyone, have agreed with him, but I regret to say that I do not share his apprehensions at all, and for this reason. A period of thirty years, in the way in which I have submitted it to the House, is a long enough period so far as compensation for risk, compensation for labour, compensation, even if you like to say so for obliging the Indian people by the services which they have rendered, we also apprehend that a period of five years in such a case, where he has already been established for a period of twenty-five, has as in every decent concern given him a footing and he will be able to say in ninety-nine cases out of a hundred where he will never be displaced, subject always to certain adjustments which in human affairs must necessarily result in business concerns. I also feel myself that so far as finances are concerned—I speak subject to correction there—that there is hardly any difficulty I know of, at all events in my part of the world and perhaps some parts of England where in industrial concerns of this character financial assistance is given for a period at all events extending beyond five years. As regards most of the agreements which I have read—and I am letting out those secrets, having been one of the advisers of the Imperial Bank of India and its successor for quite a long time, and I am in a position to say that no such loans are granted as would cover a period of more than five years so that an adjustment during that period is not possible; and you must also remember to what cases does that adjustment apply? In cases where they have served for twenty-five years and have more than five left, the question does not arise, and a man who has begun five years ago has twenty-five years to adjust himself and any man who has begun twenty-five years ago has five years to adjust, so that I do not foresee the great

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calamity that will befall the industries of this country if during this period of five years an adjustment has got to be made by the managing agents. Then, be it remembered, that there is a clause following upon this very one in clause 87-A, sub-section (3) :

"A managing agent whose office is terminated by virtue of the provisions of sub-section (2) shall upon such termination be entitled to a charge upon the assets of the company by way of indemnity for all liabilities or obligations properly incurred by the managing agent on behalf of the company subject to existing charges and encumbrances, if any."

There are, therefore, the cases of still further rights, I am told rightly, and in fact of some of them I have personal knowledge,—where many of the managing agents have at all events a holding which is a little over a half and where it is a little less than a half or even substantially less, if for a period of twenty-five years they have rendered services which have been extolled and perhaps rightly extolled in some cases, I have not the smallest doubt that with their own holding and with the influence of some of their friends, let alone the ignorant and the fools and the lunatics to which class fortunately I do not belong, I am quite certain that that managing agency would be renewed. Therefore, examining the supposed fears, if I felt that there was any substance in them, as I have said and I shall repeat it, I should have been the last to run any risk of any kind whatever, for I do believe that while the interests of what I may call him the capitalist if you like, of the managing agent and of the shareholder and of the consumer must be reconciled, even at the risk of the consumer, for we do believe that we must raise our industries in order to make for ourselves a certain position, we do not use the word "protection" and its supposed disadvantages as arising to the consumer with the same purpose and motive that our opponents use it. We use it only in order to arouse the country to a higher sense of duty and not in order that it may be applied for the purpose of the extermination of our industries by any undue and wrong competition. But nonetheless, while it may be used for wrong purposes, we may certainly be allowed to use it for the right purpose of appealing to our friends here who represent that class, if you like to call them the magnates of this great land. After all, I must say to some of my friends, "if they are not at our mercy, may I put myself at their mercy and say that they will dispel the apprehensions in the mind of the Law Member by recourse to their experience and knowledge, placing it at their disposal and generously contributing to the growth of the society to which they belong". Sir, I support this motion. (Loud Applause.)

Several Honourable Members : I move that the question be now put.

Mr. M. A. Jinnah (Bombay City : Muhammadan Urban) : Sir, I feel that I shall not be justified in sitting here and recording my silent vote. I want to place before the House that it has not been my lot to associate myself more closely and participate in the construction of this very important measure. But on this particular amendment, I have tried my very best to come to an impartial judgment. I will assume and I think it is no use our talking at this stage whether the managing agency system is desirable or undesirable. I will assume that. As a matter of fact, the Bill assumes that the system is to continue. Therefore it is no use our

talking now at this stage of the Bill and say, we want to put an end to it. I will not say a word about it. I do not know whether my Honourable friend, Pandit Govind Ballabh Pant, has connived at it, but that is not the correct word to be used, that he connived at the continuation of the managing agency system. I dare say there are various difficulties. Lightly or wrongly the general opinion is that at present, at any rate, we cannot end the managing agency system. Anyhow that stands.

Then, the next question we have to consider is this. I will not put it higher, but I will put it like this. It must be assumed that the managing agency system may continue, but the existing agency contracts are such that should not as far as possible be continued for a longer period than necessary. That is only on the ground that evils exist. Otherwise there is no use of fixing 20 years. No doubt these contracts have been obtained from the shareholders who constitute the company, they are *suo juris*, they are no doubt not lunatics but I think we know that these contracts which have been obtained and which now exist are, to put on the lowest level, certainly of the most onerous character. Therefore there is no question really of sanctity of contracts, or any sacrosanctness about them at all. It is also assumed that if these contracts are unconscionable, then surely this House, as the supreme Legislature, cannot allow that state of things to continue much longer. The Government admit, that there is no logic about the period to be fixed. They say, you cannot reason it out, but taking everything into consideration and applying the rule of thumb, the Government say, these managing agencies should terminate within 20 years. I understand that to be the position of Government. I am very glad that the Honourable the Law Member said that Government were not intimidating or threatening to withdraw the Bill if we cut down 20 years, but he raised objections to such a course being adopted. The first objection was that Government are cutting them down to 20 years and that in itself is going a long way. But if we cut them down to a lesser period, such as five years according to this amendment, then his fear was that there will be corners. Next, there will be dislocation and confusion and disaster. Third, it will be difficult to finance the companies. It will, thus in the result, be far worse to face this situation in general interest if we enact this law with this amendment. If I understand correctly, that is the position of the Honourable the Law Member. I really tried my very best to understand what was this fear in the mind of Government. Is that fear based on real solid ground or merely because it has been dinned into the ears of Government from certain quarters that there will be a great disaster and that there will be corners, that no finances will be coming forth, the moment you fix five years. My Honourable friend, Mr. Aney, spoke quite earnestly and seriously and with the fullest conviction. He said if you fix five years, many companies will be ruined, but nobody says, why? What will happen and why should there be ruin, I have not been able to see. What is this amendment? I am myself not satisfied with this amendment. I want the whole loaf, but if I cannot get it, I will be satisfied with half. The real issue before the House is this. Is it to be 20 years or is it to be five years, plus this, that only those contracts which have existed for 30 years should terminate after five years. Under those contracts, the agents have enjoyed the ups and downs, if you like, the benefit and the disadvantages, but they have had it for 30 years. If after 30 years enjoyment, the agents have to come after the next five years before the shareholders and put before them any reasonable terms—and give up unreasonable terms

[Mr. M. A. Jinnah.]

which they might have had, why should they be afraid of coming before the shareholders after five years (Hear, hear) and obtaining reasonable terms. I cannot understand that. Then, the Honourable the Law Member said there will be suspension. What does this mean? Of course naturally the agents will be made to understand if this Bill is passed with this amendment that they cannot possibly continue to enjoy those favourable terms for ever, so, as agents of the company they have to come with something more reasonable before the shareholders so that they can get their contracts renewed. What is wrong about it? Really, Sir, it seems to me, I speak with great respect, that these agents who have enjoyed these advantages are carried away too far by their over-greed and they do not want to part with it. But as they are forced, because they know all the forces are ranged against them and therefore they are willing at any rate to rest content with 20 years, but nothing less than 20 years charter. Then there is the point of view of my Honourable friend, the Leader of the Opposition, and we know something more about it. If the shareholders will wake up to their rights, if the shareholders' association that is now started in Bombay is established in other parts of India,—all this talk of perpetuity, what my Honourable friend, Sir Ghulam Hussain Hidayatallah, talked of perpetuity being reduced to 20 years as a wonderful sacrifice—then, I say that with the establishment of shareholders associations in all parts of India this plea of sacrifice of perpetuity will vanish as a dream. If some of these contracts are examined and brought into Courts of law, your talk of perpetuity will all prove to be a dream and a vision and nothing else. Therefore, it is no use talking of perpetuity.

Now, coming to the amendment, what does it say :

“ and shall cease to hold office any time after five years from the commencement of the said Act, if the company has by resolution passed at a general meeting decided to terminate his services, provided that no such resolution shall be passed unless thirty years have elapsed since the managing agent or his predecessor first occupied such office.”

It was said by my Honourable friend, Mr. Mody.....

An Honourable Member : It is Sir H. P. Mody.

Mr. M. A. Jinnah : I beg his pardon. I have known my Honourable friend so long that I cannot think of him except as Mr. Mody. It was said by Sir Hormusji Mody and I was rather struck with that point, he said “ that the contracts which have existed for 30 years, you can terminate after five years. But what will happen to companies which are started today? Will they not have 20 years ”? I have been thinking about it. This has raised a difficulty, namely, that a company that is started today with any contract of agency, that will continue for 20 years after the Act. He says, why therefore terminate those contracts which have existed all this time within the next five years. Here again it is very difficult to apply logic, and it is very difficult to examine the question, unless one goes very deep into all the facts. But what strikes me on the spur of the moment is this, that most of the recent contracts that are being made of agency with the company are not as a rule made on those onerous terms.

The Honourable Sir Nripendra Sircar : I do not think that is correct.

Mr. M. A. Jinnah : I said most of them. Although there may be some, I know there are some that are quite as old as the hills. May I

respectfully point out to the Honourable the Law Member that at any rate in my part of the country, where I live, the shareholders are really getting more and more experience and as far as I know that in most of the new companies that have been started, believe me, the agents have not got those onerous terms. Most of them, I do not say all. Therefore I say to my Honourable friend, Sir Hormusji Mody, that we are not aiming at terminating those contracts which are fair or reasonable, but we are trying to terminate only those contracts which are otherwise ; there is no object in maintaining contracts which are unconscionable for 20 years more.

The next point was, why do you want to punish the innocent for the sake of a few black sheep. That was the strongest argument that could have been possibly advanced. My Honourable friend, Sir Hormusji Mody, again came out with startling figures. He said, “ Look at Bombay where five crores have been given up by the managing agents. Why do you want to punish these managing agents who sacrificed so much ”. My point is, if these managing agents are really so innocent as they make out to be, why should they be afraid of facing the shareholders. (Hear, hear.) The shareholders must be the biggest fools to say, “ Here are our managing agents who have sacrificed so much for the sake of the company, they have not charged interest for the money advanced to the company, they have not charged commission which they are entitled according to the sanctity of contracts. Yet we will not renew their contracts on reasonable terms. His honour, his integrity, his sense of fairness and generosity, what happens to them all? Surely that must count. Why should that class of agents be afraid to go back to their shareholders within the next five years and put their fair terms of agency before them. Even Sir Cowasji Jehangir had to admit and did frankly admit that there are contracts where the profit or remuneration is received on production or sale. There are many other agencies which may not be as bad. He has admitted that they at any rate ought to be done away with, but the Law Member's defence is that there are only 28 of them in Ahmedabad and you need not strike at them. But my appeal to the Law Member is : why should these 28 exist if they are so bad? What is the justification for their continuance? Why should we allow them to go on? Simply because they are 28 in number. Sir, that is not logic, whatever else it may be. Therefore, I feel that one of the main reasons why there has been this hue and cry is due to the fact that one of the greatest evils in the company management has been this system of agency. It is not only the system of agency but worse still the kind of contracts which they have obtained from the company and the shareholders. It is for that very important reason—and I think that is really the backbone of this Bill—that we feel and we appeal to the Government to consider the position. Do not merely be carried away by what the merchants from Bengal or Bombay tell you in this exaggerated form that there will be disaster and there will be ruin. I appeal to my friend, Mr. Aney, not to be carried away by these fears. Business men do not do business in that way, they act differently. These very men who are telling us now that if you fix 5 years there will be disaster, these very men will begin to think differently, act differently, and will try to persuade their shareholders to give them as good terms as they can get out of them. That is how business is done. (Laughter.)

Therefore, Sir, the issue is a very narrow one. If the Leader of the House thinks that the capital will not be forthcoming, that there will be disaster, that there will be corners all over and chaos unless we agree to

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20 years, I have no other argument to advance, if he is convinced of that. But I am not convinced of it. As I find no ground for it except assertions, I say there is not going to be any chaos, there is not going to be disaster; and believe me, whenever an attempt has been made to corner,—I do not think it has been made very often and in Bombay, as far as I remember, it has been attempted once or twice in the course of 30 years—I assure you it is very difficult to succeed. And as I think and the Leader of the Opposition pointed out, most of these agents,—I do not say all but those who are wise,—have taken good care to hold a certain number of shares in the company of which they are the agents. And I assure you it will be very difficult for the shareholders to manœuvre and resist them. I venture to say that even in spite of this Bill, even if you fix five years, a good many of them will get their contracts renewed on the same terms probably. The reason is that they have got considerable share holdings and they have only got to get a very small number like Government here to succeed. You want a very small number to win against the Opposition in this House (Laughter), and I cannot give a better analogy than this House. You have the biggest holding in this company here, and you only want a few votes to win against the Opposition. Similarly the agent is in the same position as the Government Bench here. Sir, I have no desire to put unnecessary difficulties because after all on this side of the House, our desire is only one,—to give India a good and sound company law, and to assist Government in every way we can to bring about that result, so that our morale, the commercial morality may exhibit a higher standard and a more honourable one, and may command greater respect not only among our own people but throughout the world. That is our object.

Several Honourable Members : The question may now be put.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :
“ That the question be now put.”

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :
“ That in clause 42 of the Bill, in sub-section (2) of the proposed section 87A, for all the words occurring after the words ‘ the said Act ’ the following be substituted :

“ and shall cease to hold office any time after five years from the commencement of the said Act, if the Company has by resolution passed at a general meeting decided to terminate his services, provided that no such resolution shall be passed unless thirty years have elapsed since the Managing Agent or his predecessor first occupied such office. Nothing in this sub-section shall prejudice the right of the company to re-appoint the Managing Agent or to determine his office before the prescribed period in accordance with any provision in the Articles of the Company.”

The Assembly divided :

AYES—53.

Abdul Matin Chaudhury, Mr.
Anwar-ul-Azim, Mr. Muhammad.
Asaf Ali, Mr. M.
Ayyangar, Mr. M. Ananthasayanam.

Azhar Ali, Mr. Muhammad.
Badi-uz-Zaman, Maulvi.
Badrul Hasan, Maulvi.
Bhutto, Mr. Nabi Baksh Illahi Baksh.

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AYES—contd.

Chaliha, Mr. Kuladhar.	Khare, Dr. N. B.
Chettiar, Mr. T. S. Avinashilingam.	Lalechand Navalrai, Mr.
Chetty, Mr. Sami Vencatachelam.	Mudaliar, Mr. C. N. Muthuranga.
Chunder, Mr. N. C.	Paliwal, Pandit Sri Krishna Dutta.
Das, Mr. B.	Pant, Pandit Govind Ballabh.
Das, Mr. Basanta Kumar.	Raghubir Narayan Singh, Choudhri.
Das, Pandit Nilakantha.	Raju, Mr. P. S. Kumaraswami.
Desai, Mr. Bhulabhai J.	Ranga, Prof. N. G.
Deshmukh, Dr. G. V.	Saksena, Mr. Mohan Lal.
Essak Sait, Mr. H. A. Sathar H.	Satyamurti, Mr. S.
Gadgil, Mr. N. V.	Sham Lal, Mr.
Ghiasuddin, Mr. M.	Sheodass Daga, Seth.
Giri, Mr. V. V.	Siddique Ali Khan, Khan Sahib Nawab.
Govind Das, Seth.	Singh, Mr. Ram Narayan.
Gupta, Mr. Ghansham Singh.	Sinha, Mr. Satya Narayan.
Hans Raj, Raizada.	Sinha, Mr. Shri Krishna.
Hosmani, Mr. S. K.	Som, Mr. Surya Kumar.
Jedhe, Mr. K. M.	Sri Prakasa, Mr.
Jinnah, Mr. M. A.	Thein Maung, Dr.
Jogendra Singh, Sirdar.	Thein Maung, U
Joshi, Mr. N. M.	Umar Aly Shah, Mr.
Kailash Behari Lal, Babu.	Varma, Mr. B. B.
Khan Sahib, Dr.	

NOES—68.

Abdoola Haroon, Seth Haji.	Lahiri Chaudhury, Mr. D. K.
Abdul Hamid, Khan Bahadur Sir.	Lal Chand, Captain Rao Bahadur
Abdullah, Mr. H. M.	Chaudhri.
Acott, Mr. A. S. V.	Laljee, Mr. Huseenbhai Abdullahai.
Ahmad Nawaz Khan, Major Nawab	Maitra, Pandit Lakshmi Kanta.
Sir.	Malaviya, Pandit Krishna Kant.
Ahmed, Mr. K.	Metcalf, Sir Aubrey.
Aney, Mr. M. S.	Milligan, Mr. J. A.
Ayyar, Diwan Bahadur R. V. Krishna.	Mody, Sir H. P.
Bajoria, Babu Baijnath.	Morgan, Mr. G.
Bajpai, Sir Girja Shankar.	Mukherjee, Rai Bahadur Sir Satya
Bartley, Mr. J.	Charan.
Benjamin, Mr. H. D.	Murid Hossain Qureshi, Khan Bahadur
Bhat, Mr. M. D.	Nawab Makhdom.
Buss, Mr. L. C.	Naydu, Diwan Bahadur B. V. Sri Hari
Chapman-Mortimer, Mr. T.	Rao.
Craik, The Honourable Sir Henry.	Nind, Mr. W. W.
Dalal, Dr. R. D.	Noyce, The Honourable Sir Frank.
Datta, Mr. Akhil Chandra.	Parma Nand, Bhai.
DeSouza, Dr. F. X.	Rajah, Rao Bahadur M. C.
Dey, Mr. R. N.	Rau, Mr. P. R.
Fazli-Haq, Piracha, Khan Bahadur	Rau, Mr. P. S.
Shaikh.	Robertson, Mr. G. E. J.
Ghuznavi, Sir Abdul Halim.	Roy, Mr. S. N.
Grant, Mr. C. F.	Sant Singh, Sardar.
Griffiths, Mr. P. J.	Sarma, Sir Srinivasa.
Grigg, The Honourable Sir James.	Scott, Mr. J. Ramsay.
Hidayatallah, Sir Ghulam Hussain.	Sharma, Mr. D.
Hossack, Mr. W. B.	Sher Muhammad Khan, Captain Sardar.
Hudson, Sir Leslie.	Singh, Rai Bahadur Shyam Narayan.
James, Mr. F. E.	Sinha, Raja Bahadur Harihar Prosad
Jawahar Singh, Sardar Bahadur Sardar	Narayan.
Sir.	Sircar, The Honourable Sir Nripendra.
Jehangir, Sir Cowasji.	Spence, Mr. G. H.
Khurshaid Muhammad, Khan Bahadur	Thorne, Mr. J. A.
Shaikh.	Tottenham, Mr. G. R. F.

NOES—contd.

Vissanji, Mr. Mathuradas.
Witherington, Mr. C. H.
Yakub, Sir Muhammad.

Zafrullah Khan, The Honourable Sir
Muhammad.
Ziauddin Ahmad, Dr.

The motion was negatived.

Mr. S. Satyamurti : Sir, I move amendment No. 47 standing in my name :

“ That in clause 42 of the Bill, in sub-section (4) of the proposed section 87A, all the words after the words ‘ date of such termination from the company are paid ’ be omitted.”

If Honourable Members will kindly look at clause 42 of the Bill, and at section 87A (4), they will find, it reads :

“ The termination of the office of a managing agent by virtue of the provisions of sub-section (2) shall not take effect until all moneys payable to the managing agent for loans made to or remuneration due up to the date of such termination from the company are paid.”

I leave the words as they are, so far. My amendment seeks to omit the words that follow : those words are :

“ and shall not prejudice the right of the managing agent to recover any compensation which would have been payable by the company to the managing agent for the premature termination of his contract or management had such termination resulted from the action of the company itself.”

I want, by my amendment, to have those words deleted from this sub-section. I only want to give one argument in its favour. Whenever a statute confers upon shareholders a right or upon managing agents a liability contemplated in this sub-section, and in fact in the whole section, it is not right or just or equitable that shareholders should be called upon to pay compensation for the frustration of what are called vested rights. I do not want to give any further argument. The Leader of the European Group said that, so far as this provision for compensation was concerned, it was not likely to be of much help to them. The Honourable the Law Member stated, I think, in the course of his first or second speech, quoting from a judgment, that, after all, taking the law as it is working today, this may not mean very much; if anything, to the managing agent. But, Sir, if these words remain as they are, they are bound to give rise to litigation and the action of the shareholders may be retarded or handicapped by this fear of the managing agent having his right to what is called compensation. I therefore hope and trust that this House will see its way to accept this amendment unanimously. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

“ That in clause 42 of the Bill, in sub-section (4) of the proposed section 87A, all the words after the words ‘ date of such termination from the company are paid ’ be omitted.”

The Honourable Sir Nripendra Sircar : As regards compensation, I think I made my position perfectly clear that I am not willing to support a claim for compensation, which means that I am not opposing the amendment.

Sir H. P. Mody : I want to make our position clear. Even though my Honourable friend the Law Member says that he is prepared to accept

the amendment, so far as I am concerned, at any rate, I am not. I do not think it is at all fair that the managing agent whose contract is terminated under the provisions of this Bill should have the right of compensation denied to him. I do not think there is any justification for such a denial and I oppose the amendment.

Sir Cowasji Jehangir : I do not think it is quite clearly understood what Mr. Satyamurti's amendment means. Under the Bill every managing agent gets a life of 20 years. Suppose he has an agreement which gives him a longer life than 20 years, then, under the Bill as it stands, he can claim compensation. Under the amendment moved, if accepted, he could claim no compensation after 20 years. That is to say, you have decided to give him a 20 years' life. You have done all you think he deserves. Having done that, Mr. Satyamurti proposes that this House should agree to give him no compensation and that 20 years' life should be sufficient. I am inclined to agree with the Honourable the Law Member that 20 years' period is a liberal provision and no further compensation should be given. Even if he claims it, it is a very doubtful point whether he can get it. Since it is a doubtful point....

Mr. Bhulabhai J. Desai : Why not be graceful and give it up ?

Sir Cowasji Jehangir : There is no question of grace in business. (Laughter.) There is no question of grace in a lawyer's fees either. So, let us take this grace out of this business and see what is equitable. In the circumstances it appears to me that the Honourable the Law Member has taken a very equitable view of this case and I would support him.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That in clause 42 of the Bill, in sub-section (4) of the proposed section 87A, all the words after the words ‘ date of such termination from the company are paid ’ be omitted.”

The motion was adopted.

Mr. Husenbhai Abdullahbhai Laljee (Bombay Central Division : Muhammadan Rural) : Sir, I move :

“ That in clause 42 of the Bill, to sub-section (4) of the proposed section 87A, the following proviso be added :

‘ Provided that if on the expiry of the office of a managing agent, the managing agent is not reappointed or a new managing agent is not appointed, the old managing agent may continue to hold office till an appointment of a managing agent is made by the company or until directors take upon themselves to manage or make some arrangement for management ’.”

In clause 42, it has been provided that after 20 years the office of a managing agent ceases. After the managing agency ceases the management naturally goes to the board of directors, but it may happen that the board of directors are not able to make the necessary arrangements or the shareholders are not able to reappoint the managing agent. In that case the company should not stop doing business, and for the interim period before the directors take upon themselves the work of the company or make any arrangements for the same, I think it is necessary that the clause must make it clear that the old managing agent may act. It is my object that the company should go on and nobody should be allowed to take advantage of any deadlock. With these words, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

“ That in clause 42 of the Bill, to sub-section (4) of the proposed section 87A, the following proviso be added :

‘ Provided that if on the expiry of the office of a managing agent, the managing agent is not reappointed or a new managing agent is not appointed, the old managing agent may continue to hold office till an appointment of a managing agent is made by the company or until directors take upon themselves to manage or make some arrangement for management ’.”

The Honourable Sir Nripendra Sircar : I oppose this amendment. My Honourable friend's idea is to avoid what I may call an interregnum, but that is not possible now. This House has made Article 71 of Table A compulsory. I think that was moved by my Honourable friend, Mr. Akhil Chandra Datta. Under Article 71 the business of the company shall be managed by the directors, so that the moment the managing agent goes out, whatever had been delegated to the managing agent goes out with him, so that the full management falls on the directors. Secondly, from a practical point of view, apart from this legal argument, what is the difficulty in making some timely arrangement ? The directors must make some arrangement when they know that the managing agents are going out. If they do not, they have got to be responsible themselves. Sir, I oppose.

Sir Cowasji Jehangir : May I point out to the Leader of the House that there can be other circumstances and conditions which he perhaps does not visualise ? The managing agent goes out after 20 years, and it is quite correct to say that the shareholders have got several years before these 20 years elapse to consider who should be the succeeding managing agent, but there may be a conflict of interests and it is likely that due to discussions between shareholders and the old managing agents a considerable amount of time may elapse and the 20 years may then run out. The result will be there will be no managing agents. According to what my Honourable friend, the Leader of the House, said just now, Article 71 provides that the directors shall take up the management. May I point out that under the present system of managing agency it will be practically impossible for the directors to carry on ? The directors, we must realise, are not directors of an English company under the English Act. I do not think that this Act is going to make such a tremendous difference in the position of the directors as to make them absolutely acquainted with the working of the whole company and in a position to step into the shoes of the managing agent immediately. That will not be the position of the directors. It is possible that under the Bill when it becomes law the directors may be forced to take greater interest than they do today, but they will not be in a position to step into the shoes of the managing agents. And if there is a certain amount of time between the appointment of the new managing agent after 20 years and the termination of life of the old managing agent, I think there ought to be some provision, and I would ask the Leader of the House perhaps to postpone this matter if he wants to give it further consideration because there may arise a great difficulty. I do not see what objection there can be to having a provision of this kind in the Act so as to enable the old managing agent to carry on for a short time if a new managing agent is not appointed. That is my only point, namely, it may cause a great

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deal of inconvenience and a certain amount of loss to the company. If the shareholders and the managing agents are fairly balanced with regard to the holding of shares, or it may happen that there may be a first class firm of managing agents who have a very few number of shares belonging to them, there may arise a dispute among the majority of the shareholders as to who should be the managing agents, one bloc of shareholders desiring one firm, another bloc of shareholders desiring another firm. It may take a long time before they come to a definite decision on the matter of agents and therefore I do not see what harm there can be if you have a provision like this in the Bill. It is only safety we ask for.

The Honourable Sir Nripendra Sircar : I have no right of reply, but I do not want any time for reconsideration.

Mr. Muhammad Azhar Ali (Lucknow and Fyzabad Divisions : Muhammadan Rural) : The amendment moved by Mr. Husenbhai Laljee is one of the most salutary amendments I have seen moved in this Assembly on this companies Bill. It simply asks the House to make provision in certain cases which may arise. They are not imaginary cases only but certain circumstances do arise. The directors may not be able to run the business of the company in which case a provision like this is very necessary. I see no reason why the Honourable the Law Member should oppose this amendment. If the position is that amendments moved from this side must be opposed for opposition's sake, then it is another question.

The Honourable Sir Nripendra Sircar : The last one was not opposed. I do not want any pretext for extending the 20 years. I want to cut it off.

Mr. Muhammad Azhar Ali : As the opposition has lost on the point of 20 years, this provision is the best that could be provided, in order to run the business equitably, smoothly and honestly. The management of a company cannot be allowed to remain at a standstill even for a minute or a second. People who are not concerned, may sit easily in their houses, but those who run big companies and mills in Bombay, Calcutta or Karachi, they know what it is if the company comes to a standstill even for a few hours. If the managing agent is not very honest, if he does not care for the interest of the company or if he is not a shareholder in the company, it is quite possible that he may put some spokes in the working of the company and thus the business of the company is sure to be dislocated. Under these circumstances I think there is nothing unjust or inequitable in moving the amendment which has been moved by my friend, Mr. Laljee. I support it.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That in clause 42 of the Bill, to sub-section (4) of the proposed section 87A, the following proviso be added :

‘ Provided that if on the expiry of the office of a managing agent, the managing agent is not reappointed or a new managing agent is not appointed, the old managing agent may continue to hold office till an appointment of a managing agent is made by the company or until directors take upon themselves to manage or make some arrangement for management ’.”

The motion was negatived.

Pandit Govind Ballabh Pant : Sir, I move :

" That in clause 42 of the Bill, to sub-section (5) of the proposed section 87A, the words ' which is not the subsidiary company of a public company ' be added at the end."

I believe the principle has been accepted by Government. This amendment is substantially the same as No. 51 in the name of Mr. Sen, which is rather cumbersome. The language of my amendment is more clear. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

" That in clause 42 of the Bill, to sub-section (5) of the proposed section 87A, the words ' which is not the subsidiary company of a public company ' be added at the end."

The Honourable Sir Nripendra Sircar : I accept that amendment.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

" That in clause 42 of the Bill, to sub-section (5) of the proposed section 87A, the words ' which is not the subsidiary company of a public company ' be added at the end."

The motion was adopted.

Mr. T. S. Avinashilingam Chettiar : Sir, I move :

" That in clause 42 of the Bill, for clause (a) of the proposed section 87B, the following be substituted :

' (a) The office of a managing agent shall be vacated if—

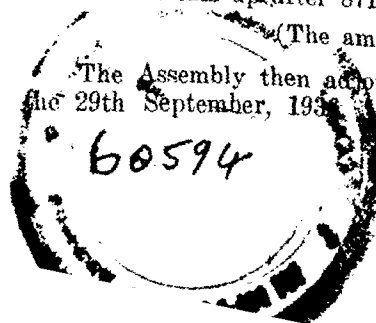
- (1) he is convicted of an offence in relation to the affairs of the company punishable under the Indian Penal Code and being under the provisions of the Code of Criminal Procedure, 1898, non-bailable ; for the purpose of this sub-clause where the managing agent is a firm or company an offence committed by a member of such firm or a director or an officer holding a general power of attorney from such company shall be deemed to be an offence committed by such firm or company ;
- (2) he is adjudged insolvent ;
- (3) he acts in contravention of the provisions contained in section 87H or 87J."

I need not say about sub-clauses 2 and 3, because....

The Honourable Sir Nripendra Sircar : If my friend will allow me to interrupt him, I would suggest that it would be rather inconvenient to take this up now. His last paragraph says " in contravention of the provisions contained in section 87H or 87J ". We have not yet reached 87H. I do not know what shape it will take. If my friend will agree, we can take this up after 87H has been finished.

(The amendment was held over.)

The Assembly then adjourned till Eleven of the Clock on Tuesday, the 29th September, 1936.



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