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THE
COUNCIL OF STATE DEBATES

VOLUME I, 1937

(16th February to 8th April, 1937)

FIRST SESSION

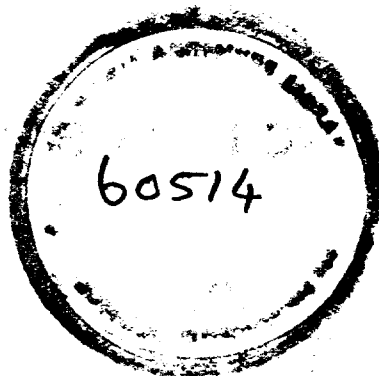
OF THE

FOURTH COUNCIL OF STATE, 1937



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Council of State

President :

THE HONOURABLE SIR MANECKJI DADABHOY, K.C.S.I., K.C.I.E., KT., BAR
AT-LAW.

Panel of Chairmen :

THE HONOURABLE SIR PHIROZE SETHNA, KT., O.B.E.
THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS, C.I.E.
THE HONOURABLE SIR DAVID DEVADOSS, KT.
THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR.

Secretary :

THE HONOURABLE MR. SHAVAX A. LAL.

Assistants of the Secretary :

RAI BAHADUR A. L. BANERJEE, I.S.O.
MR. A. W. CHICK.

Committee on Petitions :

THE HONOURABLE RAJA CHARANJIT SINGH, *Chairman*.
THE HONOURABLE MR. P. N. SAPRU.
THE HONOURABLE DIWAN BAHADUR SIR RAMUNNI MENON, KT. } *Members.*
THE HONOURABLE MR. R. H. PARKER.
THE HONOURABLE KUMAR NRIPENDRA NARAYAN SINHA.

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THE
COUNCIL OF STATE DEBATES
(OFFICIAL REPORT OF THE FIRST SESSION OF THE FOURTH
COUNCIL OF STATE.)

VOLUME I—1937.

COUNCIL OF STATE.

Tuesday, 16th February, 1937.

The Council met in the Council Chamber of the Council House in New Delhi at Eleven of the Clock, being the first day of the First Session of the Fourth Council of State, pursuant to section 63D (2) of the Government of India Act. The Honourable the President (the Honourable Sir Maneckji Byramji Dadabhoy, K.C.S.I., K.C.I.E., Kt., Bar.-at-Law) was in the Chair.

NOTIFICATION OF THE APPOINTMENT OF THE HONOURABLE
SIR MANECKJI DADABHOY AS PRESIDENT OF THE COUNCIL
OF STATE.

THE HONOURABLE THE PRESIDENT: Honourable Members, in conformity with the former practice, I will ask the Secretary to read the Governor General's Notification appointing me President of the Council of State.

SECRETARY OF THE COUNCIL: Sir, the Notification of the Government of India in the Legislative Department, No. F. 103/37-C. & G., dated the 2nd February, 1937, reads as follows:—

“ In exercise of the power conferred by sub-section (2) of section 63A of the Government of India Act, the Governor General is pleased to appoint the Honourable Sir Maneckji Byramji Dadabhoy, K.C.S.I., K.C.I.E., Kt., being a Member of the Council of State, to be President of the said Council of State.”

The Honourable the President then took the oath, standing, and signed the roll.

THE HONOURABLE THE PRESIDENT: Honourable Members will now take the oath or affirmation of allegiance to the Crown.

MEMBERS SWORN :

- The Honourable Kunwar Sir Jagdish Prasad (Education, Health and Lands Member).
- The Honourable Mr. John Nesbitt Gordon Johnson (Chief Commissioner, Delhi).
- The Honourable Raja Charanjit Singh (Punjab : Nominated Non-Official).
- The Honourable Mr. Reginald Heber Parker (Bombay Chamber of Commerce).
- The Honourable Mr. Bijay Kumar Basu (Bengal : Nominated Non-Official).
- The Honourable Sir David Devadoss (Nominated : Indian Christians).
- The Honourable Diwan Bahadur Sir K. Ramunni Menon (Madras : Nominated Non-Official).
- The Honourable Saiyed Mohamed Padshah Sahib Bahadur (Madras : Muhammadan).
- The Honourable Mr. V. Ramadas Pantulu (Madras : Non-Muhammadan).
- The Honourable Sir Phiroze Cursetji Sethna (Bombay : Non-Muhammadan).
- The Honourable Mr. Hossain Imam (Bihar and Orissa : Muhammadan).
- The Honourable Rai Bahadur Lala Ram Saran Das (Punjab : Non-Muhammadan).
- The Honourable Kumar Nripendra Narayan Sinha (West Bengal : Non-Muhammadan).
- The Honourable Mr. Prakash Narain Sapru (United Provinces Southern : Non-Muhammadan).
- The Honourable Pandit Hirdainath Kunzru (United Provinces Northern : Non-Muhammadan).
- The Honourable Raja Devaki Nandan Prasad Singh (Bihar : Nominated Non-Official).
- The Honourable Sardar Buta Singh (Punjab : Sikh).
- The Honourable Sir Charles Gordon Arthur (Bengal Chamber of Commerce).
- The Honourable Sir Guthrie Russell (Chief Commissioner of Railways).
- The Honourable Mr. Hugh Dow (Commerce Secretary).
- The Honourable Mr. Andrew Gourlay Clow (Industries and Labour Secretary).
- The Honourable Mr. John Carson Nixon (Finance Secretary).
- The Honourable Mr. Reginald Maitland Maxwell (Home Secretary).
- The Honourable Sir Bertrand Glancy (Political Secretary).
- The Honourable Mr. Arthur deCœtlogan Williams (Government of India : Nominated Official).
- The Honourable Sir Josna Ghosal (Bombay : Nominated Non-Official).
- The Honourable Mr. Alan Hubert Lloyd (Government of India : Nominated Official).
- The Honourable Mr. Arthur Henry Ashworth Todd (Madras : Nominated Official).

- The Honourable Khan Bahadur Shams-ud-Din Haidar (Bihar : Nominated Non-Official).
- The Honourable Khan Bahadur Shaikh Muhammad Bashir Siddiqi (United Provinces : Nominated Official).
- The Honourable Mr. Abdur Razzak Hajee Abdus Sattar (West Bengal : Muhammadan).
- The Honourable Prince Afsar-ul-Mulk Mirza Muhammad Akram Hussain Bahadur (Bengal : Nominated Non-Official).
- The Honourable Rai Bahadur Sri Narain Mahtha (Bihar : Non-Muhammadan).
- The Honourable Khan Bahadur Syed Ihtisham Hyder Chaudhury (East Bengal : Muhammadan).
- The Honourable Chaudhri Ataullah Khan Tarar (East and West Punjab : Muhammadan).
- The Honourable Haji Syed Muhammad Husain (United Provinces West : Muhammadan).
- The Honourable Mr. Kumarsankar Ray Chaudhury (East Bengal : Non-Muhammadan).
- The Honourable Mr. Jatindra Chandra Banerjee (East Bengal : Non-Muhammadan).
- The Honourable Rao Bahadur K. Govindachari (Madras : Non-Muhammadan).
- The Honourable Mr. Sitakanta Mahapatra (Orissa : Non-Muhammadan).
- The Honourable Mr. Khurshid Ali Khan (Punjab : Nominated Non-Official).
- The Honourable Mr. Shavax Ardeshir Lal (Government of India : Nominated Official).

ADDRESS OF WELCOME BY THE HONOURABLE THE PRESIDENT TO HONOURABLE MEMBERS.

THE HONOURABLE THE PRESIDENT : Honourable Members, I welcome you all, both Non-officials and Officials, on your election or nomination to the fourth and probably the last Council of State under the present constitution. I am gratified to see many old Members back again in this House who have rendered in the past excellent work and served their country in a commendable way. On the other hand, I see before me many veteran Members and old friends who in the past have rendered equally good work in other Legislatures or outside this House in other more important walks of life. In this supreme Council of India men from all Provinces who are in the forefront in politics, professions, commerce, industry and services have collected together here and their presence will be a great acquisition of strength to this Council. But Honourable Members, permit me to say that you have before you an arduous and responsible task. You who are the leaders of thought and intelligence in this country and who are expected to give a lead to our countrymen in other Legislatures in India have a somewhat responsible task before you till the Federation comes in. Your admission to this Chamber and the important position you now occupy in the Constitutional structure opens out to you a wide field of political activity and service and the able and conscientious manner in which your predecessors have performed their onerous

[Mr. President.]

duties entitles me confidently to hope that you will carry on the traditions of this Chamber and in a vigorous and efficient manner discharge those weighty and high responsibilities of your office in the general interest of our country. You will be the harbinger of the Federal Council which will usher in before long and your devotion to duty and interest in work and resolution to keep up the past dignity and traditions of this House will serve as a stimulus and an example to the Federal Legislature which will soon follow. It is hardly necessary to urge that the Council of State will bulk large before the public in the coming years and will be in a position to make significant contributions towards shaping and moulding the destinies of Federated India. I have no doubt you will help to maintain as in the past discipline, decorum and the great and glorious traditions of this Chamber and I shall zealously endeavour to watch and protect the rights, privileges and prerogative of this high and exalted House. (Applause.) As in the former years, I also hopefully depend on your co-operation and ready and willing submission to the rulings of the Chair and in return you may depend upon my giving you a full measure of support in the execution of your duties and vouch you absolute impartiality, fairness and show you all manner of consideration in conducting the proceedings in this House. May Providence make your task easy in these difficult times and give you strength to faithfully discharge your individual duties with credit to yourselves and advantage to our country, so that you may add another bright chapter as your predecessors have done to the usefulness, importance and reputation of this premier Legislature in India. (Applause.)

MOTION *RE* CONGRATULATIONS TO HIS MAJESTY KING GEORGE VI UPON HIS ACCESSION.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Leader of the House): Sir, I have the honour to move:

"That this Council do convey to His Majesty King George VI, Emperor of India, loyal congratulations upon his accession and an assurance of devotion to His Royal Person."

This is the first meeting of the newly elected Council of State and it is only appropriate that we should send a message of loyal congratulations to His Majesty on his accession to the Throne in circumstances of unprecedented difficulty. Sir, I commend my Motion to the acceptance of the House.

The Motion was adopted.

THE HONOURABLE THE PRESIDENT: Honourable Members, I will convey your message to the King Emperor.

REPLY TO THE ADDRESS OF WELCOME BY THE HONOURABLE THE PRESIDENT.

THE HONOURABLE SIR PHIROZE SETHNA (Bombay: Non-Muhammadan): Sir, before you proceed to the next item on the agenda, may we be permitted to thank you, and to thank you cordially, for the welcome you have extended, not only to the old Members who have been returned again but also to those who have newly joined the Council. You have expressed the hope that we will co-operate with you. Permit us to assure you that we shall do so to the fullest measure, because from our experience in the past we know that while you rule with tact and judgment, you will, as you have yourself stated, rule

most impartially. Members of this Council who have had the privilege of working with you in the past have always appreciated your work and your worth and it was therefore not only in this House but also outside this House that a general wish was expressed that His Excellency the Viceroy might be pleased to reappoint you to the high position which you have been called upon to fill again. (Applause.) We are very glad that His Excellency has given effect to this recommendation. You may depend upon it that we shall, as in the past, do all we can to help you not only in maintaining but in enhancing the reputation of this, the most senior Legislative House in the country.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Sir, I fully associate myself with what feelings my Honourable friend Sir Phiroze Sethna has expressed and reciprocate your kind feelings. Sir, we voiced our feelings in the old House just before its dissolution that we all wished that His Excellency the Viceroy may nominate you again to this House and select you for the honourable position that you now again hold. We feel thankful to His Excellency for the honour which he has done you so rightly. We feel sure, Sir, that as you have endeared yourself to us all, you will keep up the dignity of this House, safeguard its rights and privileges and conduct its proceedings in the impartial manner as you have done in the past. Sir, we wish you every success.

THE HONOURABLE THE PRESIDENT: Honourable Members, I thank you all most heartily for your kind felicitations and good wishes. (Applause.)

QUESTIONS AND ANSWERS.

INCOME FROM EXCISE ON SUGAR, ETC., DURING FINANCIAL YEAR 1935-36.

1. THE HONOURABLE SARDAR BUTA SINGH: Will Government be pleased to state:

(a) the amount collected on account of excise on sugar during the last financial year;

(b) the income during the same period which the railway has earned on account of freight on sugar-cane;

(c) the income during the same period realised on account of freight on sugar;

(d) the income from income-tax received from the sugar factories and employees of sugar factories?

THE HONOURABLE MR. A. H. LLOYD: (a) Rs. 1,58,51,000.

(b) The information is not available.

(c) The income from the carriage of refined and unrefined sugar on Class I Railways amounted to Rs. 1,58,30,100.

(d) The amount received from sugar factories was of the order of 30 lakhs. Information is not available regarding the income-tax received from employees of sugar factories.

INCREASE IN AREA UNDER SUGAR-CANE, ETC.

2. THE HONOURABLE SARDAR BUTA SINGH: Will Government be pleased to give a rough estimate of the following:—

(a) The increase in area under sugar-cane from 1926 to 1936,

- (b) The income from the increased area which the cultivators received,
 (c) The total amount paid by the sugar factories to the sugar-cane growers,
 (d) The employment the sugar factories have given to technical labour,
 (e) The employment the sugar factories have given to untrained labour,
 (f) The employment the sugar factories have given to bullock carts?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: (a) The area under sugarcane in 1935-36 was roughly 1 million acres more than in 1926-27.

(b) and (c). No statistics are available. A statement giving estimated figures is laid on the table.

(d) and (e). Separate figures for technical and untrained labour are not available. The average daily number of workers of all classes employed in sugar factories in British India during 1935 was 71,093. Later figures are not available.

(f) The conditions of sugar-cane transport vary so widely that it is not possible to frame any reliable estimate.

Statement giving estimated figures required under parts (b) and (c) of Question No. 2.

Year.	Estimated production of sugar-cane.	Estimated quantity of cane crushed by sugar factories.	Estimated quantity of cane consumed by Khandasari factories, for making gur and rab and chewing, etc.	Rough estimate of price of cane crushed by sugar factories.	Rough estimate of value of cane consumed by Khandasari factories, for making gur and rab and chewing, etc.	Rough estimate of total amount paid to growers.
	(Tons)	(Tons)	(Tons)	(Rs.)	(Rs.)	(Rs.)
1926-27.	35,392,000	742,368	36,649,632	(a) 6,949,000	(c) 183,248,000	190,197,000
1935-36.	61,102,000	9,801,748	51,300,252	(b) 83,315,000	(c) 256,501,000	839,816,000

(a) The price paid to the cultivators has been taken at Rs. 9-8-0 per ton of sugar-cane (Rs. 0-5-6 per maund).

(b) The price paid to the cultivators has been taken at Rs. 8-8-0 per ton of sugar-cane (Rs. 0-5-0 per maund).

(c) The value to the cultivators has been taken at Rs. 5 per ton of sugarcane (Rs. 0-3-0 per maund).

TELEPHONE EXCHANGES IN OKARA AND KHANEWAL IN THE PUNJAB.

3. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Will Government kindly state:

- (a) What number of trunk calls, both outward and inward, for each of the past three years have been made in Okara and Khanewal in the Punjab?
 (b) Are these exchanges a paying proposition?
 (c) If the answer to (b) is in the affirmative, then why has no extension of telephone exchanges been made in the Lower Bari Doab Colony towns of the Punjab for the past four years?

THE HONOURABLE MR. A. G. CLOW: (a) A statement of trunk calls for Okara and Khanewal for the years 1934 to 1936 is placed on the table.

(b) There is every indication that the telephone service at these places has warranted its installation.

(c) An exchange has been opened at Pattoki and other schemes are under consideration.

Number of Telephone Calls, outward and inward, for Okara and Khanewal.

Year.	Okara.		Khanewal.	
	Outward.	Inward.	Outward.	Inward.
1934-35	21,826	17,158	2,559	2,124
1935-36	22,072	22,194	2,502	2,577
1936-37*	21,826	25,510	2,559	2,271
TOTAL	65,724	64,862	7,620	6,972

* For period to end of December, 1936.

TELEPHONE IN THE SUTLEJ VALLEY CANAL AREA.

4. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: (a) Has the telephone yet been introduced in the Sutlej Valley Canal area in the Punjab?

(b) Did this Canal cost over 20 crores of rupees for the Punjab, Bikaner and Bahawalpur areas, and if so has any development of telephones taken place in this area during the last 10 years?

THE HONOURABLE MR. A. G. CLOW: (a) and (b). Yes, telephone exchanges have been opened at Fazilka and Muktsar. Further schemes are under examination and any which are likely to prove remunerative will be sanctioned.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Can I have the list of stations for which telephone installations are being considered?

THE HONOURABLE MR. A. G. CLOW: I regret I have not got those here.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Will you kindly send the list on to me later?

THE HONOURABLE MR. A. G. CLOW: If the Honourable Member will table a question, I shall be glad to get particulars.

TELEPHONE IN THE SUKKUR BARRAGE AREA.

5. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Has the Sukkur Barrage area in Sind yet been provided with any new telephone facilities during the last three years?

THE HONOURABLE MR. A. G. CLOW: The question of extending the telephone system in Sind has been kept prominently in view and sanction will be accorded to any scheme which promises to be remunerative. Exchanges at Mirpurkhas and Nawabshah are now under construction and the prospects of other places are under consideration.

TELEPHONE IN THE RURAL MANDIS IN THE PUNJAB.

6. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Will Government please state whether they have any definite policy for telephone development in rural Mandis in the Punjab?

THE HONOURABLE MR. A. G. CLOW : All important rural Mandis are visited by officers of the Posts and Telegraphs Department and telephone facilities are provided where there is a demand and a reasonable prospect of adequate support being obtained.

TELEPHONE LINE FOR TRUNK CALLS TO DHARAMSALA.

7. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Will Government kindly state whether it is intended to construct a telephone line for Trunk Calls to Dharamsala in the Punjab ?

THE HONOURABLE MR. A. G. CLOW : No.

SUBSCRIBED AND WORKING CAPITALS OF, AND AVERAGE RATE OF INTEREST REALISED BY, THE CO-OPERATIVE SOCIETIES AND CO-OPERATIVE BANKS IN EACH PROVINCE.

8. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Will Government kindly state what is the total subscribed Capital and the total working Capital in each province in India of the Co-operative Societies and Co-operative Banks, and what has been the average rate of interest per year realised by such institutions in each province ?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD : Information regarding the subscribed and working capital of Co-operative Societies and Banks will be found in Table III (b) on page 5 of the Statistical Statements relating to the co-operative movement in India during the year 1934-35, a copy of which is available in the Library of the Legislature. Information regarding the average rates of interest is given on pages 11, 15 and 19 of the same publication.

ACQUISITION OF THE BENGAL AND NORTH WESTERN RAILWAY ON THE EXPIRY OF THEIR LEASE.

9. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Will Government kindly give reasons which led them not to acquire the Bengal and North Western Railway on the expiry of their lease ?

THE HONOURABLE SIR GUTHRIE RUSSELL : After a full investigation Government were convinced that the purchase of the Bengal and North Western Railway at the present time would not be remunerative.

THE HONOURABLE MR. HOSSAIN IMAM : Will the Government explain what were the reasons for this decision ?

THE HONOURABLE SIR GUTHRIE RUSSELL : Because the purchase would not be remunerative, as I have said.

STRIKE ON THE BENGAL NAGPUR RAILWAY.

10. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : (a) Will Government kindly state what steps they are taking to end the strike on the Bengal Nagpur Railway ?

(b) Has this matter been left to the discretion of the Agent of the Railway concerned ?

(c) If so, why ?

THE HONOURABLE MR. A. G. CLOW : (a), (b) and (c). Government are taking no steps because the strike has come to an end. They were in fairly constant touch with the Agent of the Railway and the President of the Bengal Nagpur Railway Union and considered on two occasions the possibility of utilising the Trade Disputes Act. But it did not appear to them that such action would be calculated to secure a settlement of the dispute, which was actually reached finally by negotiations between the parties.

MOTION FOR ADJOURNMENT.

RESIGNATION OF SIR OSBORNE SMITH, GOVERNOR OF THE RESERVE BANK OF INDIA.

THE HONOURABLE THE PRESIDENT : Honourable Members, I have just received a motion of adjournment from the Honourable Mr. Sapru. I will read the motion to you :

" I shall move for the adjournment of the House to consider a matter of public importance, namely, the resignation of Sir Osborne Smith, Governor of the Reserve Bank of India, and the failure of the Government to disclose the reasons thereof".

It is for me to consider whether this motion is in order and falls within the purview of our rules. In order that an adjournment motion may be moved in this House, it must be, first, of a very urgent nature. The word " urgent " is prescribed in rule 22, and it must be of public importance. The Honourable Member in his motion of adjournment does not himself state that it is urgent, as you have seen from the motion that I have read to you. Secondly, it was several weeks ago that Sir Osborne Smith resigned, and it was open to the Honourable Member to submit a Resolution on the matter if he wanted any further information or discussion on the subject. I am therefore of opinion that this adjournment motion is not in order under Standing Order 22 and under the privilege allowed to me I disallow the motion.

STATEMENTS LAID ON THE TABLE.

DRAFT CONVENTIONS AND RECOMMENDATIONS ADOPTED BY THE TWENTIETH SESSION OF THE INTERNATIONAL LABOUR CONFERENCE.

THE HONOURABLE MR. A. G. CLOW (Industries and Labour Secretary) : I lay on the table the Draft Conventions and Recommendations adopted at the 20th Session of the International Labour Conference, and the statement indicating the course of action which the Government of India propose to follow in respect of these Draft Conventions and Recommendations. With your permission, I would add that the report of the Government delegates to this Conference has already been circulated by the Secretary to Honourable Members.

**DRAFT CONVENTIONS AND RECOMMENDATIONS ADOPTED BY THE
TWENTIETH SESSION OF THE INTERNATIONAL LABOUR CONFERENCE
(JUNE, 1936).**

1. Draft Convention concerning the regulation of certain special systems of recruiting workers.

Formal preamble has been omitted.

Article 1.

Each Member of the International Labour Organisation which ratifies this Convention undertakes to regulate in accordance with the following provisions the recruiting of indigenous workers in each of its territories in which such recruiting exists or may hereafter exist.

Article 2.

For the purposes of this Convention—

- (a) the term "recruiting" includes all operations undertaken with the object of obtaining or supplying the labour of persons who do not spontaneously offer their services at the place of employment or at a public emigration or employment office or at an office conducted by an employers' organisation and supervised by the competent authority;
- (b) the term "indigenous workers" includes workers belonging to or assimilated to the indigenous populations of the dependent territories of Members of the Organisation and workers belonging to or assimilated to the dependent indigenous populations of the home territories of Members of the Organisation.

Article 3.

Where the circumstances make the adoption of such a policy desirable, the following classes of recruiting operations may, except when undertaken by persons or associations engaged in professional recruiting, be exempted from the application of the Convention by the competent authority—

- (a) operations undertaken by or on behalf of employers who do not employ more than a prescribed limited number of workers;
- (b) operations undertaken within a prescribed limited radius from the place of employment; and
- (c) operations for the engagement of personal and domestic servants and of non-manual workers.

Article 4.

Before approving for any area any scheme of economic development which is likely to involve the recruiting of labour, the competent authority shall take such measures as may be practicable and necessary—

- (a) to avoid the risk of pressure being brought to bear on the populations concerned by or on behalf of the employers in order to obtain the labour required;
- (b) to ensure that, as far as possible, the political and social organisation of the populations concerned and their powers of adjustment to the changed economic conditions will not be endangered by the demand for labour; and
- (c) to deal with any other possible untoward effects of such development on the populations concerned.

Article 5.

1. Before granting permission to recruit labour in any area, the competent authority shall take into consideration the possible effects of the withdrawal of adult males on the social life of the population concerned, and in particular shall consider—

- (a) the density of the population, its tendency to increase or decrease, and the probable effect upon the birthrate of the withdrawal of adult males;

- (b) the possible effects of the withdrawal of adult males on the health, welfare and development of the population concerned, particularly in connection with the food supply;
- (c) the dangers to the family and morality arising from the withdrawal of adult males; and
- (d) the possible effects of the withdrawal of adult males on the social organisation of the population concerned.

2. Where the circumstances make the adoption of such a policy practicable and necessary, the competent authority shall, in order to safeguard the populations concerned against any untoward consequences of the withdrawal of adult males, fix the maximum number of adult males who may be recruited in any given social unit in such manner that the number of adult males remaining in the said unit does not fall below a prescribed percentage of the normal proportion of adult males to women and children.

Article 6.

Non-adult persons shall not be recruited: Provided that the competent authority may permit non-adults above a prescribed age to be recruited with the consent of their parents for employment upon light work subject to prescribed safeguards for their welfare.

Article 7.

1. The recruiting of the head of a family shall not be deemed to involve the recruiting of any member of his family.

2. Where the circumstances make the adoption of such a policy practicable and desirable, the competent authority shall encourage recruited workers to be accompanied by their families, more particularly in the case of workers recruited for agricultural or similar employment at a long distance from their homes and for periods exceeding a specified duration.

3. Except at the express request of the persons concerned, recruited workers shall not be separated from wives and minor children who have been authorised to accompany them to, and to remain with them at, the place of employment.

4. In default of agreement to the contrary before the departure of the worker from the place of recruiting, an authorisation to accompany a worker shall be deemed to be an authorisation to remain with him for the full duration of his term of service.

Article 8.

Where the circumstances make the adoption of such a policy practicable and desirable, the competent authority may make it a condition of permitting recruiting that the recruited workers shall be grouped at the place of employment under suitable ethical conditions.

Article 9.

Public officers shall not recruit for private undertakings either directly or indirectly, except when the recruited workers are to be employed on works of public utility for the execution of which private undertakings are acting as contractors for a public authority.

Article 10.

Chiefs or other indigenous authorities shall not—

- (a) act as recruiting agents;
- (b) exercise pressure upon possible recruits; or
- (c) receive from any source whatsoever any special remuneration or other special inducement for assistance in recruiting.

Article 11.

No person or association shall engage in professional recruiting unless the said person or association has been licensed by the competent authority and is recruiting workers for a public department or for one or more specific employers or organisations of employers.

Article 12.

Employers, employers' agents, organisations of employers, organisations subsidised by employers, and the agents of organisations of employers and organisations subsidised by employers, shall only engage in recruiting if licensed by the competent authority.

Article 13.

1. Before issuing any licence for recruiting the competent authority shall—
 - (a) satisfy itself that the applicant for a licence, if an individual, is a fit and proper person ;
 - (b) require the applicant for a licence, except when the said applicant is an employers' organisation or an organisation subsidised by employers, to furnish financial or other security for proper conduct as a licensee ;
 - (c) require the applicant for a licence, if an employer, to furnish financial or other security for the payment of wages due ; and
 - (d) satisfy itself that adequate provision has been made for safeguarding the health and welfare of the workers to be recruited.
2. Licensees shall keep, in such form as the competent authority may prescribe, records from which the regularity of every recruiting operation can be verified and every recruited worker can be identified.
3. A licensee who is the agent of another licensee shall wherever possible receive a fixed salary, and in any case in which he receives remuneration calculated at a rate per head of workers recruited such remuneration shall not exceed a maximum to be prescribed by the competent authority.
4. The validity of licences shall be limited to a fixed period not exceeding one year to be prescribed by the competent authority.
5. The renewal of licences shall be conditional upon the manner in which the licensee has respected the conditions subject to which the licence was issued.
6. The competent authority shall be entitled—
 - (a) to withdraw any licence if the licensee has been guilty of any offence or misconduct unfitting him to conduct recruiting operations ; and
 - (b) to suspend any licence pending the result of any enquiry into the conduct of the licensee.

Article 14.

1. No person shall assist a licensee in a subordinate capacity in the actual recruiting operations unless he has been approved by a public officer and has been furnished with a permit by the licensee.
2. Licensees shall be responsible for the proper conduct of such assistants.

Article 15.

1. Where the circumstances make the adoption of such a policy necessary or desirable, the competent authority may exempt from the obligation to hold a licence worker-recruiters who—
 - (a) are employed as workers by the undertaking for which they recruit other workers ;
 - (b) are formally commissioned in writing by the employer to recruit other workers ; and
 - (c) do not receive any remuneration or other advantage for recruiting.
2. Worker-recruiters shall not make advances of wages to recruits.
3. Worker-recruiters may recruit only within an area to be prescribed by the competent authority.
4. The operations of worker-recruiters shall be supervised in a manner to be prescribed by the competent authority.

Article 16.

1. Recruited workers shall be brought before a public officer, who shall satisfy himself that the law and regulations concerning recruiting have been observed and, in particular, that the workers have not been subjected to illegal pressure or recruited by misrepresentation or mistake.
2. Recruited workers shall be brought before such an officer as near as may be convenient to the place of recruiting or, in the case of workers recruited in one territory for employment in a territory under a different administration, at latest at the place of departure from the territory of recruiting.

Article 17.

Where the circumstances make the adoption of such a provision practicable and necessary, the competent authority shall require the issue to each recruited worker who is not engaged at or near the place of recruiting of a document in writing such as a memorandum of information, a work book or a provisional contract containing such particulars as the authority may prescribe, as for example particulars of the identity of the workers, the prospective conditions of employment, and any advances of wages made to the workers.

Article 18.

1. Every recruited worker shall be medically examined.
2. Where the worker has been recruited for employment at a distance from the place of recruiting or has been recruited in one territory for employment in a territory under a different administration the medical examination shall take place as near as may be convenient to the place of recruiting or, in the case of workers recruited in one territory for employment in a territory under a different administration, at latest at the place of departure from the territory of recruiting.
3. The competent authority may empower public officers before whom workers are brought in pursuance of Article 16 to authorise the departure prior to medical examination of workers in whose case they are satisfied—
 - (a) that it was and is impossible for the medical examination to take place near to the place of recruiting or at the place of departure ;
 - (b) that the worker is fit for the journey and the prospective employment ; and
 - (c) that the worker will be medically examined on arrival at the place of employment or as soon as possible thereafter.
4. The competent authority may, particularly when the journey of the recruited workers is of such duration and takes place under such conditions that the health of the workers is likely to be affected, require recruited workers to be examined both before departure and after arrival at the place of employment.
5. The competent authority shall ensure that all necessary measures are taken for the acclimatisation and adaptation of recruited workers and for their immunisation against disease.

Article 19.

1. The recruiter or employer shall whenever possible provide transport to the place of employment for recruited workers.
2. The competent authority shall take all necessary measures to ensure—
 - (a) that the vehicles or vessels used for the transport of workers are suitable for such transport, are in good sanitary condition and are not overcrowded ;
 - (b) that when it is necessary to break the journey for the night suitable accommodation is provided for the workers ; and
 - (c) that in the case of long journeys all necessary arrangements are made for medical assistance and for the welfare of the workers.
3. When recruited workers have to make long journeys on foot to the place of employment, the competent authority shall take all necessary measures to ensure—
 - (a) that the length of the daily journey is compatible with the maintenance of the health and strength of the workers ; and
 - (b) that, where the extent of the movement of labour makes this necessary, rest camps or rest houses are provided at suitable points on main routes and are kept in proper sanitary condition and have the necessary facilities for medical attention.
4. When recruited workers have to make long journeys in groups to the place of employment, they shall be conveyed by a responsible person.

Article 20.

1. The expenses of the journey of recruited workers to the place of employment, including all expenses incurred for their protection during the journey, shall be borne by the recruiter or employer.

2. The recruiter or employer shall furnish recruited workers with every thing necessary for their welfare during the journey to the place of employment, including particularly, as local circumstances may require, adequate and suitable supplies of food, drinking water, fuel and cooking utensils, clothing and blankets.

3. This Article applies to workers recruited by worker-recruiters only to the extent to which its application is considered possible by the competent authority.

Article 21.

Any recruited worker who—

- (a) becomes incapacitated by sickness or accident during the journey to the place of employment ;
- (b) is found on medical examination to be unfit for employment ;
- (c) is not engaged after recruiting for a reason for which he is not responsible ; or
- (d) is found by the competent authority to have been recruited by misrepresentation or mistake ;

shall be repatriated at the expense of the recruiter or employer.

Article 22.

The competent authority shall limit the amount which may be paid to recruited workers in respect of advances of wages and shall regulate the conditions under which such advances may be made.

Article 23.

Where the families of recruited workers have been authorised to accompany the workers to the place of employment the competent authority shall take all necessary measures for safeguarding their health and welfare during the journey and more particularly—

- (a) Articles 19 and 20 of this Convention shall apply to such families ;
- (b) in the event of the worker being repatriated in virtue of Article 21, his family shall also be repatriated ; and
- (c) in the event of the death of the worker during the journey to the place of employment, his family shall be repatriated.

Article 24.

1. Before permitting the recruiting of workers for employment in a territory under a different administration, the competent authority of the territory of recruiting shall satisfy itself that all necessary measures have been taken for the protection of the recruited workers in accordance with the provisions of this Convention when the workers have travelled beyond its jurisdiction.

2. Where workers are recruited in one territory for employment in a territory under a different administration and the circumstances and amount of recruiting appear to the competent authorities concerned to necessitate such action, the said authorities shall enter into agreements defining the extent to which such recruiting is to be permitted and providing for co-operation between them in supervising the execution of the conditions of recruiting and employment.

3. The recruiting of workers in one territory for employment in a territory under a different administration shall be undertaken only under licence issued by the competent authority of the territory of recruiting : Provided that the said authority may accept as equivalent to a licence issued by it a licence issued by the competent authority of the territory of employment.

4. Where the circumstances and the amount of recruiting for employment in a territory under a different administration appear to the competent authority of the territory of recruiting to necessitate such action, the said authority shall provide that such recruiting may only be undertaken by organisations approved by it.

Article 25.

1. In respect of the territories referred to in Article 35 of the Constitution of the International Labour Organisation, each Member of the Organisation which ratifies this Convention shall append to its ratification a declaration stating—

- (a) the territories to which it undertakes to apply the provisions of the Convention without modification ;

(b) the territories to which it undertakes to apply the provisions of the Convention subject to modifications, together with details of the said modifications ;

(c) the territories to which the Convention is inapplicable and in such cases the grounds on which it is inapplicable ;

(d) the territories in respect of which it reserves its decision.

2. The undertakings referred to in sub-paragraphs (a) and (b) of paragraph 1 of this Article shall be deemed to be an integral part of the ratification and shall have the force of ratification.

3. Any Member may by a subsequent declaration cancel in whole or in part any reservations made in its original declaration in virtue of sub-paragraphs (b), (c) or (d) of paragraph 1 of this Article.

Article 26.

The formal ratifications of this Convention shall be communicated to the Secretary-General of the League of Nations for registration.

Article 27.

1. This Convention shall be binding only upon those Members of the International Labour Organisation whose ratifications have been registered with the Secretary-General.

2. It shall come into force twelve months after the date on which the ratifications of two Members have been registered with the Secretary-General.

3. Thereafter, this Convention shall come into force for any Member twelve months after the date on which its ratification has been registered.

Article 28.

As soon as the ratifications of two Members of the International Labour Organisation have been registered, the Secretary-General of the League of Nations shall so notify all the Members of the International Labour Organisation. He shall likewise notify them of the registration of ratifications which may be communicated subsequently by other Members of the Organisation.

Article 29.

1. A Member which has ratified this Convention may denounce it after the expiration of ten years from the date on which the Convention first comes into force, by an act communicated to the Secretary-General of the League of Nations for registration. Such denunciation shall not take effect until one year after the date on which it is registered.

2. Each Member which has ratified this Convention and which does not, within the year following the expiration of the period of ten years mentioned in the preceding paragraph, exercise the right of denunciation provided for in this Article, will be bound for another period of ten years and, thereafter, may denounce this Convention at the expiration of each period of ten years under the terms provided for in this Article.

Article 30.

At the expiration of each period of ten years after the coming into force of this Convention, the Governing Body of the International Labour Office shall present to the General Conference a report on the working of this Convention and shall consider the desirability of placing on the Agenda of the Conference the question of its revision in whole or in part.

Article 31.

1. Should the Conference adopt a new Convention revising this Convention in whole or in part, then, unless the new Convention otherwise provides,

(a) the ratification by a Member of the new revising Convention shall *ipso jure* involve the immediate denunciation of this Convention, notwithstanding the provisions of Article 29 above, if and when the new revising Convention shall have come into force ;

(b) as from the date when the new revising Convention comes into force this Convention shall cease to be open to ratification by the Members.

2. This Convention shall in any case remain in force in its actual form and content for those Members which have ratified it but have not ratified the revising Convention.

Article 32.

The French and English texts of this Convention shall both be authentic.

2. Recommendation concerning the progressive elimination of recruiting.

Formal preamble has been omitted.

The Conference,

Having adopted a Draft Convention concerning the regulation of certain special systems of recruiting workers,

Considering that in addition to the regulation of recruiting of labour it should be a cardinal principle to be followed by the Members of the International Labour Organisation to direct their policy where necessary and desirable towards the progressive elimination of the recruiting of labour and the development of the spontaneous offer of labour,

Recommends that each Member of the International Labour Organisation should take steps to hasten such elimination by—

- (a) improvement of the conditions of labour ;
- (b) development of the means of transport ;
- (c) promotion of the settlement of workers and their families in the area of employment, where such settlement is the policy of the competent authority ;
- (d) facilitating the voluntary movement of labour under administrative supervision and control ; and
- (e) the educational development of indigenous peoples and the improvement of their standard of living.

3. Draft Convention concerning the reduction of hours of work on public works.

The General Conference of the International Labour Organisation,

Having met at Geneva in its Twentieth Session on 4th June 1936 ;

Considering that the question of the reduction of hours of work on public works undertaken or subsidised by Governments is the third item on the Agenda of the Session ;

Confirming the principle laid down in the Forty-Hour Week Convention, 1935, including the maintenance of the standard of living ;

Considering it to be desirable that this principle should be applied by international agreement to public works ;

adopts this twenty-third day of June one thousand nine hundred and thirty-six the following Draft Convention which may be cited as the Reduction of Hours of Work (Public Works) Convention, 1936—

Article 1.

1. This Convention applies to persons directly employed on building or civil engineering works financed or subsidised by central Governments.

2. For the purpose of this Convention the precise scope of the terms " building or civil engineering ", " financed " and " subsidised " shall be delimited by the competent authority after consultation with the organisations of employers and workers concerned where such exist.

3. The competent authority may, after consultation with the organisations of employers and workers concerned where such exist, exempt from the application of this Convention—

- (a) persons employed in undertakings in which only members of the employer's family are employed ;
- (b) persons occupying positions of management who do not ordinarily perform manual work.

Article 2.

1. The hours of work of persons to whom this Convention applies shall not exceed an average of forty per week.

2. In the case of persons who work in successive shifts on processes required by reason of the nature of the process to be carried on without a break at any time of the day, night or week, weekly hours of work may average forty-two.

3. The competent authority shall, after consultation with the organisations of employers and workers concerned where such exist, determine the processes to which paragraph 2 of this Article applies.

4. Where hours of work are calculated as an average the competent authority shall, after consultation with the organisations of employers and workers concerned where such exist, determine the number of weeks over which this average may be calculated and the maximum number of hours that may be worked in any week.

5. For the purpose of this Convention, the term " hours of work " means the time during which the persons employed are at the disposal of the employer and does not include rest periods during which they are not at his disposal.

Article 3.

1. The competent authority may, by regulations made after consultation with the organisations of employers and workers concerned where such exist, provide that the limits of hours prescribed in the preceding Article may be exceeded in the case of :

- (a) persons employed on preparatory or complementary work which must necessarily be carried on outside the limits laid down for the general working of the undertaking or branch thereof or of the shift ; and
- (b) persons employed in occupations which by their nature involve long periods of inaction during which the said persons have to display neither physical activity nor sustained attention or remain at their posts only to reply to possible calls.

2. The regulations referred to in paragraph 1 shall determine the maximum number of hours which may be worked in virtue of this Article.

3. The competent authority may permit the limits of hours prescribed in the preceding Article to be exceeded to a prescribed extent in cases in which this is necessary, if serious hindrance to the execution of a particular public work is to be avoided, on account of abnormal circumstances such as the inaccessibility of the site or the impossibility of engaging sufficient qualified labour.

Article 4.

The limits of hours prescribed in the preceding Articles may be exceeded but only so far as may be necessary to avoid serious interference with the ordinary working of the undertaking,

- (a) in case of accident, actual or threatened, or in case of urgent work to be done to machinery or plant, or in case of *force majeure* ; or
- (b) in order to make good the unforeseen absence of one or more members of a shift.

Article 5.

1. The limits of hours prescribed in Articles 2 and 3 may be exceeded in cases where the continued presence of particular persons is necessary for the completion of an operation which for technical reasons cannot be interrupted.

2. The competent authority shall, after consultation with the organisations of employers and workers concerned where such exist, determine the operations to which this Article applies and the maximum number of hours in excess of the prescribed limits which may be worked by the persons concerned.

3. Overtime worked in virtue of this Article shall be remunerated at not less than one-and-a-quarter times the normal rate.

Article 6.

1. The competent authority may grant an allowance of overtime for exceptional cases of pressure of work. Such an allowance shall only be granted under regulations made after consultation as to the necessity of such overtime and the number of hours to be worked with the organisations of employers and workers concerned where such exist, and no such allowance shall permit of any person being employed for more than one hundred hours of such overtime in any year.

2. Overtime worked in virtue of this Article shall be remunerated at not less than one-and-a-quarter times the normal rate.

Article 7.

In order to facilitate the effective enforcement of the provisions of this Convention, every employer shall be required :

- (a) to notify, by the posting of notices in conspicuous positions in the works or other suitable place or by such other method as may be approved by the competent authority,
 - (i) the hours at which work begins and ends ;
 - (ii) where work is carried on by shifts, the hours at which each shift begins and ends ;
 - (iii) where a rotation system is applied, a description of the system, including a time-table for each person or group of persons ;
 - (iv) the arrangements made in cases where the average duration of the working week is calculated over a number of weeks ; and
 - (v) rest periods in so far as these are not reckoned as part of the working hours ;
- (b) to keep a record in the form prescribed by the competent authority of all additional hours worked in virtue of Articles 3 (paragraph 3), 5 and 6 and of the payments made in respect thereof.

Article 8.

The annual reports submitted by Members upon the application of this Convention shall include more particularly full information concerning :

- (a) the definitions adopted in virtue of Article 1, paragraph 2 ;
- (b) processes which the competent authority has recognised as necessarily continuous in character in virtue of Article 2, paragraph 2 ;
- (c) determinations made in virtue of Article 2, paragraph 4 ;
- (d) decisions taken in virtue of Article 3 ; and
- (e) allowances of overtime granted in virtue of Article 6.

Article 9.

Nothing in this Convention shall effect any law, award, custom or agreement between employers and workers which ensures more favourable conditions than those provided by this Convention.

NOTE.—Articles 10 to 16 are identical with Articles 26 to 32 of the Draft Convention concerning the regulation of certain special systems of recruiting workers.

4. Draft Convention concerning annual holidays with pay.

Formal preamble has been omitted.

Article 1.

1. This Convention applies to all persons employed in any of the following undertakings or establishments, whether public or private :—

- (a) undertakings in which articles are manufactured, altered, cleaned, repaired, ornamented, finished, adapted for sale, broken up or demolished, or in which materials are transformed, including undertakings engaged in ship-building or in the generation, transformation or transmission of electricity or motive power of any kind ;
- (b) undertakings engaged wholly or mainly in the construction, reconstruction, maintenance, repair, alteration or demolition of any one or more of the following :
 - buildings,
 - railways,
 - tramways,
 - airports,
 - harbours,
 - docks,
 - piers,
 - works of protection against floods or coast erosion,

canals,
works for the purpose of inland, maritime or aerial navigation,
roads,
tunnels,
bridges,
viaducts,
sewers,
drains,
wells,
irrigation or drainage works,
telecommunication installations,
works for the production or distribution of electricity or gas,
pipe-lines,
waterworks,

and undertakings engaged in other similar work or in the preparation for or laying the foundation of any such work or structure ;

- (c) undertakings engaged in the transport of passengers or goods by road, rail, inland waterways or air, including the handling of goods at docks, quays, wharves, warehouses or airports ;
- (d) mines, quarries and other works for the extraction of minerals from the earth ;
- (e) commercial or trading establishments, including postal and telecommunication services ;
- (f) establishments and administrative services in which the persons employed are mainly engaged in clerical work ;
- (g) newspaper undertakings ;
- (h) establishments for the treatment and care of the sick, infirm, destitute or mentally unfit ;
- (i) hotels, restaurants, boarding houses, clubs, cafés and other refreshment houses ;
- (j) theatres and places of public amusement ;
- (k) mixed commercial and industrial establishments not falling wholly within any of the foregoing categories.

2. The competent authority in each country shall, after consultation with the principal organisations of employers and workers concerned where such exist, define the line which separates the undertakings and establishments specified in the preceding paragraph from those to which this Convention does not apply.

3. The competent authority in each country may exempt from the application of this Convention :

- (a) persons employed in undertakings or establishments in which only members of the employer's family are employed ;
- (b) persons employed in public services whose conditions of service entitle them to an annual holiday with pay at least equal in duration to that prescribed by this Convention.

Article 2.

1. Every person to whom this Convention applies shall be entitled after one year of continuous service to an annual holiday with pay of at least six working days.

2. Persons, including apprentices, under sixteen years of age, shall be entitled after one year of continuous service to an annual holiday with pay of at least twelve working days.

3. The following shall not be included in the annual holiday with pay :—

- (a) public and customary holidays ;
- (b) interruptions of attendance at work due to sickness.

4. National laws or regulations may authorise in special circumstances the division into parts of any part of the annual holiday with pay which exceeds the minimum duration prescribed by this Article.

5. The duration of the annual holiday with pay shall increase with the length of service under conditions to be prescribed by national laws or regulations.

Article 3.

Every person taking a holiday in virtue of Article 2 of this Convention shall receive in respect of the full period of the holiday either :

- (a) his usual remuneration, calculated in a manner which shall be prescribed by national laws or regulations, including the cash equivalent of his remuneration in kind, if any ; or
- (b) the remuneration determined by collective agreement.

Article 4.

Any agreement to relinquish the right to an annual holiday with pay, or to forgo such a holiday, shall be void.

Article 5.

National laws or regulations may provide that a person who engages in paid employment during the course of his annual holiday may be deprived of his right to payment in respect of the period of the holiday.

Article 6.

A person dismissed for a reason imputable to the employer before he has taken a holiday due to him shall receive in respect of every day of holiday due to him in virtue of this Convention the remuneration provided for in Article 3.

Article 7.

In order to facilitate the effective enforcement of the provisions of this Convention, every employer shall be required to keep, in a form approved by the competent authority, a record showing :

- (a) the date of entry into his service of each person employed by him and the duration of the annual holiday with pay to which each such person is entitled ;
- (b) the dates at which the annual holiday with pay is taken by each person ;
- (c) the remuneration received by each person in respect of the period of his annual holiday with pay.

Article 8.

Each Member which ratifies this Convention shall establish a system of sanctions to ensure the application of its provisions.

Article 9.

Nothing in this Convention shall affect any law, award, custom or agreement between employers and workers which ensures more favourable conditions than those provided by this Convention.

NOTE.—Articles 10 to 16 are identical with Articles 26 to 32 of the Draft Convention concerning the regulation of certain special systems of recruiting workers.

5. Recommendation concerning annual holidays with pay.

Formal preamble has been omitted.

The Conference,

Having adopted a Draft Convention concerning annual holidays with pay for employed persons,

Considering that the purpose of such holidays is to secure to employed persons opportunities for rest, recreation and the development of their faculties,

Considering that the conditions laid down by the Draft Convention constitute the minimum standard to which any system of holidays with pay should conform,

Considering that it is desirable to deal in greater detail with the methods of applying the system,

Recommends that each Member should take the following suggestions into consideration :—

1. (1) The continuity of service required in order to become entitled to a holiday should not be affected by interruptions occasioned by sickness or accident, family events, military service, the exercise of civic rights, changes in the management of the undertaking in which the employed person is employed, or intermittent involuntary unemployment if the duration of the unemployment does not exceed a prescribed limit and if the person concerned resumes employment.

(2) In employments in which work is not carried on regularly throughout the year the condition of continuity of employment should be regarded as satisfied by the working of a prescribed number of days during a prescribed period.

(3) The holiday should be earned after one year's work, regardless whether this period has been spent in the employment of the same or of several employers. Each Government should take effective steps to ensure that the cost arising from the granting of the holidays shall not fall entirely upon the last employer.

2. Although it may be desirable that provision should be made in special cases for holidays to be divided, care should be exercised to ensure that such special arrangements do not run counter to the purpose of the holiday, which is to enable the employed person to make good the loss of physical and mental forces during the course of the year. In other cases division of the holiday should be restricted save in quite exceptional circumstances, to division into not more than two parts, one of which should not be less than the prescribed minimum.

3. It would be desirable that the increase in the length of the holiday with the duration of service should begin to operate as soon as possible and should be effected by regular stages so that a prescribed minimum will be attained after a prescribed number of years, for example, twelve working days after seven years of service.

4. The fairest method of calculating the remuneration of a person paid in whole or in part on an output or piece-work basis would be to calculate the average earnings over a fairly long period so as to nullify as far as possible the effect of fluctuations in earnings.

5. It would be desirable that the Members should consider whether a more advantageous system should not be established for young persons and apprentices under 18 years of age in order to ease the transition from school to industrial life during a period of physical development.

STATEMENT OF THE COURSE OF ACTION WHICH THE GOVERNMENT OF INDIA PROPOSE TO FOLLOW IN RESPECT OF THE DRAFT CONVENTIONS AND RECOMMENDATIONS ADOPTED BY THE 20TH SESSION OF THE INTERNATIONAL LABOUR CONFERENCE.

The following statement gives particulars of the course which the Government of India propose to follow in respect of the Draft Conventions and Recommendations adopted by the Twentieth Session of the International Labour Conference.

I. (a) *Draft Convention concerning the regulation of certain special systems of recruiting workers.*

(b) *Recommendation concerning the progressive elimination of recruiting.*

No Resolution will be moved by Government. The Convention is designed to regulate the recruiting of indigenous workers in the territories of Members of International Labour Organization and the term "indigenous workers" is defined as including "workers belonging to or assimilated to the indigenous populations of the dependent territories of Members of the Organization and workers belonging to or assimilated to the dependent indigenous populations of the home territories of Members of the Organization". This definition was carefully drafted by the Committee so that it would only cover the conditions which the Convention was framed to meet. It is not designed to cover conditions in India, since India has no dependent territories and no workers belonging to or assimilated to the dependent indigenous populations of her home territories. In these circumstances, the Government of India do not propose to ratify it.

The Recommendations concerning the progressive elimination of recruiting is linked with the Convention for regulating certain special systems of recruiting workers and is equally not designed to cover conditions in India. In so far however as the principle underlying it, of encouraging the growth of voluntary offers of labour, is applicable to Indian conditions it accords with the settled policy of the Government of India.

II. *Draft Convention concerning the reduction of hours of work on public works.*

No Resolution will be moved by Government on the Draft Convention, as it is an application of the general principle of the 40 hours week which has been rejected by the Council of State and the Legislative Assembly.

III. (a) *Draft Convention concerning annual holidays with pay.*

(b) *Recommendation concerning annual holidays with pay.*

A resolution will be moved in this House.

NUMBER OF GUARDS RECRUITED FOR THE LAHORE DIVISION, NORTH WESTERN RAILWAY.

THE HONOURABLE SIR GUTHRIE RUSSELL (Chief Commissioner of Railways): Sir, I lay on the table the information promised in reply to a question, No. 159, asked on the 7th October, 1936:

Government are informed as follows:—

(a) Two.

(b) The reply to the first part of the question is in the negative. The latter parts do not arise.

(c) Seniority of guards, grades III and IV, is on an inter-divisional basis. The basis for guards, grade II, is divisional but promotions into grade II are on an inter-divisional basis. Five guards surplus on the Multan Division were transferred to Delhi Division against vacancies existing on the latter division. They reckon seniority on the list of guards whereas men of the Delhi Division not yet promoted to guards reckon seniority in the categories in which they are employed.

(d) Eighteen.

(e) Yes.

MESSAGES FROM HIS EXCELLENCY THE GOVERNOR GENERAL.

THE HONOURABLE THE PRESIDENT: Honourable Members, I have to deliver to you four Messages from His Excellency the Governor General:

PANEL OF CHAIRMEN.

"In pursuance of the provisions of sub-section (2) of section 63A of the Government of India Act, I, Victor Alexander John, Marquess of Linlithgow, hereby nominate the following Members of the Council of State to be on the Panel of Chairmen of the said Council of State.

In the first place, the Honourable Sir Phiroze Sethna; in the second place, the Honourable Rai Bahadur Lala Ram Saran Das; in the third place, the Honourable Sir David Devadoss; and lastly the Honourable Saiyed Mohamed Padshah Sahib Bahadur.

New Delhi:

The 10th February, 1937.

(Sd.) LINLITHGOW,

Viceroy and Governor General."

RAILWAY BUDGET.

"For the purposes of sub-section (1) of Section 67A of the Government of India Act and in pursuance of rule 43 of the Indian Legislative Rules and of Standing Order 70 of the Council of State Standing Orders, I, Victor Alexander John, Marquess of Linlithgow, hereby appoint Tuesday, the 16th February, for the presentation to the Council of State, and Saturday, the 20th February, for the General Discussion in the Council of State, of the statement of the estimated annual expenditure and revenue of the Governor General in Council in respect of Railways.

New Delhi:

The 5th February, 1937

(Sd.) LINLITHGOW,

Viceroy and Governor General."

GENERAL BUDGET.

"For the purposes of sub-section (1) of section 67A of the Government of India Act and in pursuance of rule 43 of the Indian Legislative Rules and of Standing Order 70 of the Council of State Standing Orders, I, Victor Alexander John, Marquess of Linlithgow, hereby appoint Saturday, the 27th February, at 5-30 p.m., for the presentation to the Council of State, and Thursday, the 4th March, for the General Discussion in the Council of State, of the statement of the estimated annual expenditure and revenue of the Governor General in Council in respect of subjects other than Railways.

(Sd.) LINLITHGOW,

Viceroy and Governor General."

New Delhi:

The 5th February, 1937.

"In pursuance of the provisions of sub-section (3) of section 67A as set out in the Ninth Schedule to the Government of India Act, 1935, and brought into force by paragraph 4 of the Government of India (Commencement and Transitory Provisions) (No. 2) Order, 1936, I hereby direct that the heads of expenditure specified in that sub-section, other than those specified in clause (V) thereof, shall be open to discussion by the Council of State when the budget for the year 1937-38 is under consideration.

(Sd.) LINLITHGOW,

Viceroy and Governor General."

New Delhi:

The 2nd February, 1937.

[The Council received the Messages standing.]

COMMITTEE ON PETITIONS.

THE HONOURABLE THE PRESIDENT: Honourable Members, under Standing Order 76 of the Council of State Standing Orders, I am required at the commencement of each Session to constitute a Committee on Petitions consisting of a Chairman and four members. The following members have at my request kindly consented to preside over and serve on the Committee. I accordingly have much pleasure in nominating as Chairman of the Committee the Honourable Raja Charanjit Singh and as members, the Honourable Mr. P. N. Saprú, the Honourable Diwan Bahadur Sir K. Ramunni Menon, the Honourable Mr. Reginald Heber Parker and the Honourable Kumar Nripendra Narayan Sinha.

GOVERNOR GENERAL'S ASSENT TO BILLS.

SECRETARY OF THE COUNCIL: Sir, information has been received that His Excellency the Governor General has been pleased to grant his assent to the following Bills which were passed by the two Chambers of the Indian Legislature during the Simla Session, 1936, namely:—

The Indian Tea Cess (Amendment) Act, 1936.

The Geneva Convention Implementing Act, 1936.

The Indian Rubber Control (Amendment) Act, 1936.

The Bangalore Marriages Validating Act, 1936.

The Indian Tea Control (Amendment) Act, 1936.

The Red Cross Society (Allocation of Property) Act, 1936.

The General Clauses (Amendment) Act, 1936.

The Chittagong Port (Amendment) Act, 1936.

The Code of Civil Procedure (Amendment) Act, 1936.

The Indian Companies (Amendment) Act, 1936.

The Durgah Khawaja Saheb Act, 1936.

The Cantonments (Amendment) Act, 1936.

BILLS PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

SECRETARY OF THE COUNCIL: Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of the following Bills which were passed by the Legislative Assembly at its meetings held on the 25th January, 1st, 4th and the 9th February, 1937, namely:—

- A Bill further to amend the Indian Lac Cess Act, 1930, for a certain purpose;
- A Bill further to amend the Land Customs Act, 1924, for certain purposes;
- A Bill to amend the Hindu Law governing Hindu Women's Rights to Property;
- A Bill further to amend the Indian Income-tax Act, 1922, for certain purposes;
- A Bill to amend the Contempt of Courts Act, 1926, for a certain purpose;
- A Bill further to amend the Code of Civil Procedure, 1908, for certain purposes. (*Insertion of new section 44-A*);
- A Bill to make certain further provisions respecting the law of arbitration in British India; and
- A Bill further to amend the Code of Civil Procedure, 1908, for certain purposes (*Amendment of section 60*).

PRESENTATION OF THE RAILWAY BUDGET FOR 1937-38.

THE HONOURABLE SIR GUTHRIE RUSSELL (Chief Commissioner of Railways): Sir, I have the honour to present the statement of revenue and expenditure of the Governor-General in Council in respect of railways. Last year I had in my speech to take a gloomy view and, this year, although there is no room for pessimism there is also no ground for excessive optimism. Recently as the members of this Council know we have had a very considerable increase in traffic receipts. But the future, particularly the international future, is so uncertain that it would be rash to say that railways are yet out of the wood. It is true that, apart from the spurt given to trade by the war scare there are indications of a desire to adopt measures to increase international trade and we may hope that the devaluation of the currencies in certain countries may facilitate the trade of those countries with the sterling block. But railway earnings are dependent on so many factors that, in forecasting the future, it is best to be on the conservative side.

2. The fears which I expressed in my last budget speech as to the result of the year 1935-36 were not quite justified by the event. It looked at one time as if the total receipts in that year would fall below those for the previous year but actually they were in excess by about half a crore. Working expenses were slightly higher than we had estimated. The final deficit for the year was 4 crores. This was not of course as satisfactory as we had originally hoped for, but it was not a set back. The deficits in the 3 previous years had been 10, 8 and 5 crores respectively.

3. Before dealing with the results of this year's working up to date and comparing them with those of previous years and with those estimated for 1937-38, I must draw your attention to certain changes in the system of

accounting which must be allowed for if we are to draw correct conclusions. These changes are three. The first consists in charging to the Depreciation Fund, and not to Capital, any excess over the original cost when replacing an asset by an identical asset. This is the practice followed on the British Railways and is a safeguard against overcapitalisation. The second change is the charging to the Depreciation Fund of certain renewals that have hitherto been charged to revenue. The third change is the credit to the Depreciation Account, and not to Revenue, of sums received from the disposal of replaced assets. It is calculated that in a normal year the result of these changes will be—

- (a) a reduction in capital expenditure by $1\frac{1}{2}$ crores,
- (b) an increase in net expenditure from the Depreciation Fund of $1\frac{1}{4}$ crores,
- (c) a decrease in revenue earnings of about 1 crore and a decrease in revenue expenditure of $\frac{3}{4}$ crore, making a net decrease in revenue of $\frac{1}{4}$ crore.

These are the figures for a normal year. The effects of the introduction of the new system in the accounts for 1936-37 and 1937-38 are slightly different. The figures which I shall give for these two years, have been prepared on the new system but where necessary for comparison with previous years, I shall give figures prepared in the old way. While on the subject of accounts I may mention that we have altered the system of converting the sterling liabilities into rupees. Hitherto these liabilities have been converted at the rate of exchange prevailing when they were taken over. It has now, however, been decided to convert them at the statutory rate of exchange. This has resulted in a decrease in the capital account of 8 crores of rupees. As 1/60 of the capital at charge is taken each year to Depreciation Account this has the further result of reducing the amount required for depreciation by about 13 lakhs.

4. I come now to the results of this year's working as far as they can be predicted at present. You will remember, Sir, that last year I anticipated that this year would close with a deficit of 3.44 crores. This, however, was unduly pessimistic and was possibly inspired by the falling off in receipts in the weeks before I presented my statement. Actually now we anticipate a small surplus of 15 lakhs. If allowance is made for the changes in the system of accounting which I have just referred to the revised estimate of the year's working is better by 3.95 crores than the estimate which I presented to you last year. I am sure that, even though we must guard against over-optimism, Honourable Members will agree that this result is extremely satisfactory. We are progressing and my hope that last year's figure did not represent a return to the state of affairs existing when the slump was at its worst has been fully justified. I turn to the factors which have brought about this satisfactory result. Making allowance for the change in the system of accounting ordinary working expenses are really 62 lakhs more than last year. But this includes the restoration of the cut in pay of 8 lakhs. Making the same allowance, the budget estimate under this head will probably be exceeded by 24 lakhs. This increase is almost entirely due to the increase of traffic and is fully justified by it. We anticipate that traffic receipts will exceed the budget estimate by $3\frac{3}{4}$ crores and last year's actuals by $4\frac{1}{4}$ crores. This increase is almost wholly due to an increase in goods earnings by about 4 crores, compared with last year's actuals, and of $4\frac{1}{4}$ crores compared with the estimate. Both the tonnage carried and the load have increased. In the first 7 months of this year tonnage has increased by 1 per cent. and ton mileage by 2 per cent. while the number of wagons loaded on class I railways

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has risen by 3 per cent. on broad-gauge lines and by $6\frac{1}{2}$ per cent. on the metre gauge. The increase in goods earnings is very largely due to increased carriage of agricultural produce. The latest figures available show that oil-seeds are 34 per cent. better, cotton 22 per cent. and grains and pulses 8 per cent. Unfortunately these increases have been to some extent offset by decreases in coal and manganese. Last year I pointed out how the proceeds from the carriage of agricultural produce had decreased in recent years. The increase this year is therefore encouraging. It may be attributed partly to improved prices and partly, presumably, to a good season. The increase in the world price of wheat has resulted in the restarting of the wheat export trade from Karachi. In as far as the improvement in goods earnings is due to an increase in the cultivated area or to a general rise in commodity prices, resulting in improved trade, it may be expected to continue at least for some years. But the export of wheat was influenced to some extent by exceptional factors, and the vagaries of the monsoon in this country make agriculture so uncertain that in estimating for the future we must discount any increase in traffic attributable to a good harvest. We must therefore be cautious. But it is satisfactory to note that the principal increase in goods earnings has been in the last few months and that there has been an increase of $5\frac{1}{2}$ per cent. in the earnings from miscellaneous smalls which is generally considered to give a good indication of conditions generally.

Although judged by goods earnings, the economic condition of the country is considerably better this year than it was last year, I regret that I have to record a probable fall in passenger traffic receipts. The revised estimate of these receipts have been put at 27.90 crores, 60 lakhs less than the estimate and 18 lakhs less than last year. Both goods and passenger earnings, as the Members of this Honourable House are well aware, started falling from 1929-30. The fall was of course due to the world economic depression. Goods earnings have been improving for several years in fact from 1932-33 but passenger earnings have so far shown no real sign of recovery.

5. What I have just said about our passenger traffic and about the uncertainty of some of the factors which have influenced our goods receipts justify us, I think, in not taking too optimistic a view of the future. Before giving the figures I must remind this Council that Burma will be separated from India on the 1st April of this year and so my budget figures do not include those of the Burma Railways. We have estimated that the year 1937-38 will close with a surplus of 15 lakhs against a revised estimate for this year, excluding Burma, of 42 lakhs. In spite of the recent history of our passenger traffic earnings we have budgeted for an increase under that head of 24 lakhs. This may surprise Honourable Members. But our passenger receipts increased slightly between 1933-34 and 1935-36. So although there was, as I have said, a fall in passenger traffic in the first 7 months of this year, we do not anticipate that the receipts from this head of traffic will be considerably less in 1937-38 than they were in 1935-36. We have therefore budgeted for 27.05 crores under this head which is still 12 lakhs less than the actual figure for 1935-36. In this connection it must be remembered that improvement in passenger earnings lags behind improvement in goods earnings and the increased prosperity of the country must eventually be reflected in increased passenger earnings. Our budget figure expresses the hope that this period of lag is now over. On the other hand we have felt it unsafe to assume that the recent boom in goods earnings will be permanent. Our estimate

under this head is therefore 94 lakhs less than the revised estimate for 1936-37 though 3.07 crores higher than the actuals for 1935-36. We have budgeted for an increase of 16 lakhs in working expenses mainly due to the fact that, after the setting up of Provincial Autonomy on the 1st April, we shall have to pay for the cost of order police on State-owned and worked railways. This cost has hitherto been borne by Local Governments. There will be a fall in interest charges owing to a fall in the rate applicable to the post 1916-17 debt and we expect an increase of 34 lakhs under the head Miscellaneous receipts principally due to the increase in the Depreciation Fund resulting in increased interest payments.

6. As regards expenditure not charged to revenue we are providing 30 lakhs for the construction of two new lines in Sind. These are the Sind Right Bank Feeders Line from Larkana to Jacobabad and a line from Pithoro to Tando Mitha Khan. These lines have been rendered necessary by the increase in cultivation brought about by the Lloyd Barrage. We propose to purchase 2,000 wagons, which are rendered necessary by the increase in traffic. The total programme is estimated to cost 11 crores but we consider it unlikely that more than 80 per cent. of this sum will actually be spent in the year. We have actually budgeted therefore for $8\frac{1}{2}$ crores of which 6 crores will be met from the Depreciation Fund.

7. The figures which I have given, are for all State-owned Railways. If strategic lines are excluded, the figures, of course, make a better showing. Excluding strategic railways and the Burma Railways, there was in 1935-36 a deficit of 1.39 crores. Our revised estimate for 1936-37 shows a surplus of 2.31 crores and our estimate for 1937-38 is a surplus of 2.01 crores. There can be no doubt that the purely business side of the railways is under existing standards solvent. But, as Members are aware, it is our belief that under our present system of accounting we do not make adequate provision from revenue for minor improvements and additions. We have had to draw on our funds in recent years. But it must not be forgotten that these funds were built up out of profits in prosperous years. The Railway Reserve Fund was practically exhausted by the end of 1931-32. The Depreciation Fund was lowest in 1933-34 and 1934-35 when the balance was 9.50 crores. According to the figures, which I have just given you, the balance in this fund at the end of this year should be 15.40 crores of which 1.61 crores will be transferred to Burma. Excluding Burma, therefore, the opening balance in the Depreciation Fund in the year 1937-38 will be 13.79 crores and the closing balance in that year will be 20.38 crores. We estimate that our borrowings from this fund at the close of this year will amount to just over $31\frac{1}{2}$ crores. It was originally intended that this loan should be repaid as soon as possible and should be considered a first charge on future surpluses. It has also to be remembered that according to the present financial convention, the contribution to Government of one per cent. of the capital at charge which has the next claim on the surplus is cumulative so that we are under a liability to Government to pay arrears of this contribution out of future surpluses. These arrears amount to about 30 $\frac{1}{2}$ crores. Future surpluses are, therefore, burdened with a sum of about 62 crores which must be paid off before any annual contribution can be made from them or before railways can again start building up a Railway Reserve Fund. We have therefore decided to take the necessary steps to have the existing convention modified to this extent that arrears outstanding at the end of this year both of repayments to the Depreciation Fund and of contributions to the general revenues shall be cancelled. If our proposals are approved, we shall start the year 1937-38 with a clean slate. The railways will benefit by the wiping out of a

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contingent liability of 31 crores and the tax-payer will benefit by the wiping out of a debt to the Depreciation Fund of 31 crores which ranked before his own debt.

8. Last year in compliance with the wishes of Honourable Members, I made some general remarks on the factors which influenced railway finance and the steps that were being taken to improve our position. This year, however, I feel some diffidence in doing so, as, pending receipt of the report of Sir Ralph Wedgwood and his colleagues, Honourable Members will agree that it would be inadvisable for me to express my views now. Railways have, however, been prominently in the public eye in the past year and I feel that I should take this opportunity to make certain observations on our general position. In the debates in the Legislature and in the correspondence in the press, whether the subject has been ticketless travel or road competition, there has been a tendency to shelve both these problems on the ground that the losses from ticketless travel and motor competition were mere excuses put forward by the Railways to hide their own inefficiency and that until the railways take the beam out of their own eye, no responsible person need bother about moles in any one else's eyes. I am not here to claim that the railways are perfect. But I do claim that within human limitations they are reasonably efficient and in particular that they do their best to help, and not to hinder, the trade of the country and that they try to suit their policy to the changing economic conditions of the time.

9. Our critics urge on us the adoption of a policy of reducing fares and rates to facilitate movements, presumably in the belief that the present basis of charge operates against the free movement of traffic. The position in regard to passenger fares is somewhat different from that relating to goods rates, and it would enable Honourable Members to appreciate the situation if each is dealt with separately.

10. Taking passenger fares first, it is perhaps not generally realised that the average fare charged per passenger on railways in India is about the lowest as compared with other countries in the world. I am not, however, attaching any exaggerated importance to this fact as I realise that there are several other factors, such as the average income *per capita*, which have a bearing on the capacity of the railway's clientele to pay. A reduction, however, of even a quarter of a pie per mile in the basis of the third class fare, which would make the total fare for about every 50 miles one anna less than at present on all principal railways, would mean a reduction of about 95 lakhs in the gross revenue from passenger traffic. If the fare at present charged for a distance of 100 miles is, say, about Re. 1-8-0, a reduction to Re. 1-6-0 consequent on the lowering of fares by a quarter of a pie per mile will not, I suggest, result in a single additional passenger travelling. This one instance illustrates how serious the effect on railway revenues is of any general reduction in fares, and how remote is the possibility of recouping the loss by an increase in the number of passengers travelling.

11. As regards rates for goods traffic, I think I should explain to the House that the existing rates structure has been evolved as a result of many years' practical experience. As a writer on Railway economics has pointed out "it is often alleged, and rightfully, that Traffic Managers often times do not make rates at all. Their energies are bent to the analysis of those circumstances by which the rates are made for them". In view of the widely different

circumstances prevailing in the various provinces of a sub-continent like India, uniformity in the basis of charges on the different railways is impracticable. And yet our most persistent critics, and several of them friendly too, advocate uniformity. We are also told that Railways consistently follow the principle of charging what the traffic will bear. For the great bulk of the traffic carried, Railways have to be content with what they can get. They appreciate that it is good business to foster and develop traffic by adjusting their rates to meet conditions as they arise. Any inclination on their part to charge higher rates, on the principle of charging what the traffic can bear, brings them up against the maximum rates prescribed by Government. It would perhaps come as a surprise to Honourable Members to be told that about 80 per cent. of the traffic carried on railways is charged at rates below the maxima. As in the case of passenger fares, a general reduction in goods rates is not a practicable proposition in view of the substantial amount of revenue involved and the comparatively insignificant effect which such a reduction would have on the net rate charged in each individual case. But while general reductions may seem to be out of the question, Railways are constantly making reductions in special cases as is amply evidenced by the rate circulars issued by the various Railway Administrations from week to week. It is the flexibility between the maxima and minima prescribed that enables Railway Administrations to do this. These reductions do not unfortunately attract public notice, but their cumulative effect on traffic movements must in the nature of things be very appreciable, and in any case I would suggest that they absolve Railways from the charge of doing little or nothing to advance trade interests. I think, therefore, that Railways may reasonably claim that they endeavour in their day-to-day activities to balance the demands for the special rates made by trade for the development of its business against the need for protecting the interests of the general tax-payer by a needless sacrifice of revenue consequent on the general reduction.

12. I hope, Sir, therefore, that I have been able to show that Railways are not unsympathetic to business interest and that they do what they legitimately can to help the trade. I now turn briefly to the problem, which we have always with us, the rail-road problem, which has been much discussed during the year owing to the introduction of a Bill to amend the Motor Vehicles Act. This is not the occasion to suggest a solution to that problem and, as I have said, I am sure Honourable Members would rather I refrained from making any statement of policy until the Wedgwood Committee has reported. But I wish to take this opportunity to state the position of the Railways in this matter. I wish to emphasise that we fully realise that there are conditions in which motor transport may create its own traffic and that the resulting increase in trade may benefit railways. We also realise that for some purposes motor lorries may be more efficient than railways and the substitution of road for rail transport may be to the public advantage. It must not, however, be forgotten that in such circumstances in respect of goods traffic this is generally for the benefit of the minority at the expense of the majority. But we hold very strongly that mere cheapness in the transport of a particular class of goods is not the sole criterion by which this efficiency should be judged. If motor lorries are allowed to carry the highest rated goods, or to skim the cream of the traffic, the result must be a raising of other rates. Are those who complain now of the high price of the transport of coal prepared to see these rates further raised in the interests of the lorry owner? Or are those who are constantly demanding that railway rates should be fixed in accordance with some plan of economic development prepared in their enthusiasm for the doctrine of *laissez faire* to see the whole present system

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reduced to chaos, with consequent damage to the existing economic organisation?

I agree that there is great need for development and improvement of communications in this country and that in this development the motor must play a great part. But nothing is gained by adopting the attitude of the ostrich and ignoring the essentials of the problem.

13. Until now rail-road competition has been mostly confined to passenger traffic but there are signs that lorries are gaining a greater and greater share of the goods traffic. And we must remember the possibilities of the Diesel Engine. I am amazed sometimes at the complacency with which the problem is regarded. I have even heard it said that, if the roads succeed in taking traffic from the railways, the tax-payer need not worry as what he loses on the swings he more than gains on the roundabouts.

There is an idea abroad in some quarters that the loss to railway revenues would be less than the gain to Government from the advent of the motor vehicle. No useful purpose is likely to be served by any detailed examination of the economics underlying suggestions of this kind. They may serve as debating points in the controversy, but they only tend to obscure the seriousness of the menace to the investment of about Rs. 800 crores of the tax-payers' money in railways. This investment is irrevocable and it is in the interests of the tax-payer that he should have a reasonable return on it. He can get this return as he was getting it before 1929, if the existing railway rates structure, delicately balanced as it is to assist in the free movement of low priced commodities at low freight rates, is not thrown overboard to meet the conditions that are being created by unrestricted and unregulated road motor competition. I repeat that we agree that motors have come to stay and that we do not wish to drive them off the roads. But we claim that the whole question of communications in this country requires dispassionate examination. That is why the co-ordination of means of communication forms an important item in the terms of reference to the Wedgwood Committee. I hope, Sir, that I have made it clear why we consider that in this matter neither the interests of the business community, nor those of the tax-payer, can best be safeguarded by giving free rein to unrestricted competition.

14. I have endeavoured to state quite frankly the railway position as I see it. I know quite well that some at least of the Honourable Members of this House will disagree with me and hold that railways have fallen short in their efforts to maintain solvency. For this reason the decision of the Government of India to appoint a committee to enquire into the working of railways in India was particularly welcomed by all railwaymen in India. We have been fortunate in having as the Chairman of the Committee such a distinguished railwayman as Sir Ralph Wedgwood, Chief General Manager of the London and North-Eastern Railway, together with his distinguished colleagues Mr. W. A. Stanier, Chief Mechanical Engineer, London, Midland and Scottish Railway, and Mr. H. Cheadle, Chief Traffic Manager, South African Railways. I can assure this Council that in placing the railway case before Sir Ralph Wedgwood, no attempt has been made to gloss over our faults or to blame others for our misdeeds. We have endeavoured to give a true appreciation of the present position as we see it. We now await the Report. If this shows that we have gone astray in certain respects, every endeavour will be made to rectify these as early as possible. Honourable Members may, I think, rest assured that, whatever may be the policy decided on as a result of the recommendations of the Committee, it will not fail through lack of co-operation by the railway staff. In the heat of the controversies which wage round Indian

Railways, many hard and unfair things are said about the subordinate railway official. Amongst 700,000 of people there are sure to be some bad and a certain number not too good. The railwayman may be no better than his neighbour. He is certainly not worse. As the Chief Railway Executive Officer in this country, I maintain that railway servants are no whit less devoted, or less efficient than the public servants of any other department, and I wish to take this opportunity of thanking them for what they have done in the past year to maintain the high standard which we set for ourselves and of which we are constantly reminded by the Members of the Legislature. Hope deferred maketh the heart sick, and the past six years with their apparently endless series of deficits have been a discouraging time for the staff. I feel sure that, when they hear that we can now with reasonable safety budget for a surplus, a result to which they have been the main contributors, they will be stimulated to even greater efforts. Before sitting down, Sir, I am sure that Honourable Members will join with me in congratulating our Financial Commissioner, Sir Raghavendra Rau on his well-earned distinction. Sir Raghavendra has now worked with me as Financial Commissioner for five years. These have been five very trying years. He has always given of his best. (Applause).

THE HONOURABLE THE PRESIDENT: Sir Guthrie Russell, regarding the reference in your speech as to wiping out the debt due to the Depreciation Fund, I presume you will move a Resolution in this House to that effect, because the sanction of the House will be necessary?

THE HONOURABLE SIR GUTHRIE RUSSELL: Is the sanction of this House necessary?

THE HONOURABLE THE PRESIDENT: I should think so, because when the Resolution regarding the Railway Separation Convention was passed, it was brought before this House for discussion and this House gave its agreement to the separation of the Railway from the General revenues.

THE HONOURABLE SIR GUTHRIE RUSSELL: I shall look into it, Sir.

STANDING COMMITTEE FOR THE DEPARTMENT OF EDUCATION, HEALTH AND LANDS.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Education, Health and Lands Member): Sir, I beg to move:

"That this Council do proceed to elect, in such manner as the Honourable the President may direct, two non-official Members to serve on the Standing Committee to advise on subjects other than 'Indians Overseas—Emigration' and 'Haj Pilgrimage', dealt with in the Department of Education, Health and Lands."

The Motion was adopted.

STANDING COMMITTEE FOR THE DEPARTMENT OF INDUSTRIES AND LABOUR.

THE HONOURABLE MR. A. G. CLOW (Industries and Labour Secretary): Sir, I move:

"That this Council do proceed to elect in such manner as the Honourable the President may direct, two non-official Members to serve on the Standing Committee to advise on the subjects other than 'Roads' and 'Posts and Telegraphs', with which the Department of Industries and Labour is concerned."

The Motion was adopted.

STANDING COMMITTEE ON EMIGRATION.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Education, Health and Lands Member): Sir, I beg to move:

"That this Council do proceed to elect, in such manner as the Honourable the President may direct, four non-official Members to serve on the Standing Committee on Emigration."

The Motion was adopted.

STANDING COMMITTEE FOR THE DEPARTMENT OF COMMERCE.

THE HONOURABLE MR. H. DOW (Commerce Secretary): Sir, I move:

"That this Council do proceed to elect, in such manner as the Honourable the President may direct, two non-official Members to serve on the Standing Committee to advise on subjects in the Department of Commerce."

The Motion was adopted.

GOVERNING BODY OF THE INDIAN RESEARCH FUND ASSOCIATION.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Education, Health and Lands Member): Sir, I beg to move:

"That this Council do proceed to elect, in such manner as the Honourable the President may direct, one Member to sit on the Governing Body of the Indian Research Fund Association."

The Motion was adopted.

STANDING COMMITTEE ON THE PILGRIMAGE TO THE HEJAZ.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Education, Health and Lands Member): Sir, I beg to move:

"That this Council do proceed to elect, in such manner as the Honourable the President may direct, two Muslim Members to sit on the Standing Committee on Pilgrimage to the Hejaz."

The Motion was adopted.

THE HONOURABLE THE PRESIDENT: With reference to the 6 Motions which have just been adopted by the Council, I have to announce that nominations to each of the 5 Committees and the Indian Research Fund Association will be received by the Secretary up to eleven o'clock on Saturday, the 20th February, 1937, and the dates of election, if necessary, will be announced later.

CONGRATULATIONS TO THE RECIPIENTS OF HONOURS.

THE HONOURABLE THE PRESIDENT: Honourable Members, it is the customary privilege of the President of the Council of State, on behalf of the Council, to offer congratulations to the recipients of honours in the last Honours Gazette. The first name that attracts our attention is the name of

[Mr. President.]

Sir T.A. Stewart. He was in our Council for many years and as the Secretary to the Commerce Department he rendered very valuable services not only to Government but to this Council. He was a skilful debator, quiet and composed in his manners and always ready and willing to meet his opponents on all points of differences of opinion with sauvity of manners and with great tact and consideration. He was a very able man and though some time ago we lost his services as he had been translated to more important duties, we shall, owing to his very important appointment as Honourable Member in charge of Industries, look forward to see him more frequently in our Chamber before long. I offer him on behalf of you all our heartiest congratulations on the great honour conferred on him. (Applause.)

The next reference which I have to make is to our sitting Member, the Honourable Sir Charles Arthur. He has rendered very valuable services in other walks of life in his own way and especially in the Chamber of Commerce of Calcutta and other institutions in the Bengal Presidency. During the short time he has been with us, though he has spoken very rarely, when he has spoken he has said something most valuable. I am sure his honour is well deserved and you will all join with me in tendering him our hearty congratulations. (Applause.)

But the name which invites our special and considerable attention is the name of our friend, the Honourable Mr. G. H. Spence, our former Secretary, who has received the honour of C. S. I. on this occasion. He is one of the most capable civilians of the day. He is very astute, learned in law and is a great repository of all information. His knowledge is really of a versatile character. As Secretary of this Council for some years he rendered very valuable services and he was always ready and willing to help all Honourable Members when they had difficult points to settle and in many other matters. I am personally indebted to him for the reason that during the first two years of my office as President of the Council of State he rendered me most valuable services and gave me much assistance in many ways. We look forward to his return back to India very shortly, when he will again take charge as Secretary of our Legislative Department, which has to render most difficult and useful work in many directions. His honour is most deserved and I know you will all agree with me that we should offer him our sincere and hearty congratulations, especially as it is only a precursor of many other honours soon to follow. (Applause.)

Nothing now remains to be done to-day and therefore I shall adjourn this Council till 11 A.M. on Saturday, the 20th February, 1937, to discuss the Railway Budget.

The Council then adjourned till Eleven of the Clock on Saturday, the 20th February, 1937.

COUNCIL OF STATE.

Saturday, 20th February, 1937.

The Council met in the Council Chamber at Eleven of the Clock, the Honourable the President in the Chair.

MEMBERS SWORN.

- The Honourable Maharajadhiraja Sir Kameshwar Singh of Darbhanga (Bihar : Nominated Non-Official).
The Honourable Sir Prabhashankar D. Pattani (Bombay : Non-Muhammadan).
The Honourable Mr. V. V. Kalikar (Central Provinces : General).
The Honourable Khan Bahadur Mian Ali Baksh Muhammad Hussain (Sind : Muhammadan).
The Honourable Major-General Ernest William Charles Bradfield (Director-General, Indian Medical Service).
The Honourable Shaikh Mushir Hosain Kidwai (United Provinces East : Muhammadan).
The Honourable Sirdar Nihal Singh (United Provinces : Nominated Non-Official).
The Honourable Mr. Govindlal Shivilal Motilal (Bombay : Non-Muhammadan).
The Honourable Mr. Brijlal Nandlal Biyani (Berar Representative).

BILLS PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

SECRETARY OF THE COUNCIL : Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of the following Bills which were passed by the Legislative Assembly at its meeting held on the 19th February, 1937, namely :

- A Bill to provide for the grading and marking of agricultural produce ;
- A Bill further to amend the Indian Boilers Act, 1923, for certain purposes ;
- A Bill further to amend the Indian Electricity Act, 1910, for certain purposes ;
- A Bill further to amend the Indian Naval Armament Act, 1923, for a certain purpose ; and
- A Bill further to amend the Workmen's Compensation Act, 1923, for a certain purpose.

GENERAL DISCUSSION OF THE RAILWAY BUDGET FOR 1937-38.

THE HONOURABLE THE PRESIDENT: Honourable Members, discussion will now proceed on the Railway Budget. Under Standing Order 70 it is permissible to the Chair to fix a time-limit for speeches but I do not wish to depart from the practice which I have hitherto followed in this House and I will leave the question of the duration of speeches to the sound sense and judgment of Honourable Members. But I must point out that I should like to give many Honourable Members an opportunity of speaking on this important Budget and therefore Honourable Members will try and be as brief as possible. I may also point out to Honourable Members that under Standing Order 70A, His Excellency the Governor General has been pleased to appoint the Honourable Sir Muhammad Zafrullah Khan to perform the functions assigned to the Finance Member on the occasion of the general discussion. I will therefore call on him to reply to the debate sometime about 4 P.M. this evening. But if other Honourable Members desire to speak after him, they will be allowed to do so. The debate will now proceed.

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras: Non-Muhammadian): Sir, the announcement that this year's Railway Budget is a surplus budget, however small the surplus, is received with a sigh of relief for it has to some extent relieved the gloom of a succession of deficit budgets. There however remains the fact that this achievement is the result of a small improvement in our economic conditions and a slight additional stimulus given to our trade by war scare, but not of any real measure of reform leading to an improvement of the level of earning and reduction of the scale of working costs of our railways—reforms for which the people have been clamouring for years past. The list of our unredressed grievances has remained practically the same since 1925 when I first listened to a debate on Railway Budget in this Chamber. Indianisation of Railway services by stopping the system of recruitment of the costly foreign element, the improvement of the condition of subordinate services, the manufacture of locomotives in India and change in the purchase policy of the stores, exercise of adequate control over company-managed railways and acquiring them immediately on the termination of the contract, improvement of the condition of labour and better treatment to Labour Unions, improvements of the amenities of third class passengers, abolishing discrimination wherever it exists between Indian and non-Indian interests and the regulation of the tariff and fare policy in the interests of the people, among a host of others, have been very long standing demands and there are no visible signs of their being complied with in the near future. They will remain unsatisfied desires so long as the interests of the British Imperialist policy in India and not those of the Indian people dominate the Railway administration. It is no use forgetting the fact that the Indian Railways are built with external capital and that our foreign creditors dictate the Railway policies in India. It therefore made very little difference to us whether an efficient British official was in charge of our Railways or an eminent Indian directly recruited from the ranks of our public life. They were both alike subject to the severe limitations of the system under which they worked. It is idle to expect any appreciable improvement in the present position until that system itself undergoes a radical change, so as to make the promotion of Indian commercial, trading, industrial and agricultural interests the main objectives of the Indian Railway administration. Even the British capitalists who have sunk about Rs. 800 crores in

Indian Railways have perhaps not much reason to be pleased with the efficiency of the Indian Railway administration, apart from the satisfaction they may derive from the fact that Indian Railways provide large scope for the employment of their countrymen to the exclusion of the sons of the soil, and afford facilities for remunerative importing of raw materials into and exporting of manufactured goods from their country. They have indeed reason to feel dissatisfied that even after several years of working adequate provision was not made for the amortisation of this capital and that the balance of reserves after writing off loans from the depreciation fund and all unpaid contributions to general revenues, as now suggested, amounts to no more than about 20 crores, a sum which would be considered wholly inadequate in any well managed commercial concern in which about 800 crores are invested. The claim made by the Railway Member in his speech that the Indian railways are reasonably efficient, they do their best to help the trade of the country and to adjust their policies to changing economic conditions cannot be accepted in the face of the available data. But, Sir, the attempt of the Indian people to get Railway administrations more and more under national control has met with a definite check from the British Parliament. According to the newly enacted Government of India Act, a new Statutory Railway Authority is set up which will be completely free from the control of the Federal Executive and the Federal Legislature. Therefore, we seem to be marching in the opposite direction in regard to our claim of subjecting the Railway administrations to the people's control more and more.

Coming to the Chief Commissioner's Budget speech, there are to my mind three matters of outstanding general interest in it. One of them is the reference to the appointment of the Wedgwood Committee to advise the Government on the improvement of the working of our railways. In regard to it, we must necessarily suspend our judgment till the report of the Committee is published and the Government tell us how they mean to profit by the Committee's recommendations. In the meantime, without prejudging the work of that Committee, we have every justification to protest against the composition of that Committee. The non-inclusion of an Indian in that Committee is to my mind wholly indefensible. The plea that there is not a single Indian railway officer or administrator in India who is competent to sit on that Committee is itself a sufficient condemnation of the manner in which the Indian railways were administered during the last half a century or more. The inclusion in the Committee on the other hand of an expert from a part of the world where the Indian is treated as an untouchable of the British Empire amounts to administering a double dose of insult. If the Indians look with suspicion upon the move for setting up such a Committee at this juncture they cannot altogether be blamed.

The next matter of special interest is the proposal to cancel *in toto* the arrears outstanding at the end of this year both of repayment to the depreciation fund and of contributions to the general revenues amounting in all to about rupees 62 crores or £45 millions. As the matter will be coming before this House again in the form of Resolution to modify to that extent the separation Convention of 1924, thanks, Sir, to your timely reminder to the Chief Commissioner about it, much of what may be said on it may be reserved for that occasion. But in the meantime, may I ask my Honourable friend, the Chief Commissioner, whether the proposal to write off these obligations and to start with a clean slate has not an intimate bearing on the impending installation of a Statutory Railway Board or Federal Railway Authority? Is the proposal due to an apprehension that if the arrears of contribution to the General Revenues are left outstanding, the Statutory Railway authority

[Mr. V. Ramadas Pantulu.]

will in some measure have to be answerable to the Federal Executive and the Federal Legislature as to how it manages the Railway Finances, while the new Constitution is anxious to liberate it from such control? Though it may be conceded that there is a better case for the cancellation of the repayment to the depreciation fund, may I ask whether there is sufficient foundation for the assumption that in the wake of the economic recovery to which we are all looking forward in the near future, the Railways will not again begin to earn sufficient revenue to discharge the arrears of contribution, at least in small instalments spread over a number of years? If there is such a prospect, what is the justification to treat those arrears of contribution as irrecoverable or to wipe them out just at this moment when signs of recovery are visible? Is there any special urgency now to settle our accounts with the Burma Railways? Though it is true that we shall have to pay some day the Burma Railways what may be due to them after separation, is not the time and mode of discharging of the obligation an important factor? Indeed, when my Honourable friend Mr. Hossain Imam moved a Resolution in March last urging the revision of the separation Convention, the Government spokesman opposed it mainly on the ground that the Federal Railway authority when set up would have to come to financial settlement with the Government of India and that consequently there was no need to revise the settlement in the meantime. Could not this wiping out or writing off—whatever you may call the process—also wait till that financial settlement is effected?

Then there is the much discussed rail-road problem with which the Honourable Sir Guthrie Russell has naturally dealt at some length. No one wants unrestricted or unhealthy competition between the railways and road traffic and where possible they may be made complementary to each other. The road system is not only useful to connect the fields of the cultivator with the nearest railway station for the produce to be carried to distant consumers, which is but a very small fraction of our total production but is equally if not more useful to connect those fields with the local markets where the large bulk of India's agricultural produce not consumed in the village of production is sold and bought. It is an wholly unsound policy to treat roads mainly as feeders of railways, in the future designing and development of the road system in India, specially rural India where internal communication is awfully inadequate. The Central Government must resist the temptation to unduly interfere with the Provincial Governments in their road development schemes in the name of protecting the interests of Railways in which no doubt Rs. 800 crores are sunk. Some of the reasons urged in support of the Bill to amend the Motor Vehicles Act have given rise to a legitimate apprehension that the Central Government is embarking on a plan of such interference and looking at the future of the road system with the glasses of the railwaymen. I hope and trust that the Government will do its best to allay these apprehensions, and to reassure the agriculturists and those engaged in the internal trade of rural India that their interests will not be sacrificed to safeguard the interests of the Railways. I am inclined, Sir, to think that the railways are slightly exaggerating the effect of the motor lorry traffic on their revenues, especially because since 1932-33 there has been an increase in the goods traffic on the railways. Again, it is only very recently that the Government have thought fit to order for 2,000 more wagons to meet the increasing traffic on the railways. If there is need for 2,000 additional wagons in this time of depression, it does not seem very reasonable to believe that the railway goods traffic is badly hit by motor lorry competition. So, on the whole I think the railways have not made out a case that the present competition of motor lorries on roads in

the interior of the country is a serious menace to the expansion of goods traffic on railways. The Railways can overcome much of the competition by the motor lorry by improving the efficiency of its own services to rural India. Notwithstanding the assertions of the Railway authorities to the contrary, the general impression among the agricultural classes is that sufficient encouragement is not given for the movement of crops and transport by railways, by suitable and prompt adjustments of their freight rates, to the changing economic conditions of the country. This impression seems to be well founded. Reporting in 1931 the Indian Central Banking Enquiry Committee on the strength of the evidence tendered before them said that "the railway freight on the requirements of the agriculturists and on agricultural produce itself was very high was a standing complaint against the present transport system of the country". The Committee cited striking illustrations of how this policy placed a severe handicap on the agricultural produce of this country in competition with imported articles from other countries, for instance at the time of the report the freight per maund of wheat from Australia to Calcutta was six annas while the Railway freight from Lyallpur to Calcutta was Re. 1-3-3. Similarly it was pointed out that some locally produced manures had to pay much higher freight rates than on the imported artificial manures. The Royal Commission on Agriculture also drew attention to some of the anomalies in our railway freight rates. After pointing out how freight rates are ordinarily the heaviest single addition to the primary cost of produce exported by rail and how a comparatively small difference in rates may mean the closing of an important market to a crop grower in a particular area, recommended "a periodical revision of rates with a view to the adjustment of their incidence as between the various sorts of produce according to their relative ability to bear". The question of freight rates on agricultural implements, fertilisers, fodder and fuel received special consideration at the hands of the Commission. They recommended that as far as possible the lowest rates should be charged on them so as to lead a substantial increase in the crop yield which in its turn is bound to lead to increased traffic on railways. It does not appear that any appreciable change has been effected in the freight policy to implement those recommendations. Without a radical reform in the present inelastic system of freights and without a genuine attempt on the part of Railways to cheapen and make more efficient transport service to rural India, their complaint about the motor lorry competition will not evoke any sympathy among the agriculturists. In this connection I would strongly urge on the Government of India not to interfere with the freedom of the Provincial Governments to shape their own road policies with reference to their local conditions. Any such attempt will be resented very strongly in the provinces and will also result in a set back to the well considered schemes which have been already planned in regard to road development in the various parts of India.

The action of the Government in extending the period of the contract with the M. and S. M. Railway which expires this year has caused considerable public dissatisfaction. A Resolution to take over that Railway immediately on the expiry of the existing contract was passed by the Legislative Assembly in February last year and was indeed not opposed by the Government. There are no valid grounds for ignoring that Resolution and giving long extension to that company. The money market conditions remain almost the same as at the time of the passing of the Resolution. What extraordinary difficulties the Federal Railway authority will be called on to face by the transfer of that railway to State-management is not clear, if that is the main reason for not effecting the transfer, as it appears to be from the Administration Report of the Railway Board for 1935-36.

[Mr. V. Ramadas Pantulu.]

Though there may be disappointment that the plea for a reduction in freight and fares with a view to give relief to trade and passengers thereby improving the earning of the railways has not been viewed with sympathy by the Railway Member, it is a matter for some satisfaction that he has however promised to effect tangible improvement in accommodation and general standard of comfort in travel, specially in regard to the third class passengers, whose case has been a hardy annual for years. I only hope that his sympathy will be translated into action at the earliest possible opportunity.

Other disabilities, however, are tried to be heaped upon third class passengers at present. Especially there has been very wide adverse comment on the attempt of Railways to lease out by vending to the highest bidder the liberty to sell food on the railway stations. Already the food supplied is of a very inferior quality and the cost is somewhat prohibitive. This new venture of the railways to get additional revenue by realising a large amount of fees by auctioning these contracts will very much deteriorate the food and it will make it more costly to third class passengers who are the main customers of these food stalls. I hope the Government will reconsider their decision in this matter. A more sensible way of doing it will be to prescribe license fees and to lease out these stalls to people who can be trusted to sell healthy food at reasonable rates. The licensing system obtains in many other spheres of public utility services and there is no reason why food stalls should be put up to auction on a competitive scale. Contractors who want to make a larger profit to meet the enhanced auction fees will naturally derive their profit by exploiting the consumer.

If the improvements in regard to accommodation and comfort of travelling are carried out, I hope there will be a substantial increase in the passenger traffic and that will be one way of finding a solution to the increasing competition of motor buses which are attracting more and more passengers to them.

I do not wish to go into various other matters which arise on the Budget. Sir, you have reminded us that many more Members are to be given opportunity to speak and I do not wish to take up their time. All that I wish to say is that Indian railways, generally speaking, have not shown sufficient interest in the development of our trade and agriculture. There are many disabilities under which both trade and agriculture are labouring under the present Railway Administration, and they are so well known that they do not require to be said in detail. The coal trade suffers from a surcharge. Though a part of it has been removed, there are still burdens on it which act as a handicap to the future development of the coal trade. Similarly the same can be said of other trades. The Royal Commission on Agriculture drew pointed attention to the fact that in certain matters the policy of the railway administrations is definitely discouraging to agriculturists. For instance, sugar-cane mills are not classed as agricultural implements and are taxed very heavily, thereby retarding the development of sugar-cane crushing as a cottage industry in many parts of the country. The Royal Commission have also pointed out that with regard to transport of cattle there are many anomalies. A new born calf of 2 days is charged the same freight as a full grown cow on a passenger train. The Royal Commission have said that it is utterly inequitable to do so. These and other matters of detail require sympathetic consideration from railway administrations and I have no doubt that they will receive the attention that they deserve. I close with an earnest plea that the Government of India should change their outlook in regard to the railway

administrations and that they should try to reorganise the transport system of the country in the true interests of Indian trade and agriculture.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, I wish to congratulate the Honourable the Commerce Member and the Chief Commissioner for the surplus Budget that they have presented to us this year. Sir, in case the railways are worked purely on commercial lines and in case no political considerations are attached to them, better results can be expected from the railways and I am of opinion that in case these political and other considerations had not played in the past, the railways would have fared much better in income than they have done in the past. Sir, this is the first year after 1929-30 that resulted in a surplus Budget.

During six years from 1930-31 to 1935-36, Reserve Fund amounting to 18 crores has disappeared, something like 31½ crores of the Depreciation Fund have been eaten up, and another 30½ crores which the railways were to contribute to the general revenues have not been paid. This means the huge amount of 90 crores as loss suffered by the railways during the last 6 years. It is very good luck indeed that railways have now begun to show surplus.

This good luck of the railways this year is due to the sudden recovery in goods revenues of the department. May be this sudden movement of goods is due to the fears of war, and the deterioration of international situation. In case this is true, we have no cause for excessive jubilation, and the Government is doing well in framing very cautious estimates for the coming year.

The passenger traffic has not yet recovered. In 1929-30 passenger traffic revenues were 35.75 crores ; today they are in the neighbourhood of 27 crores. This is a big drop. This is certainly due to the diversion of traffic to the motor lorries. In order to attract traffic to the railways it is the duty of the administration to improve speeds, give more facilities to the travelling public, and remove corruption prevailing at present among members of the railway staff. Another important thing that requires immediate attention is that rates and freights for internal trade should be made more attractive for business people.

During the last several years India has been following a protective policy, but the railways have done nothing to give better terms for the movement of raw material in the interior. It still continues to favour exports of raw material to the sea ports, and distribution of foreign goods from the ports to the interior. I believe this is one great reason why business men have begun to rely more on motor lorries and less on railways. That must necessarily mean heavy losses to the railways. We should overhaul the entire policy in this respect.

We must also remember that the administration is following a policy of over capitalisation. The railway finances were separated in 1924. From that year upto 1931, the Government had put into the depreciation fund 13.92 crores more than what was necessary for the renewals, etc. If excessive amounts had not been put in the depreciation fund and the expenses inflated, there would have not been losses to the general revenues. Then again what should have met on the maintenance from revenues has been charged to capital. That has increased the capital at charge, and has consequently increased the bill for interest. It is a step in the right direction that this defect has been realised and is being removed.

The decision of Government to meet the cost of the police kept on railway premises will give some relief to the provincial finances and will be appreciated by them. Sir, I fail to see why the loss on strategic railways should not be met

[Lala Ram Saran Das.]

by the Defence Department. In this House, Sir, it has been urged from time to time that in order to give a true state of affairs as far as the accounts are concerned we should show to the public the true accounts and that the defence expenditure should not be borne by any other department. Sir, Railway Authorities have moved in the right direction in relieving the provinces of the charges on police supplied to the Railways, they should also urge upon the Defence Department to bear the loss on strategic railways. It is all right saying that the loss on strategic railways is shown separately and public can very well understand that this is also a defence expenditure but, Sir, the true accounting demands that the loss on strategic railways should be borne by the Defence Department.

Sir, the Government have decided to write off the loans taken from the depreciation fund and the Finance Department of the Government of India has agreed to remit the arrears of contributions due to the general revenues from the railways. These two items amount to 62 crores. Perhaps there was no other alternative but to do this.

I am sorry to find, Sir, as my Honourable friend Mr. Ramadas Pantulu has also observed, that Government is again indenting 2,000 Broad Gauge wagons. Sir, as far as I have been able to collect the figures from the Government Reports before me, I find that there are 149,374 broad gauge covered wagons now being used on the Railways with a tonnage of 2,094,363 tons. If we add the tonnage of the open broad gauge wagons total comes to 2,919,342 tons. As far as the metre gauges and other small gauges are concerned the total number of wagons is 100,668 with a total tonnage of 7,22,942 tons. On the one hand, Sir, the railway authorities from time to time during the deficit years have been admitting that the traffic has gone down considerably. The number of wagons which have been acquired during the last five years has been according to the views of many quite unnecessary. So the justification for demand of 2,000 new wagons has not all been established. The movements of traffic have not fully revived. It is evident from the report of the Chief Commissioner and the Commerce Member, that the Traffic in chief commodities of coal and manganese have fallen short of previous years. So, Sir, there is absolutely no justification for the increase in the number of wagons and for the extra expenditure as the present number of wagons are quite sufficient for the traffic offering.

Sir, my friend Mr. Ramadas Pantulu has also remarked about the tax which has been indirectly put on food vendors. I know this matter was laid before the Advisory Committee on Railways but unfortunately that day I was not present, otherwise I would have urged that this tax should not be put. This tax, Sir, is a tax which will lead to a further deterioration of food. I know that the food vendors have to pay some sort of additional charges but those additional charges, I am afraid, will continue whether the vendors are taxed or not. I would therefore urge on the Railways not to impose this tax on foodstuffs on certain railways. Such a policy ought to be uniform on all the railways and I find that some of the railways like the G. I. P. tried this experiment and failed to make it successful. I will, Sir, lay on the table of this House a copy* of the views which have been expressed by the press and the public from which it will be evident how this proposal has been received by them. I will appreciate auction of contract for supply of luggage porters and station coolies.

* Not printed.

Sir, I must also join in the protest which my Honourable friend Mr. Ramadas Pantulu made as regards the personnel of the Wedgwood Committee. It is, Sir, a great slur on India and a great slur on the engineering experts whom the Indian Railways have in the past produced that no Indian has been considered fit enough to be included in its personnel. The inclusion of a person from the South African Railway is also keenly resented. A country, Sir, which does not treat the Indians well and a country where the length of the Railways is far smaller than that of India—I consider, Sir, that that has injured the feelings of the people to a considerable extent. The South African Railways as far as one can foresee will never have an Indian on their commission when they have any inquiry to make in connection with their railway administration.

Sir, although we urged in this House—and it was also urged in the other House—that as the prevailing rates of interest are now very cheap, Government must see its way to buy the Company-managed Railways whose leases expire and with whose administration the people were not satisfied, we regret this has not been done. I may particularly cite the instance of the B. and N. W. Railway about working of which a lot of hue and cry has been made in the Central Legislature as well as in the press. We felt that the Scottish influence will not allow the Government of India to acquire that Railway. That has now proved a true prediction, and Government has not seen its way to acquire the B. and N. W. Railway. My friends who come from Bihar will testify that the amenities and facilities on that Railway are non-existent. Notwithstanding various protests from the public, no improvement whatsoever has so far been made. When I put a question the other day on this subject, the Honourable the Chief Commissioner of Railways gave an evasive sort of reply, the reply being that purchase will not be remunerative. Sir, whenever such questions are put in order to elicit information, why should giving of full information be avoided in the manner in which it is done? We at least expect, when a Government Member does reply to such a question, that he should give reasons in detail that led Government to come to the decision of not purchasing the Railway. In case I rightly remember, I was told on the platform of this House that owing to the paucity of funds and owing to the economic depression, Government could not see its way to buy that Railway. I now urge upon the Government to have some regard for the wishes of the Central Legislature and not to flout their decisions in this manner.

Sir, notwithstanding there being a surplus Budget, the Chief Commissioner of Railways has not been able to tell us what further facilities and amenities he proposes to give to the third class passengers. The want of raised platforms on roadside stations, and the want of suitable waiting rooms or sheds and want of proper lighting at night have been brought to Government's notice and it is a pity that Government are not giving as much attention to these matters as they ought to do. In a business concern like the Railways one should proceed on business lines and try to please its constituents and customers. But the Railway Board, as far as these poor third class passengers are concerned, have not moved at the pace in which we expect them to move.

I am very glad to find from the speech of the Honourable the Railway Member that a trial of air-conditioned coaches is going to be made in the near future. I made that suggestion some years ago in this House and at that time, if I rightly remember, I was told that that was not commercially possible. I am very glad that after the experience of the American Railways the Government has thought fit to try the experiment in India. Sir, I have travelled in various parts of the world. While I was travelling on the Dutch East Indies,

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I found that the railway bridges there were very light in weight but strong enough for the loads which they were to carry. Here we find that in the girders of the major bridges, more steel is being used owing to latest design not being adopted. I should like the Chief Commissioner of Railways to throw some light on this matter as to why lighter bridges with stronger carrying capacity are not being built here.

Then I come to the most important question of the competition of lorries with Railways. It seems that the Railway Department, instead of mending their own ways are trying to force the Government to ruin the lorry services. In the present times of great economic depression it is useless to ask the Government to further develop the Railways and undertake new constructions. The development of India is going on at a pace which the Railway authorities are not following. Communications in India, particularly the rural communications, are now being served by the lorry. Therefore, the discarding of the lorry will force hardship on rural people and will result in many thousands of people being thrown out of employment which will certainly add to unemployment in India. As far as the Railways are concerned, I should say that they must devise methods by which they can capture more traffic, but the increase in fares which have been forced from time to time by the Railway authorities have, to my mind, proved a failure. Notwithstanding the increase in the fare rates, the Railways have not been able to add to their income. So, Sir, I must say that if Railways want to capture the lorry traffic, they must give more and more facilities and amenities to the passengers, particularly to the third class passengers, and reduce their top heavy overhead expenditure.

Notwithstanding the fact that the Railways have been showing a deficit from year to year, there has been no abolition of the Lee Concessions or the unnecessary higher establishment. There was an impression some time back among the public, which of course is not true to the letter, that there were more officers in the office of the Railway Board than clerks.

Then I come to the expenditure on workshops. After the Dickinson report on workshops, I am glad to say, there has been a considerable improvement in the cost of workshop production. But we have to see whether that decrease in the cost of production has resulted in the efficiency which was maintained by the railways in the past. My information—which I consider to be right—is that the quality of the coach work carried out, particularly by the North Western Railway, is not up to the mark it used to be before. I hope that due regard will be paid to the reduction in workshop expenditure. I might repeat what I said some time back in this Honourable House, that there were certain firms in India, e.g., Burn and Co. Ltd., who offered to do all the workshop repairs at half of what it cost in departmental working, but for political and other reasons their offer, I understand, was rejected. But the reduction of expenditure in cost of production in workshops is a matter which we ought to keep always in view keeping the quality of the work.

I am glad that capital expenditure on and value of standing stock which was always kept on hand in general stores has been reduced. On that I congratulate the railway authorities, particularly the North Western Railway, where the value of stock on hand has been reduced by several millions.

Sir, the Honourable the Chief Commissioner has not told us whether, notwithstanding this surplus, the surcharge on coal for internal use will be done away with or not. That is a very important question.

THE HONOURABLE THE PRESIDENT: You will have another opportunity of discussing that question when the General Budget comes up.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, on the General Budget my fear is that I may be overruled on the ground that when time was given for discussing the Railway Budget, we should not include railway items in discussing the General Budget.

THE HONOURABLE THE PRESIDENT: Well, I will not overrule you.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Very well, Sir, I won't develop that point here.

Then I come to the question of capturing more goods traffic. This can be done by speeding up the goods train and by lowering rates of freight where necessary. At present, as far as the Punjab and the United Provinces are concerned, we are lucky that our wheat surplus has found its way to other countries. For several years past there was practically no export of wheat; but this year, perhaps because of rumours of war and other international reasons, there has been a good export of wheat. I wish to say, and I say it with a feeling of regret, that as far as the development of industries is concerned, the railways are not found responsive to the extent that we expect. It is the sacred duty of the railways to develop the resources and industries of the country, and in regard to industries that responsibility has not been met to the extent it ought to have been.

Then I come to the question of the revision of rates of pay of the artisans imported from England on covenants for the workshops. India now possesses very good artisans of all trades, and I would urge upon railways to stop the recruitment of covenanted men from foreign countries except in the case of trades for which people cannot be had in India of the qualifications required.

Then I would also urge the railway authorities to try to combine the bus services with the railway and to issue through tickets. I am glad that the railways have started that experiment, but so far it has been on a very limited scale, and it will not prove a success unless it is tried on a larger scale.

With these observations, Sir, I resume my seat.

THE HONOURABLE MR. G. R. PARKER (Bombay Chamber of Commerce): Sir, I think that there is general agreement on this occasion that the Honourable Railway Member and the Honourable Sir Guthrie Russell and the staff of all the Railways are to be congratulated on the improvement shown in the figures which are now before us. I think the Honourable Sir Guthrie Russell was a little rash when he attributed the position mainly to the staff. It might be argued that the recent unsatisfactory results were due to the staff also. I should attribute them myself to the improved conditions.

I will attempt to deal with what seemed to me to be the most important points in the order in which they were mentioned by the Honourable Sir Guthrie Russell in this House. He referred to certain changes in the system of accounting. Last year I drew attention to inaccuracies which result from the method adopted in calculating depreciation. While I am sorry that Government have not seen fit to alter the basis as I suggested they ought to do, I appreciate that the present state of the Depreciation Fund, and indeed the state in which it has always been, makes it desirable that any error should tend to increase rather than to diminish the fund, and I admit that the Government's basis of calculating depreciation though scientifically unsound

[Mr. G. R. Parker.]

does increase the immediate charge for depreciation, and thus in an unmethodical way tends to rectify errors of the past.

The first change which my Honourable friend mentioned has unfortunately *prima facie* exactly the opposite effect. There may be some explanation, but I myself can see none which would satisfy me for any commercial undertaking. He proposes to charge to the depreciation fund and not to capital any excess over the original cost when replacing an asset by an identical asset. Now in my submission this is a totally mistaken proposal. It is from a business point of view a completely unscientific way of looking at the matter, and there is no ground whatever for supposing that there is anything in the depreciation fund to meet such expenditure. It has not been provided for. Far from being a safeguard against over-capitalisation, it is making over-capitalisation not only more likely but normally certain. I ask Honourable Members to bear this point carefully in mind. The real statement of capitalisation is the book value, that is, the cost, of the assets less the amount of the depreciation fund. If you charge the excess over the original cost when you replace an asset by an identical asset to the depreciation fund and not to capital, you do two things. You reduce the amount in the depreciation fund by an amount which I have already said is not in the fund, and you reduce the amount of the gross book value of the assets by the same amount, with the result that your net book value is exactly the same. But the subsequent result is that having, as I say, wrongly used the Depreciation Fund for this purpose you then proceed to provide less depreciation in the future owing to the fact that your gross book value of your assets is understated and your depreciation is calculated on this lower gross book value. You at present calculate your depreciation, I understand, as 1/60th of the capital and you propose now to understate that capital. In other words, your net book value for the moment is the same whichever method is adopted, but on the basis you adopt your charges to revenue in respect of depreciation on assets are less and improperly less.

I crave the indulgence of Honourable Members while I elaborate this subject a little more. It really is a matter of very grave importance. If you go on only charging the original cost of the first item purchased to capital and charging the balance to the Depreciation Fund you are not ascertaining accurately what your results are in any one year. You do not know what your total expenses are in any one year. Your real expenses in respect of assets of this kind are the depreciation of those assets over the period for which they are used and if, as has happened in our life time, the cost of assets of a particular kind is greatly increased, you are showing unduly good results during any year to the extent to which you are not in fact providing depreciation on the cost of the assets in use. The suggested method leads to confusion and is misleading and the longer it is applied the worse the confusion will be and the greater will be the lack of truth in the records, and therefore the greater the risk that mistakes will be made in the rates charged to the public. It is essential to know with the very greatest possible accuracy the real position; the real cost of the assets and the real cost of running the undertaking.

Once you start to provide depreciation out of revenue you must cost your assets accurately. If you do not, you do not know what it is costing you to run the undertaking. The proposal to debit such items to the Depreciation Fund results in relieving the charges against revenue in future years of charges which those years ought to bear. It results in your over-stating

the value of your assets because it results in your failing to provide depreciation in respect of that portion of the cost of those assets which you are charging to the Depreciation Fund at the time when the asset is acquired. It results in your thinking your profits are greater than they are in fact and it results in your thinking that your assets are of greater value than they are in fact. When you purchase an asset you must be doing so on the assumption that it is worth the money you are paying for it and that the cost of it can in due course come out of revenue during the time that it is in use. The moment you put a wasting asset into use a charge arises against revenue in respect of its use. In other words, depreciation must be provided on it and this amount goes to increase your Depreciation Fund and thus to reduce the net book value of the asset.

I hope I have said sufficient to make it clear that the suggested debits to depreciation in respect of part of the cost of new assets ultimately results in a higher capitalisation than we would get if such items were debited to capital.

The second change to which reference was made was the charging to the Depreciation Fund of certain renewals hitherto charged to revenue. This is correct and I agree it is desirable, provided the matter is given due consideration in assessing the lives of plant over which depreciation is being calculated.

I also agree with the third change, *viz.*, the credit to the Depreciation Account and not to revenue of sums received from the disposal of replaced assets.

As the owners of the Railways have in the past taken all the profits, having, in my opinion, been unwise enough to create no reserve against the rainy days through which we have been passing, it may be appropriate to cancel the debit due to the Depreciation Fund and the arrears of contributions to general revenues by the railways. It is clear that the Depreciation Fund must be made good hereafter out of revenue sooner or later and that in one form or another the public who own the railways will benefit in respect of anything available over and above the amounts required for depreciation, but the balance arrived at in the manner indicated in the Budget is not, as it is called, a surplus in the real sense of the word. It is certainly not profit in the commercial sense and it is not a sum which is properly available for general revenues. Until the Depreciation Fund has been made good, *i.e.*, has been made absolutely adequate, and until there are reasonable reserves to provide for fluctuations in revenue such as we have already experienced to a serious extent, I do not think that it is fair to say that any profits are available at all. The whole question is bound up with the existing convention and I do not think that it is sufficient to deal with the debt due to the Depreciation Fund and the arrears of contributions to general revenues by themselves without reviewing completely the terms of that convention and I hope Government will indicate their intention on that main issue. I have always regarded the present convention as thoroughly unsound. I do not believe that any business man would think of dealing with the finances of a large undertaking on a basis of that kind. It is based on the assumption, which experience has shown is completely unsound, that it is reasonable to spend the whole of your profits in good years and to borrow to pay your deficits in bad years. If my Honourable friend the Finance Member seriously intends to take what is described in this Railway Budget as "an estimated surplus" and to use it as income, I tell him that he is living on his capital.

[MR. G. R. PARKER.]

I do not believe that Railways, in the nature of things, in the future can be expected to earn more than a comparatively low return of the capital employed, more especially now that the time has come when they must or ought to lose such advantages as a monopolistic State gave them in the past and give way, where the public will be better served, to more up to date or suitable methods of transport. It is not only useless but it is extremely unwise for any nation to imagine it can ignore the progress made in other parts of the world. We must allow transport by air or by road to develop. The tax-payer, as the owner of the railways, is in the position of any owner of a business : there comes a time when he must substitute in part or in whole the new for the old, the aeroplane and the motor car for the railway. All methods of transport must be organised and the best use should be made of them jointly, regarding the problem as one, and here I cross swords with the Honourable Sir Guthrie Russell. I do not agree that no useful purpose can be served by any detailed examination of the economics underlying the suggestion "that the loss to railway revenues would be less than the gain to Government from the advent of the motor vehicle". It is a question of extent. Let there be no mistake about it. What we must think about is the national good, not merely the figures of revenue and expenditure of Government itself, although I would be the last to underrate the importance of these.

As the Honourable Sir Guthrie Russell himself said in his speech, what we want is the dispassionate examination of the whole question of communications. This I feel confident we shall be in a very much better position to carry out when we have before us the views of those eminent authorities known to us as the Wedgwood Committee, who have now so nearly concluded their labours.

I am very glad, like the Honourable the Leader of the Opposition, to learn that a practical experiment is being tried with air-conditioning. He is not in the House, but I know by experience that air-conditioning has come down in cost considerably and is very much more efficient now than when he suggested it some years ago. For my part, I think that just as in cold countries methods have been found to warm trains in cold weather, so in hot countries we shall shortly think it quite unreasonable not to provide air-conditioning. I can hardly imagine that 25 years hence there will be any buildings of real importance or any trains in India which are not equipped in this way. In the early stages of development I think that the ordinary traveller will gladly pay a supplementary sum in return for this amenity and that the number of passengers travelling by train will increase as a result, for many of us are fully conscious that at any rate during the hot weather we do everything we can to avoid a journey in this country.

I would like, if I may, to end on a somewhat personal note. I have heard it said during the last few days that some Members of the Legislature who represent commerce, as I do, only express the views of vested interests. As far as I am concerned, I can completely deny that. I consulted my Honourable friend Sir Charles Arthur and he says he is exactly in the same position. I have been very much struck since I have represented the Bombay Chamber of Commerce by the fact that they will not put forward a view on behalf of any sectional interest if they think it is against the national interest and I would ask all Honourable Members to accept that as an absolutely faithful assurance. As far as I am concerned, I may here state that more than 99 per cent. of all my money—a very small amount of money—is in Government of India securities. (Applause.)

*THE HONOURABLE MR. K UMARSANKAR RAY CHAUDHURY (East Bengal : Non-Muhammadan) : Sir, it is with a dull spirit that we enter into any discussion in this House, weighted as it is with a heavy official block. Specially are we handicapped in this particular new Session having been faced with the Railway Budget immediately at its beginning without being able to elicit any information from the Government Members upon any important matter. There is another difficulty facing us in the appointment of the Railway Inquiry Committee which has not yet submitted its report. This Committee was appointed without the Legislature being taken into the confidence of the Government. Its personnel is entirely non-Indian and the method of inquiry is to my mind entirely wrong. What should have been done was that experts from India or a competent officer of the Indian Government should have visited foreign countries and obtained the necessary information and acted upon it, instead of being spoonfed by foreign experts. These foreign experts have no direct knowledge of affairs here and are unconsciously biased in favour of foreign conditions and interests to the detriment of the interests of India.

Coming now to the Budget, we find that the Railway administration has been working at a loss for the last 7 years, and it is only this year that it is expected to work at some profit and that is owing to the writing off of a large amount from the depreciation fund and the remission of arrears due to the General Revenues. The Railway Budget was separated from the General Budget with a view to its being run on commercial lines. If this is how that is being done, the sooner the former method is reverted to the better.

Coming now to the Budget figures, we find that the cost of administration is very high. The cost of general administration and staff charges under head 6A is 20 to 79. Under 6B it is 47 to 163. Under 6C it is 13 to 58. Under 6D it is 14 to 28. Under 6E which is the traffic department which is under general administration, it seems to have had negative operations before and to have ceased to operate this year, there being no figure but for operating charges. Comparing the administration charges even of company-managed lines working here we find that they are less than the State-managed lines,—the operating charges in some cases being 4 to 3 as compared with 6 under State-managed railways. The Honourable the Chief Commissioner the other day, in reply to my friend the Honourable Lala Ram Saran Das, stated that the B. and N. W. Ry. system was not acquired because it was unremunerative. The Budget this year of that Railway shows some profit but strangely enough the explanatory memoranda submitted along with the budget does not disclose the state of affairs of the B. and N. W. Ry. The Eastern Bengal Railway system had always been working at a loss for several years and it is only this year that there is expected to be some profit but if we compare the income from goods traffic of this railway with that of other railways as compared with passenger traffic, we find that it is very poor. This is perhaps due to the complication of steamer and other water communications. Still the Railway authorities have from time to time been giving up their steamer services in favour of the steamer companies, although much is now being made of the road traffic competition.

Coming now to the amenities offered to the lower class passengers, the previous speakers have already extensively dealt with this and I only mention the difficulties and hardships caused to them by the late issue of tickets immediately before the departure of the train. The convenience of the passengers ought to be looked to and there is no excessive cost involved in this.

* Speech not corrected by the Honourable Member.

THE HONOURABLE KUMAR NRIPENDRA NARAYAN SINHA (West Bengal : Non-Muhammadan) : Sir, at the first blush I am tempted to congratulate the Honourable the Railway Member and the Honourable the Chief Commissioner of Railways for the budget showing a surplus of 15 lakhs which, on critical examination, may prove illusory. It will be unwise for me if I were to call into question any features thereof pending the findings of the Wedgwood Committee. But, Sir, in passing I must say that I consider it an insult to the Indian intellect that no Indian was found fit by the authorities to be included as a member of the Committee and with Diogenes' lantern they had to find a person from South Africa to sit on the Committee, the nationals of which Dominion look upon the Indians in that country like so many pariahs.

Sir, the proposal in the Budget speech in both Houses that strikes me as most queer and unusual and which I cannot dismiss without a protest is the bland suggestion to wipe off the contingent liability on the part of the railways to the tune of 31 crores towards the General Revenues and more or less an equal amount towards the Depreciation Fund with the idea of enabling them to begin with a clean slate from next year without the fear of any criticism either from the Government or the Legislature. The suggestion to my mind, Sir, cannot appeal to us in any way. They can modify the Railway Convention arrived at by the Legislature with the approval of the Legislature, but the liabilities hitherto standing cannot be allowed to be wiped off altogether. So long as the liabilities of the railways towards General Revenues will stand, the Legislature will have the chance of having a say in railway matters affecting finance. In fact no sooner will the railways be freed from their present obligations than the Statutory Board in view will become fully independent of the Legislature and will take to doing things as they will without any regard to public opinion. This will, instead of making the Railway Board autonomous as we desire it to be, result in its being autocratic which we do not for a moment wish.

The other proposal of the administration of experimenting with air-conditioned first-class coaches reminds me of the general level of the poverty of the country and looks like giving ruffles to a man who wants a shirt.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern : Non-Muhammadan) : Sir, I desire to congratulate the Honourable Sir Guthrie Russell on the clarity of the speech which he made in presenting the Budget on the 16th. The House is indebted to him for a lucid statement of the position in regard to what is our greatest State-managed concern. The speech shows that for the first time since 1929-30, there is going to be a surplus, though a small one, both in 1936-37 and in 1937-38. The Budget estimates of 1936-37 had anticipated a deficit of 3.44 crores. The revised estimates, however, show that there will now be a surplus of 15 lakhs. The surplus is not unexpected as weekly reports of increased traffic earnings had prepared us for better results in the current year. The improvement in the revenues has been due in the main to increase in goods traffic. This is good so far as it goes, because it is an indication of a revival of both internal and external trade, and particularly of an increase in export of certain commodities as well as oilseeds. It may be hoped that the actuals will show still better results. Sir Guthrie Russell said that in framing the Railway Budget estimates Government had erred on the side of caution. He has told us that we are not, particularly in view of the international situation, yet out of the woods. I am not prepared to quarrel with him in regard to those conservative estimates. No doubt there are signs, as I have said, of a trade improvement. But the international situation is getting more and more complicated and much of

the industrial activity in European countries is due to the feverish preparations which are going on for a world conflagration in Europe.

The estimate of receipts from goods traffic has been put at $\frac{1}{2}$ a crore below the present year. It is quite likely that this estimate will be exceeded if peaceful conditions continue and the international situation improves. We have to remember that traffic receipts have shown a steady upward tendency since 1934 and there is therefore reason to think that there will be, if there is no abnormal disturbance, a further rise in 1937-38. From the 1st April we shall have the Burma Railways separated from the Indian Railways. This separation should prove beneficial to Indian Railways as the Burma Railways have been running at a loss. For the first time since 1929-30 the Indian Railways are going to make a small contribution to the Indian Exchequer. Under the Otto Niemeyer Report the provinces will not be able to get a share in the income-tax receipts unless the Railways begin to contribute their full quota to the Central Revenues. There is need for a further rapid development of the social services in this country. It is therefore of supreme importance that our Railways should begin to pay as early as possible. I am therefore not disposed to quarrel with the proposal that the liabilities of the Railways on account of loans from the Depreciation Fund and unpaid contributions to the General Revenues should be written off. As I understand the proposal, it should help us to start the future with a clean slate. These accumulated liabilities, which amount to the huge figure of 62 crores, cannot, as far as one can see, be liquidated within any foreseeable future. If these liabilities were written off, probably the position would be better for the future. I speak with hesitation because I am not a financier. The Honourable Mr. Kunzru and the Honourable Mr. Hossain Imam will be able to deal with these aspects much better than I. I find myself in general agreement with the proposal of the Chief Commissioner in this respect. I am not therefore disposed to quarrel with the view that the separation Convention should be revised. It is true that by revising the Convention the General Revenues are definitely abandoning all claims to the recovery of 31 crores under the present Convention. As the Honourable Sir Guthrie Russell has rightly pointed out, the General Revenues are likely to benefit far more under the arrangement suggested than under the present Convention inasmuch as if the present Convention is not modified as suggested, the General Revenues will receive nothing until the Depreciation Fund has been repaid over 31 crores. If our financial position improves and railway earnings increase, with the liabilities in regard to the Depreciation Fund and the contributions to the General Revenues for the past years written off, it may become possible for us in the years to come to get some contribution from Railways to the General Revenues. I am therefore disposed to agree with the view that the separation Convention of September, 1924, should be modified.

I will now go on to make a few comments on certain other aspects of Railway Administration. The first thing that strikes one about our Railways is that our working expenses are too high and there is going to be an actual increase in the working expenses in the coming years. The increase, we are told by the Chief Commissioner, is due to the fact that expenses incurred by Provincial Governments in the provision of police required for the maintenance of order on the Railways will hereafter be borne by the Railways. Now, the whole question of the working expenses of the whole of the Railway Administration is going to form the subject of an inquiry over which Sir Ralph Wedgwood will preside. Now, Sir, there is just one question which I should ask about this inquiry. Why has it been considered necessary on an inquiry of this character to exclude Indians altogether? It cannot surely be

[Mr. P. N. Saprú.]

argued that competent Indians to serve on this Committee were not available. Railways in India were introduced about the same time as railways in Japan. Why should it be necessary for India after more than 80 years of railway administration to entrust the task of reorganising her railway system solely and entirely to foreign experts? Is it not a sad commentary on railway administration that it should not have been able to find a solitary Indian in a land which has 350 millions to serve on a committee which was going to reorganise the railway administration of this country? I am not opposed to foreign experts, but I should like Indian experts also to be given a chance. I am sorry that Sir Zafrullah, who occupies a very distinguished position in the public life of this country and who I am sure is in touch with the main currents of thought and feeling in this country, should have failed to understand the sentiment in regard to this matter. The real reason, Sir, why Indians have been excluded is that it was desired, so we have been told, that the inquiry should as far as possible be free from any tendentious character. Tendentious questions in the dictionary of our foreign experts are questions on which patriotic Indians hold a different opinion and advise a different policy from that which recommends itself to the exploiting interests. The Committee is composed exclusively of non-Indians, and the only inference that one can draw is that the inclusion of Indians was considered undesirable by the Commerce Department. The Government of India must not blame India and Indians if they resent the slur which has been cast on India by the exclusion of Indians from this Committee. Is it a continuation of the policy of the Simon Commission?

Another question to which I might draw attention is that henceforth with the departure of Sir Raghavendra Rao, we shall have no Indian on the Railway Board. I was glad that the Honourable Sir Guthrie Russell paid a tribute to the great services which Sir Raghavendra has rendered as Financial Commissioner to the Indian Railway Administration. He has been from all accounts a successful administrator and he has shown that the Indian is capable of giving a good account of himself in a position of trust and responsibility. There was an undertaking in 1924 that Indians would be represented on the Railway Board. What has happened to that undertaking? Why is that undertaking not going to be observed? Is it seriously suggested that there is no competent Indian to be a Member of the Indian Railway Board? It is a pity that this should have been done, and I think it is necessary to record an emphatic protest against the exclusion of Indians from the Railway Board, because really it is exclusion and nothing else.

The railways of India, Sir, represent, as I said, a great national undertaking. Some of the principal lines are owned and controlled by the State and Indian opinion has throughout been insistent that all railways should be managed and controlled by the State. Now, I am not going to argue the case for State versus Company management. That case one will find set out in any elementary text book on Indian economics. I will state what is our experience, namely, that State-owned railways pay greater attention to Indian requirements and Indian interests than companies which have their Directorate in a land situated 6,000 miles away from India. The proportion of Indians in the railway services controlled and managed by the Government of India has increased. Indian opinion therefore has throughout been insistent that the Government of India should exercise their option to purchase railway concerns whenever opportunities occur. The contract with the B. and N. W. R. expired in 1932 and again in 1937, but the Government of India

have on both occasions declined to exercise their option. Now, Sir, we are entitled to ask this question. Has there been any change in the policy of the Government of India in this matter? What is the present policy of the Government of India in regard to this question of State versus Company management of Indian Railways? If there has been a change in the policy of the Government of India, why has there been this change? Why is there this going back on the policy which was enunciated and accepted in 1924? It is no use your telling us that funds were not available to purchase the B. and N. W. R. and M. & S. M. R. Loans could have been floated in the market for the purchase of the lines. Money is cheap in these days and a loan of this character would have had a healthy effect on the Indian market. Are there any particular interests—and we are entitled to ask this question—which had to be respected so far as the B. and N. W. R. is concerned? We want a straight answer to this question, and I must therefore enter a strong protest against the policy which has been followed in regard to State versus Company-managed railways.

Sir, I am interested in Indian labour and I should like before I conclude to make a few observations in regard to the policy of Indian railways towards labour. I have always maintained the view that the State ought to be a model employer. There are certain humanitarian considerations which must take precedence over all other considerations, and even though we are interested as tax-payers and as citizens in India's railways, we cannot allow purely commercial considerations to outweigh certain human values. Therefore I must press for an implementing of the Washington Convention in regard to the railways which was ratified in 1921 but which has not been given effect to so far. Also, Sir, I would like to make a reference to the recent strike on the B. N. R. I am glad that the strike is over. I do not wish to go into the merits of the strike. For my part I am unwilling to believe that the men had no genuine grievances. I know Mr. Giri and I know that Mr. Giri is a most moderate man, and I find it hard to believe that he would have been a party to a strike unless the men had a genuine grievance. Now I am not going into the merits of the strike. The point that I wish to make is that the strike dislocated business all over Northern India. Our Cawnpore merchants, who depend for their coal upon areas which were affected by this strike, were loud in their complaint, and little was done to settle the strike within a reasonable time. The Cawnpore merchants and merchants in other parts of the country had to suffer heavy losses. Business was dislocated everywhere. I know that the Department of Industries and Labour, which is represented by our good friend, the Honourable Mr. Clow, in this House, was doing informally all that it could to bring about a settlement of the strike. But, Sir, there is an Act on the Statute-Book and that Act is called the Trade Disputes Act and the question that I wish to ask is this. Why was there no action taken under the Trade Disputes Act? The railway men wanted the Government of India to intervene and set up a conciliation board under the Trade Disputes Act. They approached the Government of India before they started the strike. They approached it during the continuance of the strike. What is the use of having conciliation machinery when you will not utilise that conciliation machinery? Government under the Act could have acted on its own initiative and the question therefore that has got to be answered is, why were the provisions of the Act not utilised? What were the objections to the matter being dealt with under the Trade Disputes Act? I cannot therefore congratulate the authorities on their attitude towards the B. N. R. strike.

Sir, I would like also to say a few words about rail-road competition. I am one of those who have no horror of greater State intervention in industry,

[Mr. P. N. Saprū.]

In fact, Sir, I believe that in the modern world we need greater and greater State control, greater and greater State management and greater and greater State ownership. But I also feel that we can only evolve a satisfactory policy in regard to this rail-road competition if we will face certain unpleasant facts fairly and squarely. Means of communication in this country are poor. We desire to see a rapid development of communications. The country side is yet to be opened up. The peasant needs markets for his produce and if he is to be made independent of the middleman, then means of communication must improve and he must get direct access to markets. We are going to have a new political structure after April 1st which will make it necessary, if democracy is to be a reality, for the Member to be in touch with his constituency. The average man—and we have got to remember that this country is a very poor one—the average man finds the present railway rates excessive and railways do not provide him with certain amenities to which he feels he is entitled. When we want any amenities, we think of first class passengers, air-conditioning of first class compartments. I am personally opposed to any air-conditioning of first class. I travel first class myself, but I would rather go without those amenities. I want amenities for the poorer section of my country. I want amenities for the third class passenger, the third class passenger who does not get a fair deal. These third class carriages are absolutely a disgrace to any railway administration. There is far too much overcrowding in these carriages, seating accommodation in these carriages is bad, the sanitary arrangements are even worse. There are no fans in the compartments. Our third class waiting rooms—I know the condition of the third class waiting room in my own town of Allahabad—our third class waiting rooms are often situated outside the main railway station and they are not even properly covered. Trains are far too few and the principal trains do not stop at wayside stations. These are facts which we must remember in evolving a policy of co-ordination between railways and motor lorries. The interests of the poor must be supreme with us and we ought not to allow mere considerations of revenue to influence our decisions. Unless our railways therefore improve their management, I am not prepared to agree to proposals such as are to be found in a Bill now before the other place.

Just a few words about ticketless travel. I am afraid the evil is being exaggerated. Why cannot the position be improved by greater supervision? Why is it necessary to have a law which will alter all our conceptions.....

THE HONOURABLE THE PRESIDENT: I am afraid this question does not fall directly within the purview of this Railway Budget.

THE HONOURABLE MR. P. N. SAPRU: Sir, I only referred to it because the Honourable Sir Cuthrie Russell in his speech referred to it.

Sir, before I conclude, I would like to join in the tribute which has been paid by the Chief Commissioner of our Railways to our railway men and particularly to the low paid and hard-worked employees of our railways. They represent a deserving class of public servants whom we, who are more fortunately situated in life, should not forget. There is far too much criticism of these poor railway employees and I certainly as one who occasionally comes into touch with them feel very much for them. Sir, I was glad that Sir Guthrie Russell paid a tribute to the hard work that they put in for our railways.

THE HONOURABLE RAI BARADUR LALA RAM SARAN DAS: But their passes have been reduced.

THE HONOURABLE MR. P. N. SAPRU: I am sorry their passes have been reduced. I should have been glad if their passes had been increased. These, Sir, are all the observations I have to offer on the Railway Budget.

THE HONOURABLE MR. V. V. KALIKAR (Central Provinces : General) : Sir, I rise to congratulate the Railway Member for presenting a surplus budget at least this year. It is more creditable to him, Sir, as he is coming straight from public life and as he has to manage a very big department of public service. Well, there are at present facts which a layman can notice and for which a layman can hold responsible the Railway Administration in India. Three things are clear to him. The Reserve Fund has disappeared, the depreciation fund has gone down and there have been no contributions to the general revenues for the last six years. These three things do not speak well of the Railway Administration in India. Well, Sir, my Honourable friend the Railway Chief Commissioner has told us in his speech that to some extent the earnings of the railways have gone down on account of the bus competition. I believe that the railways are to some extent responsible for the lowering of the revenues in that connection, as the railways do not give as much facilities to the passenger traffic as the bus gives them and therefore the poor peasants and the countryside people prefer buses to railways on account of the low rate of freights as well as on account of the low rates of passenger traffic. I am not one of those, Sir, who believe that this cut throat competition should be continued. But I certainly believe that there is full scope for all means of transport in this sub-continent and if the railways and the roads have got a co-ordinating policy, this difficulty would be easily solved. Sir, there are other causes also to which I shall make a brief reference but to me it appears that the railway administration in India have not taken into consideration the suggestions made

by the Pope Committee, I mean the suggestion about the amalgamation of all the railways in India. If that suggestion had been carried into effect I believe the railways would have gained something by way of lowering the overhead charges and that there would have been an actual gain of 3 crores to the railways if that decision had been followed. I want to know, Sir, from the railway authorities as to why that decision has not been yet acted upon. My Honourable friend, Mr. Saprū, has taken to task the Railway Member for not including an Indian in the Wedgwood Committee. I refuse to believe, Sir, that the Railway Member is responsible for it. The more so as he comes directly from public life. He might have thought that if he had not taken up the cudgels on behalf of Indians in this matter it would create a great agitation, and I would say the people of India would regard it as an insult to them. I think this policy is dictated by Whitehall and not by the Railway Member. As in the past the Simon Commission had a very bitter experience I thought the authorities who were responsible for making appointments on this Committee would have learned a lesson and appointed an Indian on this Committee, but, Sir, the past experience which the authorities have gained so far in regard to the Simon Commission has not been taken to heart and even now it has been given out to the world that there is no capable Indian who can work on that Committee and who can inquire into the administration of railways. Sir, I have no grievance against the personnel of the Committee. I take my stand on a constitutional point and that is, that in every department of public service Indians have got a claim to be associated and therefore on this Committee the claims of expert Indians ought to have been recognised. Is Indian talent at a discount? Sir, it is most unfortunate that when an Indian public man is at the helm of affairs of Indian railways in India he should not find it possible to appoint an Indian on this Committee.

[Mr. V. V. Kalikar.]

Sir, then I want to say a few words about the interests which the Indian Railways serve. From the facts and figures about freight rates it seems to me, Sir, that the Indian Railways look to the interests of other countries rather than that of India. I say this, Sir, because the freight rates are favourable so far as goods to and from the ports are concerned but the freight rates so far as internal trade is concerned are most discouraging to the Indian industry. I know, Sir, that there are some favourable rates quoted for the steel and coal industries, but there are smaller industries, there are unorganised industries in the country and if favourable rates are fixed for these industries the railways would be encouraging not only the internal trade but the Indian industries also. I therefore say, Sir, that this point should be seriously considered by the Government and proper steps be taken to encourage organised as well as unorganised smaller industries in India.

Then, Sir, much has been said about the neglect by the Railway administration of third class passengers and I also want to add my word of protest. This I am doing, Sir, because my Honourable friend the Chief Commissioner is going to introduce the air-conditioned carriages in future. I do not know personally about the air-conditioned carriages but I would rather request him, Sir, to look first to the bare necessities of the third class passengers rather than to introduce these costly air-conditioned carriages on the Indian railways. The third class passengers are huddled up like cattle in the compartments. They have got no waiting rooms on the roadside stations and the waiting rooms that exist at the big stations are not quite sufficient or quite sanitary to accommodate them. The third class carriages are most insanitary; they have not got sufficient lavatories and a complaint has just been made that a food tax is going to be levied and they will not in future get good food. So instead of spending money on air-conditioned carriages I would request the authorities to give bare necessities to third class passengers. Then when they can find sufficient money they can think of proposals like this. But first it is the duty of the railways to look to the bare necessities of the third class passengers instead of indulging in such luxuries.

Sir, I also join the Railway Member and the Chief Commissioner of Railways in paying a tribute to the outgoing Financial Commissioner, Sir Raghavendra Rau, but, Sir, from the speech that I have heard just now of my Honourable friend Mr. Sapru I have come to know that no Indian is going to be appointed in his place. I have again to record my protest, if that information is correct. Can the authorities say, and say honestly, that Sir Raghavendra Rau has not well managed the finances of the Railways? If not, why did they not extend his term of office, or could they not find any other Indian to take his place when he goes away? These are pertinent questions which the authorities must answer, and answer to the satisfaction of the country. It is another instance of showing to the world that Indians are not capable. When we find that Indians are capable of being Governors, Indians are capable of being Executive Councillors, why should Indians be excluded from such responsible positions? I therefore record my strong protest if that information that no new Indian is going to be appointed is correct.

Lastly, Sir, I appeal to the authorities to run the Railways not in the interests of other countries, and of other people, but to try their utmost to run the Administration in the interests of India and the citizens of India.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern : Non-Muhammadan): Mr. President, It must be a great relief to the country to know that there is a break in the monotonous succession of bad years which we have been having since 1929-30. It is a welcome fact that a deficit of nearly $3\frac{1}{2}$ crores has, owing to the trade improvement that has taken place during the current year, been converted into a surplus—a small surplus—of 15 lakhs. There is no assurance, however, that the improvement that has been visible during the course of the present year will last. Government have, therefore, been cautious in framing their estimates of revenue and expenditure and I for one am not disposed to blame them for this. We must wait for a real improvement in trade and industry to take place before our Railways can again occupy the position which they did before 1929-30. But while I fully acknowledge the loss that the Railways have had to bear owing to the unprecedented trade depression that has taken place not only in India but the whole world over during the last few years, I cannot admit that that is the sole cause of the difficulties in which we find ourselves. Soon after the War, Government embarked on a policy of expansion—of rapid expansion in connection with railway construction and the introduction of improvements and this is to no small extent responsible for our present difficulties. The Railway Board has been publishing now for some years a Review of Railway Finances, the impartiality and lucidity of which will call forth encomiums on its writer from every one who has taken the trouble to go through it. I hope that this publication, which enables the layman to understand the salient facts connected with the working of our Railways which are usually buried under a mass of technicalities will be continued. I find from this, as indeed is apparent from a perusal of the Reports of the Railway Board and the Railway Budgets, that since 1919-20, the capital at charge has mounted up by more than 200 crores. Between the 10 years from 1919-20 and 1929-30, I believe that it has increased by about 216 crores without taking into account the utilisation of surplus stores, and during the latter period of this decade, the expansion was phenomenally rapid, the annual capital expenditure having been about 27 crores. I shall take for comparison the years 1925-26 and 1929-30. I do not take the year 1924-25, because the situation in that year was complicated by a number of factors and also because it would be fairer to the Railway Board to institute a comparison between the year 1929-30 on one side and the year 1925-26 and not 1924-25 on the other. I find, Sir, that during this period of 4 years, the interest charges mounted up from about 24.8 crores to nearly $30\frac{1}{2}$ crores. There is an increase of about $5\frac{2}{3}$ crores, or, roughly speaking, of about $1\frac{1}{2}$ crores per year. Then take the depreciation charges which of course increase with the increase of the capital at charge. They mounted up during this period from about $10\frac{2}{3}$ crores to about 12.6 crores, or very nearly by 2 crores. Taking the two together, we find that the increased charges due to interest and depreciation during this period amounted to about $7\frac{2}{3}$ crores. If we add to this the inevitable increase in operating expenses, which was about 2.6 crores, we find that the total additional expenditure was well over 10 crores. And what was the growth of revenue during this period? The increase in the revenue was about $3\frac{1}{2}$ crores only. I do not forget the fact that the Railways lost about 5 crores owing to the lowering of passenger fares and freights during the 4 or 5 years ending with 1929-30. I do not also forget that in 1929-30 they had to bear some expenses from which they were exempt in 1925-26. Taking all these factors into consideration, I think one may say that the increase in revenue had the railways been able to conserve all these resources would have amounted to about 10 crores. In other words, the increase in revenue and expenditure would have balanced one another; but soon afterwards came the depression of which I have spoken. The railways,

[Pandit Hirday Nath Kunzru.]

not having had the time to develop their revenues sufficiently to give an adequate return on their capital, were faced with the heavy burden that the growth of interest and depreciation charges and operating expenses involved. Now, I know that a recital of these facts will not in any way relieve the present gloomy situation, but I have troubled the House with these facts because the troubles in which we are involved at the present time are generally attributed solely to economic depression. There is also another reason why I have emphasised this aspect of the case. Both the Railway Member and the Chief Commissioner for Railways have I believe more than once brought to our notice that the improvement in the conditions of service of railway labour have added materially, probably about half a crore, to our expenditure. But when they mention this small increase to railway expenditure they ought in justice to present the other side of the picture and admit their own responsibility for the troublous times that we are now passing through.

There is one more fact, Sir, which I should like to draw the attention of the House to in this connection. Government have since the commencement of the depression taken various steps to increase revenue and reduce expenditure. I need not detail the measures which they have taken during the last five or six years to reduce the deficits in the railway budget and to make our railways once more a paying concern. But I should like to inform the House of the net result of the retrenchment that has taken place in the staff in the various categories of which it is composed. Let us first take the superior services. In the year 1929-30, which was the last year in which the railways made a contribution to the general revenues, roughly speaking the number of superior posts amounted to 1,975. I speak subject to correction, because even in the railway report one finds different figures in regard to the same subject in different places. I suppose however that I would be correct in saying that the number of permanent superior posts in 1929-30—that is, after leaving out the posts connected with new construction work—amounted to 1,975. The corresponding number in 1935-36 was about 1,850. There was thus a reduction of about 125 posts. This amounts to a reduction of a little over 6 per cent. Now, take the next lower rung of the ladder, that is, the officers drawing Rs. 250 per mensem or over, or on scales of salary rising to Rs. 250 per mensem or over. Here again, if we take the figures for 1930 and 1936, we find that there has been a reduction of about 12 per cent. Unfortunately, I could not get separately the figures for officers employed permanently on open lines and those employed in connection with construction work. Now, when we come to the subordinates, that is, the lowest class of railway servants, we find that, while their number on the open lines in 1929-30 was 760,000, in 1935-36 it was about 650,000. That is, there was a total reduction of about 110,000, or a little over 14 per cent. Now, this seems to suggest that, while the Railway Board have unceasingly tried during the last five or six years to reduce their expenditure, the reduction has not taken place proportionately in all grades and that the axe has fallen more heavily on those who had not than on those who had. Sir, I hope in view of these facts that we shall no more hear of the burden imposed on the railway revenues by the improvements in the conditions of railway labour. If really the higher railway officials are tempted to put the increase on this account forward in order to lessen their responsibility for the present state of things, let them also bear in mind the factors that I have just pointed out, and also the concessions known as the Lee Concessions which were made to the superior services some time ago and which were not touched even when emergency cuts were applied to the salaries of all Government servants high or low.

Before passing on, Sir, from the purely financial aspect of the question, I should like to deal with the share of Burma in our total depreciation fund. I understand from the speech of the Honourable Chief Commissioner for Railways that in consequence of the separation of Burma from India, India would have to pay about a crore and two-thirds to Burma. Now, I should like to know, Sir, what is the amount to the credit of the Burma Railways in our depreciation fund. We all know that the depreciation fund has been considerably reduced during the last 5 or 6 years. We have been told that the surplus in the current year which is expected to be about 15 lakhs would have been 42 lakhs but for the loss on the Burma Railways. I think I may fairly infer from this that the loss on the working of the Burma Railways during the past few years has been greater than that on the working of the Indian Railways and if the Indian portion of the fund has been as seriously depleted as described both by the Railway Member and the Chief Commissioner of Railways, may we not come *prima facie* to the conclusion that the share of Burma in the railway depreciation fund is exhausted? I am not unaware of the terms of the Amery award, but I do not know that there is anything in the award which compels India to make a large contribution out of its own revenues to Burma on its separation from this country. Let us suppose, Sir, that Burma had been separated from India in the year 1929-30. Let us also suppose that it had followed the same accounting rules, as are followed in the case of Indian railways. Would it have had any money to its credit in its railway depreciation fund? I should like an answer to this question, for on the facts before me I am disposed to think that we owe nothing to Burma and that we are being saddled with an unnecessary responsibility for the payment of 1 2/3 crores.

THE HONOURABLE THE PRESIDENT: Not even on equitable grounds?

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: I entirely agree with you, Sir, that it is entirely inequitable.

THE HONOURABLE THE PRESIDENT: No, I ask you, are they not entitled on equitable grounds?

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: What are those equitable grounds?

THE HONOURABLE THE PRESIDENT: I am very sorry I do not see the Burma Member here.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: We are ourselves in the midst of difficulties. Our finances are not in a very prosperous condition, and it is at a time when we do not know how to bring about a more satisfactory state of things that another burden is imposed on us and we are asked to be generous to another country.

THE HONOURABLE THE PRESIDENT: You are not asked to be generous; you are asked to be just.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: I do not know, Sir, where the question of justice comes in here. Burma cannot expect to be in a better position now than it would have occupied had it been separate from the rest of India since the year 1929-30.

THE HONOURABLE MR. J. C. NIXON : Or from the year 1886.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Well, that is a big question and that was once dealt with in the old Imperial Council by the Honourable Mr. Gokhale in 1910 or so. Anyone who wishes to understand the old figures will do well to go back to the debates of those years and study the speech of Mr. Gokhale. We need not, however, go as far back as that. We are entitled to consider the situation only from the time from which the railway depreciation fund was instituted and Burma cannot come and say to us, "Well, it is true that we would have had nothing in our depreciation fund had our finances been separated from those of India in 1929-30, yet we mean to use our position at the present time to extract some money from you." But, Sir, I am not concerned now with the position of Burma. I want to know what is the position of the Government of India in this matter. Is it their view that they should make this contribution of 12/3 crores to Burma or have they been compelled by the decision of the Secretary of State to adopt such a course?

Sir, the present situation of our railway finances naturally compels us to consider methods of adding to our revenue and diminishing our expenditure. The Honourable the Railway Member and the Chief Commissioner for Railways have pointed out the seriousness of the loss that is occasioned to railway revenues by the competition between railways and motor buses. The seriousness of the competition cannot be denied and I am disposed to think that even when all reasonable steps have been taken to regulate the lorry traffic the position of the railways will not be considerably eased. We are certainly entitled to impose regulations which will secure the safety and convenience of the passengers. We can also legitimately ask the lorries to bear a part of the expenditure incurred on the construction and maintenance of good roads. But I doubt whether we can go much further and if the Government are disposed to go further, let them bear in mind the political repercussions of the step that they may be inclined to take. For all practical purposes it seems to me that they will have to adopt methods of attracting traffic, particularly third class traffic, to the railways now going elsewhere which are employed by commercial rivals. Now, I do not think that the railways are not alive to their responsibility in respect of third class passengers. I have more than once borne testimony to the change that has been gradually coming over the railways in connection with the treatment of third class passengers, yet it must be sorrowfully admitted that the Honourable the Railway Member was perfectly correct when addressing the Railway Conference a year or two ago, he said that the villager still regarded the railway journey as in the nature of a tribulation. If we mean to meet the losses that we are suffering from now owing to the competition with motor buses we must pay increasing regard to the comforts of these third class passengers. During the last Gurmukteswar fair in the Meerut District I saw with my own eyes trains carrying third class passengers without lights, and I am told that in some instances railway wagons were used, which again were without lights. Now I do not know whether the information that I have received in this respect is correct or not, but I can vouch myself for the fact that railway trains were run without lights. It may be that the trains that I saw were deprived of their lights by some temporary disturbance that took place. The electrical machinery might have gone out of order, but it is certainly a point that ought to be looked into. Even in the earlier Mela that took place at Allahabad about one or two years ago I noticed the same state of things. I hope that this is not a common occurrence, yet to the extent that it occurs it is a matter that ought to be looked into.

While I am on this point, I would bring to the attention of the Railway Member the need for the improvement of the railway station at Hardwar from the point of view of third class passengers. Questions have been put on this subject both in this House and in another place but I am sorry to say that the answers given in both the places were thoroughly unsatisfactory. I speak, Sir, with some feeling on this subject. I am familiar with Hardwar, perhaps more familiar with the Melas there than any Member of this House. I know the difficulties to which third class passengers are exposed there notwithstanding the steps taken by the railway department since 1927 to provide amenities for them. I draw the special attention of the Honourable the Railway Member to this fact because when the Kumbh Mela takes place next year there, the railways will be faced with competition from motor lorries on a very large scale. The Roorkee-Hardwar road will soon be opened to traffic and I understand that the Hardwar authorities already expect that the passengers who would arrive there by buses might seriously reduce the number of those travelling by rail. I will not go into the details of this question. If the Honourable Member is so minded as to consider it sympathetically, I promise to place such information as I have at his disposal. For years an effort was made to draw the attention of the railway authorities to this matter but in vain. Recently, however, they have changed their attitude and are prepared to introduce certain improvements. I know what those improvements are, being a member of the Hardwar Improvement Advisory Committee, but in my opinion they do not go far enough. They do not go even as far as the improvements that had been agreed upon between the Divisional Superintendent and myself some time ago.

And now, Sir, I should like to say a word with regard to the purchase of the B. & N. W. Railway, the R. K. Railway and the M. & S. M. Railway, to which the attention of the House has been drawn by several Honourable Members. I have no desire to repeat the arguments that have so far been advanced but I hope the House and you, Sir, will permit me to deal briefly with some of the more salient arguments which were used by the Honourable the Railway Member in another place in dealing with the question of the acquisition of these railways. He seemed to lay stress on the financial side of the question and also on its political and constitutional side. Now, I do not know really what the trouble is so far as finances are concerned. Government have never found it impossible to borrow money at any time when they made up their mind to do so. In the 4 or 5 years immediately succeeding the war they borrowed nearly a hundred crores to meet the deficits of those years. And if at that time of falling revenues and dear money they could borrow so much, what is there to prevent them from borrowing 20 or 22 crores to acquire these three railways which are certainly not a losing concern. Money is much cheaper than it was then. If the trade situation in the country improves, as we all hope that it will, money will cease to be as plentiful and as cheap as it is now. One would have thought therefore that on financial grounds alone Government would have considered it wiser to acquire all these three railways immediately than to postpone their acquisition to a later date.

There is also another circumstance connected with this which the House ought not to fail to take notice of. We know the hold that British capital has over these railways and this country. The debates of the Round Table Conference show what is the position claimed by those who have invested their money in this country. Is it not desirable in this state of things for a Government which calls itself Indian to reduce the amount of foreign capital invested here when a suitable opportunity for doing so offers itself? I should not

[Pandit Hriday Nath Kunzru.]

be at all opposed, Sir, to the investment of foreign capital in this country in ordinary circumstances but when those who have invested their capital here seek to acquire a privileged position in this country, seek to have a voice in the moulding of its constitution and the determination of its constitutional status, then, whatever the commercial advantages of the utilisation of foreign capital might be, the best interests of the country, our self-respect and our freedom alike demand that we should seek every possible opportunity of replacing foreign by indigenous capital in this country.

THE HONOURABLE THE PRESIDENT: May I draw your attention to the fact that you have already occupied nearly 45 minutes.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: I will, Sir, come to an end in five minutes. Another circumstance to which I would like to draw attention in this connection is that concerned with the purchase of stores. For a number of years we have been insisting that our railways should purchase their stores through the Indian Stores Department. Happily the State-managed lines have recently been more responsive to the criticism urged here in this case than was formerly the case. But the company lines I find are still as unresponsive as they used to be. The amount that they purchase through the Indian Stores Department has certainly increased but it is still a bagatelle as compared with the value of the purchases made by the State-managed railways. It is not necessary for me to go into this matter in detail. I will only say briefly that, while the State-owned railways are purchasing material worth more than two and a half crores through the Indian Stores Department, the Company managed and owned railways are purchasing goods worth only about 60 or 70 lakhs through this Department.

As regards the political and constitutional difficulties spoken of by the Honourable the Commerce Member, it is difficult to take them seriously. The political difficulty only is that Government do not want to nationalise all our railways. Notwithstanding, Sir, the time that I have already taken I ask for your indulgence for a minute more in order to deal briefly with another aspect of the question which has engaged the attention of other Honourable Members. I refer now to the appointment of the Wedgwood Committee, and I should like here to deal with the question of personnel, which is the point which has been criticised by other Honourable Members. But in dealing with it I shall again refrain from using any of the arguments which have been already urged. In criticising the personnel on the ground that there are no Indian members included in it, I do not for a moment mean to cast any aspersion on the technical competence of the members whose services have been engaged by Government. I will grant that they are well-equipped, and singularly well-equipped, for the performance of the responsibilities entrusted to them by Government. But is there any reason to suppose that competent men were not available in this country to co-operate with the foreign experts in the task which they have been called upon to shoulder? For a parallel I can go back to the Inchcape Committee. The Inchcape Committee too was appointed at a time when our finances were in a specially deplorable condition. It would have been easy for Government then to say, "We want a body of financial experts". But they did not take that line. They knew that in order to meet the situation adequately, they would need the confidence of the Members of the Legislature and the country at large. They consequently appointed a Committee which in addition to Britishers included competent Indians. Was it not possible for Government to follow

the same model in this case also? Could it not, from among the Engineers in this country or the business men, select two representatives who, because of their familiarity with the traffic or the technical side of the working of the Railways, would have been in a position to give valuable help to their colleagues and to assist Government in arriving at a solution of the very difficult question which faces all of us? We are all of us asked to look at questions relating to our commercial services from a strictly economical point of view. I find, however, that Government, in appointing a Committee to consider our largest commercial concern, has been guided more by political than by economic considerations.

Sir, I do not wish to trespass any more on your indulgence, but I should like to impress on our Railway authorities the need for conducting the administration of our Railways in such a way as not merely to be technically efficient but to carry the Members of the Central Legislature and the people of this country with them. They have failed signally in many respects to bear this in mind. The appointment of the Wedgwood Committee is an instance in point and the composition of the Railway Board is another. It has just been brought to the notice of the House by several Honourable Members that the only Indian in the Railway Board will soon terminate his connection with it and the Board in future will be without a single Indian representative.

THE HONOURABLE THE PRESIDENT: That point has been sufficiently stressed.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: I do not therefore dwell on it. I only wish to say that at a time when there is greater need for liaison between Indian opinion and the Government, when there is need for winning the confidence of the country, Government will have a Railway Board which will be without a single Indian. Can anything prove better the inability of the Government to visualise the conditions as they are and to respond adequately to them? It is no pleasure to me to criticise the Honourable the Railway Member. I speak more in sorrow than in anger. But the hard fact remains that at a time when every effort ought to be made to bring about improved political conditions in the country and to make the people at large feel that the Government though still appreciably foreign in its personnel is increasingly Indian in its outlook, Government are taking steps and adopting policies which instead of bridging the gulf that separates them and the people will unfortunately widen it.

The Council then adjourned for Lunch till a Quarter Past Three of the Clock.

The Council re-assembled after Lunch at a Quarter Past Three of the Clock, the Honourable the President in the Chair.

THE HONOURABLE THE PRESIDENT: The debate will now be resumed.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhammadan): Mr. President, I wish to join in the chorus of congratulations that have been showered on our Honourable colleagues the Chief Commissioner of Railways and the Commerce Member. It is really not so much due to any conscious effort on their part that they have come to prosperity. It is due to the trade revival which has placed a convenient shroud over their inefficiency.

THE HONOURABLE SIR MUHAMMAD ZAFRULLAH KHAN: And it is the shroud that you are congratulating us on?

THE HONOURABLE MR. HOSSAIN IMAM: No, Sir, on your good luck. We of the East are notorious for our belief in *Kismet*. Our Railway Board has imbibed that belief and it has become fatalist. It therefore does not want to exert itself and relies more on prayer and on good times coming. Sir, we are informed that the railways are a commercial department, that it should be run on commercial lines, that it is not its duty to see how our internal trade and commerce are served by it. When we ask that a policy of stimulating exports should be adopted by the Railway Department, we are told that it is not part of the work of the Railway Department because it is a commercial department. That would be all right if this policy were followed to its logical conclusion. But the trouble is that it is a Government Department when it comes to expenditure and it is a commercial department when it concerns the income. We are not able to reduce our freights and fares in the interests of the country because it is a commercial department, but when it comes to expenditure it is a Government department and nothing can be done to make it pay or improve its financial stability. The reason for this is not far to seek. The official mind is altogether different from the commercial mind. The things necessary to make a successful business man are repressed as an officer progresses through his cadre. The dash, initiative and enterprise which you find in really successful business men are conspicuous by their absence in our higher officials. This is not a disparagement of officials. I do not say that they lack these capacities. But the fact that they have had to undergo the extreme pressure of red-tapism, that they had to pass through the mill, that they are enmeshed in the web of rules and regulations, makes them emerge ultimately unto a lifeless effigy of their former selves. They become robots which can be moved only by two electric impulses, red-tape and rules and regulations.

Sir, in regard to the separation of Burma we find that the Railway Board have not taken due care to safeguard our interests as they should have done. I would draw the attention of the House to the Howard-Nixon report which was submitted to the Government on the 8th April 1931. That report unfortunately did not receive the amount of attention and recognition, either from the Government or from the public, which it really deserved. Its joint author our Honourable colleague Mr. Nixon has given us a very exhaustive report and at places he had really tried to safeguard our interests as much as it was humanly possible to do. But the trouble was that he did not have the backing of the Government and the Department which he ought to have received. I will give you a particular instance. You will find in Annexure D of the report that he brought round Sir Henry Howard to his belief that the amount of capital written off by the operation of the sinking fund, amounting to 40 crores, should be deducted from the capital at charge. But the Burma Government repudiated its representative, and our Government and the Railway Board weakly gave in. In those circumstances the matter went before the Amery Tribunal and the award of the Amery Tribunal was against us. This is a reference to an issue which is one of general interest, because if that 40 crores had not been added to the capital at charge the result would have been that our unremunerative debts would have mounted up and we would have received 7½ per cent. portion of it from the separated Burma Government. That means that we are losing something like 3 crores of rupees on that account. The next point is that we are asked to repay to the Burma Railways a crore and two-thirds from a non-existing depreciation fund.

The separation convention was started from 1924-25. During the first six years of its continuation the Burma Railways were giving a net revenue in excess of the interest charges to which they were subject, so that in those years the credits to and debits from the depreciation fund were genuine transactions. But from the 1st April 1930 to the present day the Burma Railways have not earned sufficient to pay the interest charges. So all the credits that were made to the depreciation fund or all the debits from the depreciation funds were made out of imaginary, non-existent funds. The figures which I have been able to collect show that within these 6 years from 1st April 1930 to 31st March 1936—the period for which accounts are available—we find that the net revenue was 6,35 lakhs and the interest charges to which the Burma railways were subject was 10,65 lakhs. I am giving figures for the 7 years which will end on 31st March 1937 according to the revised budget estimate. This means that the Burma Railways have been run at a loss amounting to 4,30 lakhs during the last 7 years. Instead of getting a rebate or a payment from Burma for our losses which we had suffered during the last 7 years we are asked to pay back 1 2/3 crores, because a certain system of accounting was adopted by the Railway Board which did not take into account the realities as they existed. Sir, if we look at it from another angle, what were the gross receipts and the actual working expenditure excluding every credit to the depreciation fund, even then the figures are that we have an adverse balance of 65 lakhs even if we had spent not a single penny on depreciation account. The excess of revenue over the working expenditure was not sufficient to pay even interest and yet we have shown that we have credited the depreciation fund with certain sums and we have withdrawn from the depreciation fund other amounts. The way in which they have accounted is that credits were being made to the depreciation fund at the traditional rate in the beginning or at the empirical formula of 1/60th of the capital which Sir Joseph Bhore introduced at the end of his tenure, irrespective of the fact whether there were any funds available or not. Now, the question is whether either you yourself, Sir, who have long experience of commerce or our European friends who have spent their lives in commerce would tell us if they have ever heard of a liquidation proceeding or even of a dissolution in which the shareholders got back all the balances as well as cash without paying to the bankers who had advanced to them the money during the time when they needed it. This is a strange kind of accounting which has brought us to face this condition of affairs, because when we had centralised the administration of the railways we centralised nothing but that the profits and losses should be centralised; for every other purpose the railways are a different unit. But when it comes to the question of profit and loss they are all one. I will illustrate this point by saying that in 12 years ending 31st March 1936 the East Indian Railway had given us a net profit of 17.60 crores, whereas the Bengal Nagpur Railway, a sister line having its headquarters at the same place, during the same period had a loss of 15.10 crores. Now, these two lines are running side by side, and what is more, they have competitive rates from Bombay to Howrah. The Bengal Nagpur Railway charges less because it is losing and the East Indian Railway charges more because it is making more money. The Railway Board should decide once for all to adopt either of the two systems, either they should amalgamate for all accounting purposes all the four railways, and abolish Central Clearing Accounts Office and other subsidiary places where accounting between the different sections of the railways are made; or they should keep all the separation and follow it up to its logical conclusion. If there is a profit to one line either its rates should be reduced to give relief to the people living in that area or you should reduce the capital; and the company or the management, or the railway which is losing money should be penalised for its loss and you may

[Mr. Hossain Imam.]

Take whatever suitable steps you like. You may either write up the capital by the amount of the loss incurred or you may raise freights and fares in that way, but you cannot have it both ways. In one part you treat the railways as separate units and in other parts as amalgamated and as part of one system. Now, Sir, I should like to ask the Government whether they propose to rectify the railway finances, the loss to the railway finances which it is likely to face on account of the separation of the Burma Railways. The Burma Railways have incurred a loss of 4,30 lakhs. Who is going to pay back that amount to the Railways? Someone must pay it, either the Government of India or the Government of Burma. Whoever pays, payment there should be, if a straight method of accounting is to be adopted.

While I am on this issue I would like to say a few words about what you were pleased to observe at the time when the Chief Commissioner of Railways gave us the Budget statement. In that connection he referred to the writing off, or I may say, wiping out, the misdeeds of the Railway Board, the loans that have been taken from the depreciation fund, and the non-payment to the central revenues of the quota. You very rightly, I may say very justly, pointed out that that Resolution should come to our House too. We have found that you always stand for the dignity of the House and you always make efforts to maintain it. (Applause.) The Honourable the Chief Commissioner had not given us any assurance on that point as to what will be the line of action of the Government. I hope, Sir, that the Honourable the Commerce Member will throw more light, although personally I would have preferred that the Chief Commissioner should have followed what he had said on the 13th March 1936 when I brought a Resolution on the subject. Then I was told that it was no good trying to change the convention. The Federal Authority is coming and it will set the whole thing right. If there is any prospect of payment to the central revenues, you can as well do it by executive action. You can say that the payment of arrears to the depreciation fund will not have precedence over other liabilities. That rule you can pass by means of a movement of the pen and there is no necessity of getting sanction from the House, because it is not a statutory obligation on the Railway Board to pay the depreciation fund loan first, and to repay to the State afterwards. The utmost which can be said is that an assurance to this fact was given by the Member in charge or that the Finance Department had made this rule. Whatever it may be, it can be changed without the intervention of the Legislature. Or if you want to be too just, you can do this. You can pay back to both the depreciation fund as well as the central revenues in equal proportions. Any excess that you get you can pay like this. What is the Honourable Member going to do with the 15 lakhs which he expects to get at the end of the current year? He is going to repay it to the depreciation fund as part payment of his loan. Well, it does not matter. You pay this year and when the next year comes you can do what you like. Either the Federal Authority will be functioning or if need be you can by a stroke of the pen say that payment will be made to both.

Now, turning to a point nearer home, I welcome, Sir, with very great pleasure the change in the system of depreciation fund accounts. I take a special pleasure, Sir, because I have been advocating the course which the Government have adopted now. Even on the 13th March last when I moved my Resolution on this subject, I had drawn the attention of Government to the fact that the deduction from the depreciation fund of the original cost of assets is a wrong method. I had advocated, Sir, the replacement cost. The Government have gone a great deal towards that and I was rather pained,

Sir, that my Honourable friend Mr. Parker should have taken objection to that. I am not going to take on myself the duty which the Honourable the Commerce Member will perform better of replying to him but I personally doubt how there can be over-capitalisation. Over-capitalisation there might have been if we had the two desired things which he pre-supposes. The first is the existence of a depreciation fund from the beginning and secondly the contribution to a depreciation fund on scientific lines. Here we have neither. The depreciation fund did not exist in the beginning. We used to replace our assets from the revenue accounts. And secondly, Sir, when it was created, it was not created on a scientific basis so that the question should arise whether the fund did possess that amount of credit which you are taking out from it for the replacement cost. Our real method is that we have adopted a formula of 1/60th of the capital at charge without considering what are the lives of our assets. So the net result of our unscientific method is that instead of over-capitalising it, as the Honourable Mr. Parker thinks, we are really leaving the capital as it was. No doubt if we had written up the capital, we would have made a higher contribution to the depreciation fund and thereby we would have had greater assets in our hands. But the first item is the addition to capital by the difference between the replacement cost and the actual cost and therefore, Sir, he would be incurring exactly the same trouble which he wants to guard against. What we do, Sir, according to him, is that we prevent the prospective rise of capital, while what he wants is the rise of capital at once. That is the only difference between his method of accounting and the method adopted by the Government.

Now, Sir, coming to matters more mundane, I should like to say a few words about the leakages from revenue. Last year we heard a lot about the corruption in the goods yard. But I am afraid that the long tenure of office of the Honourable the Commerce Member has damped his ardour a bit and we have not heard so much about these glaring instances of corruption as we did last year. It is quite possible, Sir, that the Honourable the Commerce Member and his Department are taking effective measures to check it but what I should like to say is that it is not for the non-officials who can come to your rescue and give you instances of corruption, it is the duty of the Department itself to engage, if need be, C. I. D. officers to find out where the corruption is. If the Government can find out conspiracies and other illegal activities, is it not possible for the railways to utilise the same method and check this thing? But the real trouble is not that. The real trouble is that it is only the underlings who are caught. The graft is even higher up and this is an aspect of things which requires serious consideration. It is an open secret, Sir, that posting to certain stations are auctioned and the highest bidder gets it. (An Honourable Member: "Open or secret? Is it a public auction?") Oh, well, it is not a public auction; it is a private auction, with admission only by ticket.

THE HONOURABLE THE PRESIDENT: Who is the auctioneer?

THE HONOURABLE MR. HOSSAIN IMAM: Well, a go-between; not the real officer or the man who is in the running. It is some one who is in between, who acts for the officer who gets the price settled. It is an open secret, Sir, that all the appointments to the railways in the divisions are made by bribing the head clerks.

THE HONOURABLE THE PRESIDENT: I do not think you ought to make such sweeping statements.

THE HONOURABLE MR. HOSSAIN IMAM : Well, Sir, if the Government look into the matter, they will find that every one of those statements will be substantiated by the C. I. D.

THE HONOURABLE THE PRESIDENT : Are the C. I. D. above suspicion ?

THE HONOURABLE MR. HOSSAIN IMAM : It will be a great relief to the Congress and other Nationals to hear, Sir, that the C. I. D. are open to corruption. But our policy is different in different places, and when it concerns the Railway Department the C. I. D. have all the abhorrence which we can give them, though they have all the prestige when it concerns the Home Department.

Now, Sir, I wish to ask the Railways whether it is a fact or not that all their rules about freight and fares are mixed up and changed when they are faced with realities. When there is a motor competition they are prepared to reduce fares on those lines on which competition from motor buses is serious. You will remember, Sir, not very long ago, about a year or two back, we heard a lot of complaint from European Chambers of Commerce that railways were undercutting steamships in the carriage of coal and sugar from Calcutta to Madras and other ports. The railways reduced their fares. They quoted special fares for sugar because there was a keen competition from the shipping lines. And the argument which the railways put forward was that this was a new traffic and it was not steamships who had the monopoly because in former times this traffic did not exist, it has been created by the Sugar Protection Act. There were some cries even of discrimination against European interests under this Act. However, the fact is that the Railways, when they are faced by competition, come to their senses and are prepared to do things which they refuse to do without competition. I therefore ask whether it is not in the interests of the country that the road competition should not be stopped, because that is the only corrective which we have on the railways. I agree with the rules which my Honourable colleague Pandit Hirday Nath Kunzru enunciated that only such-and-such charges can fairly be placed on the motor competition. I do aver that with the abolition or curtailment of motor competition we would be giving a rope to our railways to mismanage and mishandle and over-charge wherever they possibly can.

I would like to draw attention to two more points. I have been a constant advocate of cutting our coat according to our cloth. I have always advocated that until and unless we feel the necessity, we should not over-capitalise. The policy which the Government are embarking in purchasing 2,000 wagons this year after having estimated to buy only 750 last year shows which way the wind is blowing. The Railway Department think that they are now on the high tide of prosperity and therefore they must expand and spend more, as is always the case with Government Departments. There are two or three methods of judging the wagon supply available. The first is wagon miles. If we take the wagon mileage, we find that we are still 7½ per cent. less today than we were in the days of prosperity, that is, in 1929-30. Our wagon mileage then was 37·9; today it is 35·1. Then there is the composite test of net ton-mileage. Here too we are very short of the peak period. In 1929-30 the net ton mileage was 334, whereas today it is only 309. Here too we are about 8 per cent. less than that period. And yet the Government must embark on a policy of expansion of wagon supply. The third test is the daily loadings. There we are now 69·1 per cent. whereas in 1929-30 we had 73 per cent. Judged by these three tests from the numerous tests that are given in the Railway Board's Administration Report, I find that the wagon

position is not such as to necessitate this purchase of extra wagons. What is more. There are only two Railways which have been consistently paying their way and giving something to the Government as surplus profit with which to wipe out the different misdeeds and mismanagement of the other Railways. These are the B. B. and C. I. Railway and the E. I. Railway. These are the two Railways which have contributed more than any other five railways. The E. I. R. is content with the reconditioning of a thousand wagons. But it is those who are making less money that are wanting more wagons. If you look at the ton-mileage, you will find that it is only those Railways who contribute the least amount that are foremost in demanding a fresh supply of wagons.

I should like to say a few words here about the point to which Pandit Hirday Nath Kunzru referred, i.e., about the Hardwar-Dehra Railway. I am not competent to say anything about it, but I should like to get an assurance from the Government that the Hardwar-Dehra Railway will be purchased when the first opportunity offers itself. The opportunity will come on the 31st December, 1938, and I hope that the option will then be exercised. This is one of the Railways which even in the lean times has been making a profit of more than 5½ per cent. There are many methods of economy which the Government could have adopted but this is not the occasion to ventilate them. When the Railway Member was here last year he was kind enough to remark about the discussion in this House as follows :

"I have been struck by the fact that although this is a much smaller House than the other House, the range of criticism and suggestions that I have to deal with at the end of the debate is very much wider than I had to deal with yesterday, I mean in the other House."

But here, Sir, we have the stranger phenomenon of—

"Mun ché mi saraium of tamborad man ché me saraid".

Sir, the Honourable Member said like this, but the Administration Report has not a word to say about our discussion, as if the discussion never took place in this House. I must protest against this studied insult which is always heaped on the heads of this devoted House, because it is always devoted to the Government.

Other colleagues of mine have drawn attention to the troubles of the third class passengers. Government should never lose sight of the fact that money spent on the amenities of third class passengers is money well spent, and they being our chief customers deserve justice. Government have started their regime of retrenchment in expenditure by abolishing the monthly meetings of the Advisory Committees and making it quarterly. They always go the wrong way, Sir. I drew the attention of the Government on the 13th March last year to the rumour about the creation of an additional Member of the Railway Board. The Honourable the Chief Commissioner then thought discretion to be the better part of valour and kept quiet. But now, from the Budget papers, we see that for the last four months, and probably for a year more as is evident from the Demands for Grants, an additional Member has been appointed to the Railway Board, not because there was any extra work, but a favourite had to be provided with a berth. That is the method of economy—increase of the top-heavy administration at the top, and reduce all the expenditure down below. The point was amply illustrated by Pandit Hirday Nath Kunzru when he gave figures of the number of employees on the Railways in different grades. I am not going to ask the Chief Commissioner of Railways

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or any other official to take any extraordinary step, but I do ask the Honourable the Commerce Member to try. I know that the Commerce Member, coming fresh from public life, has not those bureaucratic impediments which his other colleagues may have. So if he would care to take the trouble of going into the refreshment rooms in the Secretariat and comparing their tariff with what the caterers are charging from passengers on railway stations, he will be simply astounded. The charges of vendors at railway stations are not less than twice the charges made to Secretariat clerks. How is it that, when right beneath your nose the charges are moderate, the travelling public is asked to pay twice and three times what others are paying?

THE HONOURABLE SIR MUHAMMAD ZAFRULLAH KHAN: But the caterer has to contribute something towards the revenue.

THE HONOURABLE MR. HOSSAIN IMAM: That is what I object to. The caterer should not be asked to contribute. You should not put a tax on this. It is indirect taxation of foodstuffs, and you know, Sir, that old principle of Liberalism in England that the breakfast table should always escape taxation.

Well, Sir, the railways if they like can help themselves as well as the country by opening up new markets. They can consider the possibility of giving rebates to upcountry productions which can be exported. In that way they would secure a new revenue as well as help the trade and industries of the country. Take, for instance, the mills outside the Presidency areas. At present there is no export trade, but if you gave a rebate to the manufactures of these mills on the production of a warehousing and shipping certificate, you would stimulate a new traffic. Similarly you can deal with agricultural goods from centres which are not exporting centres because the railway freight at the moment happens to be too high. I am only advocating a system which has already been tried by the Railway Board, for instance, in the reduction of the freight on wheat from Lyallpur to Karachi. In that case owing to the high internal price of wheat no export was possible at the freights charged. A special reduction was therefore made in the freight for carriage of the wheat to Karachi for export. Similarly other commodities might be assisted.

THE HONOURABLE THE PRESIDENT: You object to the purchase of more wagons.

THE HONOURABLE MR. HOSSAIN IMAM: Sir, I would go in for the purchase not of 2,000 but of 10,000 wagons if and when we reach the same state of wagon use as in 1929. I have been consistently advocating that before purchasing more wagons you should take the maximum use from your existing wagons and justify your demand.

Now, Sir, a matter to which the Honourable Commerce Member himself referred in the other House was the efforts and experiments being made to find how goods trains can be expedited, so that they may be able to make more intensive use of their wagon stock.

THE HONOURABLE THE PRESIDENT: You have been speaking for 45 minutes already.

THE HONOURABLE MR. HOSSAIN IMAM: I am concluding, Sir. The railways are now free from the anxiety in which they have been for the last

six years and it is only natural that they should breathe a sigh of relief at the prospect of better times. But we have sad experience that with the relaxation of control the railway administration are prone to embark on schemes which may promise well on paper but which have always a habit of failing them when put into practice. I would therefore request them to continue to be vigilant and the Railway Board should not think that, now that we are embarking on better times, they can relax their control and vigilance.

THE HONOURABLE MR. J. C. NIXON (Finance Secretary): Sir, I would wish to contribute a few remarks in regard to one or two specific points that have arisen out of the debate, points on which I am interested partly in my personal capacity and other points in regard to which I am interested in my capacity as Secretary of the Finance Department. First of all I would like to deal with the particular point raised by my Honourable friend Mr. Hossain Imam, in which he was casting blame on the Government of India and particularly on the Railway Board for their having lost a particular point in connection with the financial arrangements with Burma. I can assure him that in regard to this matter of 40 crores, the instructions which I received when I went home to argue the matter before the Amery Tribunal were to fight, and for the fact that the point was lost before the Amery Tribunal he may blame my own personal inability but he certainly cannot blame the Government of India or the Railway Board.

Another point raised originally by the Honourable Mr. Kunzru and pressed home in his usual able fashion by the Honourable Mr. Hossain Imam was the matter of the depreciation fund on account of the Burma Railways. The question, as they put it to us, broadly is, why should we be handing over to the Burma Railways, which has been a losing concern for some years, 1½ crores of the depreciation fund, or, as the Honourable Mr. Kunzru put it alternatively, if we had been keeping a depreciation fund separately for the Burma Railways since the Convention came in in 1924 and had we credited to that fund the contribution made by the Burma Railways and debited to that fund the expenditure on renewals and replacements only on the Burma Railways and had then borrowed from the Burma Railways fund the amount which had been lost by Burma Railways alone, would the balance in that fund be as much as 1½ crores. The answer to that question is most definitely that it would not have been anything like it; in fact, it would have been a negative sum. In fact, if we had kept separate depreciation funds on account of the individual railways of India, we should have found quite a number of the State lines with negative amounts in their funds and we should have found a majority of the Company lines with a very good surplus in their funds. We have however kept only one depreciation fund for the whole of the Indian Railways and it is from that one fund that we have borrowed the money to meet our losses and we cannot go along to Burma at the time of fixing up with them a regular settlement and say, "Had we done such and such in the past these would have been the consequences, and do you mind shouldering these consequences?" We have to accept facts as they happen to be on the date of separation, and on the date of separation there will be a certain sum of money in the depreciation fund of the India cum Burma railway system, and I do not think it is an unfair request or demand of Burma that she should get a positive amount of that fund. There are other ways of looking at this matter. What is a depreciation fund for? What we shall be doing to Burma is not handing over the Burma railways to them in return for certain cash and not handing over to them certain cash representing their portion of the depreciation fund. We shall be handing over the railway at a certain cost figure as written down

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by a certain amount of depreciation and the net amount of that railway will go into the bill. The Burma Railways cost us roughly Rs. 35 crores, spent, I think, over the last 50 years. We are proposing to hand over to Burma the railway at Rs. 35 crores less roughly $1\frac{1}{2}$ crores. We are assuming that the depreciation which has occurred in the Burma Railways is only $1\frac{1}{2}$ crores. Practically speaking we are selling it at cost price. I suggest that there are one or two lines in India we would like to get rid of on the same basis. Then again, Sir, the alternative is at least to divide the depreciation fund into two parts, one on account of Burma and one on account of India and charge the losses that have occurred in Burma to the Burma fund and the losses which have occurred in India to the Indian depreciation fund and to use these figures in fixing up the financial settlement with Burma. I must say that I have not been into the figures recently and the circumstances may have changed, but I did go into those figures about a year ago and I found that if we did that the net effect on the payment due by Burma to India would be that Burma would pay 40 lakhs less. In consequence I was not very much in favour of taking the alternative course. But apart from that, if I may say so, the matter has been decided and decided in almost a judicial way by the Amery Tribunal. The question which they set themselves was how much should be written off the Burma Railways when India hands over the Burma Railways to Burma, and these are their words:

"We regard as irrelevant the fact that past losses have been set against the balance of the depreciation reserve. Our task is to assign a value to the railways, and for this purpose we consider that the proper deduction from the cost is the amount set aside for depreciation. The fact that losses have occurred in recent years obviously neither lessens the need for future replacements nor increases the value of the railways."

If we are to discover how much we should write off the Burma Railways when we hand them over, we should consider ourselves rather fortunate that we have only got to reduce the prime cost by the amount of the depreciation since 1924 and not since the beginning. I might mention incidentally that the same question arises in regard to the Posts and Telegraphs Department. For many years the Posts and Telegraphs Department in Burma has been a drag on Indian revenues.

THE HONOURABLE MR. HOSSAIN IMAM: The same would have happened about the Indian Railways. From 1854 you would have to write off the depreciation.

THE HONOURABLE MR. J. C. NIXON: I think my Honourable friend Mr. Kunzru must have read the debates in which the late Honourable Mr. Gokhale indulged in the year 1901, I think, in which the same question was discussed at very great length and I think then they fairly conclusively showed that it was not possible to go into back history in the sort of way that Mr. Hossain Imam is suggesting.

However, Sir, I will now turn to the veiled vote of censure on the part of my Honourable friend Mr. Parker on the Railway Department for working to a surplus. And I venture on his argument with a certain amount of caution as I do not happen to be a professional accountant. I am one of those ordinary people who when he is looking at a balance sheet always wonders how certain things get on to the assets side when they seem to be liabilities and how they get on to the liabilities side when they seem to be assets; and how they get on to the credit side when they appear to be debits and *vice versa*—the same sort of trouble, I judge, that Mr. Hossain Imam is suffering from. I rather came to the conclusion that my Honourable friend Mr. Parker

also, if I may say so, suffered from a similar cloudiness, for he was talking of depreciation of capital. There is such a thing as depreciation of capital or writing off of capital, but it is not the sort of thing for which the depreciation fund is created. Some of my Honourable friends have suggested that we should write off the capital of railways. You do not do it through a depreciation fund. I am treading, as I say, on ground of which I am not sure, but I think the capital of a company occurs on the liabilities side and not on the assets side, and I think when you are creating a depreciation fund it is something for dealing with something on the assets side and not on the liabilities side. What you have on the assets side and write down by means of a depreciation fund is something that I should call a block account.

THE HONOURABLE MR. R. H. PARKER: Capital account.

THE HONOURABLE MR. J. C. NIXON: Block account.

THE HONOURABLE MR. R. H. PARKER: We do not, in business.

THE HONOURABLE MR. J. C. NIXON: I stand corrected. I can however give Mr. Parker this assurance that although the block account or capital account that we keep in Government may have various frailties about it, the asset, whether it has been charged to capital or whether it has been charged to depreciation, will appear there at its cost figure. Incidentally, I may say I was glad to see the Honourable Mr. Parker's horror at the idea of declaring a dividend, a surplus, before the full amount of depreciation had been set aside. I had understood that this was not necessarily accepted by all commercial men in India.

Just one other word, before I sit down, Sir. In talking of the remarks of the Honourable Mr. Parker I referred to writing down of capital. It was a point also raised by my Honourable friend Mr. Ram Saran Das only in another form. He suggested that the loss on strategic railways ought to be charged to some other part of the budget, not to the Railway but to the Army Department. That after all is only another way of making the common suggestion that the capital of the railways should be written off. I think we ought to be clear in our own minds as to what we mean when we talk of writing off capital, or what my Honourable friend Mr. Ram Saran Das means when he talks of charging the loss on strategic railways to the Army budget. That loss is something like 2 crores a year and the suggestion must be that the Railway Department should not bear it, that is to say, it will be two crores a year better off, but the civil side of the budget will surely be 2 crores a year worse off. My Honourable friend Mr. Ram Saran Das and I some years ago did a certain amount of skimming of the expenditure side of the Government of India budget and he and I both know the difficulty of skimming off as much as 2 crores of expenditure. There is another way of balancing a budget which has got to bear a burden of 2 crores and that is by raising revenue. We could as a matter of fact get another 2 crores of revenue by another 7 or 8 annas on the salt tax or a 10 per cent. surcharge on income-tax. I do not suppose that my friend opposite would advocate either of these methods and I am not pretending that that would necessarily be the method by which the Government of India would raise the money if it came to the point. But I do suggest that when writing off your charges to some other head of expenditure it must be done in some such terms as these.

THE HONOURABLE SIR MUHAMMAD ZAFRULLAH KHAN (Commerce Member): Sir, may I without being thought impertinent repeat the comment to which reference was made only a few minutes ago by the Honourable

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Mr. Hossain Imam and say that I have been very glad to observe that the debate has been maintained throughout the course of the day at such a high level, though that does not make my task in replying to it any easier. I assure Honourable Members, however, that on a subject like Railways I welcome contributions from every direction and from every point of view. This is a matter that affects high and low in this country and the greater the contribution to the discussion of this matter the greater is likely to be the resultant improvement. I should like to assure Honourable Members that those who are responsible for the working of the system are not so hide-bound as some Honourable Members have assumed. Only I am afraid their difficulties are not appreciated to the same extent to which their shortcomings are noticed.

Before I go on to some of the specific matters that have been discussed may I illustrate this question of the complexity of the difficulties by referring to the different points of view from which the matter has been approached. I am not objecting in the least, as I have said I welcome criticisms from all points of view. But I do want to illustrate the fact that when one concentrates one's attention only on some particular aspect of the matter, one is apt to overlook or to underrate other equally relevant considerations. As an instance of the conflicting considerations which we on this side have to co-ordinate when we have to come to decisions I might draw attention to some of the suggestions that have been made, each in itself more or less justifiable but none of which could be given effect to to the extent to which Honourable Members putting forward those suggestions would desire to give effect to them. We have been told, to begin with,—Here is this vast system of transport, our biggest national asset, but it does nothing to encourage exports. The instance was given of Australian wheat costing as little as 6 annas a maund for transport all the way from Australia to Calcutta, and Punjab wheat costing Rs. 1/9 per maund from markets in the Punjab down to Calcutta. Incidentally it was forgotten that Australian wheat is not grown along the shores of Australia and that it must travel considerable distances over Australian railways and pay additional freight before it can be transported by sea to Calcutta. That was one suggestion. You don't encourage exports; you ought to reduce freight rates upon exportable commodities going to ports. But within a few minutes comes another piece of criticism. Freight to and from the ports is unduly low as compared with rates of freight applicable to internal traffic. That should not continue. These should be, if not higher, at least no lower than rates that apply to the internal movements of commodities. Now, as I have said, both these points of view may have something in support of them, but both cannot be given effect to.

Then the next piece of advice is: Encourage industries by setting up a factory for the manufacture of locomotives in this country. It was explained during the course of the debate on the Resolution relating to this matter in the other House that a careful examination of all the material available had revealed the fact that if a factory of that kind were set up, at least for a number of years till the demand for locomotives became much larger than it can be expected to be at present, railways would lose several lakhs of rupees every year. The answer is: "That does not matter. The loss is well worth while because it would result in many subsidiary benefits. It would establish a new industry in India, it would help Indian labour; it would help many subsidiary industries." But then, take the next piece of criticism: "You are a commercial concern. You must show surpluses." How can we show surpluses if we are asked to undertake enterprises which are bound to result in a loss every year?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, was that the reason why the written promise to Peninsular Locomotive Works Limited of India was not fulfilled although this firm agreed to supply locomotives almost at the competing prices?

THE HONOURABLE SIR MUHAMMAD ZAFRULLAH KHAN: I do not know what the definition of "almost" is in the mind of the Member but I dealt with this matter fully when replying to the debate in the other House. Sir, may I respectfully submit that I listened very patiently to all that the Honourable Member had to say about the railways, and the moment I get up to reply he at once tries to side-track the discussion by raising unimportant issues.

THE HONOURABLE THE PRESIDENT: I will see that that does not happen again.

THE HONOURABLE SIR MUHAMMAD ZAFRULLAH KHAN: While I am ready to explain anything that might require explanation, I must point out that Honourable Members have already sat very much longer today than they are accustomed to, and if I were to attempt to deal with every point raised it would make the sitting very much longer. May I therefore be permitted to deal with these matters briefly.

Then we are told we must pay contributions to general revenues. And if we put forward a suggestion that the situation should be squarely faced and that we might start with regard to these arrangements on a basis which is forcibly suggested by the situation in which we find ourselves, we are told we are doing all this in order to cover up all your sins under a shroud. And in the end we are told—Reduce expenses, but make no retrenchment. I am not trying to play off one piece of criticism against another. I admit that unwarranted retrenchment is objectionable. I admit that where there is room for economy, failure to effect economy is condemnable. We should reduce expenses. We should see that no undue hardship is inflicted upon our staff. All that I am anxious to stress in regard to this is that in judging of these matters I hope Honourable Members will be prepared to accept the position that though they may be interested in certain aspects of the matter only, we have to keep in mind all relevant considerations. Coming to the main heads of criticism I shall first advert to the composition of the Wedgwood Committee. I much regret that Honourable Members should have imagined that there was exclusion of Indians from the Committee in the sense that there was a decision that we must not appoint an Indian to the Committee and that the composition of the Committee was influenced by political considerations. The task of this Committee imports no considerations of a political nature whatsoever. It does not import any considerations of a racial character either. The members of this Committee have had no kind of political associations or political views of any kind—not at any rate known to me or to anybody in the Government of India—which might lend support to the misapprehension—shall I call it—that their selection was due to some political consideration or the other. The plain fact of the matter is, as I have had occasion to state elsewhere, that the examination of these questions was urged upon the Government of India by Sir Otto Niemeyer. Subsequently, the Public Accounts Committee made a recommendation that a railway expert should be appointed to overhaul the finances of Indian Railways. The Government of India took up this matter and they were at first of the view that one railway expert alone should be appointed, as had been suggested by the Public Accounts Committee. I do not mean to say that they had stated that one alone should

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be appointed, but the language employed was in the form of the singular, that is to say, it was probably in the contemplation of the Public Accounts Committee that the appointment of one expert would be sufficient. As a matter of fact, during the course of the debates in the other House, even a name was mentioned, and all the indications had been that those who had looked into this matter were of the opinion—whether that opinion was justified or not—that outside examination of these matters was necessary, though final decisions of course would be arrived at by the Government of India, but that advice should be obtained from outside and that that advice should be of a character which should be free from suspicion of any pre-conceived notions of what should or should not be done in connection with the overhaul of railway finances. I might say that that alone was the meaning of the expression that has been objected to—that tendentious views should be avoided. There was no question of any political or racial bias or Indian *versus* European views. Government, I venture to submit, were not wrong in interpreting the recommendation of the Public Accounts Committee as meaning that the advice to be sought was outside independent advice. As I have said, Government intended to select only one expert for this purpose. When they came, however, to the actual selection, they found it difficult to select one man who would be able to bring all the requisite knowledge and all the requisite experience to bear upon the complexity of the problem that had to be investigated, and they were forced in the end to come to the conclusion that more experts than one would be required, and that is the whole explanation of the Committee comprising three members and being composed of outside experts. Now, it has been said, “Was there no expert available in India of the requisite knowledge and experience?” and my reply is that the question did not arise having regard to the manner in which this Committee was recommended to Government. It was not a question of an Indian not being available; it was a question of all the Indian experience being already available, of Indian advice being already at the disposal of Government. The question was to obtain outside expert advice on this matter, then to pool that advice with all the experience and advice that was available here, and on the basis of the whole of that material to come to decisions. I assure Honourable Members that there was no question of excluding anybody from the Committee or including anybody in particular in the Committee. Objection has again been taken that one member of the Committee came from a Dominion where Indians are not accorded the rights to which they are entitled. There again, we were faced with a certain kind of problem that had to be diagnosed. We found that in that particular Dominion conditions to a very large extent were similar to conditions in India, having regard to the particular problem that had to be investigated, and it would certainly have smacked of political bias if we had said that though valuable advice might be available from that quarter we shall shut out that advice on account of the racial difficulties between that Dominion and India. That was the reason why we availed ourselves of that advice in spite of the fact that there is an unfortunate situation with regard to Indians in that Dominion. I was reminded, Sir, of the agitation which disturbed the whole of this country on the occasion of the appointment of the Simon Commission. I was asked if I had forgotten that agitation and why I did not appoint an Indian to this Committee. I venture to submit, Sir, that there is no analogy whatsoever between the two Committees. I will not here argue—it would be profitless at this date to argue—whether there should or should not have been Indians on the Simon Commission. But shall I say that there the whole question was a constitutional question in which

the parties, if I might say so, were India on the one side and Parliament on the other, and it was expected, though it turned out to be different in the sequel, that the Simon Commission would have to pronounce an award on the situation. Here there was no consideration of anybody being a party to anything in this enquiry. Here it was a question of the railways being regarded as in a perilous state financially, being sick financially, and of asking the advice of expert physicians to tell us what remedies we should apply to improve the situation. I beg to submit that Honourable Members have unnecessarily imported political and racial considerations into this question. None such arise.

The next question that I might take up is this proposal to write off the liability to the depreciation fund and general revenues. Here the criticism has been under two heads: first, what would be the financial effect and secondly, what would be the political effect of this proposal being accepted. Let me first explain the financial effect. I think perhaps that has not been fully appreciated. If the Convention is to continue unmodified the position will be this. Let us assume, and let us hope that the assumption will be justified in fact, that, say for a period of 10 years which I suggest is a long enough period to keep in mind for the purpose of examining the merits of this proposal, we are going to earn surpluses; and let us further assume that the average annual surplus would be 2 crores. Honourable Members will agree that that is not too pessimistic an estimate. I am inclined to think it is a little too optimistic. Under the Convention each year this sum of 2 crores would have to be repaid into the Depreciation Fund in part payment of the loans taken from that Fund. Inasmuch as the total of those loans is over 31 crores, the whole of this 20 crores that might accrue in the next 10 years would be absorbed by the depreciation fund. Not a penny would go to general revenues in reduction of the arrears of the contribution, much less would any question of current contributions arise. So that, at the end of the next 10 years general revenues would not benefit by a penny; the depreciation fund would benefit by 20 crores. If the suggested modification is made all this 20 crores would go to general revenues and ultimately under certain conditions the provinces might derive some benefit. If the average surplus was of the order of 3 crores a year, a similar result would follow. During the next 10 years the depreciation fund would benefit to the tune of 30 crores and general revenues would get nothing. So much for the financial effect.

It has been suggested that the acceptance of the proposal would have a sinister political effect. We propose to entrust the administration of our railways to the Federal Railway Authority, and the suggestion has been made that if railways were to continue to be indebted to general revenues in respect of these arrears of contribution, somehow the Legislature would be able to exercise more effective control and supervision over the Federal Railway Authority than they would otherwise be able to do. I venture to submit that the measure of control that the Legislature would be or would not be in a position to exercise over the Federal Railway Authority can have no relation to what the railways owe or do not owe to general revenues. That would be a question of the interpretation of the constitution, not a question of how much railways owe to general revenues. But, assuming that the liability of railways to general revenues had any relevance to the matter, railways would still be liable to general revenues in respect of current contributions, and if a liability would enable the Legislature to exercise control, the liability would still be there. There would be the obligation to contribute, and Honourable Members can draw such comfort from the fact as it may be capable of yielding.

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Another matter that was touched upon was the proposal to try the experiment of air-conditioned coaches. It was welcomed from some quarters of the House; it was subjected to adverse criticism from others as another instance of railways favouring the wealthier classes and pampering those who travel in the higher classes. I am afraid those Honourable Members who made themselves responsible for this piece of criticism did not fully appreciate the nature of the experiment which is proposed to be made. It is true that in the first instance the experiment would be limited to first-class coaches only. But it is not in the interests of first-class passengers only that it has been decided to make the experiment. As Honourable Members are always eager to point out, the world does not stand still. All sorts of improvements are taking place in all directions. One of the great discomforts of railway travelling in India during the hot weather is the very high temperature experienced in railway coaches and the dust, cinders and other similar nuisances from which one suffers. It would be the duty of anybody to whom the administration of railways was entrusted to be on the look-out to devise means to render railway travelling in the country more and more comfortable or less and less uncomfortable—from whichever point of view Honourable Members choose to look at the matter. The example of other countries shows that it is possible to get rid of these discomforts. It therefore became necessary to see whether in India something could not be done in that direction. But surely it is not the suggestion of Honourable Members that if this experiment has to be tried the trial should start with third-class coaches rather than with first-class coaches. One of the essential elements in the success of the experiment is the question of finance. In their present financial condition railways are not prepared to undertake an experiment of this description, unless they are quite sure that they would be able fully to recoup the whole of the additional expenditure that might be involved. If the results of this experiment show that financially it will not be a success and that the whole of the expenditure will not be fully recouped, then, however great the benefit which might result therefrom in the shape of greater comfort, the railways will not continue the experiment. So that the position is that if the experiment is a success the first-class passenger would have to bear the full cost involved in providing this additional comfort. But suppose it is a success and the coaches give the results which they are supposed to give and financially there is no risk in embarking upon the expenditure, then it would be quite practicable to extend the experiment to lower classes of carriages also. One necessary condition is that whoever wishes to travel in any such coach must pay a surcharge which must be enough in the case of each class of carriage to cover the extra expenditure. If that happens, I think third class passengers would benefit equally with other classes—more because under ordinary circumstances they are far less comfortable during the hot weather than passengers travelling in the higher classes. If this experiment is extended to third class coaches passengers in those coaches will be equally comfortable so far as these conditions are concerned on payment of a far lesser amount of surcharge than the higher class passengers would have to pay. As a matter of fact if the time arrives when we are able to run complete air-conditioned trains, that is to say, air-conditioned from end to end, including third class coaches, the problem of the third class passenger travelling on these fast trains between certain points in India would be completely solved.

I shall now go on to another matter to which Honourable Members appeared to attach a great deal of importance and that was the failure of

Government to acquire the Madras and Southern Mahratta Railway and the Bengal and North Western Railway. I include in the latter the Rohilkhand and Kumaon Railway and shall therefore make no separate reference to that system. It has been urged that there were several considerations which should have induced Government to come to the decision that as the contracts of these railways were about to fall in the opportunity should be taken to acquire these systems. It has been said that money is cheap and is not likely to be cheaper at any subsequent date. It was pointed out by the Honourable Pandit Kunzru, that one great benefit that might result from the acquisition of these systems would be a reduction of the amount of foreign capital invested in India and it has been suggested that the failure of Government to acquire these two systems is again due to some sort of political bias or some sort of political pressure brought to bear upon Government in this respect. May I assure Honourable Members that whether they think the decision was right or whether they think the decision was wrong it was arrived at purely on the merits of the question with regard to each railway and the merits were mostly, if not entirely, financial; and when I say if not entirely financial, I do not mean that the residue was political. It is true that money is cheap and I do not think it has at any time been contended on behalf of Government that there would be serious difficulties in the way of obtaining the amount necessary if it was decided to acquire these railways; the amount would very probably be obtained. The only difficulty in that direction would be the disturbance that might result from attempts to transfer very large amounts from India to England in sterling. Nobody is however able to assess whether that difficulty would be serious enough by itself to stand in the way of the acquisition of these two systems. I am only mentioning it so that it should not be overlooked. Government went very carefully into the figures of the earnings and expenditure of these railways and found that though in the case of the Madras and Southern Mahratta Railway the element of risk on the financial score would not be serious, there was a very serious risk so far as the Bengal and North-Western Railway and the Rohilkhand and Kumaon Railways were concerned. Honourable Members probably have in mind the high rates of dividend paid by the Bengal and North-Western Railway to its shareholders, but shareholders' stock so far as the Bengal and North-Western Railway is concerned is very small as compared with its total stock. The rest of it is mostly debentures on fixed rates of interest and most of it on low rates of interest. But that alone was not the problem. The present net earnings are alone no indication of what the results would be in case these railways were acquired by Government, for after all, has not the insistence on the acquisition of these railways, particularly the B. and N. W. Ry., been prompted mainly by the consideration that the services and amenities on these railways require considerable improvement according to Honourable Members and that necessarily means extra expenditure; and if it means large amounts of extra capital expenditure, it consequently means a very serious reduction in the net earnings. Government went carefully into the figures and found that from that aspect alone the acquisition was not worth while. Another consideration that has always been urged upon Government was the question of effecting economies by amalgamating certain systems of our railways. From that point of view again—as I have explained on some previous occasion, but I forget whether in this House or the other—on examination Government found that it would be possible to effect certain economies if the South Indian Railway and the Madras and Southern Mahratta Railway could be amalgamated. But the difficulty was that the contracts of the two railways were not coterminous. The position was that if you acquired one without acquiring the other you were bound to run that system till you

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acquired the other without amalgamation separately by itself and the economies that could result from amalgamation would not be achieved till the contract of the other railway fell in. The contract of the South Indian Railway does not fall in till 1945.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Would it have imposed an additional charge on railway revenues if you had acquired the Madras and Southern Mahratta Railway immediately?

THE HONOURABLE SIR MUHAMMAD ZAFRULLAH KHAN: I tried to explain that only two or three minutes ago. What I said was that though there would not be so serious a risk in the case of the Madras and Southern Mahratta Railway as in the case of the Bengal and North Western Railway, it did not appear to be a very profitable investment. At any rate one result of the arrangement now made with the Madras and Southern Mahratta Railway is that its contract has been made coterminous with the South Indian Railway, so that both of them, if it is so decided, can be acquired together and amalgamated and run as one system—at any rate so far as their metre gauge portions are concerned. It might be asked what was the consideration for the extension of the contract of the Madras and Southern Mahratta Railway beyond the next date at which the option might have been exercised. The consideration is a modification of the financial arrangements on which the company manages this railway, with the result that State revenues would benefit to the extent of between 15 and 20 lakhs a year, so that though Government have not exercised the option on this occasion they have secured a benefit to State revenues during the next 8 years of on the average between 15 and 20 lakhs a year, and they have also brought about this result that it is now possible to acquire the two systems together and amalgamation between the two would become a practical proposition. Another result is that the option with regard to these two railways, the B. & N. W. Railway and the M. & S. M. Railway, would not become exercisable simultaneously, so that with regard to the transfer of money also, at any rate the total amount required for the acquisition of these two railways would not have to be transferred at one time; nor would it be required to be raised at one time.

The next matter on which I might offer some observations is the question of the co-ordination of road and rail transport. So far as the principles are concerned, which Honourable Members have stressed, I have not discovered much difference between their point of view and the point of view of Government. Some apprehension has been expressed with regard to interference with the development of rural communications. I think so far as the Government of India are concerned, Honourable Members need have no such apprehension at all. It is our keen desire, indeed we are anxious that the greater part of the money that may be available for the development of communications should be applied towards the opening up of communications in areas which are at present suffering from the lack of them, and more particularly that rural communications should be improved so as to provide free access for the agriculturalist to his markets. So far as the Government of India are concerned, they have only two anxieties. The first is with regard to the road policies of Provincial Governments. The anxiety of the Government of India is that funds which are available for the development of roads should not be spent as in some cases they are being spent at present in the duplication of means of communication, but should be spent in a manner which would secure the maximum of benefit to the country. It is perfectly true

that we can dispense neither with railways nor with roads, and as time passes we shall not be able to dispense with air communications. The world as I said only a few moments ago is advancing and it would be foolish to attempt to tie it down to the methods of any particular period. All that the Government of India are anxious to secure is that all these developments should be complimentary to each other and should not be unnecessarily competitive. Competition cannot be altogether ruled out and up to a certain point it is not only healthy, it is even necessary, but when it begins to be wasteful it must be checked and regulated. That is Government's anxiety with regard to the development of roads. With regard to motor transport itself, all that they desire again is regulation mainly in the interests of those who use this form of transport but also to secure elimination of uneconomic and unfair competition. There may be differences with regard to the particular measures to be applied to secure these ends and those differences can be discussed when these measures come up, but with regard to the principle of the thing I assure Honourable Members that Government have no desire to go further than that. It was said that if Government wanted to do more a great deal of bitterness would be created. Government do not desire to do anything more.

I now pass on to the question of the amenities provided for third class passengers. Here again the subject might be divided into two heads,—(1) the treatment of this class of passenger by railway staff; and (2) the actual accommodation and amenities provided by the railways for the passengers. Here it is no secret from Honourable Members that I am myself convinced and I have stated it on several occasions that there is room for a great deal of improvement under both heads. I am anxious to secure as much improvement under the second head as may be possible because there are limitations there which are unavoidable. I am anxious that no cause of complaint should be left under the first head because there no such limitations operate. I have tried to do with the help of the Railway Board and the Agents whatever may be possible in both these directions and I might give Honourable Members a few instances—at this late hour I cannot do more—under each of these heads.

I took up this matter fairly early after assuming charge of the department and have on several occasions talked very freely to the Agents on this matter. I have given them my personal experiences in this connection so that no room should be left in their minds for doubt as to the conditions prevailing upon the railways. On the last occasion I told them that I had a great deal more experience of these matters than any officer on the railway could claim for the reason that these officers were entitled to travel in first-class carriages or in reserved saloons and that therefore they could have no personal experience of these things at all. I put every aspect of the question that Honourable Members can possibly conceive of before the Agents, and I am convinced that they fully realise that they must continue to make efforts to persuade the staff that actually comes in contact with the third class passenger, to develop an attitude of greater courtesy, greater helpfulness and greater kindness towards these people. I have observed the results of their efforts personally and have also learnt of them through those who have opportunities to observe these conditions. Different railways have taken different measures to impress these matters upon their staff. One railway, for instance, has a calendar printed which I am told is supplied to every railway station and each day has a slogan for itself and each of these slogans impresses upon the staff the necessity of these things. For instance,

5 P. M. one day it says, "The greater part of your salary is derived from third class passengers. You must help them all you

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can". Another day it says, "If you set an example of courtesy to your subordinates, they are bound to follow it. Lose no time in doing so". Then I have seen circular notices which are sent round to the staff, samples of which have been sent to me. Some of them contain quotations from my observations on these matters and draw the attention of the staff to these observations and tell them that these things must be looked after and that they must take it upon themselves to see that on their system at least there is no such complaint. I need not take up more of the time of the House in dealing with these matters. But these remarks will at least indicate that all of us who are responsible for these matters are fully impressed with the need of improvement in this connection. One Railway has gone so far as to say that those who want to continue on that Railway must take these things to heart. I must give every credit to the Administrations for doing all this to improve matters so far as this class of passenger is concerned. With regard to accommodation, etc., I have said there are limitations. The obvious limitation is the financial limitation. But within those limitations, improvements continue to be made. Those Honourable Members who were members of the Central Advisory Committee for Railways had occasion last year to examine a third class coach that had been constructed incorporating all sorts of improvements that had been suggested. I regret that so far the financial situation did not permit us to undertake the building of coaches of that design incorporating all those improvements. We are now in a position to be able to take that in hand and I am hoping that during the course of the next year a certain number of coaches would be built to that design, and they might begin to run on some systems at any rate. Honourable Members will realise that we cannot make replacements wholesale. In the first place, the money available would not permit of wholesale replacements. In the second place, we can only put on new stock when old stock becomes due for replacement. But within these limitations I hope a start will be possible during the course of the next year. In the meantime certain improvements are already being made in new stock and coaches that go back for repairs into the workshops, more comfortable seats, bigger latrines and so on. A system for cleaning out third class latrines during the earlier hours of the morning is being tried out. It was suggested to me that during these hours, the latrines in third class compartments were in a hopeless condition. I took the opportunity of examining some of them in a running train both in the evening and as early as 5 o'clock the next morning. I found that there was a good deal of basis for this complaint. I then made enquiries from various station masters and having appreciated their difficulties, I made a suggestion which has been taken up and we have had a report from one Railway system at any rate that on all their trains this system has been adopted and that every one of the third class latrines is cleaned out between the hours of 4 and 7 in the morning. Another Railway has written to say that they occasionally send one of their junior officers disguised as a peasant to travel over different sections of their system in order to find out what difficulties are actually experienced by third class passengers in regard to booking, finding accommodation, and treatment from the staff, and on the report of that officer suitable action is taken. Then, Honourable Members might have noticed in the Press that a system of reserving third class accommodation was started at Howrah and when that proved practicable it was taken up by other systems also and it is now in operation at Sealdah and also at Victoria Terminus in respect of certain trains. This ensures that there can be comfortable booking in advance by third class passengers at these big stations. It also ensures them a seat which means in

consequence that there can be no overcrowding in coaches where reserved accommodation is provided as only the prescribed number of passengers can be carried in such a coach. This is only a beginning. It may be possible to extend the system though there are obvious difficulties in the way of an extension of the system. This system is being worked only at terminus stations, but I think that in course of time extensions might be possible.

Then certain matters were raised with regard to staff. For instance, it was said that the Railways had been unsympathetic over labour questions and that the Hours of Work Convention had not been put into operation. Last year, in my Budget speech, I explained that Government had undertaken expenditure to the tune of nearly half a crore per annum in respect of labour matters and that in spite of the financial difficulties in which we found ourselves, we did not intend going back upon those arrangements, but that for the moment we must cry a halt till we knew where we were. This Convention has already been applied to the Great Indian Peninsula, the East Indian, the North-Western and the Eastern Bengal Railways, these being the four State-managed Railways. Out of the Company-managed Railways it has been applied on the Bombay, Baroda and Central India and the Madras and Southern Mahratta. (An Honourable Member: "What about the Bengal and North Western Railway and the Madras and Southern Mahratta Railways?") On the Madras and Southern Mahratta Railway it has already been applied. On the Bengal and North Western Railway we propose to apply it during the course of the year. I hope that satisfies the Honourable Member. Honourable Members have in the past severely criticised the Bengal and North Western Railway system for lack of amenities. I have had a report sent up to me recently from which I find that with regard to almost every feature to which objection has been taken, some improvement has either already been made or is about to be made. This is not the time for me to go into details over this, but perhaps I might draw the attention of Honourable Members to one or two matters in that connection. For instance, one of the complaints was that the running of trains on that system was very slow, that most of the trains were mixed trains which entailed a good deal of shunting at different stations with the result that passengers were unreasonably delayed. I am told that, except on a few of the less important branch lines, mixed trains have been done away with and passenger trains running at full permissible metre gauge speeds put in their place. With one or two unimportant exceptions, all six-wheeled stock on passenger trains has been replaced by bogies and practically all trains except those on short branches are supplied with third class latrine accommodation. All rebuilds are being fitted with latrines, and the design of compartments has been improved in accordance with seating arrangements on which members of the travelling public were consulted. Time tables have been improved and third class fares above 350 miles have been further reduced. The minimum so far on that railway was 2 pies a mile. Now, for distances above 350 miles it has been reduced to 1½ pies per mile. A programme for the provision of passenger sheds was decided on a few years ago but had been held over on account of depressed traffic conditions and lack of funds. This is now being gone on with as far as funds permit. Two large sheds have already been erected at Barauni Junction and it is proposed during the ensuing two years to erect commodious sheds at Samastipur, Sonapore, Chupra, Gorakhpur and Gonda, and to remodel Savan and Muzaffarpur stations. Greater attention is being given to the cleaning out of trains on long runs. More watermen were appointed last year during the hot weather, and the same policy will be continued this year. A fully qualified medical officer has been appointed to supervise refreshment rooms and vendors'

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food supplies, and this has resulted in a better state of affairs all round and greatly reduced complaints. So that, not only is the Hours of Working Convention about to be applied to this railway, but there have been improvements in other respects, and I can assure Honourable Members that matters will continue to be watched with regard to these things and we hope that as far as possible these improvements will be continued at a progressive rate.

The Honourable Mr. Kunzru, is discussing the past history of railways, referred to two matters. One of those had reference to staff; the other was what the Honourable Member described as unjustifiable expansion immediately after the war. I will not enter upon a discussion of the last matter. I will only briefly say that there is a certain amount of justification for what he has said under that head, but it would not do for me to start criticising something for which somebody else was responsible, and that something which, looking back on it now, may appear not to have been justified but which in the conditions of those days might have appeared to have been fully justified. It is always easy to take up a superior attitude after a lapse of years and to say that in the past people were wrong in doing this or that, but it is very difficult to judge what exactly were the factors which operated upon their minds. The second matter was that the percentage of retrenchment was on a much higher scale at the bottom than at the top. The Honourable Member gave percentages with regard to retrenchment in various categories; superior posts 6 per cent, subordinate officers 12 per cent, and subordinate staff 14 per cent. From these percentages I am afraid I am unable to draw the same inference as the Honourable Member drew. A little reflection will show that these percentages cannot be regarded as unsatisfactory. On a system like the railways it is not possible to retrench right through from top to bottom in the same proportions. In some of the superior posts little or no retrenchment may be possible. Take the very topmost man, the Agent. A railway must have an Agent, and no reduction is possible there. Take the Divisional officers. In some rare case where two adjacent Divisions are capable of being amalgamated it might be possible to reduce a post but with regard to this class of officer generally very little in the way of retrenchment would be possible. On the other hand, supposing there are 300 clerks in a Divisional Superintendent's office, it might be quite easy to take away 30 and redistribute their work amongst the others. So that in any Department where there are large categories of staff at the bottom with a diminishing cadre of executive officers as you approach the top, it is difficult to carry out retrenchment to a fixed scale throughout. I am afraid, therefore, I am not disposed to regard the comparison between these percentages as unsatisfactory so far as the higher officers are concerned.

A reference was made by the Honourable Mr. Hossain Imam to the prevalence of corruption among a certain class of railway employee and he said railways must not expect that we should point it out to them. They must be conscious of it and must take steps to put an end to it. I do not for a moment deny that the primary responsibility is that of the Department and they must find out by whatever means it may be possible what the extent of the evil is and how it can be put an end to. But I submit to Honourable Members that it is impossible to do anything in this direction without the co-operation of the public and of those who deal with the subordinate staff among whom corruption is said to be rife. It is primarily our responsibility but we cannot discharge that responsibility satisfactorily unless that co-operation is forthcoming. I cannot deny the existence of the evil because of the volume of complaints which are received with regard to it. I do not think they are all

fanciful or imaginary, though I think they are often exaggerated. For instance, one Honourable Member said that stations were publicly auctioned. All that he meant was that a fee is sometimes paid by a subordinate for his transfer from one station to another. Of course it is just as objectionable if it is paid privately as it would be if it were paid openly, only it would not be possible to pay it openly. But I am at one with Honourable Members that we must do all we can to put an end to this sort of thing. If only the public and the commercial community will co-operate with us and let us have particulars, measures could more easily be taken to deal with it.

And now I come to the last matter that I need touch upon. I am conscious of the fact that several other matters were mentioned by Honourable Members, but if I were to attempt to deal even briefly with everyone of them we might be sitting here till midnight. This last matter concerns the responsibility of Government in respect of the strike on the Bengal Nagpur Railway. The strike has happily now been settled. Therefore I am reluctant to enter into any discussion of the merits of the question one way or the other, but I do wish to say that Government were not at any time indifferent towards the situation that arose. They satisfied themselves very early that there was nothing in respect of which they could usefully intervene. It will be within the recollection of Honourable Members that the original trouble was that 27 men had been demoted, instead of being discharged. They were found surplus to requirements and they were fitted in in lower positions carrying a rupee or two, or it may be three or four rupees, less salary than their original posts carried. This was considered to be unjustifiable by the Union and a strike was called. Government looked into the matter and they found that there could be no reasonable grievance on that score. There was no room for interference by Government, and the best proof of the fact that Government were right in coming to the conclusion that there could be no grievance in respect of the action taken by the Agent is that the very first thing that was agreed upon between the Agent and the representatives of the Union was that these 27 men should go back—they have since gone back—to their demoted positions. If it had eventually been found that the action in respect of these men was unjustifiable, Government might have been to blame that they did not interfere earlier and secure a redress of the grievances of these 27 men. It appears there was no grievance and they have gone back to the positions to which they had been demoted. I do not want to go into greater detail but it is perfectly clear that with regard to the original dispute Government's intervention was not called for at all. (Applause.)

THE HONOURABLE SIR CHARLES ARTHUR (Bengal Chamber of Commerce): Sir, I do not propose to take up the time of the House for more than a few moments. The Honourable Sir Guthrie Russell well knows that my constituents, the Bengal Chamber of Commerce, have bombarded him and his Department throughout this last year both by correspondence and in discussion and many important railway problems have been thoroughly gone into. Criticism was forthcoming in full measure and the Railway authorities were given much food for thought. How much of that food remains to be digested I do not know, but the future will show. It is not my intention today to add by criticism to the burdens either of the Honourable Member for Railways or of the Honourable Chief Commissioner. We prefer to await the results of the Wedgwood Committee's advices. When these are known I would assure the Honourable the Chief Commissioner that commercial interests will do all they can, when they can, to assist and not to hinder the efforts to be made by the Railway Administration to bring the railways back to prosperity.

*THE HONOURABLE SARDAR BUTA SINGH (Punjab : Sikh): Sir, the outstanding feature of the railway administration since 1930 has been a continuous loss in revenue, but I am glad to find a small surplus this year and congratulate the Honourable Member for Railways, the Chief Commissioner and the Financial Commissioner. Railways are a national concern and represent borrowed capital to the extent of 800 crores. It is therefore of vital importance that income from the railways should provide an adequate net profit to meet the debt charge and make a substantial contribution to the central revenues. It seems strange that so far no provision has been made for the liquidation of this heavy debt. I wish therefore to propose that in future a sinking fund should be started for the redemption of this debt and at least 1 per cent. out of earnings should be placed into the sinking fund, so that this valuable national asset may be freed permanently from debt and be in a position to serve the larger interests of the public.

The other suggestion I make is that our large railway workshops should be utilised by extension and equipment to meet all the requirements of the railways in the country itself. There is no reason why boilers and engines should not be made in Indian workshops and those workshops should also cater for outside demand for machinery. Indeed these workshops can become the starting point of the development of heavy industry in India. It has been said that railways are losing by continuous competition with motors. In taking the financial position into consideration, our Finance Member might take the income from two sources of transport into account. It is true that railways have been losing about 3 crores or so a year, but then motor transport has been giving an additional income of 8 crores a year and this income is expanding every year. It stands to reason that by control of motor traffic, railways may retrieve their position to a certain extent, but the central revenues must lose an increasingly expanding revenue from motor traffic. The restriction of motor traffic is held by all men with progressive ideas as a retrograde step and the Honourable Finance Member's utterances have created an atmosphere of uncertainty in the provinces as to whether the Government of India will keep them forthwith. It is rather disgusting the way promises made by one Finance Member have been broken by another Finance Member.

Railways can only prosper if the people are prosperous. Railways can improve their finances only by serving the larger interests of the producers, not only as a commercial concern, but as a part of the plan which aims at improving the condition of the cultivators and providing facilities of marketing by providing cheap and efficient means of transport.

THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL (Bombay : Non-Muhammadan): Sir, we may draw some comfort from the fact that this year instead of a deficit in the Railway budget, we have a surplus however small and uncertain it may be.

However thankful we may be to Providence for the small mercy, there is not much reason for us to congratulate ourselves on the financial position of the Railways. The recent improvement is due to certain exceptional factors and Sir Russel has been wisely cautious in presenting the estimates. As he himself suggested there is no reason for us to take too optimistic a view of the future. This is specially so when we reflect that according to the recommendations of the Niemeyer Committee, unless the Railways are in a position to make a substantial contribution to the general revenue, it will be difficult for us to

*Speech not corrected by the Honourable Members.

meet our liabilities in various directions and the prospects of Provincial autonomy will necessarily be extremely gloomy.

The recent improvement in the Railway finances, it will be observed, is mainly due to the increase in the export trade, specially in the last few months due to the war scare. The benefit, we have so far drawn, may be small but it has emphatically made clear one thing, viz., that the one sure way to improve the Railway finances, is to secure increase of the export trade of India. The same lesson is emphasised if you consider the changes of fortune in the Railway finances during the last ten years. The railways were making profit when the export trade was good. But when the unfavourable ratio crippled the export trade and the Ottawa Pact antagonised India's best customers, the Railways instead of showing any profit had to draw heavily on the Depreciation Fund.

This proves that for a real and radical improvement of the railway finances, the general financial policy of the country must be such as will stimulate the trade industry of the country. In the absence of such a policy, no amount of economy and reform in the Railway administration itself will be enough to improve the Railway finances.

This, of course, does not mean that there is no need for retrenchment and reform in the Railway administration itself. In fact, both are urgently called for.

The remuneration of the Railway staff should be adjusted strictly in accordance with the conditions of an economically poor country like India. An accelerated policy of Indianisation would, I am sure, bring about considerable retrenchment. It is also high time that the Lee Concessions which were granted on too generous a scale should now be reviewed and revised.

There is also a great room for drastic retrenchment in the working expenses of the Railways. I would like to suggest one possible source of economy. I understand the balance of stores with the different railways in India is about Rs. 10 crores. This strikes one as too large a figure. In all big industrial undertakings, stores constitute a fruitful source of wastage, if not pilferage. With the development of Indian industries, it should be possible to obtain a larger proportion of railway stores in India. And I would suggest that stores which could be obtained in India should not be stocked to last more than two months; whilst those imported from abroad may be held to cover six months' requirements.

Regarding the road-rail controversy, I do not want to minimise the importance of the motor competition in reducing the railway revenue, but from my own experience of these two transports in the business world, may I say this that so far as long lines are concerned, that is traffic of goods over long distances, it is not so much the motor traffic which takes away the share of the railway traffic, but it is in the shorter distance transport that the motor buses and lorries take some share of the traffic. And that is due to the fact that it is cheaper to transport goods over short distances by motor lorries than by railways and to this extent motor transport does help and the railway companies have to adjust their policy and co-ordinate their services with the motor service. Even these motor lorries when they are running and competing with the railways find that that competition is not always economical. Some people expect that it will be economical and take to it but the competition is so great that even for those lorry-owners their high prospects have disappeared, and if Government take any measures, as some measures have been suggested in the speeches I have heard and some limitations are imposed on this traffic in goods, then I say, Sir, we must take into consideration the considerable benefit which the other industries derive and particularly rural areas derive from this cheap transport.

[Mr. Govindlal Shival Motilal.]

I was surprised to find Sir Russel making the following statement when he introduced the Budget. He said, "If the fare at present charged for a distance of 100 miles is, say, about Re. 1-8, a reduction to Re. 1-6 consequent on the lowering of fares by a quarter of a pie per mile will not, I suggest, result in a single additional passenger travelling".

I am sure, Sir Russel would not have made this suggestion if he had an idea of the number of passengers carried by motor buses between Bombay and Poona from early hours in the morning till very late at night. The distance between Bombay and Poona is just over a hundred miles; and the difference between the railway fare and the bus fare amounts to only a few annas. But this makes all the difference to poor people specially when they have to make repeated journeys between two places.

Sir Russel also observed, "Until now rail-road competition has been mostly confined to passenger traffic, but there are signs that lorries are gaining a greater and greater share of goods traffic". This also is not surprising considering that even a little difference in rates can make or unmake a trade or industry and kill the possibility of profitably marketing agricultural produce.

The rail-road competition should not be looked upon as an isolated problem but should be comprehensively considered from the point of the general economic development of the country. It is good that the Government should have appointed a Railway Inquiry Committee. But it is a pity that the Government should have been so indifferent to the wishes of the people as not to include a single Indian among the members of this Committee, when they went so far as South Africa to find an expert. I cannot help giving expression to the feeling of acute resentment which prevails in the Indian commercial community on this point. The Commerce Member has dealt with this question but I may be allowed to add with due respect to him that the arguments advanced by him have not convinced this side of the House. It is to be hoped that this foreign expert Committee will give due weight to the representations made by the various commercial bodies in the country and will submit constructive proposals as much for retrenchment as reform in the railway administration.

What we want is concrete improvement in the Railway administration and not mere financial window-dressing. The proposal to wipe off the accumulated liabilities to the Depreciation Fund may give us a clean slate as promised by the Railway Member. But what we want is not a clean slate but more railway revenue and less railway expenditure. By writing off the debt to the Depreciation Fund, we shall not be richer by a single rupee nor will the railways be in any more sound or solvent position.

THE HONOURABLE SIR MUHAMMAD ZAFRULLAH KHAN: Sir, may I with your permission convey a piece of information to the Honourable Pundit Kunzru. He said his information was—it was not within his personal knowledge but somebody had told him—that wagons had been used for the conveyance of passengers on the occasion of the last Gurmukhtesar Fair. Now, on this matter I gave very strict instructions last year that on no occasion were wagons to be used for this purpose but that if any situation arose where a Railway administration could not avoid the use of wagons for this purpose they must immediately inform the Railway Board of the circumstances under which they were so used. This was clearly explained to the Agents and no complaint or report with regard to any such use on the occasion of the Gurmukhtesar fair has been received, from which I conclude that the Honourable Member's information could not possibly have been correct.

THE HONOURABLE MR. SITAKANTA MAHAPATRA (Orissa : Non-Muhammadan): Sir, I congratulate the Honourable the Chief Commissioner for Railways for at last presenting a surplus Railway Budget after a long spell of 7 years. I congratulate him all the more because his budget will come as a very welcome surprise to deficit Provinces starting for unknown destinations. The phenomenon that he has brought about so soon was unthinkable on the part of such a great financial expert as Sir Otto Niemeyer within 5 years. Sir, representing as I do a Province which may be a dependent in perpetuity on the resources of the Central Government, I am particularly elated over the budget proposals, because, thanks to Sir Otto's shabby award, even after enforcing the most stringent economies, a cautious man of the type of Sir John Hubback has found it impossible to make two ends meet in our provincial budget. As anticipated by the Percy Committee, the Railways have been able to contribute to an extent of 5 crores a year and a net receipt of 12 crores from the Income-tax are expected next year in spite of the separation of Burma. If the recommendations of Sir Otto Niemeyer and the Order in Council over it are given effect to, I hope, at least 4 crores will be available in 1937-38 from Income-tax receipts for distribution among the Provinces embarking on a strange and perilous journey and my province, in that case, may benefit to an extent of 8 lakhs.

The Railway Administration are going to introduce soon air-conditioned saloons for first class passengers. Is it not scandalous, Sir, in a poor country like India to look to the comforts of first class passengers before providing bare sitting accommodation for third class passengers? I have rarely travelled in State-managed Railways but whenever I have travelled I have seen that all on a sudden a whole third class bogey is detached at a station and the surprised occupants almost kicked out of the compartments. Most of them do not find time to occupy other compartments and some others get into higher class compartments in haste only to be charged by the ticket collectors. Such deplorable state of things have never been seen by me even in the Bengal Nagpur Railway, the most inefficiently managed railway in India.

Sir, Railways in India, particularly Company-managed railways, are so much Europeanised that even Sir Henry Gidney has often complained of too much Europeanisation. It is a fact which has long been made a national question. But no heed is being paid to it. (*An Honourable Member:* "Make it an international question.")

Catering arrangements in Indian Railways are simply ridiculous. In the B. N. Railway Indian catering contracts are sold out and they fetch something like a lakh a year. But the company themselves arrange for European catering and there lose about a lakh and a half annually. Can there be anything more ridiculous? I am surprised to hear that even State-owned railways have begun to imitate the B. N. Railway and Indian catering contracts in the N. W. Railway have already been sold. Although Indian catering contracts are generally sold out, no European catering contract has yet been sold in India; on the other hand, it is everywhere subsidised.

The Honourable the Chief Commissioner is of opinion that a reduction of fare from Rs. 1-8 to Rs. 1-6 will not result in an additional passenger. I must regard it as his personal view and I think that had he opportunities to mix with the poor village people he would surely have modified his view.

He has again been pleased to remark—I quote him—

"In view of the widely different circumstances prevailing in the various provinces of a sub-continent like India, uniformity in the basis of charges on the different Railways is impracticable."

[Mr. Sitakanta Mahapatra.]

The B. N. Railway passes through five different provinces, some very wealthy and others very poor. On the basis of which province were its rates calculated and have they ever been revised after the general depression began in 1928? The rates of the B. N. Railway are very much higher than those of the E. I. Railway. Is it because the B. N. Railway alone serves the poorest province in India and the E. I. Railway passes through rich provinces? I should think that the main reason why income from passenger traffic is going down and down in that Railway is this unbusinesslike action on the part of the authorities there. People in our parts prefer to go to Calcutta by steamer from Chandbali because it is cheaper although they suffer untold hardships thereby.

Sir, special rates have been devised for transport of wheat and other commodities grown in the Punjab, because, perhaps, the Punjabi Railway Member is aware of the needs of his Province. But the B. N. Railway have never done anything for the circulation of paddy in spite of repeated requests from the Orissa Chamber of Commerce and the Orissa Millowners Association.

The Chief Commissioner is keen over the question of rail-road competition. Do not the lorries and the buses thrive upon the deficiencies of the Railway Administration? Besides, they go to the interiors and bring marketing facilities to the rural population.

Sir, I have seen in my side that people prefer buses because it is very difficult to purchase tickets in the B. N. Railway. The booking clerk in the B. N. Railway—I have my personal knowledge in all stations from Puri to Kharagpur—opens his window only a few minutes before the train time. Anxious passengers do not often find time to take back coins due to them. I know a co-villager of mine once took a more experienced man to help him in purchasing a ticket.

Then there is the question of corruption which is perhaps much more important a factor than road competition. Some years ago I was a guest in the house of the Assistant Station Master of a very small station, named Kendua-pada, in the B. N. Railway. All his utensils were made of silver. I was surprised. He told me that his income was about Rs. 1,500 a month, mostly from ignorant passengers from Calcutta who got down there. I am reliably informed that in most of the stations in Orissa the goods staff and the ticket collectors are entrusted with the collection of bribes, and they are shared by the whole staff, including the station master. It is, I hope, common knowledge that the station staff everywhere enjoy the best from what are carried in the goods trains. Under the circumstances, is it because the Government of India have invested 800 crores in railways in India that people should travel in, and use the railways at all costs?

Sir, the B. N. Railway passes through the whole of Orissa, natural and political, and most of its mileage is there. But it is a bit surprising that while they have their construction programmes next year in Kharagpur, Adra, Nagpur and Santragachhi, they have totally forgotten Orissa. We have been agitating for a long time for improving the Cuttack railway station. The platform there is very low and Cuttack is going to be the capital of the province

AN HONOURABLE MEMBER: Is that settled?

THE HONOURABLE SIR MUHAMMAD ZAFRULLAH KHAN: Has that been decided?

THE HONOURABLE MR. SITAKANTA MAHAPATRA: Almost. But no steps are contemplated in this region during the next year.

Sir, the B. N. Railway is running at a huge loss for at least the last 15 years, if not more. For the last 7 years the losses are over 2 crores on an average. Have the Railway Administration taken any steps during all this time to get at the root cause of this huge deficit? Why should the poor taxpayers bear such a huge burden for nothing? Why should we pay for the inefficiency of the B. N. Railway Company? Sir, with all respects to you, as you are connected with the B. N. Railway for many years—(An Honourable Member; "How") (Another Honourable Member; "As a member of the Advisory Committee")—I should say that the B. N. Railway is the most ill-managed railway in India. Company-management has absolutely failed there and the time has come when steps should be taken to bring the railway under State management or failing it to thoroughly overhaul the administration there.

Sir, in the whole of the State-managed railways there is not a single Oriya employed, not even a menial. Strangely enough, three years back when I was in the Assembly I came across one Oriya young man who had passed for a Bengali and been employed in the E. I. R. He was retrenched, unnecessarily, perhaps because he was discovered. I approached the Deputy Agent of the E. I. R. who admitted the injustice of the case and promised to recommend reconsideration of his case to the Divisional Superintendent, but nothing came out of it. I would earnestly appeal to the Honourable the Chief Commissioner to be kind to the poorest province in India and give some of her people morsels of food.

Sir, one Honourable gentleman opposite spoke about deficits on strategic railways and said that if they are excluded from the railway budget they would be included in the general budget and there would be no benefit to anybody. But I think Provinces in that case would be benefited by sharing in income-tax receipts early and more fully.

Sir, I conclude.

THE HONOURABLE MR. BRIJLAL NANDLAL BIYANI (Berar Representative): I would take only a minute of this House. I do not want to go into details though I have my own views on many questions. I did not intend to open my lips on the first day, and possibly the last day, of my attendance in this House. (Honourable Members: "Why?") Because I am being prosecuted under section 124A and I am leaving tomorrow. But I don't want to keep silent on one point. Many Honourable Members protested against the exclusion of Indians from the Wedgwood Committee. This, Sir, amounts to recognition of the right of foreigners being on the Committee. I therefore rise, not to protest against the exclusion of Indians from the Committee, but against the inclusion of foreigners on the Committee. As a representative of the Indian National Congress let me say with all the force that Indians are entitled and are fit to manage their own affairs, and anything that is done at foreign hands will no longer carry India with it. What I have said about the Wedgwood Committee applies equally to the Railway Board. That is all I want to say.

THE HONOURABLE THE PRESIDENT: That concludes the debate on the Railway Budget.

STANDING COMMITTEE FOR THE DEPARTMENT OF EDUCATION, HEALTH AND LANDS.

THE HONOURABLE THE PRESIDENT: With reference to the announcement made by me on the 16th February, regarding nominations to the various Committees, I have to announce that the following Honourable Members have been nominated for election to the Standing Committee to advise on subjects other than "Indian Overseas—Emigration" and "Haj Pilgrimage", dealt with in the Department of Education, Health and Lands:—

1. The Honourable Sir David Devadoss.
2. The Honourable Mr. V. Ramadas Pantulu.

There are two candidates for two seats and I declare them duly elected.

STANDING COMMITTEE FOR THE DEPARTMENT OF INDUSTRIES AND LABOUR.

THE HONOURABLE THE PRESIDENT: The following Honourable Members have been nominated for election to the Standing Committee to advise on subjects other than "Roads" and "Posts and Telegraphs", with which the Department of Industries and Labour is concerned:—

1. The Honourable Diwan Bahadur Sir K. Ramunni Menon.
2. The Honourable Mr. Sitakanta Mahapatra.

There are two candidates for two seats and I declare them duly elected.

STANDING COMMITTEE ON THE PILGRIMAGE TO THE HEJAZ.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I have to make a request to you on behalf of the Progressive Party. Accidentally our Party did not nominate a member for the Haj Standing Committee. I therefore request your favour in allowing us to nominate the Honourable Haji Syed Muhammad Husain for election to the Hejaz Committee.

THE HONOURABLE THE PRESIDENT: What was the accident?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: The Member who had undertaken to nominate the Honourable Syed Muhammad Husain accidentally did not arrive in time. The consent of the Member was taken and it was decided to nominate him, but owing to the non-arrival of the proposer in time the nomination was not made in time. As this is a new House, under the special circumstance we would request your favour in permitting the nomination to be made now.

THE HONOURABLE THE PRESIDENT: The Secretary of the Council brought to my notice at 11-15 this morning that your application was 15 minutes late. I do not want to depart from the usual practice in these matters, but in the circumstances stated by you, if the Leader of the House has no objection and no other Member has any objection, I will give you the permission.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: Sir, I have no objection.

(No other Member objected.)

THE HONOURABLE THE PRESIDENT: As there is no objection I will allow you.

The following Honourable Members have been nominated for election to the Standing Committee on Pilgrimage to the Hejaz:

1. The Honourable Khan Bahadur Shams-ud-Din Haider.
2. The Honourable Khan Bahadur Syed Ihtisham Hyder Chaudhury.
3. The Honourable Haji Syed Muhammad Husain.

There are three Muslim candidates for two Muslim seats and an election will be necessary. The date of election will be announced later.

STANDING COMMITTEE ON EMIGRATION.

THE HONOURABLE THE PRESIDENT: The following Honourable Members have been nominated for election to the Standing Committee on Emigration:—

1. The Honourable Sir Phiroze Sethna.
2. The Honourable Mr. B. K. Basu.
3. The Honourable Kunwar Nripendra Narayan Sinha.
4. The Honourable Mr. P. N. Saprú.
5. The Honourable Rai Bahadur Lala Ram Saran Das.

There are 5 candidates for 4 seats and an election will be necessary.

The date of election will be announced later.

STANDING COMMITTEE FOR THE DEPARTMENT OF COMMERCE.

THE HONOURABLE THE PRESIDENT: The following Honourable Members have been nominated for election to the Standing Committee to advise on subjects in the Department of Commerce:—

1. The Honourable Sir Phiroze Sethna.
2. The Honourable Diwan Bahadur Sir K. Ramunni Menon.
3. The Honourable Mr. V. V. Kalikar.
4. The Honourable Rao Bahadur K. Govindachari.

There are 4 candidates for two seats and an election will be necessary. The date of election will be announced later.

GOVERNING BODY OF THE INDIAN RESEARCH FUND ASSOCIATION.

THE HONOURABLE THE PRESIDENT: The following Honourable Members have been elected for election to the Governing Body of the Indian Research Fund Association:—

1. The Honourable Sir Phiroze Sethna.
2. The Honourable Diwan Bahadur Sir K. Ramunni Menon.
3. The Honourable Mr. Hossain Imam.

There are 3 candidates for one seat and an election will be necessary. The date of election will be announced later.

STATEMENT OF BUSINESS.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Leader of the House): Sir, with your permission I propose that the Council may sit on Tuesday, the 23rd February, and thereafter from day to day for the consideration and passing of the official Bills which have been laid on the table of the House on the 16th February and today, as well as for the disposal of the Government business of which notice will be circulated tonight. I think the House will probably like to know what business is to come up on Tuesday. We propose to place before them the following Bills in the order in which I am indicating. The first Bill that will be taken up will be the Agricultural Produce (Grading and Marking) Bill; the second on the list is the Naval Armaments (Amendment) Bill; the third is the Land Customs (Amendment) Bill; the fourth is the Income-tax (Amendment) Bill; the fifth the Lac Cess (Amendment) Bill; and the last the Arbitration (Protocol and Convention) Bill. I think it will probably be convenient if on Tuesday we adjourn after Lunch as there is another important engagement in the afternoon. I think that is the general wish of the House also, Sir.

THE HONOURABLE THE PRESIDENT: I will adjourn the House now till 11 A.M. on Tuesday the 23rd February, and on that day the Council will only sit till half past one.

The Council then adjourned till Eleven of the Clock on Tuesday, the 23rd February, 1937.

COUNCIL OF STATE.

Tuesday, 23rd February, 1937.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

MEMBERS SWORN.

- His Excellency General Sir Robert Archibald Cassels (Commander-in-Chief).
 The Honourable Mr. M. Ct. M. Chidambaram Chettiyar (Madras : Non-Muhammadan).
 The Honourable Mr. Stanley Webb-Johnson (Government of India : Nominated Official).

QUESTION AND ANSWER.

MEASURES TO SAFEGUARD THE INTERESTS OF THE INDIAN COMMUNITY IN ZANZIBAR IN CONNECTION WITH THE CLOVE INDUSTRY.

II. THE HONOURABLE MR. V. V. KALIKAR: (a) Has the Chairman of the Imperial Indian Citizenship Association forwarded a memorandum to the Government of India, requesting them to take prompt and effective measures to safeguard the interest of the Indian community in Zanzibar in connection with the clove industry?

(b) Do Government propose to take effective measures to safeguard the interest of the Indian community in Zanzibar before His Majesty's Government pass final order on the report of Mr. Binder? If so, will Government be pleased to state the nature of the measures they propose to take? If not, why not?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: (a) Yes.

(b) Representations have already been made to His Majesty's Government on matters arising out of Mr. Binder's report. Until these negotiations have concluded, I regret that it is not possible for Government to make any further statement on the subject.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Has the attention of the Honourable Member been drawn to the message sent by His Highness the Aga Khan to the public meeting held the other day in Bombay to protest against the anti-Indian decrees in Zanzibar?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: I regret to say that I have not seen His Highness's message, but I knew before that His Highness was greatly interested in regard to the position of Indians in Zanzibar. I have not seen this particular message.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : May I draw the attention of the Government to the message which asks that the Government of India should send another mission to Zanzibar.....

THE HONOURABLE THE PRESIDENT : It is not usual to give it at this stage. You can send a copy of the message privately to the Honourable Member.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : It is published in the papers.

AGRICULTURAL PRODUCE (GRADING AND MARKING) BILL.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Education, Health and Lands Member) : Sir, I beg to move :

"That the Bill to provide for the grading and marking of agricultural produce, as passed by the Legislative Assembly, be taken into consideration."

The objects and reasons for which this Bill has been brought are already stated in the Statement of Objects and Reasons and I need not go into great detail about them. But I think that the House would like to have a brief statement of the main principles of the Bill. It was brought to our notice during the course of the marketing surveys which have been done by the Marketing Adviser to the Government of India and his staff that it would be useful to grade certain agricultural products. What we mean by grading is that articles will first be classified according to quality and each of these grades will be given a designation. For instance, articles may be classified as grade 1, 2, 3, or as grade A, B, or C, or for instance as in England apples are designated as extra fine, fine, and so on. Then, in regard to each of these designations, conditions will be laid down. For instance, any article which is classed as grade 1 will have certain qualities, so that corresponding to the designation will be laid down the quality which that designation indicates. That is called grade designation. Naturally, it is necessary that if there are to be these various designations there should be marks to indicate to the purchaser what the particular designation is and therefore we are going to have these grade designation marks. There will be different marks for different grades of the article. This will ensure to the purchaser that the article which he is purchasing is of the grade which he wishes to purchase. It is obvious that if you are going to have these marks that you should protect them in order to prevent others using these marks. You should also have some method by which it is laid down that the marks will be properly used. That is to say, that a mark which is made for a particular grade is not utilised for another grade. Well, that is the principle of these grade designations and grade designation marks. As the whole thing is at the present moment in an experimental stage we have made the measure permissive. It is not incumbent on producers to have any grade marks at all. It is only those who are willing to come into this system will be bound by it. That is to say, that all limitations and so on apply only to those who have agreed to come into this system. We have also, as Honourable Members will notice, limited the articles to which the Bill will apply at present. And we have done this because we wish to gain experience, and we do not wish at this stage to include a large number of articles till we have gained further experience.

Another point in which I think Honourable Members will be interested is that in regard to the grading we have been in the closest touch with the

interests concerned. For instance, as regards the grading of hides, the chief Marketing Adviser held a conference in Cawnpore and it was in consultation with the trade that grade specifications were agreed to. The same is the case in regard to tobacco. The intention here is that for the moment the grading will be only in regard to cigarette tobacco, and the merchants have been consulted, so that all the grading has been done in consultation with the interests concerned.

I now come to another point and that is the penal clauses of the Bill. Honourable Members will notice that in one clause we provide for the case where a person not authorised to use a grade mark uses it. Here the punishment is only a fine. In regard to counterfeiting, the punishment is fine or imprisonment or both. My attention has been drawn this morning to one of the clauses of the Bill—sub-clause (g) of clause 3, and the question has been asked why, when in the substantive clauses there is no mention of confiscation, in the rule-making power the word "confiscation" has been used. Since in drafting the correct procedure is that if the intention was to make confiscation a punishment it should have been included in the main clauses. I think that is the point to which my attention was drawn. Well, I can assure Honourable Members that there was no intention to confiscate goods as a penalty. All that is desired is that goods should be confiscated only to the extent that they are required for evidential purposes and that in the rules which are being framed and which will be published very shortly so that Honourable Members will have a chance of seeing them during the next two or three days, this point will be made absolutely clear—that there is no intention of using confiscation as a penalty; the whole object of confiscation being merely for evidential purposes. I am sure that the rules which will be shortly published will meet the point of Honourable Members. Confiscation will only be made to the extent that is necessary for evidential purposes and the rest of the consignment will be restored to the owner. Naturally, of course, we will remove the grade marks from the consignment. I am sure that about this there will be no difference of opinion. These are the main clauses of the Bill and it has been passed by the Lower House and I trust that it will receive the same treatment in this House.

Sir, I move that the Bill be taken into consideration.

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras : Non-Muhammadan) : Sir, while I rise to support the Motion to take the Bill into consideration, I wish to bring to your notice the disability under which the Members of this House have been placed by this Bill coming up for consideration on a day which has been preceded by two Public holidays. We were told on Saturday evening that these Bills were coming up on Tuesday morning. Speaking for myself and for another Member of my Party, we would have been glad to send up some amendments to clauses of this Bill, partly to improve the wording of the clauses and partly to improve its substance, if we had been given an opportunity to do so. The Notice Office was closed and there was no method whereby we could send amendments to these clauses. I would therefore request that in future, Sir, things should be so arranged that amendments should be received in the Notice Office on a holiday, if the exigencies of business require that we should proceed with the business on the day when Council sits after a holiday, or to give us at least one day on which we can ordinarily give notice of amendments.

THE HONOURABLE THE PRESIDENT : I understand that the offices are always open for the purpose of receiving amendments.

THE HONOURABLE MR. V. RAMADAS PANTULU : I am told by my Honourable friend Mr. Kumarsankar Ray Chaudhury that they were not.

THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY (East Bengal : Non-Muhammadan) : I went yesterday and I found the office closed.

THE HONOURABLE THE PRESIDENT : The Notice Office is not closed. You are confusing the Legislative Department with the Notice Office.

THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY : I went to the Notice Office, Sir.

THE HONOURABLE MR. V. RAMADAS PANTULU : My information was that the Notice Office was closed. I support the principle of the Bill and also the Motion for its consideration. I wish that the Bill might have been a little more carefully drafted. For instance, the definition of the term "agricultural produce" is, to say the least of it, very clumsy, and curiously enough we find in the Schedule to the Bill item "3—Eggs" and item "4—Dairy produce". I do not know whether on a proper construction of the definition of "agricultural produce" these at all come under that definition.

" 'Agricultural produce' includes all produce of agriculture or horticulture and all articles of food or drink wholly or partly manufactured from any such produce, and flocks and the skins of animals."

I am not aware whether eggs are manufactured from agricultural produce (*An Honourable Member* : "Food or drink.") Eggs come from poultry and not agricultural produce. The dairy produce may probably be included if animal husbandry is part of the definition of Agriculture.

Apart from that, Sir, there is another substantial objection which I might have taken in the form of an amendment to this Bill. The Honourable the Mover has already referred to clause (g) of section 3 which relates to the rule-making power of the Governor General in Council. While there is no substantive provision in the Bill for the confiscation of produce, clause (g) gives power to the Governor General in Council to do so by rule-making power. Whether it is quite legal or not is not the point on which I would like to dwell. Generally speaking, from my knowledge of the way in which Bills are drafted, the rule-making power is confined to matters coming under one of the provisions of the Act, and it is generally said that without prejudice to any of the provisions of the Act or consistently therewith certain rules can be made by the Executive. But in this case no provision is at all made in the substantive clause of the Bill with regard to confiscation as a penalty and the Executive is given a free hand in regard to the rule-making power. The Honourable the Mover remarked that it was not intended to be a penalty but only meant for the purpose of securing evidence about the infringement of the provisions of this Act. If that is so, then the word "seized" must be used and not "confiscated". It is open even otherwise to seize the article in respect of which an offence has been committed and bring it before the court as a piece of evidence in order to prosecute the person. Confiscation is definitely a penalty and wherever I find provisions for confiscation, as in the Sea Customs Act and the Land Customs Act, I always find this provision incorporated in the substantive sections. On the merits also I think that when a new Bill like this is being enacted for the first time, where the people who voluntarily

come under its beneficent provisions will be added by the Government by means of this Bill, confiscation may not be a very proper remedy, because, people may be ignorant in many cases, and while they do want to take advantage of this Bill, they certainly would not like that confiscation should be a penalty. Because as a result of confiscation, it is not the person who offends against the provisions who suffers but the man whose produce is graded. If the produce is confiscated, it is not the people who deal with it, the commission agency or the marketing society, that suffers, but it is the person who brings those goods to the agency for grading and selling that suffers, because it is he who loses his produce. This is a very drastic provision and more care might have been taken in framing it. As for the assurance of intention given by the Honourable the Leader of the House, it is of very little use. The Privy Council decisions have laid down that any expression of opinion as to intention, which is not borne out by the very wording of an Act, is of very little use in construing or interpreting a Statute. Therefore, Sir, taking everything into account I wish the Bill had been drafted more carefully and the provisions about confiscation had been omitted, and opportunity should have been given to this House to move amendments.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, the objects underlying this Bill are noble and are in the interest of the cultivator. But, Sir, I should like to know from the Honourable the Leader of the House whether dairy produce include ghee and butter, because at present we are not getting pure ghee and admixture of vegetable compound with pure ghee is going on on a very large scale and ignorant people are being cheated by the people who sell adulterated ghee as pure ghee.

As far as agricultural produce is concerned, it pains me to find that particularly in Kapas there is a lot of mixture of indigenous Kuppas (cotton with seed) with American and long-staple Kuppas. The result is that it is generally very difficult to get pure, good and long-stapled Kapas. On account of that mixture, the poor cultivator gets a very low price for the Kapas that he sells. I would therefore like that so far as long-staple cotton is concerned, the good name of India ought to be established in the local as well as foreign markets as regards the purity of the cotton sold. Therefore, Sir, I would suggest to the Honourable the Leader of the House kindly to insert Kapas in the Schedule, because it is in the interest of the zamindars, and I think it is the duty of the Government to deal with this matter seriously in order to secure much better price for the pure cotton.

THE HONOURABLE THE PRESIDENT : Is there any special Act for cotton adulteration ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : I do not know if there is any specially to stop adulteration for cotton, but there is a Cotton Cess Act and the Government charge so much per bale on the cotton pressed.

THE HONOURABLE MR. R. H. PARKER (Bombay Chamber of Commerce) : Sir, we welcome this permissive measure. We think it is a step in the right direction and to the advantage of both producers and consumers. We hope that it will result in there being no bad eggs. We were rather frightened about the question of rules but the cause of fright was removed by the

[Mr. R. H. Parker.]

action taken in the Lower House. I think I am right in saying that imprisonment only arises where it also arises under the Indian Penal Code in similar circumstances. I am not quite sure but I think I am right also in saying that there is a cotton adulteration Act but it is a local one in Bombay.

THE HONOURABLE SIR DAVID DEVADOSS (Nominated: Indian Christians): While I welcome this measure I would suggest that adulteration of cotton and other produce ought also to be prevented. It is a well known fact that owing to the adulteration of good cotton with bad, India suffers in name and not only the consumer. I know for instance that karunganni cotton, which is a long-staple cotton, is adulterated with other inferior qualities, with the result that the ryot does not get the price he ought to get. Though this Bill may not be extended to that, I would ask the Honourable the Leader of the House to see that such things are prevented by a proper enactment. No doubt there is a Cotton Act so far as Bombay is concerned, but I do not think it extends to the whole of British India.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: Sir, I am extremely sorry that any inconvenience should have been caused to Honourable Members opposite by our taking up this Bill today. Had I for a moment thought when I made the announcement on Saturday that there would be any difficulty about sending in amendments I could easily have taken up the Bill tomorrow. I therefore regret if through inadvertence any inconvenience has been caused to Honourable Members.

Now, as regards the question of confiscation, I have already explained my position and I hope that when my Honourable friend sees our rules during the course of the week he will be satisfied that there is really no need for alarm over the confiscation of produce. We have no intention that producers should be penalised and in framing our rules we shall see that our intention is given effect to.

Then my Honourable friend the Leader of the Opposition wanted to know whether ghee and butter are included in dairy produce. They are. He also made a suggestion with regard to the grading of cotton. That is already dealt with by the East India Cotton Association.

I share the hope of Mr. Parker that if this Bill is passed those who are fond of taking eggs will get no rotten eggs and that fruitarians will be benefited equally.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I would like to ask whether the East India Cotton Association have ever suggested to the Government that some legislation is necessary to put a stop to the adulteration of Kuppas (cotton with seed) and to put pure cotton on the market?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: I am afraid I shall have to ask for notice of that question. My Honourable friend can put a question and I shall get the information. I could not say off-hand.

THE HONOURABLE THE PRESIDENT: The question is:

"That the Bill to provide for the grading and marking of agricultural produce, as passed by the Legislative Assembly, be taken into consideration."

The Motion was adopted.

Clauses 2 to 5 were added to the Bill.

Clause 1, the Title and Preamble and the Schedule were added to the Bill.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: Sir, I move

"That the Bill, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

INDIAN NAVAL ARMAMENT (AMENDMENT) BILL.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, I move:

"That the Bill further to amend the Indian Naval Armament Act, 1923, for a certain purpose, as passed by the Legislative Assembly, be taken into consideration."

The purpose of this Bill is, I think, sufficiently explained in the Statement of Objects and Reasons, and only a few words from me are required in commending it for the acceptance of this House. Those who are interested in the subject are aware that ever since 1922, the date of the famous Washington Conference, the two greatest naval powers in the world, that is to say, Great Britain and the United States of America, have taken the lead in making persistent and not unsuccessful efforts to limit by agreement the size and number of battleships and their guns. India as part of the Empire has consistently supported those efforts, although she has no large fleet of her own. In 1923 was passed the Indian Naval Armament Act giving effect to the Washington Treaty at a time when we had no combatant naval force of our own, and in 1931 that Act was amended to give effect to the London Naval Treaty of 1930. The international situation in 1936, when the next Naval Conference took place, made further progress difficult, but the Treaty which was then made and to which this Bill gives effect so far as India is concerned does preserve the principles of the older Treaties and keeps the door open for further international agreement in future. By passing this Bill we too shall keep our Naval Armaments Act alive.

The main points about the new Treaty are, *firstly*, that it limits the size but not the numbers of different categories of warships and their guns; and, *secondly*, that it introduces the new plan of exchanging information between the High Contracting Parties regarding their programmes of naval construction. It is true, Sir, that India is not directly affected by this Treaty,—except to the extent of giving information about the vessels of the Royal Indian Navy—but that was equally true of the last two Treaties; and there is no reason why we should not repeat the gesture that we made on the two previous occasions. The British Empire and the United States of America are the two greatest forces for peace in the disturbed world that we see before us today. India too wants peace and any action that we can take in evidence of that wish, however little it may be, does, I submit, deserve the support of this Honourable House. Sir, I move.

The Motion was adopted.

Clauses 2 and 3 were added to the Bill.

Clauses 4, 5 and 6 were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

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HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, I move:

"That the Bill further to amend the Indian Naval Armament Act, 1923, for a certain purpose, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

LAND CUSTOMS (AMENDMENT) BILL.

THE HONOURABLE MR. A. H. LLOYD (Government of India: Nominated Official): Sir, I move:

"That the Bill further to amend the Land Customs Act, 1924, for certain purposes, as passed by the Legislative Assembly, be taken into consideration."

This Bill, Sir, has provisions which fall under two heads. There is, firstly, the provision dealt with in clauses 2 and 3, which is designed to make applicable in case of need to the frontiers between British India and Indian States the Land Customs Act, 1924, which is at present applicable only to the frontiers between British India and external territory, such as the French and Portuguese Settlements or countries like Siam. The second group of provisions refer to details of administration which have no particular reference to the frontier States. In fact they have been asked for because of certain conditions that have arisen on the frontiers between British India and French or Portuguese territory.

As regards the first of these proposals, I should explain to this Honourable House that in 1924 the reason why the frontiers between British India and Indian States were left out of the application of the Land Customs Act was that at that time we had in existence no frontier at all between British India and any Indian States. We had not in contemplation the imposition of any such frontier. Some anxiety was expressed lest the Bill of 1924, which was primarily introduced for the better administration of the Pondicherry and Goa frontiers and to enable us to deal with the Siamese frontier, should have really been designed to cloak an intention to introduce land customs frontiers against certain Indian States. That suspicion was at the time without foundation and Government agreed to make the Bill of 1924 applicable to external frontiers only. Since then the situation has changed. In 1927 we found it necessary to re-impose a land customs frontier against the territory of some States in Kathiawar. More recently such a frontier has been closed against the territory of a neighbouring State. Now, although the Land Customs Act of 1924 did not apply when these land customs lines were imposed, it was perfectly feasible to carry on the administration, because we had in existence an old Act of 1857, which provided machinery reasonably efficient, but not uniform in all respects with the Act of 1924, for administering those lines and it is under that Act of 1857 that we have since continued to work. Very recently we have had to consider the whole subject of our land customs law in connection with the coming into force of Part II of the Government of India Act, 1935, which of course involves an overhaul of this like all other classes of law, where there has been in the past some delegation of functions to Local Governments. The Bombay Land Customs Act of 1857 confers certain functions upon the Local Government, which would have to be taken away and transferred to the Central Government. Similarly with the Madras Inland Customs Act of 1844, which as a matter of fact has not been in use at all against any Indian State for any period to which even my historical recollection goes back. It then became clear that this was the most

convenient time at which to clear up the position, supersede these obsolete Acts by one which would be uniform with those in force on other frontiers, and that is the primary reason for the present choice of date for introducing this change. Now, Sir, I had the privilege of presenting this Bill in another place and when I did so in the simplicity of my mind I described it as non-contentious. I am afraid that I am not able in this House exactly to give myself that consoling reflection, because of something that has happened within the last day or two. Honourable Members have doubtless, like myself, read in the newspapers an account of some discussions which took place in the Committee of Chamber of Princes on Sunday last. There is at least one Honourable Member here who must have been present at those discussions and others will have doubtless read about them in the papers. If it has escaped the notice of anyone, I will, with your permission, Sir, read the extract from the paper. It is quite a....

THE HONOURABLE THE PRESIDENT: It is not the usual practice to read any extract from newspapers in this House. Sorry, I cannot allow it.

THE HONOURABLE MR. A. H. LLOYD: Very well, Sir. I take it, Sir, that I am entitled to quote particular sentences and deal with them. For example, if I might ask your ruling, the sentence to which I particularly wish to refer.....

THE HONOURABLE THE PRESIDENT: You may use them as your own words without reading the extract.

THE HONOURABLE MR. A. H. LLOYD: It was suggested according to newspaper accounts that the effect of the Bill now before the House was to make it possible for the Government of India to declare all States to be foreign territory for the purpose of administering the land customs laws. Now, that, Sir, is a complete misconception. I cannot state too strongly that the Bill before the House, if passed, will not have at all the effect of enabling the Government of India to declare all States foreign territory for the purposes of land customs. And why? Because they have that power already without qualification under the Indian Tariff Act. This Bill refers to the Land Customs Act of 1924 which is purely a measure designed for applying the ordinary procedure to a liability imposed under another Act, namely, the Indian Tariff Act. Section 5 of the Indian Tariff Act authorises the Government of India to declare any territory outside British India to be foreign territory for the purpose of levying customs duties. If a notification under section 5 of the Indian Tariff Act is passed and if it relates to the frontier between the Presidency of Bombay and an Indian State we proceed at once to use the machinery provided by the Bombay Land Customs Act, 1857, and there is no particular difficulty except for certain inconveniences owing to differences in practice, which I shall deal with later. If the occasion were to arise—though it has not arisen within any memory to which I can go back historically nor do I see any possibility of its arising—to impose a land customs line on any line between the Presidency of Madras and an Indian State, we should at once be able to use the Madras Inland Customs Act, which was in fact used, not ineffectively, against territories such as Pondicherry and the like up till 1924. If a declaration under section 5 of the Indian Tariff Act were made with reference to the frontier between any other part of British India and an Indian State, it is true that at the moment—although the legal liability to the application of the customs rates would be fully established by

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that notification—we should not have a very convenient machinery for enforcing it; but it would not be beyond our power to enforce it. Not at all. What we could do in the absence of any *ad hoc* provision such as can be found in the Sugar Excise Act would be to make use of the power of prohibiting or restricting the entry of goods from and the despatch of goods to territories outside British India which is in the hands of the Government of India under section 19 of the Sea Customs Act. This is applicable to imports by land from Indian States just as much as to imports from any other territory outside British India. It is applicable to exports to such States just as much as to exports to any other territory outside British India. It would always be open to us to impose such a prohibition subject to conditions under which the relaxation of the prohibition might be allowed, these conditions being such as to cover the declaration of all goods passing the frontier and to cover the procedure for the assessment and collection of duties. But that would be an exceedingly cumbersome and inconvenient method of procedure, and I only mention it to the extent that I have done to show that we are not unarmed and that we are not taking an entirely new weapon into our armoury to be used in the event of the Government of India exercising their inherent power to apply the customs tariff to the land frontier between British India and any State in the country. I have elaborated this point in order to show quite clearly that we are not doing anything new and the uneasiness and suspicion that appears to have been caused unfortunately in the minds of certain Princes is, I say, without foundation. Nothing is being done to affect the rights of the States. The States have not the right to insist that British India should surrender its sovereignty in a matter of this sort any more than British India has the right to insist that the States should surrender their sovereignty. This is always of course subject to the possibility of the existence of some treaty obligations. But I am talking now about the law of the country itself. The position is, to put it briefly, that we have the power at present to make any frontier between British India and an Indian State a customs frontier. We have certain rather unsatisfactory means of giving practical effect to such a decision and this machinery is so unsatisfactory that it ought to be rationalised and put on a uniform basis and that is the only object of the present legislation. At the same time, let it be clearly understood that there is no intention on the part of the Government of India, as a result of the passing of this Bill, of modifying the land customs line which at present exists. Land customs lines are imposed by British India, unlike the practice of the States, only in cases where there is some really cogent and overruling necessity for it.

THE HONOURABLE THE PRESIDENT: I should have preferred it if you had reserved all these statements for replying to, instead of anticipating, all these objections.

THE HONOURABLE MR. A. H. LLOYD: I am sorry, Sir. I thought it might save time if I dealt with arguments which have been given great publicity. But I will drop the point and proceed to the administrative aspect of the Bill.

It has been stated, Sir, in the Statement of Objects and Reasons that the existing Act of 1857 is defective. I do not want this to be taken too seriously as meaning that the existing Act won't work. On the contrary it works quite well. But it is a very unfortunate fact that in certain details it is not uniform

with the Land Customs Act of 1924, and this causes considerable inconvenience owing to the fact that the two Acts are operated side by side by the same establishment in the same part of the Bombay Presidency. I will not give all the details where differences exist but I might perhaps refer to one or two. Under the Act of 1857, if a penalty is fixed for smuggling the minimum must be 1/10th of the value of the smuggled goods. Under the Land Customs Act, 1924, there is no minimum. Under section 20 of the Bombay Act confiscation can only be ordered by a Commissioner or Deputy Commissioner of Customs or by an Assistant Commissioner of Customs who is also a Justice of the Peace. That, Sir, is an obsolete provision. It is not necessary for us to insist that the Assistant Commissioner of Customs who authorises a confiscation should be a Justice of the Peace. Then there is the question of exemption. Under the Land Customs Act, an exemption from duty of a general character can be given by the Government of India under section 23 of the Sea Customs Act of 1925. Under the Bombay Land Customs Act exemption is only possible either by way of the rather cumbersome device of making an exception to the notification under section 5 of the Tariff Act or by a separate order in each case, a stipulation which really it is not practicable to observe.

That, Sir, is our case for applying the Land Customs Act of 1924 to those frontiers between British India and the Indian States to which any land customs procedure at all has to be applied.

The other part of the Bill, contained in clause 5, refers to the daily working of the Act and the need for it has been established by experience, not on the frontier between British India and the Indian States but on the frontier between British India and French territory. There are two proposals. The first is that section 88 of the Sea Customs Act should be applied. This is the section that provides a procedure for the disposal of goods which are not cleared within four months after entry. We left that out of the Bill of 1924 because we did not think that a situation needing it was likely to arise. It has in fact arisen now. It is quite clear that it is desirable to have some statutory provision for dealing with uncleared goods. The time of grace allowed is four months and that is surely ample. The other proposal is to provide for the application of section 168 of the Sea Customs Act. This section includes the following words:

“Every vessel, cart or other means of conveyance, and every horse or other animal used in the removal of any goods liable to confiscation under this Act shall, in like manner, be liable to confiscation”.

There has been, as the House is probably aware, considerable activity on the part of smugglers and on the part of the staff dealing with smugglers on the Pondicherry and Karaikal frontiers and we find in practice that the absence of the power conferred in the case of the Sea Customs Act by section 168 is a handicap to the work of the staff engaged in the tracing of smuggling. Many vehicles are used for the conveyance of smuggled goods and it is desirable that in cases where the authorities are satisfied that there was every reason to suppose connivance on the part of the owner of the conveyance this particular penalty should be added to those already provided for. The penalties already provided for under the Land Customs law are in fact stiffer than those under the Sea Customs law. Under the Sea Customs law, you cannot prosecute and secure a sentence of imprisonment in the case of smuggling, which you can do under the Land Customs law. We therefore ask that this provision of the Sea Customs Act, which has been in existence since 1878, and which I do not think can ever be said to have been abused, should be extended to the land

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customs frontier. With these words, Sir, I move that the Bill, as passed by the Legislative Assembly, be taken into consideration.

THE HONOURABLE THE PRESIDENT: Motion made:

"That the Bill further to amend the Land Customs Act, 1924, for certain purposes, as passed by the Legislative Assembly, be taken into consideration."

At this stage, I must draw the attention of Honourable Members to the fact that this morning I have received a notice from the Honourable Sir Prabhashankar Pattani asking permission to move an amendment referring this Bill to a Select Committee and in the alternative to circulate it for eliciting public opinion thereon. This notice is framed in an alternative manner. I will first read the notice:

"That the Bill be referred to a Select Committee consisting of the Honourable Mr. A. H. Lloyd, the Honourable Sir Bertrand Glancy, the Honourable Sir K. Ramunni Menon, the Honourable Mr. Prakash Narain Sapru, the Honourable Pandit Hriday Nath Kunzru, the Honourable Mr. Hossain Imam and the Mover.

If this amendment fails:

That the Bill be circulated for the purpose of eliciting opinion thereon."

I will first deal with the second part of this Motion, and I may say at once that I rule it out of order. As Honourable Members are aware, there are several rulings on this point that in the Second Chamber it is not usual to make a Motion for circulation of a Bill. There are also several rulings on the subject of reference to Select Committees. In 1931, my predecessor, Sir Henry Moncrieff-Smith, gave a ruling. In 1934, on two occasions, I had to deal with similar Motions. It is not necessary for me to go into all the previous rulings today, both as regards circulation and reference to Select Committees, but for the benefit of the new Members of this House, I shall refer to only one ruling of mine—the last ruling—on the subject in 1934 when this point was raised. I might as well read what I said then, because that will save me the trouble of repeating the same arguments. I said then:

"In that case under rule 29 the Honourable Member is entitled to move for the appointment of a Select Committee in this House. I may point out that rule 29 crystallises the traditional practice and procedure of the House of Lords. The Honourable Member is entitled to speak, but this privilege of asking for the appointment of a Select Committee in the Upper House is very, very rarely exercised. This Council was constituted in 1921—it emanated from the Montagu-Chelmsford Reforms—and I have been in this Council from 1921 and as far as my recollection goes, not on a single occasion has this House appointed a Select Committee to reconsider a Bill. I mention this fact to the Honourable Member merely because it is a very small Bill and I find that the reference to Select Committee will cause considerable delay and would hamper the progress of the Bill. Though the Honourable Member has a right to move an amendment, I wish to point out to him that clause 2 is the only matter for consideration and the question whether this Bill should be made permanent or limited for a fixed period of three or seven years and this can be more usefully and expeditiously discussed and threshed out by the whole Council here today than by a reference to a Select Committee."

In this case, so far as the Select Committee motion is concerned, I would like to know definitely from the Honourable Mr. Lloyd if this Bill was referred to a Select Committee in the originating Chamber.

THE HONOURABLE MR. A. H. LLOYD: No, Sir.

THE HONOURABLE THE PRESIDENT: Then, in this case, no Select Committee was appointed in the originating House, and though it is rare to

move for a Select Committee in this House, under rule 29 of the Indian Legislative Rules framed under the Government of India Act, 1919, I have the privilege of allowing such a motion. Rule 29 says:

"Any Member may (if the Bill has not already been referred to a Select Committee of the originating Chamber or to a Joint Committee of both Chambers, but not otherwise) move as an amendment that the Bill be referred to a Select Committee, and, if such motion is carried, the Bill shall be referred to a Select Committee, and the Standing Orders regarding Select Committees on Bills originating in the Chambers shall then apply."

But my difficulty in this case is that the notice itself for moving this motion of reference to a Select Committee is very defective. Under Standing Order 39A—

"At the time of the appointment of a Select Committee, the number of persons whose presence shall be necessary to constitute a quorum of the Committee shall be fixed by the Council."

In this notice the Honourable Mover has not fixed the quorum as required by the rule. Secondly, he has not fixed the time limit, required under Standing Order 40, within which the report of the Select Committee must be submitted to this House. Clause (2) of Standing Order 40 states:

"Such report shall be made not sooner than three months from the date of the first publication of the Bill in the Gazette, unless the Council orders the report to be made sooner."

If I allow this motion as it stands to be moved, the report cannot be submitted before three months, when this Council will most probably have adjourned and there will be no use referring this Bill to a Select Committee. That is the second difficulty. At the same time I realize the importance of this Bill and I should be unwilling that a measure of such importance to British India and the States should be passed hurriedly in this House. I shall therefore allow the Honourable Member to make his motion altered and framed in the terms I have pointed out, if he is willing to do that, and to submit it to me now.

Then, as regards the other point, it is perfectly clear from several rulings that, even if this motion for Select Committee fails, I cannot permit the alternative motion to circulate for the purpose of eliciting public opinion.

THE HONOURABLE SIR PRABHASHANKAR D. PATTANI (Bombay: Non-Muhammadan): I am very grateful to you for giving me the opportunity of moving this motion for the appointment of a Select Committee if provision for a quorum and the time limit within which the report of the Committee is to be submitted is made. With your permission I therefore move the addition that the quorum be fixed at five and that the report of the Select Committee should be submitted to the House within two weeks.

I am quite sure if this request is granted that much light will be thrown on this Bill, which, as you yourself have said, Sir, is a Bill of great importance, because as far as my knowledge goes this is the first time when an attempt has been made to distinguish between British India and Indian States.

THE HONOURABLE THE PRESIDENT: You are not to make a speech at this stage.

THE HONOURABLE SIR PRABHASHANKAR D. PATTANI: I suggest that the time limit and the quorum as I have submitted may kindly be

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accepted, and I may be allowed to move the motion I have submitted with these two additions.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That the Bill be referred to a Select Committee consisting of the Honourable Mr. A. H. Lloyd, the Honourable Sir Bertrand Glancy, the Honourable Sir K. Ramunni Menon, the Honourable Mr. Prakash Narain Sapru, the Honourable Pandit Hriday Nath Kunzru, the Honourable Mr. Hussain Imam and the Mover, that the quorum shall be five and the time limit within which the report is to be submitted is two weeks."

Discussion will now proceed only on this amendment that the Bill should be referred to a Select Committee.

THE HONOURABLE SIR PRABHASHANKAR D. PATTANI: Sir, my submission will be short and will only refer to the importance of the Bill and its effect on the Indian States as well as on British India. India has been under one Sovereign without distinction between British India and the Indian States throughout the history of the establishment of the British Empire in this country, and for the first time now at a time when there is an attempt to constitutionalise the status and union of all-India interests in the new constitution Act such a measure, as the Honourable Member in charge of the Bill suggested, must create some very definite fears in the minds of the Princes who are now meeting in Delhi in informal Committee. But I do not wish to discuss the points of view that have been presented there. This question has to be decided in this House. The Committee I have asked for will have many important points to discuss, which will be useful alike to Government and to the States, and if I am in ignorance in regard to some matters I will be enlightened.

I would first draw attention to section 3 of the Bill. It is definitely said that this Bill is aimed at the economic interests of the Indian States. I realize at the same time that foreign goods entering through an Indian State without paying customs duty at the rate of the British Indian tariff have no right to underbid the trade of British India by paying a lower tariff. But there are arrangements or agreements or treaties with Indian States under which they are under the obligation of charging British Indian tariff rates. There should therefore be no distinction between Indian State Ports and British Indian Ports, both of whom are in the same customs union.

THE HONOURABLE THE PRESIDENT: I do not want you to go into the details of the merits of the Bill.

THE HONOURABLE SIR PRABHASHANKAR D. PATTANI: This point will be discussed by the Committee and I think it will be very interesting and enlightening. I would very humbly but very earnestly request the House to accept this motion without difference of opinion. After all the idea is to find out how the matter stands, whether it is opportune to do it at this moment, whether it is not in the interests of India as a whole that we should all sit together, stand together, work together, and not be in conflict with regard to our economic interests. I do not want to detain the House with arguments which I can put before the Committee, and I would ask for the acceptance of this motion without division or further discussion.

THE HONOURABLE MR. A. DE C. WILLIAMS: May I point out that Sir Bertrand Glancy is not a Member of this Council?

THE HONOURABLE THE PRESIDENT: Then his name will have to be eliminated. Do you wish to substitute any other name for that of Sir Bertrand Glancy?

THE HONOURABLE SIR PRABHASHANKAR D. PATTANI: Is not Sir Bertrand Glancy a Member of this House?

THE HONOURABLE THE PRESIDENT: At present when the motion is being made he is not a Member; he is not a Member of the Council today. He may come in in two or three days' time again. He is not a Member at the time of your making the motion.

THE HONOURABLE SIR PRABHASHANKAR D. PATTANI: The Member in Charge is the Honourable Mr. Lloyd as I understand.

THE HONOURABLE THE PRESIDENT: You have got so many names that I think it is quite sufficient. You are of course entitled to give another name.

THE HONOURABLE SIR PRABHASHANKAR D. PATTANI: I will be satisfied with six.

THE HONOURABLE THE PRESIDENT: I will allow you to put in another name if you wish to do so.

THE HONOURABLE SIR PRABHASHANKAR D. PATTANI: I will suggest the name after referring to the list of Members but I do not mind the omission of Sir Bertrand Glancy if you, Sir, think that the six members are enough.

THE HONOURABLE THE PRESIDENT: I do not think anything when I am presiding in this House.

THE HONOURABLE SIR PRABHASHANKAR D. PATTANI: I will give the name later.

THE HONOURABLE THE PRESIDENT: Before I put the motion the name must be given.

THE HONOURABLE SIR PRABHASHANKAR D. PATTANI: Mr. Parker.

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras: Non-Muhammadan): Sir, in rising to support the Motion for referring the Bill to Select Committee, I would like to add a few words. First of all, Sir, I am making it clear that I am not dealing with this motion or with this Bill either as a champion of the Indian States or British Indian provinces, nor do I wish to say anything about what reaction it will have on the Federation which is coming.

THE HONOURABLE THE PRESIDENT: This is entirely superfluous at this stage. You will please speak only on the motion for reference to Select Committee.

THE HONOURABLE MR. V. RAMADAS PANTULU : My reason for supporting this motion is this. First of all, it is very difficult to agree with the Honourable Mr. Lloyd that nothing new is being done and that the law as contained in the present Land Customs Act and the Madras and Bombay Acts is merely being put on a more satisfactory basis. It is very difficult to agree with that position. I think for instance that the new definition of foreign territory is a vital change.

THE HONOURABLE THE PRESIDENT : This is all superfluous again. You are speaking on the merits.

THE HONOURABLE MR. V. RAMADAS PANTULU : If that is so, Sir, I do not wish to go into details ; but there are certain very important matters in the Bill which have not been considered in the other House and I will merely refer to a few matters which do require consideration and try to show why this Bill should go before a Select Committee. In regard to the incorporation of section 168 of the Sea Customs Act into this Bill I think it is a very vital departure in the law and if you think that all that could be said at a later stage, I bow to your ruling. In supporting the motion for Select Committee I wanted to show how this Bill involved very vital questions which would require careful consideration for that might induce this House to agree to a motion for Select Committee ; if there is nothing new in these provisions but a formal amendment of the existing law, the motion for referring it to Select Committee may not be accepted. So, with this explanation I support the motion.

THE HONOURABLE MR. A. H. LLOYD : Sir, I oppose this motion. The Bill, it appears to me, is far too simple to require the Select Committee procedure. It is one regarding which the Honourable House might very easily be asked either to accept the Bill or to reject it or to reject particular clauses. But the procedure of a Select Committee does not seem to me to be necessary for such a course. The Honourable Member who moved for the appointment of this Select Committee did so because he wished to have certain aspects of the Bill and certain doubts and uncertainties felt outside regarding the object of the Bill discussed in such a way as to set them at rest. Surely by far the best place to deal with apprehensions felt outside this House would be in the House itself. So far as the matter in which the Honourable mover is interested is concerned, there is one question of principle before us and that is the question whether or not we should replace the existing defective Act and unsatisfactory machinery—the Land Customs Act of 1924—for use if, in any circumstances, occasion should arise for imposing a land customs line on any frontier between British India and an Indian State. I have always understood that the acceptance of reference to Select Committee is the acceptance of the principle of the Bill and I submit, Sir, that if this Bill is referred to Select Committee it means that that principle is accepted and if that principle is accepted, then there is really nothing more to be said about it except to pass the Bill as it stands. As regards what my Honourable friend Mr. Ramadas said, that again seems to me to be a matter which could have been very simply dealt with by the process on the floor of the House. An amendment could have been put up to clause 5 of the Bill proposing to omit those words which make section 168 of the Sea Customs Act applicable. We could then have adopted it on the merits in this House.

THE HONOURABLE THE PRESIDENT : You can still do that at a later stage when I go into the clauses.

THE HONOURABLE MR. A. H. LLOYD : There is all the more reason why my view that it is not a matter for Select Committee should be accepted. Sir, I oppose.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern : Non-Muhammadan) : Sir, there is just one aspect of the matter to which I should like to draw your attention. It is this. I do not want to go into the merits of the Bill. Probably so far as the merits of the Bill are concerned, I would be with my friends opposite.

THE HONOURABLE THE PRESIDENT : You can certainly show reasons why it should be referred to a Select Committee. So far as that is concerned, you can go into the merits.

THE HONOURABLE MR. P. N. SAPRU : So far as the motion for the Select Committee is concerned, what I want to say is this. By sending the Bill to Select Committee the House will have committed itself to the principle of the Bill. Therefore, it strikes me that there is no disadvantage in having a Select Committee. The matter can be discussed in the Select Committee. It is a matter which may require some further elucidation and therefore I should be disposed to support the motion for a Select Committee without committing myself to any further steps that Sir Prabhaskar Pattani may take. (*An Honourable Member* : "What further steps?") If the motion for Select Committee is defeated and if Sir Prabhaskar Pattani proposes the rejection of the Bill, then I am not prepared to support the rejection of the Bill, but I am prepared to support the motion for reference to Select Committee.

THE HONOURABLE THE PRESIDENT : I have already said that when we go into the clauses, any amendment you desire to make, though notice of it has not been given, I will allow.

The Motion is :

"That the Bill be referred to a Select Committee consisting of the Honourable Mr. A. H. Lloyd, the Honourable Mr. R. H. Parker, the Honourable Sir K. Ramunni Menon, the Honourable Mr. Prakash Narain Sapru, the Honourable Pandit Hirday Nath Kunzru, the Honourable Mr. Hossain Imam and the Mover. The quorum shall be 5 and the time limit will be two weeks for submission of the report."

THE HONOURABLE SIR PRABHASHANKAR D. PATTANI : May I say a few words in reply to what the Honourable

THE HONOURABLE THE PRESIDENT : I gave you an opportunity and you ought to have got up then. So far as the amendment is concerned, a person who moves an amendment has no right of reply under our Standing Order.

The Question is that this Motion be adopted.

The Motion was negatived.

THE HONOURABLE THE PRESIDENT : The debate will now proceed on the main Bill.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, I rise to support the Bill. The Bill seems to be in the interests of British India and so it ought to have our support. From the material which is before us we find that smuggling is being practised on

[Rai Bahadur Lala Ram Saran Das.]

the land frontiers of India and the sooner that smuggling stops the better. Sir, one cannot say with certainty as to how that smuggling goes on but from the prices of various articles which are sold cheaper than the cost they are landed in British India *plus* the import duty one cannot come to any other conclusion but that smuggling is in existence. This Bill, Sir, will stop such smuggling and hence it ought to have the support of the Council.

THE HONOURABLE SIR DAVID DEVADOSS (Nominated: Indian Christians): Sir, I welcome this Bill. I have heard people say that diamonds to the value of 40 lakhs of rupees used to be smuggled into British India from the foreign territory and recently the cordon has been strengthened and from the figures given the customs revenue has considerably increased. And seeing that Cochin is going to be an important port, this Bill is not at all a day too early. We may take it, Sir, that all kinds of articles might be imported into Cochin which is an important port and might be smuggled into British India though at present we do not hear of any such smuggling. But from French possessions like Pondicherry and Karikal very large quantities of silks and other dutiable articles are smuggled into British India. I welcome the amendment of the Act by the introduction of a provision for the confiscation of vehicles. That is a very welcome provision, Sir, for the smuggling is done by means of motor cars and motor lorries. If the vehicles also are confiscated I think it will prevent enterprising people from trying to smuggle dutiable articles into British India. With these words I have much pleasure in supporting the Bill.

THE HONOURABLE MR. V. RAMADAS PANTULU: There is just one matter on which I would like to say a few words. The present Bill seeks to incorporate the provisions of section 168 of the Sea Customs Act into this Bill. The provisions of section 168 of the Sea Customs Act provide for the confiscation not only of the goods, including packages in which they are found and other contents thereof, but also of every vessel, cart and other means of conveyance, every horse and other animal engaged in the removal of any goods. They are all liable to confiscation. Sir, the Sea Customs Act is somewhat different in its scope from the Land Customs Act. The conveyances or vehicles which are intended to carry these goods specially go to the ports where the goods are imported and the owner of the vehicles know what they are doing. With regard to the Land Customs Act, it is possible that many kinds of goods which are subject to duty but on which duty was not paid may be conveyed by individual passenger by motor lorries and buses or even by private motor cars which may be frequently moving from one place to another on land and of which the owner of the vehicle may not know; and there is nothing in the section which will confine its operation to the confiscation of vehicles the owners of which are aware that any contraband articles are being carried. Supposing a passenger in a motor bus carries some articles on which duty is payable but was not paid, that will come under the mischief of the new Statute. So not only the person in possession of the articles will be prosecuted and his goods confiscated but even the motor car or bus in which the goods are being carried will be confiscated. Of course, the usual answer is that the executive officers, the Commissioners of Customs, will not behave so unsensibly and will always make sure that the use of the vehicle was obtained for illicit purposes and that the man who owned the vehicle knew that it was being used for this purpose, and that without such evidence no such drastic step would be taken. But in extending the penal provisions of one Act to another Act, very great care must be taken. The Land Customs

Act would apply to cases of vehicles which frequently pass from one place to another on land and many innocent owners of vehicles may be brought within the mischief of this Act and incalculable harm may be done. The argument that since 1878 there has not been no hardship under the Sea Customs Act will not be a sufficient answer to my objection because the case of the Sea Customs Act is somewhat different since vehicles are special sent to the port to bring in the unloaded cargo, whereas in the case of the Land Customs Act some articles may be carried in buses which are not intended for the transport of such articles but which may be used for passenger traffic as well. Therefore, I think this is a very drastic provision and there is no reason why it should be included. It was not in the 1924 Act and was not in the Bombay Act of 1857 or Madras Act of 1844. I think it is a dangerous provision and should not be included in this Bill.

THE HONOURABLE MR. A. H. LLOYD: Sir, I do not wish to detain the House for more than two minutes with reference to the remarks made by the Honourable Member who has just sat down. He has rather put me in a difficulty by anticipating exactly my answer to his argument. But, Sir, I think, in the position to answer his answer. He said that there was a fundamental difference between the places to which the Sea Customs Act and the Land Customs Act are applicable. I think that he is mistaken in that respect. Section 168 of the Sea Customs Act, in addition to referring to goods, refers to carts or other means of conveyance, and every horse or other animal used in the removal of goods. That, Sir, I think suggests that care for the application of section 168 might very easily arise in connection with the illicit transport of goods by land from a place where they have been landed and that would most probably occur in places which are not ports. My Honourable friend in talking of his difficulties referred to ports. One of the great dangers which any coast-guard staff has to guard against is the landing of goods in places which are not ports, from which they are removed by any kind of vehicle. The position then is really just the same as if they were brought to a point on the land customs frontier and then removed by vehicle. Therefore, I do not admit that there is such a distinction as my Honourable friend felt existed between the two cases and I feel therefore that what he has said still holds good as an answer to the objection, namely, that this power has been vested in the hands of the Customs Officers for more than half a century and has not been abused. It is to me unthinkable that our staff should be so unreasonable as to act in the way that has been suggested. If a single passenger on a motor lorry were to have goods concealed on his person, in such circumstances, the driver, much less the owner of the lorry could not have the slightest idea that there was smuggling aboard. There could be no question of the Customs Officers exercising the power which is now proposed to confer on them in such a case. Where he will exercise those powers is in the numerous cases which have been occurring with great frequency on the frontiers of Pondicherry and Karikal where a car is specially equipped for smuggling purposes with hiding places in the upholstery and so forth.

Now, Sir, I ask the House to trust their administration just to this extent—to trust them to be reasonable in exercising these powers which it is now proposed to confer on them rather than to refuse them these powers, because there was no specific limitation to cases of good faith. I think, Sir, it would be a lamentable matter if this Council of State were to act on the assumption that good faith will be absent from the proceedings of the Customs Officers if they are not expressly bidden to observe good faith.

THE HONOURABLE THE PRESIDENT : Motion made :

"That the Bill further to amend the Land Customs Act, 1924, for certain purposes as passed by the Legislative Assembly, be taken into consideration."

The Question is :

"That that Motion be adopted."

The Motion was adopted.

THE HONOURABLE THE PRESIDENT : The Question is :

"That clause 2 stand part of the Bill."

THE HONOURABLE SIR PRABHASHANKAR D. PATTANI : Sir, I object to this clause being passed as it stands, because it distinguishes between "British India" and Indian India. It is sought to substitute the words "British India" for the word "India". There is an attempt to put in the words "British India". That means that this clause attempts to divide the sub-continent of India into two parts although the same Sovereign has authority over both. I would not make a long speech because I do not intend to detain the House unnecessarily. Of course I am very sorry that my first motion was rejected, because that prevents full consideration being given to the Bill in Select Committee. But I do not wish now, having been defeated on that motion, to reiterate the same thing; but I urge that technicalities must not over-ride the importance of the occasion, and in a House like this where there is no man belonging to the Indian States as a State

THE HONOURABLE THE PRESIDENT : You are a host in yourself.

THE HONOURABLE SIR PRABHASHANKAR D. PATTANI : I am a resident of, and belong to, an Indian State, but I do not represent the Indian States in this House, and my views would be the most impartial views on any measure that comes up before the House. In a House like this, where a most innocent proposal for reference of this Bill to Select Committee has been rejected, I despair of any attempt to bring in other amendments because they will meet with the same fate. I also despair of any changes in the clauses being allowed if anybody else or myself suggested them, and I know that it is a most dangerous thing for this House, at this juncture especially, by force of technical power to let this Bill go through without full discussion, which would have been possible and which would have enlightened many Members of this House as to the necessity of considering certain important recommendations. These recommendations without in any way affecting the desire of the Government to prevent smuggling, and without in any way affecting the great principle that goods that have not paid the British tariff rate should not be allowed to pass into British India and also in territories which are governed under treaties and engagements as customs ports, would greatly have improved the Bill. But anything beyond that that is intended to be introduced here is a direct violation, if I may be allowed to bring in politics, of the great Proclamation which says that Dignities, Rights and Privileges of Indian States shall not only be guaranteed but preserved "as if they were our own". I know that when a House discusses a Bill, there is always a disinclination to hear political views. But this view that I am commenting upon cuts at the very root of the promises made at the time when the East India Company ceased to exist here and the Great Queen Victoria took over the administration of India. My only chance is now to object to clauses when we discuss the clauses. But I suggest to the

House—and I would very humbly also suggest to the Government—that it would have been both right and courteous if this Bill had been allowed to go to a Select Committee. It is beyond me now to press for it because the House has rejected that proposition, and I know that any other amendment or any other proposition that I may have the privilege of putting before the House when we discuss the clauses—I have no doubt about it—will meet with the same fate as the amendment that I proposed. It would be a pity from many points of view, not merely from the States' point of view but also from the Government point of view. I had hoped that it would have been possible for Government to drop the Bill at the present juncture and bring it forward at the time when constitutional changes would allow the party against which it is aimed to be present to put their point of view, in which event there would have been a sort of friendly compromise between the parties that are mostly affected by this. British India and Indian States are in the same country and under the same Sovereign and for Indian States to be declared for customs purposes foreign territories is a new idea. This is a new definition of the Indian States' position in the sub-continent of India. They are foreign territories because they are foreign jurisdictions, because they are Sovereign States, and not for the purpose of customs where those States have entered into customs relationship under agreements and treaties. I think this is a great mistake. But I have lost my motion and the only chance left to me now is to strive single-handed against innovations in the position of Indian States. It is most inopportune. This is not the time when the great Government of India should introduce a measure like this, when even the parties against whom the measure is directed are not present in the Legislature : when it is the earnest desire of the British Government, not only here but also in England, to bring about a Constitution which may help the proper working of the two Indias together in a friendly spirit. With this final appeal, I hope that any request for an improvement of the clauses will not meet the fate with which my very simple and very humble motion has met. I appeal to the Members here, I appeal to their conscience, I draw attention to the fact that in the Statement of Objects and Reasons it is said that no treaty rights are intended to be abrogated, and that there is no intention of expanding the frontier lines against Indian States. If that is really so, then this has to be incorporated in the Bill itself, namely, that no additional frontier lines than those which exist today shall be introduced and that treaty rights will be carried out honestly in the spirit and not in the letter only. I do not wish in this House to quote any individual cases. It would have been possible to mention such things in the Committee, and it would have been in the interests of Government themselves to have given that opportunity. But it is no use mentioning these good intentions in a statement appended to this Bill, which has no legal significance in a court of law. The House knows and every man with some legal knowledge knows that no matter what promises have been given by Government in the discussions on a Bill in this House or are appended in statements like this, they have no force at all when the Bill becomes an Act. When the Act is there, everything else is disregarded by a court of law. Therefore, these intentions expressed in this statement will have to be brought into the Bill and definitely incorporated in the sections when we come to them. I think the effect of this Bill is not realised. The effect will be that any State whether internal or maritime, can be circumscribed by a customs barrier, where all goods, whether dutiable or not, could be taxed or prevented from entering British India. And it has to be remembered that in that event British Indian goods may or may not be able to enter the Indian States. Is that the position which the Government have in view? One-third of Indian territory belongs to the States, and this is an aspect to be considered. I mean internal

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States consume goods which have entered those States through British Indian ports where the goods have paid duty to Government. Is not Government benefiting from that consumption, and what will happen if those goods are not allowed to enter the States? These are considerations which I am quite sure, if I had been given the opportunity of discussing them in Committee, would have impressed Government or if I am wrong I would have been enlightened. But that opportunity has been denied to me. I have no other amendment to submit. My second amendment for circulation of the Bill is apparently against previous rulings, and the only thing left for me is to put forward my views when we come to consider the Bill clause by clause. I know what the fate of that will be. But I should deeply regret it if technicalities are allowed to override human considerations in this matter. I am not saying this because I am influenced by sentiment. As an administrator who has served both the Government and Indian States, here and in England, I think that from the administrative point of view the permitting of technicalities to override human considerations of good government is a danger now and will be so in the future.

THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL (Bombay : Non-Muhammadan) : Sir, Sir Prabhashankar Pattani has put forward a very pathetic case for the Indian States, but a greater section of India is in British India, and that section has expressed its opinion repeatedly and very clearly and unequivocally. For a long time there has been smuggling of goods through certain ports and representations have been made by the commercial community and commercial associations to the Government to take steps to prevent such smuggling— which has been going on for a long time. This is not a precipitate measure. In fact the commercial community at various places has felt that Government were very dilatory in taking measures to deal with this unfair competition which has been diverting the trade of British India to certain other ports. The commercial community have not been able to understand how goods which cost them so much cost so little in Indian States. Sir, I do not understand which particular provision of this Bill can be said justly to inflict a hardship on the Indian States. Sometimes it has been found that the States themselves have been importing the goods and traders from outside too have imported goods through State ports, where various facilities are allowed to them. Something must be done to put an end to this unfair competition. Therefore, Sir, I am unable to support the amendment.

THE HONOURABLE THE PRESIDENT : There is no amendment.

THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL : The opposition.

THE HONOURABLE THE PRESIDENT : There is no amendment nor proposition. An amendment of a negative character is not admissible under the Standing Orders. The party who opposes may vote against the clause, but there can be no amendment of any kind.

THE HONOURABLE MR. A. H. LLOYD : My answer to what the Honourable Sir Prabhashankar Pattani has said is really to be found in the remarks which I made, trespassing upon your patience, in my opening speech, and it is not necessary for me to say more than one or two words.

THE HONOURABLE THE PRESIDENT : You are entitled to repeat as much as you like.

THE HONOURABLE MR. A. H. LLOYD : I do not desire to weary the House by repeating more than this, that it is a fundamental misconception to say that this Bill is doing anything to alter the rights and privileges of Indian States in regard to the existence or non-existence of a liability to customs duty on goods crossing their frontiers. As I have already explained, that is a position accorded, with no exception in favour of any Indian State, by the Indian Tariff Act, section 5. We are now only talking about the machinery, and to talk about a machinery measure as if it were deciding questions of principle is only I am afraid misleading. Clause 2 of the Bill about which we are now talking does not attempt to divide India into two parts as my Honourable friend says. What it intends to do is to recognise the extent of the existing division of India into two parts so far as it does exist. Therefore it is not necessary for me to say anything more in defence of the clause.

Clause 2 was added to the Bill.

THE HONOURABLE THE PRESIDENT : The Question is :

"That clause 3 stand part of the Bill."

THE HONOURABLE SIR PRABHASHANKAR D. PATTANI : Sir, I should like to add a few words to the remarks I have already made. I would remind the House of the remarks that have fallen from me on clause 2. There is only a solitary "No" when I object to any clause and I know my position is only one solitary "No" in a House consisting of so many Members, and if Government have made up their mind to have this Bill they will have it.

THE HONOURABLE THE PRESIDENT : You said there was one solitary 'No'. There are here several non-official Members.

THE HONOURABLE SIR PRABHASHANKAR D. PATTANI : No. There were no other 'Noes'. With regard to the abolition of clause 2 I was the only solitary 'No' and I will have the same privilege of a solitary 'No' with regard to the other items, I am afraid. But I should like to state once more even at the risk of a humble repetition that this is a most dangerous Bill from the point of view that it is going to drive a wedge between one part of India and another part of India, which are intended to and which work together and which can be made to so work together that that combination may work for the best interests of India, for the Commonwealth as a whole. I never intended to bring in these sentiments in this discussion. I would have tried to convince by persuasion the Committee, but that opportunity has been denied me and I have therefore to say these things here, not because I feel the thing, but because from the administrative point of view it is such a repugnant idea that under one Sovereign and in one country there should be two different people fighting against each other in the interests of their economic life. I entirely agree with my Honourable friend who opposed my submission from the point of view that British India have thought that smuggled goods are entering from Indian States. This is a case which required to be gone into in a court of law. It can be proved that there has been no diversion from any British Indian ports, that there has been no smuggling from certain States. Because in one corner of the whole province of Kathiawar something may have happened 8 or 9 years

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before the 1927 frontier line was imposed, that therefore all the Kathiawar State should be punished as culprits against whom suspicions would be justified—I protest against this point of view held in higher quarters, that all the States are thus behaving. The remedy was to put right the State which may not have kept to its obligations rather than for the sake of one delinquent, as is happening in other spheres of political existence today in India, for the sake of one delinquent to put the whole class of friendly Indian States into the category of foreign countries for the purposes of customs, which really means a barrier upon the economic life of the Indian States. It already imperils and certainly to a great extent ruins the economic life of whole populations and the Indian State population is one-fourth of the population of India who are intended to be brought into a constitution, so that we can shake hands and work together for the common interests of the country as a whole. I am afraid because of some under-appraisal of the great difficulties that this Bill will create that this action has been taken; that under-appraisal would have probably been modified if there was a chance of talking together. But that is now I am afraid not possible. I take objection to clause 3 because for the first time in the existence of any Government in India there has now been an attempt to distinguish between one part of India from the other similar but more important, influential, part of India; and I therefore again place before the House however humble a request—as my friend over here very pithily expressed it—almost a prayer to this House that this action may be taken after full consideration of all the implications that this Bill presents. I have great objection against clause 3 which should be deleted from this Bill and if there is to be any portion of the section to be improved upon, I would suggest that this section should in no circumstances apply to States which enjoy the rights of customs ports, who are under treaty obligations with Government that have been accepted for over three-fourths of a century and have got the Secretary of State's final decision on those rights. I would therefore say that this shall not apply to a State which has the privilege of being in customs union with the Government of India and which has definite treaty relations, accepted by Government themselves, against whom this barrier was put by a misapprehension on the occasion of the last frontier line established by the Viceroyalty of Lord Curzon in 1903, against which there was a memorial to the Secretary of State, who has said that the Government of India has divested themselves of the right of their prerogative to put any barrier against a State which has entered into contractual relations with the Government of India. I would therefore add that this should be incorporated in this Act, so that when a thing like that goes before a court we may not have to depend upon the Statement of Objects and Reasons. It has no value in a court of law, as I explained in my first speech. I should suggest that, if the House agrees, this section would be dropped so that the objectionable part of this Bill may be removed. I earnestly request that promises should not be broken for the purpose of preventing smugglers, for the purpose of preventing goods entering into British India which have not paid the full duty. I do not suggest that smugglers should have freedom to do it.

THE HONOURABLE THE PRESIDENT: Nothing is said in this clause that promises will be broken.

THE HONOURABLE SIR PRABHASHANKAR D. PATTANI: Sir, the promises are broken.

THE HONOURABLE THE PRESIDENT: It is extraneous matter altogether so far as the clause is concerned.

THE HONOURABLE SIR PRABHASHANKAR D. PATTANI: Well, we will have to bow to the decision of the Chair but I think that it is being done at present. You cannot deny the facts. I am very sorry that I should be forced to bring forward facts that are at present occurring against solemn treaties, solemn promises, solemn intentions, and solemn interpretations.

THE HONOURABLE THE PRESIDENT: You can take your case before the proper authorities. It has nothing to do with the present question.

AN HONOURABLE MEMBER: Treaties are scraps of paper.

THE HONOURABLE SIR PRABHASHANKAR D. PATTANI: You cannot say that of the British Government, which is the most honest Government in the world.

THE HONOURABLE THE PRESIDENT: Sir Prabhashankar Pattani, I have given you the widest latitude. You must confine yourself to the clauses of the Bill.

THE HONOURABLE MR. A. H. LLOYD: Sir, the Honourable Member has discussed certain very high issues which it might have been interesting for me to answer if this had been the proper place. But I submit it is not the proper place. The only answer which, having regard to the business before us, I can properly give is that his remarks are irrelevant for the reasons which I have already given. This Bill is not creating any new situation as regards the power of the Government of India to declare that for the purposes of levying customs duty any Indian State territory should be treated as foreign territory. It merely deals with a matter of machinery.

I may perhaps be permitted to add one word with regard to the question of treaty rights. Even if the Honourable Member's criticisms had been relevant my answer to that point would be that the protection of treaty rights does not depend upon the form of the law in this country. It depends upon the fact that the Government, the parties to the treaty, will not exercise powers created by their domestic law in such a way as to infringe the treaty obligations.

Clause 3 was added to the Bill.

Clauses 4 to 6 were added to the Bill.

The Schedule and clause 1 were added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. A. H. LLOYD: Sir, I move:

"That the Bill, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

The Council then adjourned till Eleven of the Clock on Wednesday, the 24th February, 1937.

COUNCIL OF STATE.

Wednesday, 24th February, 1937.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

QUESTIONS AND ANSWERS.

INCOME FROM GOODS TRAFFIC IN THE EASTERN BENGAL RAILWAY.

12. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY : Will Government be pleased to state :

- (a) whether the income derived from goods traffic during the last five years in the Eastern Bengal Railway has been less than that from third class passenger traffic. If so, what is this due to and whether that is the case with other State-managed railways in India ;
- (b) whether traffic of goods is comparatively less in Bengal than in other provinces and what is the greatest vehicle of traffic in Bengal ;
- (c) whether it is in their contemplation to open steamer lines in conjunction with the E. B. Railway system to carry such goods ;
- (d) whether such steamer lines had been in existence before and, if so, why were they abandoned and what has been its effect upon the goods traffic on the railway line ?

THE HONOURABLE SIR GUTHRIE RUSSELL : (a) The reply to the first part is in the negative and the second part does not, therefore, arise.

(b) Such statistics as are available do not permit of a comparison between provinces and between the various means of transport.

(c) No.

(d) Yes : the steamer services were abandoned, as it was found that they were unremunerative. It is not possible to say what the effect has been on the traffic carried by the railway.

METHOD OF RECRUITMENT TO THE HIGHER GRADE SERVICES ON THE STATE RAILWAYS.

13. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY : What is the method of recruitment of the higher grade services in the State railways and the scale of pay granted to them in comparison with such services in the Company-managed railways and other State services and what training facilities are afforded in India for the recruitment of such services and what scheme, if any, has been adopted for Indianising the services as soon as possible?

THE HONOURABLE SIR GUTHRIE RUSSELL: Presumably the Honourable Member is referring to superior services. If so, recruitment to these services on the State-managed Railways is made through the Public Service Commission. On the Company-managed Railways recruitment to such services is made by the Board of Directors of those companies.

The scales of pay for the superior services of the State-managed Railways are given in the Revised Rates of Pay (Superior State Railway Services) Rules published in the Railway Department notification No. 807-E. G./L., dated the 12th October, 1933, a copy of which is in the library of the House. The scales of pay for other All-India and Central Services will be found in the Superior Civil Service Rules, the Pay and Cadre Schedules of Central Services and the Revised Rates of Pay Rules, copies of which are also in the library of the House.

The revised scales of pay on Company-managed Railways are generally similar to those in force on the State-managed Railways.

Officers recruited to Superior Services on the State-managed Railways are given a certain amount of training to enable them to learn the work of the department to which they are appointed. In the Transportation (Power) and Mechanical Engineering Department special class apprentices are selected through the Public Service Commission to the extent of 25 per cent. over and above the number of vacancies to be filled each year. Four years' training is given to these apprentices in India, at the end of which period apprentices to the number of vacancies for which the selection was made in the first instance are selected in direct order of merit for further training of two years in the United Kingdom.

As regards Indianisation, Indians are recruited to the extent of 75 per cent. of the total number of vacancies in the superior services in the Railway Department as a whole provided suitable candidates with requisite qualifications are forthcoming.

RECRUITMENT OF STAFF UNDER COMPANY-MANAGED RAILWAYS IN INDIA.

14. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY: What control, if any, do Government exercise over the recruitment of employees under Company-managed railways in India?

THE HONOURABLE SIR GUTHRIE RUSSELL: Under the terms of their contracts Company-managed Railways have full powers in regard to recruitment of staff, both superior and non-superior, and the Government of India do not interfere in such matters.

TAKING OVER OF THE BENGAL AND NORTH WESTERN RAILWAY AND THE ROHILKHUND AND KUMAUN RAILWAY BY THE GOVERNMENT.

15. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY: Will Government be pleased to state whether the Bengal and North Western Railway and the Rohilkhund and Kumaun Railway will be taken over by the State? If not, why and for how long are they still to be managed by the Companies and on what terms?

THE HONOURABLE SIR GUTHRIE RUSSELL: It has been decided not to terminate the contracts with the Bengal and North Western and Rohilkhund and Kumaun Railway Companies in 1937. Government are of opinion,

after a full investigation, that the purchase of the Railways at the present time will be unremunerative. A fresh option to purchase will be available on the 31st December, 1942.

INDIAN REPRESENTATIVE IN THE RAILWAY ENQUIRY COMMITTEE.

16. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY: Why was no Indian representative of public interest appointed to serve as a member of the Railway Enquiry Committee and what is the scope and object of the enquiry?

THE HONOURABLE SIR GUTHRIE RUSSELL: With regard to the first part of the question, the Government of India after careful consideration were convinced of the need of appointing to this Committee acknowledged railway experts and deliberately selected these from other parts of the Empire to ensure that the whole matter might be examined from an entirely detached view point. As regards the second part, the Committee has been appointed to examine the position of State-owned railways and to suggest such measures as may, otherwise than at the expense of the general budget, (i) secure an improvement in net earnings, due regard being paid to the question of establishing such effective co-ordination between road and rail transport as will safeguard public investment in railways while providing adequate services by both means of transport; and (ii) at a reasonably early date place railway finance on a sound and remunerative basis.

THE HONOURABLE MR. P. N. SAPRU: Is one of the members appointed a South African gentleman?

THE HONOURABLE SIR GUTHRIE RUSSELL: Yes, Mr. Cheadle was a gentleman from South Africa.

THE HONOURABLE MR. P. N. SAPRU: Has any Indian or British expert from India ever been appointed by the South African Government?

THE HONOURABLE SIR GUTHRIE RUSSELL: Not to my knowledge.

RESIGNATION OF SIR OSBORNE SMITH FROM THE GOVERNORSHIP OF THE RESERVE BANK OF INDIA.

17. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY: Will Government please state the cause of the resignation of Sir Osborne Smith from the post of the Governorship of the Reserve Bank of India?

THE HONOURABLE MR. J. C. NIXON: I would refer the Honourable Member to the Press Communique issued on the 30th October 1936 to which Government have nothing to add.

LINKING OF THE RUPEE WITH THE STERLING.

18. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY: Will Government please state whether they contemplate abandoning the linking of the Rupee with the Sterling in India?

THE HONOURABLE MR. J. C. NIXON: No.

RESERVE BANK OF INDIA'S SCHEME FOR AGRICULTURAL LOAN OPERATIONS.

19. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY : Will Government please state whether the Reserve Bank authorities have submitted any scheme for agricultural loan operations. If so, what is the scheme and what effect do Government propose to give to it?

THE HONOURABLE MR. J. C. NIXON : I refer the Honourable Member to the report of the Reserve Bank on the subject published on the 30th December, 1936.

LAND MORTGAGE BANKS.

20. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY : Will Government please state how many, if any, land mortgage banks have been established in each province and with what capital and on what relationship or control or help of Government?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD : Information is being collected and will be furnished to the House in due course.

FACTORIES IN INDIA FOR THE CONSTRUCTION OF LOCOMOTIVE ENGINES, ETC.

21. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY : What plans, if any, have been adopted for the opening of factories in India for the construction of locomotive engines and wheels and axles for railway requirements of the State railways; if none, why?

THE HONOURABLE SIR GUTHRIE RUSSELL : As regards the manufacture of locomotives in India, I would invite the attention of the Honourable Member to the reply given by the Honourable Sir Muhammad Zafrullah Khan to question No. 368, asked by Mr. Mohan Lal Saxena in the Legislative Assembly on 14th September, 1936.

Government propose to leave to private enterprise the manufacture of wheels and axles for railway requirements in India.

PREFERENCE GRANTED TO INDIAN MANUFACTURERS FOR THE PURCHASE OF STORES.

22. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY : What preference, if any, is granted under the provision of the Store rules for the purchase of stores to Indian manufacturers?

THE HONOURABLE MR. A. G. CLOW : The degree of price preference that may be allowed to Indian products is not specifically laid down. Each case is considered on its merits.

INDIANS ENGAGED IN THE CLOVE TRADE IN ZANZIBAR.

23. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY :

(a) What are the restrictions imposed upon Indians engaged in the Clove Trade in Zanzibar?

(b) How many Indians are employed in such trade?

(c) What is the quantity of cloves and its value annually imported in India during the last five years?

(d) Has any investigation been made about the suitability of growing clove trees in India? If so, with what result and by whom and when?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD : (a) The Honourable Member probably has in mind the provisions of the Clove Growers' Association Decree, 1934. The Indian contention is that this has adversely affected both Indian exporters and middlemen.

(b) Precise information regarding Indian middlemen engaged in the trade is not available; Indian exporters number three out of a total of five.

(c) I lay on the table a statement containing the required information.

(d) No comprehensive investigation has been made.

Statement showing the imports of cloves into India during the five years ending 1934-35.

Year.	Quantity. Cwts.	Value. Rs.
1930-31	64,148	37,48,780
1931-32	83,870	42,49,215
1932-33	68,561	34,81,704
1933-34	76,763	34,41,844
1934-35	84,191	30,96,742

TRADE CONVENTION BETWEEN GREAT BRITAIN AND INDIA.

24. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY : Will Government be pleased to state whether they contemplate entering into a trade convention with Great Britain as contemplated in the Government of India Act at an early date, and, if so, when and whether the Indian Legislature will be given an opportunity to discuss its terms before it is finally settled?

THE HONOURABLE MR. H. DOW : I am not sure what the Honourable Member means by "entering into a trade convention with Great Britain as contemplated in the Government of India Act". If he has in mind the provisions of Chapter III in Part V of the Government of India Act, 1935, and is referring to a Convention of the nature contemplated in section 118 thereof concerning reciprocal treatment of subjects domiciled and companies incorporated in the United Kingdom and British India, the question of concluding such a Convention will not arise before the establishment of the Federation.

RAISED PLATFORM AT SANTAHAR ON THE EASTERN BENGAL RAILWAY.

25. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY : Will Government be pleased to state :

(a) whether Santahar is an important railway centre connecting east Bengal and north Bengal on the Eastern Bengal Railway;

- (b) whether it has a raised platform ? If not, do Government propose to construct one at an early date ? If not, why ?

THE HONOURABLE SIR GUTHRIE RUSSELL: (a) Yes.

(b) The policy of the Government is to leave to the discretion of the Railway Administration such matters as the provision of raised platforms where the traffic justifies them. The question, therefore, is one best referred to the Agent of the Railway concerned.

OSCILLATING FANS IN RAILWAY CARRIAGES.

26. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY: Will Government be pleased to state whether they contemplate using oscillating fans in railway carriages for distributing breeze to all passengers equally ?

THE HONOURABLE SIR GUTHRIE RUSSELL: The answer is in the negative.

ILLNESS CONTRACTED BY DETENUS DURING DETENTION.

27. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY: Will Government please state in a tabular form the various illnesses contracted by detenues during detention without trial for the last five years and the result of their treatment by Government ?

THE HONOURABLE MR. R. M. MAXWELL: The Government of India are concerned only with detenues confined in the Deoli Camp Jail.

The Government have not the information and consider that the labour involved in the compilation of it would be incommensurate with the value of the results.

REMEDY FOR ACCIDENTS AT COLLIERIES.

28. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY: What is the cause, effect and remedy suggested for such accidents as happened recently at Poidih Colliery ?

THE HONOURABLE MR. A. G. CLOW: The cause of the accident has not yet been ascertained definitely. It is under investigation by a Court of Inquiry appointed under section 21 of the Indian Mines Act. The effect of the accident is too well known to need repetition. Until the results of the inquiry are available, it is not possible to suggest any remedial measures. It is also impossible to make any generalisation regarding the causes and effects of, or remedial measures for, mining accidents, as these usually vary from case to case. I may, however, mention in this connection that the greater part of the Coal Mines Regulations is designed with a view to minimizing the risk of accidents in collieries and a large part of the work of the Mines Inspectorate is devoted to this task. The whole question of safety in mines is now under investigation by an expert committee.

COLLISION BETWEEN KARULLA ROAD AND JARANWALLA ON THE NORTH WESTERN RAILWAY.

29. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY: What is the cause and effect of the collision between Karulla Road and Jaranwalla on the North Western Railway on the 29th January, 1937 ?

THE HONOURABLE SIR GUTHRIE RUSSELL: The Agent, North Western Railway, states that the driver of a lorry attempted to cross a level crossing between Kuralla Road and Jaranwalla stations in the face of an oncoming train, resulting in the death of three and injuries to seven passengers in the lorry, one of whom subsequently died in the hospital.

PROTECTION TO THE SILK INDUSTRY IN INDIA.

30. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY: Have Government received any representation from the Silk producers of India for the grant of protection to the Silk industry in India and whether they contemplate granting any protection ? If so, in what shape and when ?

THE HONOURABLE MR. H. DOW: The Indian Sericultural Industry is protected already. Such protection was granted by the Indian Tariff (Textile Protection) Amendment Act, 1934, and supplemented by the Indian Tariff (Second Amendment) Act, 1936. The Government of India are also making an annual grant to assist the industry.

RESERVATION OF A PORTION OF THE CARRYING OF TRADE BETWEEN INDIA AND JAPAN FOR EMPIRE SHIPPING.

31. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY: Will Government be pleased to state whether any representation and, if so, what, has been received from the shipping traders of Great Britain for reserving certain portion of the carrying of trade between India and Japan to Empire shipping and what effect do Government propose to give to it ?

THE HONOURABLE MR. H. DOW: Government have received representations on the subject both from British and Indian shipping interests. The matter is under consideration.

RESERVATION OF LOWER CLASS SEATS IN EAST INDIAN RAILWAY.

32. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY: Will Government be pleased to state whether the attention of Government has been drawn to an article headed 'East Indian Railway Reservation of lower class seats' signed by one Mr. M. N. Dutt, Secretary, Indian Passengers' Association, appearing in the *Amrita Bazar Patrika* of January 23, 1937 ? If so, what steps do Government propose to take on it ?

THE HONOURABLE SIR GUTHRIE RUSSELL: Yes. I am sending a copy of the Honourable Member's question and of my reply to the Agent, East Indian Railway, for consideration.

RETENTION OF THE PORTFOLIO FOR INTERNAL WATER COMMUNICATIONS BY THE COMMERCE MEMBER.

33. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY: Whether the attention of Government has been drawn to the resolution passed by the Chamber of Commerce at Calcutta for the retention of the portfolio for internal water communications by the Commerce Member instead of the same being handed over to the Member in charge of Other Communications; if so, what steps do Government propose to take in the matter?

THE HONOURABLE MR. A. G. CLOW: Yes; the matter is under consideration.

IMPORTATION OF CLOCKS, WATCHES AND MOSQUITO NETS IN INDIA.

34. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY: What quantity of clocks, watches and mosquito nets are imported into India and purchased by Government respectively during the last five years and where will information for the starting of factories in India for their manufacture be available?

THE HONOURABLE MR. A. G. CLOW: Information has been called for and a reply will be placed on the table of the House in due course.

STANDING COMMITTEE ON EMIGRATION.

THE HONOURABLE THE PRESIDENT: With reference to the announcement made by me on the 20th February regarding nominations to the various Committees, I have to inform the House that the Honourable Mr. P. N. Saprú has withdrawn his candidature for election to the Standing Committee on Emigration. As there now remain the following four candidates for the four seats, I declare them to be duly elected:—

The Honourable Sir Phiroze Sethna,
The Honourable Mr. B. K. Basu,
The Honourable Rai Bahadur Lala Ram Saran Das, and
The Honourable Kumar Nripendra Narayan Sinha.

STANDING COMMITTEE FOR THE DEPARTMENT OF COMMERCE.

THE HONOURABLE THE PRESIDENT: The Honourable Sir K. Ramunni Menon and the Honourable Mr. V. V. Kalikar have also withdrawn their candidature for election to the Standing Committee to advise on subjects in the Department of Commerce. There now remain the following two candidates for two seats and I declare them to be duly elected:—

The Honourable Sir Phiroze Sethna, and
The Honourable Rao Bahadur K. Govindachari.

STANDING COMMITTEE ON PILGRIMAGE TO THE HEJAZ.

THE HONOURABLE THE PRESIDENT: The Honourable Khan Bahadur Shams-ud-Din Haidar has withdrawn his candidature for election to the

Standing Committee on Pilgrimage to the Hejaz. As there now remain the following two Muslim candidates for two seats, I declare them to be duly elected:—

The Honourable Khan Bahadur Syed Ihtisham Hyder Chaudhury, and
The Honourable Haji Syed Muhammad Husain.

INDIAN INCOME-TAX (AMENDMENT) BILL.

THE HONOURABLE MR. A. H. LLOYD (Government of India: Nominated Official): Sir, I move:

“That the Bill further to amend the Indian Income-tax Act, 1922, for certain purposes, as passed by the Legislative Assembly, be taken into consideration.”

The proposals contained in this Bill have as their starting point certain recommendations made by the writers of the Income-tax Inquiry Report, 1936, copies of which are in the hands of all Members of the Council. (*Some Honourable Members*: “No.”)

Well, Sir, I can only express the greatest regret for any such inadvertence, but copies were sent to the private addresses of all Members of the Council as soon as the Report was published in January and I also gave instructions a few days ago that copies were again to be sent to the Delhi addresses of all Members.

THE HONOURABLE SIR DAVID DEVADOSS: The nominated Members were nominated long afterwards.

THE HONOURABLE THE PRESIDENT: Very probably the copies were sent to the old Members.

THE HONOURABLE MR. A. H. LLOYD: Well, I must express my regret. It is the first I have heard of this failure. I did hear that certain Members had not received copies and I assumed they had been posted and had not yet reached their addresses, and I took measures to have copies distributed in Delhi. Well, Sir, those who are fortunate enough to have copies of this Report—and would any one who wishes to have a copy kindly ask me for another one—will find on page 19 the sentence:

“Our attention has been drawn to the extent to which taxation is avoided by nominal partnerships between husband and wife and minor children. In some parts of the country avoidance of taxation by this means has attained very serious dimensions.”

Then again on page 20 they say:

“There is also a growing and serious tendency to avoid taxation by the admission of minor children to the benefits of partnership in the father's business. Moreover the admission is as a rule merely nominal, but being supported by entries in the firm's books the Income-tax Officer is rarely in a position to prove that the alleged partnership is not real.”

That, Sir, was the starting point, and the experts having begun at that point—and it was a most serious one from the revenue point of view—proceeded to make their proposals, which in the case of husband and wife were the full-blooded adoption of what I might call the English principle of aggregating the incomes of husband and wife, whatever the sources of those incomes, subject to a certain relief in the case of a wife who earned income by her own work. The Government of India were not prepared at short notice to go the whole hog in that way. They felt that that was introducing a new principle

[Mr. A. H. Lloyd.]

which ought not to be introduced until public opinion had been received and considered on the Report. But the particular evils at which this Bill is aimed have grown to very serious dimensions and immediate action is necessary unless the revenue is to be very adversely affected. The Government therefore confined their proposals within the narrowest limits that seemed to them to be consistent with securing the immediate end. So far as husband and wife are concerned, they have confined their proposal to the case of partnerships and to transfer of assets to the wife by the husband otherwise than for adequate consideration or in connection with an agreement to live apart. So far as minor children are concerned, they follow up to a point the recommendation of the Report but do not go as far as the Report went. The recommendation of the Report was that the income of the minor should be deemed to be the income of the father (i) if it arises from the benefits of partnership in a business in which the father is a partner, (ii) if, being the income of a minor other than a married daughter, it is derived from assets transferred directly or indirectly to the minor by his or her father or mother, or (iii) if it is derived from assets apportioned to him in the partition of a Hindu undivided family. We have adopted in this Bill items (i) and (ii), but we have at this stage refrained from proceeding with item (iii) of those recommendations because we feel that all matters connected with the taxation of Hindu undivided families should be reserved to be dealt with together when we have to deal with the general subject of the taxation of such families. Honourable Members will no doubt have observed that there is a special section on page 24 of the Report devoted to the assessment of Hindu undivided families. This Bill therefore studiously refrains from making any allusion to Hindu undivided families and it will be noticed of course that the clause, clause 2, only refers to assessment of individuals and not of such families. Now, Sir, that is the history of the origin of these proposals.

I do not think I need say any more in support of my statement that the matter is extremely urgent than to mention that according to the best estimates that we can obtain the practices in question are already causing us a loss of revenue, which has been put at varying figures, from 25 to 35 lakhs a year. I have made my own conservative estimate of 20 lakhs a year; but such a loss is a very serious matter. That urgency must be our answer to the criticism which has been made in certain quarters that we ought not to have picked out one particular proposal of the experts for incorporation in the law before we have obtained public opinion upon and examined ourselves in detail the Report as a whole. Some colour has been lent to this criticism by the very words of the introduction to the Report which says "that many of these recommendations are inter-related and should be read together, rejection or modification of one necessitating rejection or modification of others." We have given very serious thought to that point, but it appears to us that this particular proposal is not one to which those words apply. This proposal does not affect the computation of income nor does it affect the kinds of income which are liable to tax. It merely decides in whose names certain income which is already liable to tax and which has been computed in accordance with our existing principles should be assessed. Another criticism which has been made of this Bill is that since it is avowedly aimed at bogus transactions—what I call bogus transactions may have an element of reality, they are bogus in this sense that the transactions would not have taken place had it not been for the intention to avoid or reduce the amount of income-tax incurred—it has been so drafted that it may be that in occasional cases

it may cover transactions which are not bogus in that sense, that is to say, the transfer of property from a husband to a wife, from a parent to a minor child, which happens to have been made for some other reason than merely to avoid income-tax. Now, Sir, my answer to that criticism is that it would be quite unworkable if we attempted to apply a subjective test, the subjective test of what was the intention of the husband or parent as the case may be in making the transfer. To attempt to apply such a test would be to put an intolerable burden on Income-tax Officers and would flood the appellate courts of Assistant Commissioners and perhaps reference Benches of High Courts to see whether or not the Income-tax Officer was right in his attempt at thought-reading. That is what it comes to. We cannot provide a complete service of thought-readers throughout British India. Therefore we have to fall back upon the objective test—whether the property was in fact transferred by the husband or parent as the case may be and not what was the motive for doing so. We feel that by making the measure workable it will not cause hardship or if it does it will only be in exceptional cases and we feel also that to attempt to introduce in the letter of the law safeguards against any conceivable hardship that might be involved would inevitably postpone the introduction of this measure while we were examining from an academic point of view every conceivable suggestion that might be put up. While, on the other hand, if in certain cases it really did not fall within the ambit of our immediate intention, we can answer that we shall within a year or two, probably within a year, have to consider the more extreme measures proposed by the Income-tax Enquiry Report and it is quite conceivable that this is only one step towards a more extreme measure. Therefore if that step is a little longer than what might be regarded as the ordinary pace, it does not much matter.

Finally, the Finance Member in another place gave an assurance that the actual working of this Act would be closely watched and if any cases of real hardship could be brought to notice and the Government were satisfied that there were cases of real hardship, it was not out of the question for the powers vested in the Government of India by section 60 of the Indian Income-tax Act to be used, pending the revision of the whole subject which must happen within a year or two when the complete proposals of the rest of the Report are before the Government and the Legislature. We have therefore resisted any attempt to narrow the limits of our proposals. I would also like to point out two further facts in that connection, firstly, that there is nothing in this to prevent anybody transferring assets to his wife or to his minor child; nothing at all. It does not interfere with anybody's right to do so. It merely says that if he does so in certain circumstances, then there will be no difference in his income-tax assessment. Secondly, it will only apply to cases where assets are transferred to persons whom he has the duty to maintain so that in effect the income will remain within his control. That I think is really the gist of the matter. That is what to my mind reduces the possibility of hardship to a minimum.

If I might now turn to the clauses of the Bill for one moment, I would point out that this is to all intents and purposes a one clause Bill. The substance of the Bill is in clause 2. Clauses 3 and 4 are merely consequential. Clause 5 has been introduced in order to guard against any risk that Income-tax Officers might apply this measure to assessments which were due to have been made in an earlier year but which happen to be completed when this Bill, if passed, becomes law. Sir, I move.

THE HONOURABLE THE PRESIDENT : Motion made :

"That the Bill further to amend the Indian Income-tax Act, 1922, for certain purposes, as passed by the Legislative Assembly, be taken into consideration."

[The Honourable the President.]

To this, I see that in connection with this Act the Honourable Lala Ram Saran Das proposes to move an amendment. I presume copies of the amendment have been circulated to all the Members and therefore it is unnecessary to read that amendment. The amendment in purport seeks to effect that nothing in this sub-section should operate so as to include in the total income of any individual for the purposes of assessment such part of the income of the wife or minor child of such individual as arises directly or indirectly from property which, under the personal or religious law applicable to the wife or child, is the separate personal property of the wife or child.

I am afraid the Honourable Member is under some misapprehension in framing this clause. This Bill does not affect any property which under the personal or religious law applicable to the wife or child is their separate personal property. But it does operate in cases where that property is transferred for inadequate consideration from a person to a wife or child or where nominal partnerships or even proper partnerships between husband and wife, parent and child, are formed. You are all aware that now-a-days among Hindu families a good many families form not only partnerships in matters of transaction but also convert their assets into joint stock private limited companies. But personal property which a wife holds or a *stridhanam* or dowry or anything like that is not affected by this Bill at all. The property is affected in this way. If a woman has *stridhanams* and converts it into money and forms a partnership, certainly that property would be liable; otherwise it does not come within the operation of the Bill at all. Only in cases where the trading is done by the wife jointly with her personal property amalgamated with her husband's property or a private joint stock company has been formed can the Bill be applied. Therefore, subject to what I hear from Rai Bahadur Lala Ram Saran Das I am not prepared to allow this amendment to be moved. I have referred to this amendment at this stage to shorten the debate. After you have spoken I will move the consideration Motion.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : May I explain, Sir, why I put this amendment before this Honourable House. The object of my amendment is to avoid hardship, e.g., in cases where for instance there are step brothers and the grandfather of the one brother from his mother's side makes a gift. After all, whether they be members of a joint family or a divided family, Sir, the argument that has been put forward by the Honourable Mr. Lloyd does not convince the House at all as to whether it affects the divided family and not the other. It does not protect the other also, because in an undivided family a similar case can happen that if a step brother who inherits property from his maternal grandfather's side, income on that property will be aggregated with his father and made liable to tax. The Honourable the President has observed that in case the wife converts her personal property into money and puts it into the trade—(The Honourable the President : "Trade jointly with the husband by the formation of a partnership".) yes—with her husband the partnership will be liable to tax on aggregate profits. (The Honourable the President : "The husband will be liable.") Sir, with due deference to the remarks of the Honourable the President, the wife puts her personal money into the business of her husband and she gets her personal share of the profits. My question is, Sir, whether the profits accrued by such partnership will be separately assessed or assessed on the joint family or the divided family basis?

THE HONOURABLE THE PRESIDENT : It will be assessed as the property of the husband and liable certainly to supertax as well.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : But, Sir, that portion of the private capital subscribed by the wife ought not to be taken as the property of the husband. That is my point, Sir. The reason why I moved this amendment is, because the present Bill is so wide and so vague, that people will be put to a lot of difficulty by the income-tax officers who will interpret it differently.

THE HONOURABLE THE PRESIDENT : Income-tax officers are always obnoxious men.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Sir, I will not call them obnoxious—after all they are also human beings, but they have the option to interpret the present vague wording of the clause in the way they like.

THE HONOURABLE THE PRESIDENT : But as Mr. Lloyd pointed out, you have the right of appeal to the Assistant Commissioner or the High Court if any injustice is done in construing the clause.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : But, Sir, our duty as Members of this Legislature is to avoid litigation as far as possible and to save the public from unnecessary going in for appeals; indeed the general experience in the income-tax department is that appeals are generally overruled and rejected and so, Sir, we do not want that the law should be so defectively framed as to be liable to a number of interpretations.

THE HONOURABLE THE PRESIDENT : No law is perfect. I have practised for 30 years.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : But I am not a lawyer, Sir. Of course, the general public are not lawyers and it is our duty to make the enactments as clear as possible to avoid unnecessary litigation.

In the case of members of a joint family also, Sir, the personal money of a step brother ought not to be regarded collectively with the income which is taxable for supertax. The money should be divided and the individuals who form the partnership ought to be taxed on the divided share of each. The Honourable the President observed that in case the wife converts her earnings and puts it into business, that will also be liable to tax. What will happen if her *Stridhan* is composed of rent yielding property,—house property or landed property? Will that be considered as an investment in business? The realisation of rent on house property is not business as far as that lady is concerned. Therefore, Sir, I wish that in order to clear the matter, my amendment deserves your consideration and I request that it should be allowed.

My last point is that in case this amendment is disallowed and in case the language of the clause is not made clear, it will mean that Government is violating its pledges in interfering with the religious laws of the people. Therefore I request that I may be allowed to put forward this amendment although the amendment may have the fate that it is likely to meet with.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern : Non-Muhammadan) : Sir, will you allow me to make a few observations ?

THE HONOURABLE THE PRESIDENT : If the amendment is allowed, you will all have an opportunity of speaking on it.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : I want to speak with regard to the admissibility of the amendment so that you may have different views before giving your ruling. There are, it seems to me, two questions to be considered in connection with the amendment which the Honourable Rai Bahadur Lala Ram Saran Das has given notice of—(1) whether it is in order, and (2) whether it is sound. In order to decide whether it is in order....

THE HONOURABLE THE PRESIDENT : I am only concerned whether it is in order. I am not concerned whether it is sound. That is for the House to say. It is beyond my province.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : If I may presume to say so, I am in entire agreement with the view just now expressed by you. If the amendment complies with the rules and standing orders, it ought to be allowed to go through. It may be highly unsound but it will be for the Honourable Mr. Lloyd to deal with the arguments that are brought forward by the Honourable Rai Bahadur Lala Ram Saran Das. To judge from the remarks made by the Chair a little while ago, it does not seem that the amendment contravenes any of the rules or regulations which govern the discussion of Bills in this House. It may be that the amendment runs counter to the policy embodied in the Bill before the House. It may even render the Bill nugatory, but that is entirely beside the point.....

THE HONOURABLE THE PRESIDENT : You have just made the proper remark that it will render the Bill nugatory. The effect of the amendment will be that it will neutralise clause 2. Government on the one hand wish to prevent these evasions of tax and this amendment on the other hand vetoes altogether the provisions of clause 2 of the Bill.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Sir, devices are not unknown to Members of a Legislature which make it difficult for Government to pursue policies on which they have set their heart. So long as these devices do not contravene the established rules and regulations, I submit that they cannot be objected to howsoever inconvenient they may be to Government. In this particular instance, my Honourable friend does not merely say that something which this Bill is opposed to should be done. His amendment is not a direct negative of any proposal made by Government in the Bill although its indirect effect may be to kill the Bill but this is doubtful. I submit, however, that the amendment ought to be allowed to be discussed, even on the assumption that its effect, if it is carried, will be to make the whole of the Bill useless. That is a point that has to be discussed. This is exactly a question which ought to come before the House and the Honourable Mr. Lloyd ought to deal with it in the House. If he convinces the House that the amendment will make his Bill useless, and if the House agrees with him.....

THE HONOURABLE THE PRESIDENT : The whole thing could be discussed also at the consideration stage.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : But I submit, Sir, that this amendment should be discussed by the House and that the Chair should not take upon itself the responsibility of not allowing the amendment to be moved and the House to have an opportunity of expressing its opinion on it.

THE HONOURABLE THE PRESIDENT : I was just going to answer that point. The President has the power to disallow an amendment if it is merely of a negative character.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : May I submit that the amendment is not a direct negative of the proposal of Government ? In form at least it is not so, and this is all that the rules and regulations of the House are concerned with. In the Legislative Assembly, repeatedly devices are resorted to by Members which has the effect of enabling them to win on a point on which they have been defeated before. They are not prevented from following this procedure simply because it is inconvenient to Government. It is for the Government to put their case.....

THE HONOURABLE THE PRESIDENT : I have not yet heard the Government here on this subject.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : I submit, Sir, that considering merely the rules and regulations of this House, it is fair, it is desirable, it is the right of this House, that an amendment of the character sought to be moved by my Honourable friend, Rai Bahadur Lala Ram Saran Das, should be discussed in the House so that the pros and cons might be made known to the Members. They are free agents. They may be expected to vote in accordance with the facts placed before them. I hope therefore that you will see your way to allow the Honourable Member to move his amendment even though you personally may hold that it is unnecessary or goes counter to the proposals made by the Government.

THE HONOURABLE SIR DAVID DEVADOSS (Nominated : Indian Christians) : Sir, may I make one observation merely on the legal point ? So far as this clause goes, it does not affect the separate property of the wife. Evidently there has been a misapprehension as regards that. What is intended to be brought within the ambit of this Bill is this—

“ So much of the income of a wife or minor child of such individual as arises directly or indirectly—

(i) from the membership of the wife in a firm of which her husband is a partner.... ”

—that is, if she becomes a partner, she will be liable—

“ (ii) from the admission of the minor to the benefits of partnership in a firm of which such individual is a partner ”....

—if he becomes a partner, then he is liable. Then comes (iii)—

“ from assets transferred directly or indirectly to the wife by the husband.”

It is not the separate property of the wife. Supposing the grandfather or the father gives some property to the wife, that income does not come within this sub-clause. Therefore, the separate property is not affected.

THE HONOURABLE THE PRESIDENT : That is what I said before, that the Honourable Member was under some misapprehension about this.

THE HONOURABLE SIR DAVID DEVADOSS : If the minor has some property, which may have come from, say, the maternal grandfather, the income on that also could not be covered by this sub-clause, because, sub-clause (iv) says—

“from assets transferred directly or indirectly to the minor child, not being a married daughter, by such individual.”

So, if a minor gets property from his maternal grandfather the income of that property would not be assessable under this clause.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : If Lala Ram Saran Das is under a misapprehension the House will throw his amendment out ; but the House ought to be given an opportunity of seeing whether the contention put forward by the Honourable Mr. Devadoss is right or Lala Ram Saran Das is in the right. Why should the Chair decide the issue ?

THE HONOURABLE THE PRESIDENT : Because the Standing Order says that any proposal that neutralises the effect of legislation proposed is not allowable. You can vote against the particular clause but you cannot move a negative amendment.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : You are the guardian of our rights and privileges, and if you can stretch a point in our favour I would request you to do so. That is the last argument I have to urge.

THE HONOURABLE THE PRESIDENT : If the Government Member has no objection I will allow it, though it will be a waste of public time.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD : We have no objection.

THE HONOURABLE THE PRESIDENT : As the Leader of the House has no objection I will allow it. When I take up the clauses you can move the amendment. At present the discussion will proceed on the main motion.

THE HONOURABLE HAJI MUHAMMAD HUSAIN (United Provinces West : Muhammadan) : In considering this legislation one has to see whether it is in conformity with the aims and objects as put down by the Government. It is for this House to consider the provisions of the Bill and compare them with those objects. Once it is passed and becomes an Act then, at the time of interpretation by a court of law, the aims and objects and the report of the Select Committee, etc., are out of the question. Therefore it is for this House to consider whether the provisions of this Bill are really in conformity with the objects and reasons set out here. Sir, I will draw your attention to those objects :

“Reference is made in sections 1 and 4 of Chapter III of the Income Tax Enquiry Report, 1936, to the practices of avoiding taxation by means of nominal partnerships between husband and wife or parent and minor child or by the nominal transfer of assets to a wife or minor child (or to an ‘association’ consisting of husband and wife) when there is no substantial separation of the interests of the assessee and the wife or child. These practices are reported to have become very widespread already, with considerable detriment to the revenue, and there is little doubt that if they are not checked there will be progressive deterioration. The proposals in the Report regarding the aggregation of the incomes of husband and wife go beyond the immediate necessities of the case and to that extent their adoption would involve the admission of a new principle which the Government of India do not desire to establish in advance of the general public discussion of the Report, etc.”

Sir, let us see whether the provisions are in conformity with these aims. I think the provisions go far beyond what the Government contemplates. Nobody can possibly quarrel with the principle of the Bill. No one desires that people by unfair means avoid taxation. At the same time it is very essential that for the sake of the guilty few, the innocent should not suffer. The object of the Government is to prevent dishonest people from avoiding taxation. The Government's proposal in clause (a) sub-clause (i) is to the effect that so much of the income of a wife or minor child of such individual as arises directly or indirectly from the membership of the wife in a firm of which her husband is a partner should be taxed on aggregate. Here we see that even the word “nominal”, which is the main object of the Government, is omitted. What has been put down is that any partnership whether he is nominal or real makes the income liable to tax in aggregation. Similarly, if we proceed further, in sub-clause (ii) we find “from the admission of a minor to the benefits of partnership in a firm of which such individual is a partner”. Here again we find the object of the Bill is absolutely disregarded. As regards transfers of assets in sub-clause (iv), all kinds of transfers, real and unreal, by registered deed or otherwise, come under the mischief of the law. Then sub-clause (iii) “assets transferred directly or indirectly to the wife by the husband otherwise than for adequate consideration or in connection with an agreement to live apart” entirely ignores the separate existence of the wife. Even discretion has not been given to the taxing officer in case if he finds that there is a very genuine transfer or that there is a genuine partnership, and even then he cannot do anything but tax on the aggregate. Even in appeal the point cannot be considered because the Act does not provide for this contingency. We have to see that injustice or unnecessary hardship is not done to those people who honestly want to benefit their children or wife and make a genuine transfer in their favour or make them a partner. You will find many families among Hindus, Muslims, Sikhs and all religions who live merely by trading and own no other property except their business and there you will find that by devolution the property passes from one partner to his heirs who become partner. I can quote many clear instances, which I can multiply if necessary, where injustice can be done, and they are not rare but happen every day. Take, for instance, a case in which A and B, two brothers, are members of a partnership. The son of one is married to the daughter of the other, as is allowed in Muhammadan Law. Both of them die, leaving the son of one and the daughter of the other as partners holding a half share each. Both husband and wife hold entirely separate property without the control of one over the other, and yet they will be taxed on the aggregate. Take another instance of a case in which a son inherits from his mother and becomes partner. In such a case it cannot be said that there is any unfair attempt to avoid taxation. It is the Almighty God who is responsible for the death of the mother and consequently the property devolves upon the son. Even in a case like that this Act not only does not give any relief but it treats the property of the son as that of the father. Another instance I shall give. In a Muhammadan family a mother dies leaving a dower debt of, say, Rs. 50,000 against the father. The father has only a big firm and no other property and his minor children become entitled to a share in the dower debt left by their mother and the father takes them as partner by transferring the property in the firm in lieu of dower debt. In that case the minor children hold property absolutely separately. The father is responsible to the court of law to account for what he received on behalf of the children. It may be that, in some cases, if you take the income of a minor son separately it may not be taxable at all, yet by calculating his income along with his father's,

[Haji Muhammad Husain.]

he is taxed. In some cases he may have to pay supertax if joined with the income of his father and when the account is put before the District Judge a share on the basis of supertax is taken out of his small income of the property which he inherited from his mother. Take another instance of prompt dower of a Muhammadan wife which she is entitled to claim at any time and in consideration of her dower she becomes a partner in the firm of her husband. In that case it is her absolute property owned separately without the control of the husband and the result is that there is danger of supertax being charged on the income of both. It may be that the income of her share if taken separately may not be taxable at all. Then take another case. In case the father who is the sole owner of a firm dies leaving a widow and a few minor children. The widow becomes a partner in the firm with her minor children. What happens to them? Worse than in other cases. Take, for instance, the case of a gift to a son by father. The father deprives himself of the property which he gives to his son and the son has it as his separate property without the least control of the father, except to the extent that he is responsible to the District Judge for the better management of the property of his son and the son is taxed along with the income of the father. Then, another instance....

THE HONOURABLE THE PRESIDENT : You need not multiply these instances.

THE HONOURABLE HAJI MUHAMMAD HUSAIN : If you are satisfied, Sir, that instances of such common occurrences can be found, it is not necessary for me to multiply them.

Now, this Bill absolutely ignores such cases which are too many in which hardship may be done. Clause 3 does make exception in certain cases, and why should there not be another exception in those real cases in which an honest man transfers property to his son or to his wife? Why has that not been done? The exceptions that are put down in clause 3 are only those which relate to property transferred to the wife for adequate consideration or in connection with an agreement to live apart. The provision not only renders certain cases very hard but it is directly, I say, against the objects that have been put down by the Government. It is quite clear that if the Bill had been drafted more carefully by adding a word or two here and there, it would have met the object. Even, if the word "nominal" had been put down or if *bona fide* transfers had been excluded, the Bill would have been harmless. It is said that the object is only to touch such transfers which are made with the intention of avoiding tax. We find, however, that every possible case has been included and it would be impossible for the wife or child who holds property to become a partner of any firm without the risk of payment of income-tax on a higher scale which is really not chargeable and which should never have been charged. Now, the Honourable the mover would agree that the object of the Government is not to charge in aggregation. That point has to be considered later. This Bill only provides for a particular contingency, namely, those people who want to avoid income-tax may not be able to do that by *benami* or nominal transfers. It was just now said that it would be very difficult for an Income-tax Officer to find out the difference between a *mala fide* and a *bona fide* transaction by going into the accounts. It will be exactly like a judge saying "I cannot differentiate on the evidence before me between the guilty and the innocent, but I am going to convict the innocent along with the guilty." If a judge is not able to form his opinion

as to which side has produced better evidence, usually the burden of proof being on the plaintiff, he should dismiss the suit. Here even that much is not given to the Income-tax Officer. My submission is that the Government wants to rush through this legislation. It may be that the 31st March is very near. It may be that the separation of Burma makes it necessary that this Act should be passed in such a great hurry. Then, in that case the provisions should have been drafted in such a way as to avoid the objections from almost every side. My submission is that in considering the Bill it is necessary to provide remedy for such cases of hardship which are real and genuine and without this it will be very unjust to tax such people and to acquire money in a way which no Government would like to do. I have just heard from an Honourable Member that in those cases these provisions will not apply. With due respect to him I submit that it applies to every case and it certainly applies to separate property either inherited or transferred genuinely. It applies equally to both. Therefore I would request the House to consider this aspect of this legislation very seriously and I would point out that the House knows under what peculiar circumstances this Bill was passed in the Assembly. There were hardly more than 2 elected Members present when it was passed in the teeth of their opposition, and it is our duty....

THE HONOURABLE THE PRESIDENT : Please do not refer to anything that has passed in the other House.

THE HONOURABLE HAJI MUHAMMAD HUSAIN : All right, Sir. I merely said it because we know the Bill was passed by the Legislative Assembly and certainly if a Bill is passed by one House it has a certain amount of respect in the other.

THE HONOURABLE THE PRESIDENT : You cannot make use of any speeches made in that House in this House.

THE HONOURABLE HAJI MUHAMMAD HUSAIN : That I am not doing, Sir.

THE HONOURABLE THE PRESIDENT : But you were about to refer to it.

THE HONOURABLE HAJI MUHAMMAD HUSAIN : No, Sir. To meet the object of the Government or the contingency of fraudulent cases it is proper to penalise a person if he is found either to have admitted his child or wife as a member nominally to avoid income-tax or to have kept his accounts in such a manner as to show that the property is separate when really it is not. That will have a deterrent effect and it will affect the guilty only and not the innocent. With these remarks I resume my seat.

THE HONOURABLE DIWAN BAHADUR SIR RAMUNNI MENON (Madras : Nominated Non-Official) : Sir, every honest tax-payer will sympathise with the desire of the Finance Department to stop the evasion of a legitimate tax. And when the evasion has assumed, as the Honourable Mover has told us, such large dimensions as to result in serious loss of revenue to the Government, full support should be accorded to any measure for adequately and speedily dealing with it. The Bill purports to deal with certain abuses specified in the Statement of Objects and Reasons. And to the extent to which its provisions are designed to achieve this object, I fully and cordially support it. But at the same time I am anxious that it should not even in its effect encroach upon a field of taxation which is excluded from its purview according

[Sir Ramunni Menon.]

to the Statement of Objects and Reasons and, if I may venture to say so, very properly excluded. But on perusing the clauses of the Bill—and here I may say that I am applying only a layman's mind to the understanding of these clauses—I have some apprehension as regards sub-clauses (ii) (a) and (iii) (a) of clause 2. My apprehension is whether these sub-clauses do not in fact travel far beyond the stated purpose of the Bill. I can make my point more clear by mentioning a class of cases where as far as I can see no evasion of tax can be presumed or established. Most Honourable Members will doubtless be aware that in Malabar marriage and inheritance do not follow the ordinary Hindu code. According to custom wife and children have no right to the property of the husband. They do not in fact either in law or by custom form a joint family with the husband. It is quite true that legislation in recent years has to a very large extent modified the incidence of custom, but I think I am right in saying that even at present the prevailing practice in regard to a husband's making provision for his wife and children is almost entirely determined by the influence of tradition and custom. The husband during his lifetime makes provision for his wife and children. In his lifetime, for example, he acquires property or invests in securities in the names of his wife and children. That is the practice. Now this practice I need hardly point out is not resorted to for the purpose of evading income-tax. It has been in existence from time immemorial. I rather imagine that this class of cases will be covered by the penal clauses of this Bill. I suppose they will be included in the category of cases of assets transferred directly or indirectly by the husband otherwise than for adequate consideration. I shall be glad if I am mistaken in my interpretation, but if I am not and my apprehension that they will be included in this category is correct, I should be thankful if the Honourable the Mover of the Bill would give some consideration to this class of cases. I was very glad to hear from him of the assurance given by the Finance Member in the other House that if in giving effect to this Bill any class of genuine cases of hardship arises due consideration will be given to such cases. I submit that I have mentioned a class of cases of genuine hardship and I hope that he will give them due consideration. Subject to these observations I give my full support to the Bill.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR (Madras : Muhammadan) : Sir, so far as the principle of the measure is concerned, I am at one with the Honourable Mover. It is but just and fair that incomes which in fact are liable to income-tax or to a particular rate of income-tax should not be allowed to go scot-free either by evading the income-tax or the higher rate to which they are liable by the employment of means which are not quite honest. But, Sir, if the scope of the Bill had been confined to such cases, none of us would have had any objection. But we find from the provisions that have been formulated in this measure, that the effect of these provisions will be to bring a number of cases within the ambit of this law, which it is not the intention or at least which was not the intention of the members of the Income-tax Inquiry Committee to bring within the purview of this measure. As has been pointed out by my Honourable friends who have preceded me, there are a number of transactions which are quite different from the transactions which originally it was proposed to bring within the operation of this law that are covered by the provisions of this measure as it has been framed.

Sir, as has been pointed out by my friend, the Honourable Mr. Muhammad Husain, there are only three tests by which these malpractices can be tested.

The first test is whether the partnership is nominal or real, and the second is whether the transfer of the assets to the wife of minor child is real or nominal and lastly whether there is any real and substantial separation of the interests of the assessee and the wife or child. Judged by these standards, Sir, we find that the class of cases that should be covered by this measure should be only such as offend against the actual principles involved. But, Sir, the provisions as they have been framed do not take any cognisance of the very quintessence of the offence which has got to be penalised. There is no reference whatever in the clauses as framed to the intention with which a transaction has been entered into. There is no attempt to distinguish between a *bona fide* transaction and a *mala fide* transaction. There is no mention whatever of even a transaction being nominal in order to come within the operation of this law. I do not wish to take up any time of this House by giving any instances of the way in which these provisions would affect several people who should otherwise have been kept outside its purview. All that I would say is that contrary to the Statement of Objects and Reasons, which has been appended to the measure, the provisions are calculated to affect transactions which are perfectly legitimate, thoroughly honest and altogether unobjectionable and do not in any way offend against the principle of this measure. I do realise, Sir, that it would be difficult to frame the law distinguishing between *bona fide* and *mala fide* transactions, but that difficulty should not have induced the Government to frame a law which would clearly affect adversely persons whom it ought not, in fairness, affect at all. I therefore submit that with the best of concessions in regard to the intentions of the Government, and having the fullest sympathy with the object with which this law has been framed, it is impossible for us to give our consent to this measure.

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras : Non-Muhammadan) : Sir, I would certainly have given my wholehearted support to any measure to avoid evasion of income-tax, provided it has been properly framed, specially having regard to the fact that hereafter the provinces are going to share in the benefits of an augmentation of income from income-tax to the Central Government. If this Bill had really given effect to the intentions of the Government as stated in the Statement of Objects and Reasons, it should certainly have been very easy for me to give my wholehearted support to the motion to take the Bill into consideration. But, Sir, I must have some information from the Honourable Mover before I can vote in favour of the motion. Sub-clause (3) of clause 2 says :

"In computing the total income of any individual for the purpose of assessment there shall be included—

- (a) so much of the income of a wife or minor child of such individual as arises directly or indirectly—
 - (i) from the membership of the wife in a firm of which her husband is a partner ;
 - (ii) from the admission of the minor to the benefits of partnership in a firm of which such individual is a partner."

Will the Honourable Member tell us that in cases where the interests of the wife and child are distinctly separate from those of the husband or the father as disclosed by unimpeachable evidence of, say, a registered document or a decree of a Court, will those cases be excluded from this clause? I do not think they will be. Speaking as a member of the legal profession and applying not only my legal training but also my common sense, I should say that this clause will include cases of partnerships of which a wife or a

[Mr. Ramadas Pantulu.]

minor child of a person is a member, even though their interests are separate and even if the partnership is absolutely *bona fide*. These persons come within the mischief of the Statute merely by their relationship of being the wife or the child and nothing else, even though under the personal law or religious law or by means of an agreement between the two persons, they have been absolutely separated. The son and father may have become divided for all purposes under Hindu law and still, for the purpose of this partnership, their incomes will be aggregated. While the Statement of Objects and Reasons says that the Government at present has no intention of adopting the principle of aggregation of the incomes of husband and wife, I think they adopt that principle *in toto* so far as these particular transactions mentioned in the Bill are concerned. In effect, they do accept this principle of aggregation. Therefore, having regard to the fact that the Bill fails wholly to give effect to the intentions expressly stated in the Statement of Objects and Reasons, it is very difficult for us to vote in favour of the motion of the Honourable Member. I would not have taken the trouble to labour a very simple point like this, which must be apparent on the face of the Bill to any one who reads it, but for the fact that my Honourable friend, Sir David Devadoss, a very eminent retired Judge of the Madras High Court, told us that the Bill does not affect such cases.

THE HONOURABLE SIR DAVID DEVADOSS: I did not say that. I referred to the separate property.

THE HONOURABLE MR. V. RAMADAS PANTULU: If he did not say it then he supports me. I am glad to hear him say so. The observations which you made, Sir, when the original ruling was given about the Honourable Lala Ram Saran Das's amendment caused some difficulty in my mind as to the precise scope of the Bill. It seems to me now, from a further reading of it and listening to the Honourable Mr. Lloyd's speech that there is no escaping from accepting the view urged by my friend Lala Ram Saran Das. We are grateful to you Sir, for reconsidering your ruling and also to the Honourable the Leader of the House for having given this House an opportunity of discussing these questions, not only at this stage, but even later when my Honourable friend, Rai Bahadur Lala Ram Saran Das, will move his amendment. Reading the Bill as it stands, I think it entirely fails to give effect to the intentions expressed in the Statement of Objects and Reasons and has many dangerous implications of which this House should be aware before voting in favour of the motion.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern: Non-Muhammadan): Sir, I should have been glad to give my wholehearted support to the Bill if the Bill was one which would have made it very difficult for income-tax to be avoided. But, as the Honourable Mr. Muhammad Husain has very rightly pointed out, the Bill goes beyond the Statement of Objects and Reasons. From that Statement I find that the object of the Bill is said to be to stop the "practices of avoiding taxation by means of nominal partnerships between husband and wife or parent and minor child (or by the nominal transfer of assets to a wife or minor child or to an 'association' consisting of husband and wife) when there is no substantial separation of the interests of the assessee and the wife or child". If we compare the Statement of Objects and Reasons with the statement of the law to be found in clause 2, we find that the word "nominal" does not occur there. That is, the Bill has been drafted in such a way as to make it possible for the

incomes of the husband and wife to be aggregated, and this would involve the admission of a new principle into our income-tax law. I do not say that that principle is necessarily wrong. We have our own opinions in regard to that principle, but if you are making a departure in that direction, then for heaven's sake be direct and straightforward. And our complaint in regard to the Bill is that the Bill is not direct and straightforward. It seeks to do something quite different from what it professes to do. You say that you are only attacking nominal partnerships, benami partnerships, but in fact you are doing something much more than that. You say that you are not going to give effect to the recommendations of the Income-tax Enquiry Committee in regard to substantial partnerships between husband and wife just yet, but when we read the clause as it is drafted we find that you have given effect to what you say you are not giving effect to, namely, the recommendations of the Enquiry Committee. I do not say that I am opposed to the recommendations of the Income-tax Enquiry Committee. I have my own views in regard to those recommendations, but it is not necessary for me to go into that question at this stage. But I do say that the Bill is not straightforwardly drafted. That the clauses of the Bill are open to the objections which have been raised by the Honourable Mr. Muhammad Husain is quite clear from the draft itself which reads:

"So much of the income of a wife or minor child of such individual as arises directly or indirectly from the membership of the wife in a firm of which her husband is a partner."

There is nothing to indicate that if the wife is a real partner her income will not be taken into consideration for the purpose of aggregate assessment of tax. Take again this: "From the admission of a minor to the benefits of partnership in a firm of which such individual is a partner"—the minor might have property of his own and the partnership might be a real partnership. But there is nothing to indicate that if the partnership is real the minor will be treated on a different footing. Therefore, Sir, having regard to the manner in which clause 2 has been drafted, it is impossible for us to vote for this Bill as it stands.

THE HONOURABLE MR. R. H. PARKER (Bombay Chamber of Commerce): Sir, I rise to approve the underlying intentions of this Bill. I think they are definitely on the right side. The general tendency of the existing income-tax laws is to favour those who have capital as opposed to those who have not. As it stands now, if you have two individuals, one of whom earns Rs. 50,000 a year from his own labours and another who receives the same amount from securities or investments of one kind or another, the one can and very often does transfer part of those securities or property to a wife or child and obtains the same income as the other and pays less tax than the individual who merely relies on his own labours who necessarily has to pay on the full amount of his earnings. I think that the amendment to be moved by the Honourable Leader of the Opposition aims really at destroying the whole underlying intentions of the Bill. I admit that there are cases and there always will be cases where you do not get entire equity as a result of a law. But my definite opinion is that most of the cases mentioned this morning are in the nature of special pleading and that in 99 per cent. of cases affected the result will be an equitable result. I am glad that Government in another place did undertake to do their best to avoid inequities or hardship.

THE HONOURABLE SIR DAVID DEVADOSS: Sir, I welcome this measure. It is a well known fact that some people put a portion of their property in the name of their wives or children in order to avoid super-tax. So far as clause 2 is concerned, I thought I made it quite clear that in the case of a wife who has got separate property and a separate income that income would not be brought into the joint income. But clause (i) makes the income of a wife or child of a partnership liable to be assessed as the income of the husband or father. That I thought I made quite clear. My Honourable friend Mr. Ramadas thought that I had made a mistake. Whether it be the separate property of the wife or the separate property of a minor child, if it is brought into partnership with the husband's or father's property, then the income arising from that partnership is assessable as the income of the husband or father. That I took to be the meaning of sub-clause (1) of 2 (a), for it reads "from the membership of the wife in a firm of which her husband is a partner" and (ii) reads "from the admission of the minor to the benefits of partnership in a firm of which such individual is a partner". It does not take into consideration the source of the capital of either the wife or of the son.

THE HONOURABLE MR. V. RAMADAS PANTULU: Is it right?

THE HONOURABLE SIR DAVID DEVADOSS: I am not concerned with the rights or wrongs of the measure. I am only trying to interpret what the clause means. Therefore I submit that my learned friend Mr. Ramadas is not justified in saying that I said something which was not quite correct. As regards the principle whether such income should be assessed or not, it is not for me to say. It is for the Government to consider.

Then as regards the question whether a partnership is nominal or not, it would be very difficult for an income-tax officer to decide that point. I think the Government have very properly omitted the word "nominal". Suppose there is a partnership between husband and wife, where the husband has put in Rs. 50,000 and the wife Rs. 20,000, is it possible for the Income-tax Officer to go into the question whether that Rs. 20,000 was her separate property or not or whether the husband has nominally put it in her name? Even in civil courts where such questions are fought out very elaborately opinions differ. What one court holds as nominal, another on appeal holds as real. Therefore I think in a statute like this such considerations ought not to be brought in. No doubt if the Government thinks that the separate property of the wife when it is put into the partnership ought not to be assessed as the property of the husband, they will frame a measure to that effect. Sir, my difficulty with regard to sub-clause (iii) is this. It is said "from assets transferred directly or indirectly to the wife by the husband otherwise than by adequate consideration". Now marriage is held to be very good consideration, and in the case of a transfer for such consideration, if the man becomes insolvent, that portion cannot be touched. Now the expression "adequate consideration" will I think be liable to misconstruction. "To live apart", that does not affect the question. If the wife lives apart and the husband makes provision for that, that does not come within the ambit of this section. But property transferred "for adequate consideration" is liable to be interpreted in more ways than one. I would ask the Honourable the Mover to consider this question, to see whether it could not be improved. If, for instance, she gives actual value for the transfer of property, then it will become her separate property. This only means

THE HONOURABLE THE PRESIDENT: "Valid" would be more appropriate.

THE HONOURABLE SIR DAVID DEVADOSS: Marriage is a valid consideration. Otherwise as I submitted it will be liable to more than one construction. Again when a man puts property in the name of his wife, where it is not for the purpose of evading income-tax, I do not think that ought to be assessable, for in India, as you know well, we have not got marriage settlements as in England. In England wherever there is any property to be settled, there is always a marriage settlement; but in India we very seldom have marriage settlements, at least so far as Hindus or Indians are concerned. When a man marries a second time and he has children by the first wife, he generally wants to settle some property on the second wife. At least the people who are interested in the second wife insist upon the husband putting some property upon the second wife as a provision for her in case he does not make provision for her afterwards, especially among Hindus. Should the income of such property be assessed as the income of the husband? That is a point which the Government will have to consider. As this stands, the income will be assessable, but I should consider that such income should not be assessable, because it is a provision made to the wife for her maintenance in case he dies without making proper provision for her. Especially in Hindu families this will affect them very much. When property is put in the name of the second wife, at the time of marriage or soon after, the income from that is her separate property and should not be considered as the property of the husband for the purpose of income-tax. It stands in the same position as her property which has been given her by her father, or by her mother or which she inherits from her maternal side—her *stri-dhanam*. With these observations, Sir, I have much pleasure in supporting this measure.

THE HONOURABLE MR. V. V. KALIKAR (Central Provinces: General): Sir, I have also my own doubts about this Bill. The Statement of Objects and Reasons differ materially with the Bill. One finds that the Bill is quite different from the Statement of Objects and Reasons. The Statement says that the Bill is framed for taxing those transactions which are *mala fide* or *binami* transactions. I am at one with the Government on this point. But the Bill as drafted will cover so many cases where there are no *mala fide* transactions but where there are *bona fide* transactions and the principle on which our system of income-tax is based will be to some extent deviated from. I have before me a case of a maternal grandfather making a gift to a minor child and supposing that minor child under that gift becomes a partner in the firm in which the father is also a partner. If I understand rightly the provisions in clause 2, sub-clause (2), then under this sub-clause the father's income and the income accrued from the share of this minor son and the father's income will be taxed, which I think is inequitable. A similar case might arise in case of a Hindu daughter. Supposing a father makes a gift to a Hindu daughter and fortunately she happens to have a husband who is also a partner and that money is invested in that firm by the father of the daughter, then under the present Bill, if I am correct, I think the husband's income will be increased to the extent of the share of his wife which is quite separate from the husband's share and which has been gifted to her by her father. Similar cases may occur also of real transactions which my Honourable friend Sir David Devadoss has just related. An attempt I understand was made in the Lower House to refer the Bill to Select Committee, so that this Bill may be properly drafted and the intention of the

[Mr. V. V. Kalikar.]

Government to tax those transactions which are *mala fide* should be covered by it; but that attempt was opposed in the Lower House and the Bill has come before us in the same form. As I said in the beginning, I do want to defend those people who want to avoid tax by *mala fide* transactions, and a measure of that sort should be there, so that the State must receive taxes from these *mala fide* transactions. But at the same time I do want that no hardship should be caused to those persons who are under the benefit of really genuine transactions, who do get benefit from gifts and whom it will not be equitable to tax under our present system of taxation. I therefore think that I cannot lend my support to the Bill in its present form.

THE HONOURABLE SIR PRABHASHANKAR D. PATTANI (Bombay: Non-Muhammadan): Sir, I had no intention to speak on this Bill generally; because I thought that when the sections would be taken up in their proper place there would be an occasion to suggest proper amendments with a view to make this Bill acceptable to the principle that no attempt should be allowed, no facility should be given for evasion of taxes. But if any section omits this precaution, and the intentions of the Bill and the Bill itself are inconsistent, then I think in the interests of saving time, in the interests of giving right interpretation when cases arise in future, this inconsistency should be removed, not only with regard to one Bill, but with regard to every Bill that comes before any House. I do not wish to go into the details of discussions that have been carried on in this House by the several Members. I am much impressed by the speech of the Honourable Member from Allahabad and I should think that the Honourable Member in charge of the Bill, when the sections are taken one by one, will be good enough to consider that no unnecessary hardship should fall on *bona fide* transactions. I do not mind that ample discretion should not be left to the income-tax collector. Whether he should have any discretion or not mainly depends upon the amount and the quality of confidence that Government may have in their officers. I leave this question to them, but I do object to the attempt to take away from the law courts the right to inquire into these things. It would always be wise and legitimate for people who are to be affected by them to desire that facilities for a case being proved in their favour in the law courts should be available to them.

With these few remarks I am inclined to support the view put forward here mainly by the majority of those who have spoken, namely, that this Bill will require a great deal of amendment to prevent unnecessary hardship and unnecessary suspicion.

THE HONOURABLE MR. A. H. LLOYD: Sir, the gravamen of the attack which has been developed upon this Bill in the course of this debate is really an attack upon the drafting of the Statement of Objects and Reasons. I attempted in my opening speech to explain that the reference to nominal partnerships *mala fide* bogus transactions was made rather with a view to elucidate the history of the development of this proposal than to suggest that we had found it possible to confine our proposals to transactions which fall under that category. I have explained already, Sir, why we regard it as impossible to limit the provisions of this Bill to cases which may be described as proved cases of dishonest or, shall we say, at least sharp practices in order to avoid income-tax liabilities because if we were to attempt to introduce safeguarding clauses to exclude transactions of which that had not been proved we should impose upon the taxing officers, upon the appellate officers

and upon the courts an amount of disputes to settle which would render the whole Act quite unworkable. As I said before, we must have an objective test and not a subjective test. The taxing authorities cannot undertake the responsibility of proving good or bad motive. The Statement of Objects and Reasons attempted to explain that we have drafted the Bill within as narrow limits as was possible without making the Bill unworkable. That is to say, at this stage we have not taken up the complete proposal for the aggregation of income; but it has to be admitted that up to a point this Bill as drafted does admit that principle, but only up to the point short of which we could not stop without making the Bill unworkable.

THE HONOURABLE MR. P. N. SAPRU: Then why did you not say so in your Statement of Objects and Reasons?

THE HONOURABLE MR. A. H. LLOYD: I have already said, Sir, that the gravamen in the attack upon this Bill is really upon the drafting of the Statement of Objects and Reasons. I myself was not unconcerned with the drafting and if I had foreseen that it would attract attention in this particular way I should have been very careful to word it so as to show that while this was our primary object it had to be admitted that for practical reasons we had to go a little beyond that object. But I still claim, Sir, that it is only a question of going a little beyond that object and that in a great majority of cases we shall achieve the minimum intention that we had in view while in other cases it is not right to talk about penalising or punishment. After all, nothing worse can happen than leaving the rate of the tax at the level at which it would have stood if the particular transactions in question had not taken place.

Then finally I must repeat the assurance that we are prepared to examine genuine cases of hardship where it is possible to arrive at a satisfactory definition which will not create quite impracticable subjects for dispute.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Why not incorporate it in the clauses of the Bill?

THE HONOURABLE MR. A. H. LLOYD: To the question that has just been asked the answer is that if we were to attempt to find out every exception possible, every exception that arguably ought to be made, we should never have got the Bill ready and I have shown that there are very substantial financial reasons for urging on this Bill immediately. But I do wish to point out again that within the next 4 months there will be every opportunity for every one concerned to go into the details as fully as they like in every direction. This whole subject must come up again for review in a very short time apart from the re-examination which the Honourable the Finance Member has undertaken to consider if experience of the working of the measure shows it to be called for.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Are you prepared to confine the age of this Bill to 2 months?

THE HONOURABLE MR. A. H. LLOYD: Now, Sir, these remarks really cover the attack which has been made upon the Bill from almost all the speakers. I have to thank one or two speakers for their support but I would like to say with regard to what the Honourable Sir David Devadoss observed

[Mr. A. H. Lloyd.]

that I would not consider the continuance of a person in a married state as adequate consideration but I think any court would consider an agreement incidental to entry into marriage as a matter of adequate consideration and I think as I said today that the making of a marriage settlement in consequence of an agreement which had to be entered into in order to bring the marriage about would be a transfer for adequate consideration. If the transfer was made actually before the marriage took place, of course, there could be no doubt at all. I think it will be found that his doubts will be resolved in practice, but if they are not, I think they form one of these cases which we shall have to study closely in order to see whether any action could be taken pending the whole revision of the law upon this subject.

That, Sir, really, I think is all that I need say. The objection that we adopt the principle of aggregation is mainly confined to cases of income arising from business, that is, income from a partnership. I am convinced that the vast majority of the cases that we have to consider are cases that are not deserving of any consideration. Where the arrangements have been made, as I have seen in practical examples, they are entirely and solely for the avoidance of income-tax. In this connection I would remind Honourable Members of one fact, that a minor child cannot be a partner in a firm. He must be admitted to the benefits by the partners. He cannot subscribe capital himself. It is not legally possible. Where one of the partners is the father, then the presumption is pretty obvious that he is the one who has admitted the minor to the partnership.

Finally, before leaving the Statement of Objects and Reasons, I would like to emphasise these words—and this is really the substance of my defence of our position—“when there is no substantial separation of the interests of the assessee and the wife or child”. In those circumstances, we feel that there can be no real hardship in most cases from the operation of this law even if we are unable to prove that there has been absence of good faith on the part of those who have formed the partnership which has resulted in this law being operative.

THE HONOURABLE MR. V. RAMADAS PANTULU: Will not cases of a wife and child with separate property of their own fall under clause (a) of clause 3 (2)? Supposing the wife's or child's interests are separate from those of the husband or father. Even then, they will come under this clause.

THE HONOURABLE MR. A. H. LLOYD: I can only say that there seems to be a very remote possibility of a wife who has been unable to get on with her husband and who has got to the stage of living apart continuing in partnership with the husband in a business. Actually I should say that an almost certain result of that will be that the partnership will be dissolved and a new partnership will be created.

THE HONOURABLE MR. V. RAMADAS PANTULU: It is not a legal assumption.

THE HONOURABLE THE PRESIDENT: Motion made :

“That the Bill further to amend the Indian Income-tax Act, 1922, for certain purposes, as passed by the Legislative Assembly, be taken into consideration.”

The Question is :

“That that Motion be adopted”.

The Council divided.

AYES—27.

Akram Husain Bahadur, The Honourable Prince Afsar-ul-Mulk Mirza Muhammad. Arthur, The Honourable Sir Charles. Basu, The Honourable Mr. Bijay Kumar. Bradfield, The Honourable Major-General E. W. C. Charanjit Singh, The Honourable Raja. Clow, The Honourable Mr. A. G. Devadoss, The Honourable Sir David. Dow, The Honourable Mr. H. Ghosal, The Honourable Sir Josna. Haidar, The Honourable Khan Bahadur Shams-ud-Din. Ihtisham Hyder Chaudhury, The Honourable Khan Bahadur Syed. Jagdish Prasad, The Honourable Kunwar Sir. Johnson, The Honourable Mr. J. N. G.

Khurshid Ali Khan, The Honourable Nawabzada. Lal, The Honourable Mr. Shavax A. Lloyd, The Honourable Mr. A. H. Maxwell, The Honourable Mr. R. M. Menon, The Honourable Diwan Bahadur Sir Ramunni. Nihal Singh, the Honourable Sirdar. Nixon, The Honourable Mr. J. C. Parker, The Honourable Mr. R. H. Russell, The Honourable Sir Guthrie. Siddiqi, The Honourable Khan Bahadur Shaikh Muhammad Bashir. Singh, The Honourable Raja Devaki. Nandan Prasad. Todd, The Honourable Mr. A. H. A. Webb-Johnson, The Honourable Mr. S. Williams, The Honourable Mr. A. deC.

NOES—19.

Abdus Sattar, The Honourable Mr. Abdur Razzak Hajee. Ataullah Khan, The Honourable Chaudhri. Banerjee, The Honourable Mr. Jatindra Chandra. Buta Singh, The Honourable Sardar. Chettiyar, The Honourable Mr. M. Chidambaram. Govindachari, The Honourable Rao Bahadur K. Kalikar, The Honourable Mr. V. V. Kameshwar Singh of Darbhanga, The Honourable Maharajahdiraja Sir. Kunzru, The Honourable Pandit Hirday Nath. Mahtha, The Honourable Rai Bahadur Sri Narain.

Motilal, The Honourable Mr. Govindlal Shivalal. Muhammad Husain, The Honourable Haji. Muhammad Hussain, The Honourable Khan Bahadur Mian Ali Baksh. Padshah Sahib Bahadur, The Honourable Saiyed Mohamed. Pantulu, The Honourable Mr. V. Ramadas. Pattani, The Honourable Sir Prabhashankar D. Ram Saran Das, The Honourable Rai Bahadur Lala. Ray Chaudhury, The Honourable Mr. Kumarsankar. Sapru, The Honourable Mr. P. N.

The Motion was adopted.

THE HONOURABLE THE PRESIDENT: The Question is :

“That clause 2 stand part of the Bill.”

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Before the discussion of the clause is taken up may I with your permission make an appeal to the Leader of the House and ask him whether he would not himself propose or consent to the reference of the Bill to a Select Committee. We cannot make a formal motion in that connection in virtue of the ruling you gave yesterday, but considering the feeling that there is on the subject in this House, considering the admissions made by the Government Member in charge of the Bill, it is open to the Government to take this opportunity of so drafting the Bill as to meet if possible the objections raised in quarters of the House. The Honourable Mr. Lloyd himself admitted that the Statement of Objects and Reasons does not represent quite correctly the scope of the Bill. He also admitted that the scope of the Bill was not confined to *mala fide* transactions,

[Pandit Hirday Nath Kunzru.]

and in dealing with the objection urged by our Honourable colleague Sir David Devadoss, he said that, while he imagined that the case referred to by him would be exempt from the operation of this law, he could give no guarantee....

THE HONOURABLE MR. J. C. NIXON : On a point of order, Sir, is it in order for the Honourable Member to move for a Select Committee at this stage ?

THE HONOURABLE THE PRESIDENT : I have allowed him to make his submission before I proceed further with the Bill.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : If the Honourable Member had listened to me he would not have urged this objection. I have not asked that the Bill be referred to a Select Committee. I have asked the Honourable Leader of the House whether he would, in view of the admissions made by the Honourable Mr. Lloyd, take this opportunity of having the Bill better drafted. Government can at any stage come forward and say that they will take steps to see that an injustice unwittingly done is remedied. Surely, Sir, the admissions made by the Honourable Member could not be stronger ; the objections to the Bill could not be more strongly supported than by the admissions made by the Honourable Mr. Lloyd. This is a fit opportunity for Government of their own motion to come to the House and say, " Although we did not allow this Bill to be referred to a Select Committee in another place, yet, having considered the matter more fully, we are willing to wait to give Honourable Members an opportunity of placing their views before a Select Committee and so ensuring that the Bill does not exceed the requirements of the case ". The principle of the criminal law, Sir, is that, while a hundred guilty men may escape, not one innocent man should be punished. If the same principle were to be followed in this case, the reply of the Honourable Mr. Lloyd that the Bill could not be so drafted as not to do injustice to legitimate interests ought to destroy this Bill. When the Honourable Member makes that statement Government ought really to withdraw.....

THE HONOURABLE THE PRESIDENT : You are not entitled to make a speech. You can only make a suggestion to the Government Member in charge.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : I know it, Sir, I am thankful to you for the indulgence you have extended to me, and I hope the same indulgence will be extended to my proposal by the Honourable Leader of the House.

THE HONOURABLE THE PRESIDENT : In the first place the Honourable Mr. Kunzru is labouring under some misapprehension when he says that yesterday I objected to a motion for reference to Select Committee. In fact what I ruled out of order was the motion for circulation of the Bill and I permitted the motion for reference to Select Committee and actually made suggestions to the Honourable mover to amend his motion to bring it within the ambit of the rules, which he did. So he is wrong on that point.

Now as regards the proposal now made, that after the Bill has passed the consideration stage the Government should interfere and make a motion

to refer it to a Select Committee, is altogether unprecedented. During 30 years of public life, in this Council and elsewhere, I have never known such a request to be made, nor has it ever been made in the Legislative Assembly when the motion for consideration has been passed. Further, the rules and Standing Orders on this point are clear. A motion for reference to Select Committee can only be made when the Member in charge brings in the motion for consideration. The Government Member himself has no right whatsoever to bring such a motion for reference to Select Committee after the motion for consideration has been passed. Of course, if the Government does not want to proceed with the Bill at the third reading, when I call upon the Honourable Member in charge to make his next motion, he may if he likes refuse to move the third reading, and in that case the Bill automatically drops. Both under Standing Orders 37 and 38 the request of the Honourable Mr. Kunzru cannot possibly be allowed.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : It is still possible to adjourn the discussion if the Government want to do it and to bring up this Bill four or five days later. Government can consult the Honourable Members of this House informally and see whether they can move any amendments which will meet our views.

THE HONOURABLE THE PRESIDENT : You are labouring under a further misapprehension. At this stage the Government if they wish can drop the Bill altogether. Once the consideration stage is passed I am bound to proceed with the passing of the clauses.

The Question is :

" That clause 2 stand part of the Bill."

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Sir, I rise to move the amendment which stands in my name and which reads as follows :

" That in clause 2, to the proposed sub-section (3) of section 16 the following proviso shall be added, namely :—

' Provided that nothing in this sub-section shall operate so as to include in the total income of any individual for the purposes of assessment such part of the income of the wife or minor child of such individual as arises directly or indirectly from property which, under the personal or religious law applicable to the wife or child, is the separate personal property of the wife or child.' "

THE HONOURABLE THE PRESIDENT : I think this is a convenient stage to adjourn the House. The Honourable Member will speak on his motion when the Council meets again after adjournment. I adjourn the House till 2-30 in the afternoon.

The Council then adjourned for Lunch till Half Past Two of the Clock.

The Council re-assembled after Lunch at Half Past Two of the Clock, the Honourable the President in the Chair.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Sir, on the general discussion of the Bill the Honourable Members who have spoken have made my task easier. The Honourable Haji Muhammad Husain, the Honourable Ramadas Pantulu, the Honourable Mr. Kunzru and the Honourable Mr. Sapru have practically supported the underlying object of my amendment. If I rightly remember, the Honourable Mover of the Bill himself

[Lala Ram Saran Das.]

admitted that the Bill goes beyond what is said in the Statement of Objects and Reasons. He also admitted that the Bill has not been rightly drafted.

THE HONOURABLE MR. A. H. LLOYD: Sir, on a point of personal explanation, I must disclaim any such statement.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: That is anyhow what I understood you to say.

THE HONOURABLE MR. P. N. SAPRU: What is the reporter's version? Because we understood Mr. Lloyd to say that the Bill did go beyond the Statement of Objects and Reasons

THE HONOURABLE THE PRESIDENT: Order, order, we must take the Honourable Member's statement. We cannot refer to the reporter's notes at any time or in the middle of the debate.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Sir, we shall take the Honourable Member's statement of his intention from him but the question is, what were the actual words used by him at the time and the impression he created in the minds of others.

THE HONOURABLE MR. A. H. LLOYD: Sir, I did not take exception to my Honourable friend the Rai Bahadur's statement that I admitted that the Bill as drafted went, up to a point, beyond the Statement of Objects and Reasons. I did not question that. What I objected to was his further statement that I admitted that the Bill was not rightly drafted. That I never admitted.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Whatever it may be, Sir, the opinion on this side of the House is that a Bill which does not convey the true sense of the object behind the framing of the Bill ought not to be considered here at all. Sir, a remark was made that in case there be any mistake regarding the right interpretation of the clause, reference can be made to the courts. But, Sir, it is a saying "that legislation which tends to make for references to courts is always undesirable".

Sir, this Bill is defectively drafted. We cannot understand from the Bill that, if it is passed, from what date the new clauses will apply,—whether the clauses will apply from the 1st April 1937, which is the beginning of the new financial year, or it will throw the public to the mercy of the income-tax officers in giving it a retrospective effect, and whether giving that retrospective effect at this time and in this Bill is legitimate and applicable. I will also say, Sir, that to give a taxation retrospective effect is not just.

THE HONOURABLE THE PRESIDENT: Why do you assume that it is going to have retrospective effect?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Because the Honourable Member in charge did not contradict my assumption.

THE HONOURABLE MR. A. H. LLOYD: Then, Sir, may I draw his attention to clause 5 of the Bill?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Very well, Sir. I must say that to refuse a safeguard and to force a vague clause

without a safeguard which this House presses for creates a suspicion in our minds. In so far as Government wants to prevent legal avoidance or fraudulent escaping from income-tax, I am with them. But I strongly resent the Government going indirectly against the provisions of the various religious laws of the people in this country and taxing income which can be established as personal and separate. As my Honourable friend Mr. Muhammad Hussain has pointed out, the word "nominal" is not used in sub-clauses (ii) and (iii) of section 2 (3). The Honourable Mr. Lloyd, when replying to the debate, as far as I can see, did not impress the House at all with his arguments. His conscience seemed to be with us. When the division was called, he said "No", but later on corrected it presumably because, as an official, he had to vote otherwise. Later on, Sir, in his defence, he did not meet the criticism of hardship which this Bill indirectly will impose upon those people who are honest and who do not want to commit a fraud by evasion of income-tax dues. My amendment proposes to clear the position by a proviso which we consider essential and equitable and just. The Honourable Mr. Lloyd gave a reply that undivided families will not be affected by this Bill. This Bill of course seems the thin end of the wedge, and further legislation will follow in another two months' time, as the Honourable the Finance Member observed in another place. Sir, this House was intended to function to stop hurried legislation of the other Chamber. Sir, on the day on which this was passed through the other House, I understand that there were very few elected Members present and the Bill was rushed through notwithstanding this fact.

THE HONOURABLE THE PRESIDENT: We are not concerned here with that House at all.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Very well, Sir. But I must say that the way in which it is the intention of the Government to rope in those who are honest and whose property could be proved to be personal and separate does not meet with our valid objections. By putting in this clause in the Bill they force the people to go in references to higher courts and so put them to unnecessary expense and worry. No adequate reply has been given as to how the safeguard which I want to put in by my amendment can be met. Unless and until the proviso I suggest is adopted, the clauses as they now stand are very vague and defective and are liable to impose hardship on the public; the wording of those clauses need redrafting. Sir, when the House divided this forenoon on the point whether this Bill should be considered or not, from the experience that I have and the privilege that I enjoy of being the Member of this Council from its very inception, I hold, Sir, that this was the first time when the elected Members voted practically *en bloc* against the Government, barring one elected Member

THE HONOURABLE MR. BIJAY KUMAR BASU: What about the two elected European Members?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I said, barring a few Members. The majority voted against the Government. The opposition never showed this strength before. In case other Honourable Members of the Progressive Party had been present, perhaps it would have been possible to win in the division today. However, Sir, Government must realise from the voting that took place this morning what the elected Members, the true representatives of the people at large, think of this important measure. To flout the opinion of those true representatives of the country is, I consider, most inadvisable on the part of the Government of India. In case they mean

[Lala Ram Saran Das.]

what they say, and in case they want to act rightly, why should they not accept the safeguard which I propose and which safeguard is based on equity and justice? Sir, the Honourable Mr. Basu referred to the fact that two of our European colleagues did not vote with us. But I must say that one of the European Members in the Assembly did object to the Bill in its present form. However, Sir, this is a matter which concerns mainly the Indians, and particularly the Hindus and Musalmans, so our European colleagues may not have given due thought to the points raised by me. Therefore, I can say that so far as elected Indian Members are concerned, barring one exception, they are *en bloc* against the Bill in its present form. In view of the circumstances in which the Bill was piloted through the other House and of the position taken up here by all the elected Indian Members but one, we expect that the Government will give serious consideration to the opposition views that have been voiced here. We are glad the Honourable Finance Member is present here and we appeal to him to consider this most serious matter and not to pass the Bill on the strength of the official block.

Sir, the arguments which I gave in favour of my amendment need not be repeated but one point which I missed before is this. When a transfer is made under agreement to live together between the wife and husband, will that constitute a partnership in which the wife has a separate independent personal share or will the husband and wife be taxed on the aggregate income, and will the separated income of the wife be or not be subject to super-tax? I must also express my regret that the modest request made to the Honourable Leader of the House in view of the defective drafting of the Bill has not met with any response. We deplore that attitude of the Government and we again respectfully request them to bring in this Bill rightly drafted and not to proceed with it today. If our request in this connection is flouted I have no alternative but to ask Honourable Members to support my amendment. It is just and it is not in the interests of those who want to evade lawful assessment of income-tax. Therefore, Sir, I commend this amendment to the favourable consideration of this Chamber.

THE HONOURABLE HAJI MUHAMMAD HUSAIN: Sir, this clause has put both sides in an awkward position. Although we all agree to the principle and we very much desire to vote for this measure, we cannot do so on account of this clause having been drafted in a manner which does not conform with the aims and objects of the Bill. The other side acknowledge the fairness of the argument and do not deny that the provision is not in conformity with the aims and objects, and yet persist in leaving the clause as it is. This amendment, if accepted, will relieve both. It will bring the provision into conformity with the aims and objects and will meet the real intention of the Government in framing this measure. In the Legislatures the aims and objects for which legislation is proposed are the first consideration, and the provisions of the legislation next.

THE HONOURABLE THE PRESIDENT: Courts do not attach any importance to what is set out in the Statement of Objects and Reasons.

THE HONOURABLE HAJI MUHAMMAD HUSAIN: That is what I said this morning and I am glad that the Honourable the President acknowledges the fact that courts do not recognize the aims and objects of legislation. That is very much in my favour in saying that it is here in this House that we have to look to it and pass the legislation strictly in accordance with the objects

and reasons for which the legislation is proposed. Once the Bill becomes an Act, the courts cannot recognize intentions which are expressed in it. Therefore it is very necessary for us to stick to the aims and objects and see to it that the intentions of Government are carried out faithfully. But in this case it is admitted that the Bill does not conform with the aims and objects set down and the Bill as drafted is being rushed through. My appeal to the whole House is that by accepting the amendment we keep the dignity of this House, because it is no good passing a measure when we feel in our heart of hearts that there are flaws in it. Flaws may be technical or on merits. I say they are on merits, because the very intention behind this legislation has been disregarded. Not only that, but this legislation will adversely affect many innocent people, and there will be many more innocent than dishonest people who will suffer by it. The curious thing is that even if a taxing officer is convinced to his entire satisfaction that the income of the wife or the child is genuinely and substantially separate, he is helpless. I must take it, and I believe it to be the correct reading of the Bill, that while the aims and objects point to one thing, the provisions of this section lay down entirely another. Although it is said that the Government do not want at present to force the principle of aggregation nor do they desire to tax the people who are honest and that they only want to introduce the measure to stop fraud by people who ought to pay a certain amount of tax but are avoiding it, yet we find that not even a discretion is given to the taxing officer to decide or to judge which is a *bona fide* and which is a *mala fide* case. It was said

5 P.M.

that it is very difficult for a taxing officer to go into the question and say which is *mala fide* and which is *bona fide*. Well, the officers and the courts are to give relief and to do justice to His Majesty's subjects. I do not see any reason why it should be difficult for them more than it would be difficult for a court of law. If you want to tax correctly you can only do so by deciding which is a genuine and which is not a genuine case. Then the taxation will be just. But if you tax indiscriminately, taking the innocent and the guilty both together, the very taxation will be unjustified. In conclusion I would appeal to Honourable Members of this House, after what has been said on both sides, the admissions from the other side and the appeal from this side, to take into consideration this amendment, which will put the whole Act in conformity with the aims and objects.

THE HONOURABLE MR. V. RAMADAS PANTULU: Sir I rise to support most heartily the amendment moved by my Honourable friend Lala Ram Saran Das. It is now very clear that cases covered by the amendment will come within the scope of the Bill. Whatever doubt there may have been at one stage whether cases of a wife or child whose separate personal property under the personal or religious law of the land is brought into partnership do or do not come within the scope of the Bill; the matter is now put beyond dispute after the speech made by the Honourable Mr. Lloyd. The mere relationship of a lady as wife and of a minor as child of the person in whose name the partnership is conducted is enough to bring the transaction within the scope of this Bill. Nothing else matters. Whatever may be the nature of the property, whatever may be the interest which the wife or child owns in the property which is put into the partnership, the person in whose name the partnership is conducted is liable to be taxed as if the entire income arising from the personal property of the wife or child were also his. It will lead to very serious consequences. Incomes which will not be otherwise taxable will become taxable. If a man's income is below Rs. 2,000 it will not be taxed, but if it comes to more than Rs. 2,000 by so aggregating, it will be taxed. So all the beneficent provisions of the Income-tax Act whereby

[Mr. V. Ramadas Partulu.]

small incomes are exempted from taxation will be abrogated by putting together the incomes of a man, his wife and child. There may be possible cases of not only a wife but also of a child being in the partnership. Therefore the incomes of all the three will have to be put together under this Bill and it will work great hardship. Again incomes which will not be liable to super-tax if separately treated will become liable to super tax if they are put together. The Honourable Mr. Lloyd has frankly conceded, as he could not but concede, that the principle of aggregation has been adopted in so far as partnerships transactions of the nature contained in clause 3 are concerned. Therefore while making such a wide departure from the existing law, in spite of the very clear statement in the Statement of Objects and Reasons that it is not the intention of the Government to accept any new principle or to depart from the existing principles of the Income-tax Act, they deny to this side of the House adequate facilities to discuss the effects of the present Bill which ought to be fully realised. They make incomes, not liable to tax if separately treated, liable to taxation. They would make incomes not liable to super tax under the existing law liable to super-tax if clubbed together. This aggregation is going to lead to very serious consequences so far as certain classes of assessee are concerned. Now whether it is right to treat these incomes as belonging to a particular individual when in law and in fact they would be held by any court of justice or equity and good conscience to belong to separate individuals, is a matter of wide policy and I do not see any justification for the Government to deny a relief which people now have under the Income-tax Act by the passing of this Bill. Mr. Lloyd has assured this House that every possible care will be taken to see that no hardship arises in the administration of the Act and that the Commissioners of Income-tax and other officers will be instructed, if necessary, to see that such hardship is avoided as far as possible. But my answer to him is that it will not be competent for him or his Government to do so. The provisions of the Act are so clear, they are so unambiguous and so wide as not to give any discretion to any officer of income-tax even if he wants to be humane and wishes to be generous, because he is bound to treat the income arising from a partnership business in which a wife and child are admitted, though the properties belong to the wife and child as separate individuals having their own property, as a single income and levy tax on the aggregate of the incomes of all these people put together. Therefore it is not possible for him to give by executive action any relief in respect of a business which comes clearly within the unequivocal and unambiguous terms of this statute. Secondly, Sir, in originally asking my Honourable friend, Lala Ram Saran Das, to state why his amendment should not be ruled out, you were pleased to observe that the relief open to the assessee through courts will still be available and that if there was any doubt about the interpretation of any provision of the Income-tax Act he might take it on appeal to the Commissioner or even ask for a reference to the High Court under the existing Income-tax Act. But with a provision like this there is nothing to interpret, the interpretation is so clear. Mr. Lloyd has admitted that all the cases covered by the amendment of the Honourable Lala Ram Saran Das do come within the scope of the Bill, though they have stated the other thing, for reasons best known to themselves, in the Statement of Objects and Reasons. One can hardly believe that the Drafting section of the Legislative Department here is so poor in intellect as not to perceive the very grave and material difference between the Bill and the Statement of Objects and Reasons. Whatever may be the reason, he now admits that the Bill does not in any way carry

out the expression of intentions as stated in the Statement of Objects and Reasons; he admits that all the cases for which the amendment seeks exemption do come within the Bill. Therefore where is the question, I ask, of giving relief by executive action from hardship arising from the provisions of this Bill? It is not possible; no reference to the High Court will be of the slightest use in the case of any partnership composed of a man, his wife and child who own separate properties and who are separate individuals in the eye of the law, because the Act is very clear. Similarly with regard to various other transactions which I need not deal with individually—transfers and so on. Therefore any assurance that subsequently relief by executive action will be forthcoming is of no value, because it cannot be given in the face of the clear provisions of this Bill. Therefore I think the Bill if we pass it must be accepted as it is with all its implications and with the full knowledge that all the cases referred to in the amendment are within the scope of the Bill. Therefore if we vote for it we must do so with our eyes open and with a full knowledge that though we agree with the principle of the amendment on its merits, still we defeat it when we vote for the Bill. Referring to my Honourable friend Sir David Devadoss's suggestion that marriage settlements may be put out of the scope of the Bill the Honourable Mr. Lloyd said that the Government would be pleased to consider that question and added that a marriage settlement might perhaps be supported on the ground of "adequate" consideration because marriage itself was adequate consideration for making a settlement, though the word "valid" might be more appropriate. I do not know whether he is right because the clause as it stands seems to apply to cases of transfer to a married woman after marriage. I do not know whether anti-nuptial settlements can be brought by any stretch of language within the meaning of this clause. Therefore, Sir, his assurance that he would take these various suggestions into consideration is absolutely of no use. And in opposing us he also said that this legislation is of a temporary character because when the report of the Income-tax Inquiry Committee is fully discussed another measure may perhaps be brought up and so this may be treated as a temporary measure. I ask in all humility whether there is such an urgent need, especially as this Bill is not being given retrospective effect because no incomes arising before April 1937 are being brought within the scope of the Bill, whether there is any emergency for putting this very defective and improperly drafted Bill on the Statute Book in the interval. I do not think there is. While Mr. Lloyd conceded in this House that the Statement of Objects and Reasons did not exactly correspond to the intentions of the Government in the matter of drafting the Bill itself. The Finance Member said in another place that the Statement of Objects and Reasons represented the intentions of the Government and that the Bill was brought forward to give effect to these intentions. If I am quoting Sir James Grigg against the Honourable Mr. Lloyd, I may be pardoned for doing so; but between them they have to explain who is right and who is wrong. Therefore, Sir, I feel that this is not a proper measure and if the Statement of Objects and Reasons and the Bill are read together I do not think it is a straightforward, honest method of giving effect to the aim of the Government to prevent evasions by nominal partnerships or *mala fide* transfers. If they wanted to do so they should have brought forward a Bill with proper provisions. Seeing that there is no urgency for the passing of this Bill and having regard to the difficulty of giving any relief by executive action or through law courts in cases of improper assessment, as the clauses of the Bill, if passed into law, do not provide any loophole for a generous interpretation—it is so wide, so drastic and so severe—I hope the Government will either draft the Bill or accede to the amendment of my Honourable friend, Lala Ram

[Mr. V. Ramadas Pantulu.]

Saran Das. I only wish to make one more appeal, Sir, before I sit down, namely, that we in this House should not be considered to be merely in the position of those who put a seal of approval on everything done in the Assembly. Of course, Bills come here after a full debate there and I do not wish to belittle the value of the debates in the other House—for to that extent they elucidate the position taken up by the Honourable Members there. But I think we must act as an independent body and this House as a second Chamber must be allowed full latitude and liberty to discuss once over such important measures on their own merits, even if it involved their going back to the Legislative Assembly with our amendments. I hope, Sir, you won't mind it and I know you always wish to guard very jealously the privileges of this House. I would, therefore, appeal to this House not to put their seal of approval on this very defective measure or at least to modify it to the extent of the Honourable Lala Ram Saran Das's amendment, so as to mitigate the mischief of the Bill to a considerable extent. Therefore, Sir, I wholeheartedly support this amendment.

THE HONOURABLE SIR JAMES GRIGG (Finance Member): Sir, I cannot help but be a little struck at the attitude of the last speaker. The two earlier speakers on this amendment took the more normal line that the object of this Bill is a proper one and one with which every Member in the House sympathises. When they said "every Member" they appear to have been not quite accurate because the Member representing the Congress Party does not even sympathise with the object of the Bill and says there is no urgency for it and asks: Why do you want it at all? In other words, there is no urgency for dealing with a particularly gross form of tax-dodging. The other Members who spoke on this amendment admit the urgency, admit the evil which has to be remedied but, unless I am misunderstanding him or doing him an injustice, the Member of the Congress Party says that this measure for dealing with tax-dodging of a particularly gross form is not a matter of urgency.

But leaving that aside, may I say at once that I on behalf of Government cannot accept the amendment which has been put forward, and I say that because I am quite clear that the acceptance of the amendment would completely destroy the Bill. Let me also admit, as I admitted in the Lower House, that the Government are in a dialectical difficulty in this matter because they have not gone further. If they had accepted out of hand the recommendation of the Income-tax Inquiry Committee to aggregate the income of husbands and wives the dialectical difficulty of which so much has been made would have disappeared completely. It is only because of the moderation of Government that we find ourselves in this dialectical difficulty and I must say that I take it a little hard that this moderation is chastised when the particular form of chastisement which has been meted out to us would not have been available if we had been a little more brutal—or shall I say a little brutal without admitting that we are brutal now.

Sir, if I may say so with respect, I have had a good deal of experience of this kind of legislation. For many years I have been associated in the United Kingdom with attempts at preventing the avoidance of tax and I have discovered what is invariably the discovery of people who seek to legislate that hard cases make bad law and there is no doubt that supremely in the sphere of income-tax avoidance legislation hard cases make bad law. I have never known a case where tax-avoidance legislation has been brought up in the House of Commons without dozens of Members getting up and saying that

they fully accepted the principle of the Bill but it goes too far, it covers innocent people who ought not to be covered and therefore we should in the committee stage move amendments which shall seek to exclude all the innocents who ought not to be included in it. I have also never known a case where the acceptance of these apparently innocuous amendments designed to exclude the innocent and exclude only the innocent have not in fact rendered the legislation completely ineffective, so that within one year or two years further legislation has had to be introduced to stop the hole which the Government have themselves made in their own legislation. It is the old story of the little rift within the lute, which ever widening will slowly silence all. There is no doubt that the acceptance of this amendment will render this legislation completely ineffective and almost from the start. But it seems to me from what the last speaker said that the nature of the assurance given him by Mr. Lloyd has been imperfectly understood. And perhaps I may be allowed to repeat the assurance very much in the form in which I gave them in the Lower House. In the first place, I say in all sincerity that this is not necessarily the permanent form which this legislation will take. When the full recommendations of the Income-tax Committee have been thoroughly examined in the light of the reactions of the public to them then will be the time for Government to undertake exhaustive legislation amending the Income-tax Act, and there will then be an opportunity to reconsider this particular Bill in the light of its working, so that it need not necessarily be the last word on the subject. It is quite possible that when the permanent legislation comes to be drafted, experience will show certain respects in which this Bill might be modified. And let me say in one respect that should the Government accept the proposal to aggregate incomes, a large part of the difficulties of definition will disappear. But even earlier than that, there is a remedy and it is not a remedy of the mere intervention of the Executive on behalf of individuals as the Honourable Member who spoke last seemed to think. It is a definite application of section 60, sub-section (1), of the Income-tax Act. Perhaps I might read it:

"The Governor General in Council may, by notification in the Gazette of India, make an exemption, reduction in rate or other modification, in respect of income-tax in favour of any class of income, or in regard to the whole or any part of the income of any class of persons."

I particularly emphasise the word "class" for reasons which will be obvious in a moment or two. As I said in the Lower House, should it appear in the course even of the current year that the working of this Bill produces real hardship—and when I say real hardship I am bound to add in a comment that a great many of the cases which have been quoted to me at any rate seem to me not to be cases of hardship at all but merely cases of the removal of an entirely uncovenanted advantage and I do not call that a hardship, if I may be allowed to say so. Supposing any class of cases of real hardship did turn up and that class of cases can be suitably defined, Government can and will, once they are satisfied of the hardship and that the case can be defined exclusively, consider seriously the question of using this particular sub-section of the Income-tax Act and I think.....

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Why not incorporate that safeguard now in this Bill?

THE HONOURABLE SIR JAMES GRIGG: The safeguard is already in the Income-tax Act, and I was very careful to say that provided we were satisfied that a hardship existed and that the case of hardship can be suitably

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[Sir James Grigg.]

defined—satisfactorily and exclusively—so as not to make a hole in the rest of the Bill. It seems to me, Sir, that with that assurance the House might very well refrain from pressing this particular amendment.

THE HONOURABLE MR. P. N. SAPRU: May I ask a question, Sir, in order to elucidate a point?

THE HONOURABLE SIR JAMES GRIGG: May I finish my speech first?

THE HONOURABLE MR. P. N. SAPRU: It might help you to answer that question now.

THE HONOURABLE SIR JAMES GRIGG: I would rather finish my speech first. I will answer it at the end, if I can. As I say, if during the course of the year, genuine cases of hardship—and I repeat I do not include in “cases of hardship” the mere removal of an uncovenanted benefit—genuine cases of hardship which ought to be dealt with and can be suitably defined arise, we shall have no hesitation in issuing a notification under section 60, sub-section (1), of the Income-tax Act. But, beyond that, I am afraid I cannot go. There is, in spite of what the representative of the Congress Party said, a real urgency in this matter. The degree to which these particular devices have been resorted to has become a little short of a scandal. At the lowest computation, we shall realise from this Bill Rs. 20 lakhs in the course of the year which is almost immediately upon us. It may be even a great deal more than that, and certainly, if we do not take action now to stop this particular hole in the Income-tax Act, it will be not a question of 20 lakhs, but of many times 20 lakhs. Therefore, this is a matter of urgency, and I cannot possibly agree to having any amendment made in the Bill which runs the slightest danger of destroying the object of the Bill, and I say in regard to this particular amendment that not only shall we run the risk of destroying, but it would most certainly destroy it almost completely. Sir, I must oppose the amendment.

THE HONOURABLE MR. P. N. SAPRU: Sir, I rise to give my general support to the amendment of the Honourable Rai Bahadur Lala Ram Saran Das. So far as we, on this side of the House, are concerned, we have ceased to expect any consideration from the Honourable the Finance Member, and therefore we are not surprised at the attitude that he has taken up in regard to this amendment. He has told us his experience of the House of Commons. He is a very distinguished treasury official, but I wonder, Sir, if we can credit him with great Parliamentary experience or with knowledge of handling Parliamentary situations. Sir, I should like to ask certain straight questions. I will read the concluding sentences of the Statement of Objects and Reasons for Sir James Grigg's benefit:

“The proposals in the Report regarding the aggregation of the incomes of husband and wife go beyond the immediate necessities of the case and to that extent their adoption would involve the admission of a new principle which the Government of India do not desire to establish in advance of the general public discussion of the Report which has been arranged; and the present Bill has been so drafted as to deal only with the abuses to which I have referred.”

The question that I should like to ask Sir James Grigg is this: “Can Government say that the Bill has been so drafted as to deal only with the abuses to which Government have referred? Can Government say that they are not establishing any new principle, in advance of the general public discussion

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of the Report?” Sir, having regard to the wording of clause 2, and having regard to the admissions which were made by the Honourable Mr. Lloyo about clause 2, can Government say that they are not establishing, in advance of the general discussion, certain principles which are to be found enunciated by the Income-tax Enquiry Committee?

Then, Sir, the Honourable Sir James Grigg has not told us how it would not be possible to deal with the abuses if the amendment of the Honourable Rai Bahadur Lala Ram Saran Das is accepted. If the amendment is accepted, the case of nominal partnerships at all events should not give any trouble. You will be able to deal with cases of nominal partnerships. You will not be able to deal with cases of genuine partnerships, but you will be able to deal with cases of nominal partnerships. Sir James Grigg has not told us how this amendment would make the Bill ineffective. There is a wider question also involved in this Bill, and it has become necessary to say just one or two words about that wider principle also. Are you going to treat husband and wife as one person? Women can hold property separately. The position of the married woman, her status in life—all these are affected by this Bill, and these are wider considerations which we cannot ignore in coming to a correct conclusion in regard to this Bill. Also, Sir, my sympathies are always with the poor. I do not look at questions from the point of view of the rich at all, and to be absolutely true to my principles I want to ask this question how will the Bill affect the poor? The difficulty that I find in the Bill as it is framed is this, that it is not only in the case of the higher incomes that this principle of aggregation is going to be applied. It will be applied in the case of high and low incomes alike. That is, the Bill is not going to affect the more fortunately situated people only but will also affect the poor hard-working middle class people who find it difficult to eke out a miserable existence in this land. Sir James Grigg has told us that the Income-tax Department will be prepared to consider on their merits individual cases of hardship.

THE HONOURABLE SIR JAMES GRIGG: No, Sir, I said nothing of the sort. I said that if classes of cases of real hardship arose which could be satisfactorily defined, section 60, sub-section (1) of the Income-tax Act was available.

THE HONOURABLE MR. P. N. SAPRU: Well, Sir, how will those classes of cases be dealt with? How can they be dealt with, having regard to the specific language of this Act? All that the Income-tax Officer will have to see is whether the income comes within the definition of clause 2, and if he finds that it does he can give no relief. Sir James Grigg might have explained to us what relief he contemplated and how that relief was going to be given. But he has not told us what relief is possible having regard to the specific provisions of section 2.

Sir, the attitude of the Opposition was not unreasonable. I have no right to speak for the Congress Party. They can look after themselves very well through their esteemed Leader, the Honourable Mr. Ramadas Pantulu. He will be able to answer Sir James Grigg all right. Sir James Grigg suffers from a Congress complex, but so far as we are concerned we have no complexes and we find that in this particular matter the attitude of the Government has been most unreasonable. Admissions have been made from their side in regard to this Bill. Our attitude has been throughout very fair. We suggested all possible alternatives to them. We wanted a little time to be given to us for a full consideration of the Bill; we wanted the Bill to be

[Mr. P. N. Saprū.]

referred, if it was possible to do so, to a Select Committee; we have suggested one amendment which was proposed by the Honourable Lala Ram Saran Das. We on this side of the House have shown every desire to co-operate with the Government in regard to this measure, but Government has been absolutely unresponsive, and there is only one course which we as self-respecting Members of the Opposition can take, and that is to oppose this Bill at all stages.

THE HONOURABLE MR. R. H. PARKER: Sir, I really have been shocked to listen to the Members of the Opposition pleading the cause of the rich. What are we discussing? We are discussing people who have money. In the first place, if you have no money you cannot transfer it to your wife and you cannot transfer it to your minor son. The Honourable Lala Ram Saran Das said that he was trying to get equity and justice. Now, what is there unjust about the proposals? I can see nothing whatever unjust about these proposals. It is just and proper that the income should be aggregated. They ought never to have been allowed to go on as they have been, not aggregated. I submit that the Honourable Members of the Opposition are not taking a rational view at all. They are thinking about their constituents who pay super-tax, and they are thinking about those who have some money. As to the Congress Member, how he can say the things he has said I do not know. The Honourable Mr. Saprū put forward certain arguments. He said that this was going to affect the small man as well as the big man. That is quite true. But there again, take the case of the small salaried man, say with an income of Rs. 4,000, and one who has some money and who transfers some to his wife as a result of which their joint income is Rs. 4,000. Why should they not pay on that? There is no answer to it. The Honourable Mr. Saprū was only contending that income-tax ought to be reduced, and that is a different point altogether. (*An Honourable Member*: "But should they pay on aggregate income?") Certainly, of course they ought to pay on aggregate income. There is no question about it. The principle is perfectly right and I strongly oppose this amendment.

THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL (Bombay: Non-Muhammadan): I rise to support the amendment moved by my Honourable friend Lala Ram Saran Das. Sir, I am free to admit that there have been cases in which there has been evasion of income-tax by division of the income between the assessee and his wife and sometime his child. At the same time I find that the Member in charge of the Bill has been fair enough to admit that the provisions of the Bill as they stand go beyond the objects of the Bill. Reference has been made in this connection to the Income-tax Enquiry Committee's Report and that reference is very pertinent. I had expected that the Government Member would be equally fair and say that as the Bill requires drafting improvement, we are prepared to meet and put our heads together and achieve the object which is in the minds of us all. But that has not been done and therefore the only course left open to me is to support the amendment of Mr. Ram Saran Das.

THE HONOURABLE THE PRESIDENT: I have not up till now heard a single word about any drafting improvements from any Honourable Member.

THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL: I will come to it in a minute, but before doing so I will refer you to the Report of that Enquiry Committee. The Committee in their introduction to the Report say:

"Our recommendations are designed to secure the fairest possible treatment of the honest tax-payer, and at the same time to strengthen the Department in dealing with fraudulent evasion and what is known as legal avoidance. It cannot be too strongly emphasised that many of these recommendations are inter-related and should be read together. Rejection or modification of one necessitating rejection or modification of others."

We have to bear in mind, Sir, that in making their recommendations the Committee warned all those concerned that they must take them together and not take one part and leave the other parts out. That would cause real hardship and I will point out to you how that hardship arises. I shall mention it for the information of the House. This Report came into my hands while I was in Bombay. We were discussing this question with several friends not only of any particular community, but of all communities, Hindus, Mussalmans and Parsees. Members of all communities are affected by this and they are taking equal interest. I am unable to say what the feeling of the European community, with which I am not much in contact, in this matter is. I leave it to their representative to say what they have to say. Let us take, Sir, that the starting point for this Bill is the recommendation of the Committee. I will read the recommendation of the Committee to show why they suggest that there should be aggregation of income. They say:

"Our attention has been drawn to the extent to which taxation is avoided by nominal partnerships between the husband and wife and minor children"

—and therefore they recommend—

"that the incomes of a wife should be deemed to be for income-tax purposes the income of her husband."

Sir, they do not say that on a wider principle, on some principle other than his, it should be aggregated. Even they do not go, as the Bill now goes, to the extent that it does not matter whether the tax is avoided or not, the income of the wife and the husband must be put together so that the rich may be taxed more because those who can afford to pay more must be taxed. If that is so, then it must be made quite clear. It is on this assurance that the Assembly has adopted this Bill and sent it to this House. Even the recommendations of the Committee do not go to the extent of accepting and adopting a principle which has been enunciated here by the Honourable Mr. Parker. He says certainly the wife's income should be aggregated. My friend, the Honourable Mr. Saprū, would probably take the same view. But do not know whether he is prepared to take it on this occasion. The Income-tax Enquiry Report does not go to that length. I will show why they should not be aggregated. Sir, there are many other recommendations. Businessmen try to understand why sometimes this practice is adopted. Sir James Rigby will admit that if some firm makes losses in one year and makes profits another year, they are not allowed to carry their losses to the next year. Now, the Income-tax Enquiry Report suggests that they should be allowed to carry their losses to the succeeding years. If these were put together, probably the hardship would not be so great as it would be if that part of the report is separated and only one part is proceeded with. In this Bill it is not only the income derived from business. . . .

THE HONOURABLE THE PRESIDENT: The Honourable the Finance Member has told us that shortly another Bill will be coming forward incorporating other recommendations.

THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL: Then there is all the greater reason that this Bill which does not carry out the purpose and does not secure the same treatment which the Committee was disposed to give should not be rushed through but brought forward with other legislation. Sir, you very pertinently asked whether any drafting improvements had been suggested. Sir, it does require a little time, but apart from that, as I heard the Member in charge, he was of the opinion, if I understood him correctly—I am speaking subject to correction—that he would be prepared to include income which arises from business. There are several heads of income. I understood him to say that the income which arises from the head of business, not of investment, not of property, but from the head of business alone, that was in his mind. If that is so, some amendment is necessary to say that so much of the income as arises from business only. I am referring to sub-section 1 (a) of clause 2.

THE HONOURABLE MR. A. H. LLOYD: May I say that I did not intend to convey that impression at all—that there was any question of Government's attention being confined to income from business?

THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL: I now take that that was not the intention. If an amendment of this character is considered, it will probably help the House and the Government Members also in considering the question properly. Take the case of Hindu women. By personal law they are entitled on partition to have a share. Are they to be deprived of their share by this Bill? Is it an unfair evasion? If a man wants to divide his property as some Hindu fathers do and give a share to his wife and to his sons—which she is entitled to in law—if that property is divided, is it unfair evasion?

THE HONOURABLE MR. R. H. PARKER: Certainly.

THE HONOURABLE THE PRESIDENT: Apart from that this section does not prevent your handing over your property to your wife or child.

THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL: It does not; but I do not think that Government intend to go so far as to say that property is not to be transferred to somebody. But if this property is transferred....

THE HONOURABLE SIR JAMES GRIGG: Perhaps I can make the intention of Government quite clear. It is not in the least to prevent transfers of property. It is merely to prevent such transfers of property attracting to them an unnecessary and uncovenanted Income-tax advantage.

THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL: I myself had hardly any misgivings on the point that Government think of having recourse to such a preposterous proposition of saying that property is not to be transferred by the husband to his wife. I was clear in my mind about it. But when he divides the property and hands it over, then she holds her property in her right. The Hindu law gives her the right to hold property and if he divided the property with his sons and if he refuses to give the wife her share, it would be open to the wife to go to court and ask that a share should be allotted to her. Where is the evasion in this case? Take, Sir, another case. A Hindu woman gets some cash from her father and she puts that money in partnership business with her husband. Now, the effect of this

legislation will be that instead of using that money for the business of partnership with her husband, she will have to say, "I shall not have any partnership with my husband, but with some outsider". If she can do that, the law will permit it. But if she uses those funds for the purpose of business in which she and her husband will both participate, then the law imposes additional tax upon both of them. Then, Sir, go to the next point, the case of a minor child. Here the partnership with all children is not excluded. It is only where a minor is concerned and if he has any profit from the firm then that profit is aggregated and the higher rate of interest is charged. But if the child is not a minor child, if he is an adult, he is not penalised—only the minors are penalised. It is hardly fair, Sir. I should have expected that Government having realised the force of the objections raised would take a little time and bring a redrafted Bill, but as they do not do so, all that we shall do in this House is to oppose this Bill.

THE HONOURABLE MR. A. H. LLOYD: I think, Sir, the discussion has shown a tendency to become a little diffuse. If attention is concentrated upon the more important points in the attack upon Government in this debate I can say with some assurance that I can find nothing to add to what has been so well expressed by the Honourable the Finance Member. Therefore, with your permission, Sir, I shall waive my right of reply.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That in clause 2, to the proposed sub-section (3) of section 16 the following proviso shall be added, namely:—

'Provided that nothing in this sub-section shall operate so as to include in the total income of any individual for the purposes of assessment such part of the income of the wife or minor child of such individual as arises directly or indirectly from property which, under the personal or religious law applicable to the wife or child, is the separate personal property of the wife or child.'

The Question is:

"That this amendment be adopted."

The Motion was negatived.

THE HONOURABLE THE PRESIDENT: The Question is:

"That clause 2 stand part of the Bill."

THE HONOURABLE MR. V. RAMADAS PANTULU: Sir, normally it would not have been necessary to again speak on this clause because I have practically said all that I wanted to say against the scope of this clause when I spoke on previous occasions. But what has induced me to get up is that some observations were made in some quarter of the House as to how I as a Congressman could object to this Bill which affects only the rich and why I was trying to protect the interests of the rich. I would like to say that I oppose this Bill with my full responsibility as a Congressman and if there is any impression in any quarter of this House that Congressmen will allow injustice to the rich capitalists and landlords go unchallenged, they are mistaken. Congressmen are as much interested in seeing that justice is done to landlords and capitalists as to peasants and workers. We do not make such distinctions in securing justice. The only question we have to deal with is whether this Bill is just and right. If it unjustly penalises a rich man I am here to oppose it. Sir, I want to make it perfectly clear that the Honourable Mr. Parker is wrong in thinking that we Congressmen are only champions of the rights of the poor and not of the rich.

[Mr. V. Ramadas Pantulu.]

The only other point is that, with all respect to the Finance Member, I do not think any class of cases can arise under this Bill for him to give relief under section 16 (1) because the very class of hard cases to which we object are those which are specifically brought within the scope of this Act. The class of cases under the amendment of the Honourable Lala Ram Saran Das which are sought to be brought within the mischief of this Bill are those to which we object. Therefore, so far as this very class of cases are concerned there is no question of giving relief. Therefore, for the reasons which I have already stated and because, as the Honourable Mr. Sapru has pointed, it touches not only the rich but also the poor, I enter my protest against this clause.

Clause 2 was added to the Bill.

Clauses 3, 4 and 5 were added to the Bill.

Clause 1 and the Title and Preamble were added to the Bill.

THE HONOURABLE MR. A. H. LLOYD: Sir, I move:

"That the Bill, as passed by the Legislative Assembly, be passed."

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Mr. President, I rise to oppose the motion which has been placed before the House by the Honourable Mr. Lloyd. Sir, the Honourable the Finance Member cast doubts on the sincerity of the statements of those Members on this side who while expressing general sympathy with the efforts of the Government to stop the improper evasion of income-tax found themselves unable to support the Bill in the exact form in which it stands. Notwithstanding his derision, however, I hope that no Member of this House on the opposite side will, because of this, question the motives of Members on this side of the House who have thought it their duty to support the amendment moved by the Honourable Lala Ram Saran Das in order to remedy an injustice which any impartial man will admit. Government generally find themselves more often in the position in which we are placed today. If I were asked to give instances to prove this I would refer to the many cases in which Government while expressing sympathy with the labourers have opposed the conventions and recommendations passed at the International Labour Conferences. I should have thought that the knowledge of the position which Government have taken up very often would in this respect impose some caution on the Honourable the Finance Member. If, however, he did not do so, that is his own business and that of the Government of which he is a member. So far as we are concerned we have to see whether, in spite of the explanations given this afternoon by him we can change the attitude which we have taken up with regard to the Bill now before the House.

It has been admitted, Sir, that the Bill is not merely an attempt to improve the income-tax machinery. It has been made clear that notwithstanding the claim made in the Statement of Objects and Reasons the Bill seeks to establish a new principle. If that is so, should anything further be needed to induce Government, if they were to proceed merely on grounds of justice and equity, to postpone the discussion of this Bill, or even to withdraw it just now in order to amend its language? But apart from this, there are cases which may come within the purview of this Bill which according to the Honourable Mr. Lloyd it is not the intention of Government to bring under it. I will first refer to the speech of my

4 P.M.

Honourable friend, Sir David Devadoss. He wondered whether the case of a *bona fide* marriage settlement would not come under the provisions of the Bill as it is before us. The Honourable Mr. Lloyd could only say that he thought that a marriage settlement would come within the exemptions provided for in the Bill, but he could not be certain of it. I can give another instance to show that the Bill is not as simple a measure as it appears to be. If we admit the principle underlying this Bill, what is there to prevent Government from coming to us on a subsequent day and saying that as the mother in Hindu families lives with her sons, it is necessary to introduce legislation in order to make her income jointly assessable with that of her sons should she become a partner in their business? It is thus not merely the dangers involved in the provisions of this Bill but also the danger of its wide extension hereafter that ought to give pause to Honourable Members and induce them to wait a little and see whether the Bill cannot be so improved as to be free from the objections urged on this side of the House.

Sir, the Honourable the Finance Member was good enough to say that it was not the intention of Government that unnecessary hardships should be caused to any class of taxpayers. But I am afraid that it will be very difficult to convince Government that their legislation bears heavily on any class of people in this country. The Income-tax officials will apply the law as it will be hereafter. It may be possible for us to bring certain individual cases of injustice to the notice of Government, but it will be impossible to prove that there is any large class of persons adversely affected by the new legislation. The promise made by the Honourable the Finance Member does not, therefore, carry us very far. It cannot modify our opposition to the Bill. Sir, the position of Government in effect is this: "We said to you that the Bill was not intended to establish any new principle; it is true that we have not fulfilled that undertaking; we also admit that it may cause genuine hardship in some cases; nevertheless, we cannot accept your proposal to amend the Bill as it stands. If we consider your amendment we do not know where it will land us; but while we cannot trust you, we ask you to trust us; leave it to us to deal fairly by the tax-payer and believe us that we shall do so." I am sure that the Honourable the Finance Member and the Members who sit behind him are not children. They know very well that the attitude taken up by them is not such as to invite the confidence of this House. We should have liked to help Government in stopping the legal but immoral evasion of income-tax, but they refuse our co-operation. They think that they must have the last word on every subject and that their measures are the quintessence of perfection. They are welcome to hold this belief as long as they like or as long as they can. But our duty is clear, and that is to put forward our view as strongly as we can to give expression to it in a clear and emphatic manner and to challenge the action of Government at every suitable stage.

THE HONOURABLE THE PRESIDENT: Motion made:

"That the Bill further to amend the Indian Income-tax Act, 1922, for certain purposes, as passed by the Legislative Assembly, be passed."

The Question is:

"That that Motion be adopted."

The Motion was adopted.

INDIAN LAC CESS (AMENDMENT) BILL.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Education, Health and Lands Member): Sir, I move:

"That the Bill further to amend the Indian Lac Cess Act, 1930, for a certain purpose, as passed by the Legislative Assembly, be taken into consideration."

Sir, the reason for bringing in this Bill has been given in the Statement of Objects and Reasons. When the first Lac Cess Act Amending Bill was introduced, there was the province of Bihar and Orissa. By the time that it passed through this House, the new province of Orissa had been created. It is therefore necessary to bring in this Bill in order to take note of that fact. Cultivation of lac is mostly confined to the province of Bihar; there is very little cultivation of lac in Orissa and it was never the intention of Government that representatives of the cultivators or officials from Orissa should be on the Governing Body or the Advisory Board. The reason for bringing in this Bill is to make that point clear. This is the simple object of this Bill and I have no doubt that there will be no objection to it from any part of the House. Sir, I move.

The Motion was adopted.

Clause 2 was added to the Bill.

Clause 1 and the Title and Preamble were added to the Bill.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: Sir, I move:

"That the Bill, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

ARBITRATION (PROTOCOL AND CONVENTION) BILL.

THE HONOURABLE MR. SHAVEX A. LAL (Government of India: Nominated Official): Sir, I beg to move:

"That the Bill to make certain further provisions respecting the law of arbitration in British India, as passed by the Legislative Assembly, be taken into consideration."

Honourable Members must have noticed from the provisions of this Bill and the Statement of Objects and Reasons accompanying it that this is a measure which should have the approval of all sections of this House. I need not therefore detain Honourable Members for more than a minute. One of the essential needs of commerce is an efficient and comparatively inexpensive machinery for the settlement of debts and disputes arising in commercial contracts. The need is even greater in the case of international commerce because the trouble and expense involved in litigating in a foreign country are immense, if not prohibitive. Arbitration is recognized to be a relatively cheap and efficient mode of settling such disputes; but unfortunately under the law as it stands, it is not possible to enforce in one country arbitration awards made in another country. This defect is detrimental to international commerce, and consequently several countries came to an agreement some years ago whereby they undertook to enforce within their own borders arbitration awards made in any country which was a party to the agreement. India was not originally a party to the agreement, but after mature consideration and consultation with the commercial interests in this country it was decided to signify India's adherence to that international agreement and this

Bill has been brought to honour the obligations India has assumed under that agreement. I am sure Honourable Members will readily accept this measure and pass it into law.

The Motion was adopted.

THE HONOURABLE THE PRESIDENT: As the clauses of the Bill refer to the two Schedules I will put the two Schedules first.

The First Schedule was added to the Bill.

The Second Schedule was added to the Bill.

Clauses 2 to 5 and 6 to 10 were added to the Bill.

Clause 1 and the Title and Preamble were added to the Bill.

THE HONOURABLE MR. SHAVEX A. LAL: Sir, I beg to move:

"That the Bill, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

WORKMEN'S COMPENSATION (AMENDMENT) BILL.

THE HONOURABLE MR. A. G. CLOW (Industries and Labour Secretary): Sir, I move:

"That the Bill further to amend the Workmen's Compensation Act, 1923, for a certain purpose, as passed by the Legislative Assembly, be taken into consideration."

This Bill has a single and a simple object. It seeks to amend only one section of the Workmen's Compensation Act. Honourable Members will find that section appended to the copies of the Bill in their hands. The section is one providing for the transfer of money due as compensation from India to other countries and *vice versa*; but as it is at present worded it limits such transfers to sums that have been actually found due as compensation to specified persons. Now it frequently happens in the case of fatal accidents that a sum of money is deposited under our law and under the laws of certain other countries which resemble our own, and it is the duty of the Commissioner to determine to whom that compensation is payable, in other words, to judge of the claims of the dependants in what is known as a "distribution proceeding". To that proceeding the employer very often does not desire to be a party. Now, obviously, where the workman is killed in one country and his dependants reside in another, it is convenient for all parties, except the employer sometimes, that the proceedings should take place where the dependants live and not where the accident occurred; and the object of this Bill is to enable both the money and the proceedings to be transferred to India or from India to the country concerned if the employer consents.

The immediate need of the Bill arises out of the impending separation of Burma, for at present distribution proceedings can be transferred under another section of the Act as Burma is part of India. That section will no longer be applicable after the 1st April, and this Bill, which has also the consent of the Government of Burma, has been put forward in order to remedy the position.

The Motion was adopted.

Clause 2 was added to the Bill.

Clause 1 and the Title and Preamble were added to the Bill.

THE HONOURABLE MR. A. G. CLOW : Sir I move :

"That the Bill, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

CODE OF CIVIL PROCEDURE (SECOND AMENDMENT) BILL.

THE HONOURABLE MR. A. G. CLOW (Industries and Labour Secretary) :
Sir, I move :

"That the Bill further to amend the Code of Civil Procedure, 1908, for certain purposes (*amendment of section 60*), as passed by the Legislative Assembly, be taken into consideration."

This Bill resembles the Bill which concluded our legislative programme last Session in three respects. In the first place, it seeks to amend the Code of Civil Procedure ; in the second place, it arises out of the Whitley Commission's recommendations ; and in the third place, it is aimed at indebtedness. The provisions of the Code with which the Bill deals are those which concern the attachment of wages and salaries, and as they are by no means easy to follow, at least to a layman like myself, and as the Bill is unintelligible without the original provisions of the Code, it may perhaps assist Honourable Members if before discussing the merits of the Bill I gave a very brief description of the law as it stands at this moment.

The Code treats different classes of debtors in respect of attachment of their wages and salaries in a different manner. (I omit reference to minor exceptions with which I will not trouble the House.) It first exempts altogether the wages of labourers and of domestic servants. In respect of other private persons, that is, persons who are not in Government employment and are not railway servants—it leaves the whole of their salary open to attachment, but that attachment can only be effected after the salary or wages are due. In other words, attachment can only be made of these as a debt ; so that anyone who sought to attach salary would first have to wait until the amount was actually payable and he would then have to attempt to enforce a decree—an extremely difficult, if not impossible, proceeding and one which is very rarely resorted to, except when substantial arrears of salary are for some particular reason due to an individual. So that while in appearance the Code gives very little protection or no protection to persons in private employment, in actual practice the protection is very nearly absolute. But when we come to Government servants and Railway servants, the provisions are different. Here the first Rs. 40 of salary is exempt and thereafter half the salary is exempt, subject to a minimum of Rs. 40. The remainder is liable to a process known as continuous attachment. In other words, the creditor can secure from the Court an order served on the head of the Department or the head of the Railway Administration by which that officer is bound to deduct from the salary payable to the Government or Railway servant the proportion specified month by month, so that it may be made over to the creditor. That briefly is the position of the law as it stands, except that allowances which are less than salary are totally exempt.

Now, these provisions are sought to be replaced almost entirely by the provisions which Honourable Members will find in the Bill. The new clause (*h*), which they will find at the head of clause 2 of the Bill, continues the total exemption of wages for labourers and domestic servants and it adds a new exemption for the salary of other private individuals in respect of the first

Rs. 100 and half the remainder thereafter. For the reasons which I have already indicated, I cannot claim that that clause is of any substantial importance. The important clause, which I will reserve to the last, is the following clause, clause (i). The amendment in clause 2(*b*) is of a purely formal character. The amendment in clause 2(*c*) read with the second Explanation is designed to remove an unintentional effect of the Code. I referred a moment ago to the fact that allowances being less than salary are totally exempt. That was intended to protect special allowances, such as subsistence allowance. But since the introduction of time-scales, the great majority of Government servants go on leave on a pay which is slightly lower than their regular salary, with the rather anomalous result that although part of their salary may have been attached up to the moment of their going on leave, as soon as they go on leave they get the whole of the pay. That result, as I said, was not anticipated by the framers of the Code and is not based on any equity, and these amendments seek to remedy the defect. The last clause, clause 3, allows a small period of grace for the filing of suit.

I return now to the only really important clause and that is the new clause (i). This proposes to raise the limit of....

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern : Non-Muhammadan) : Which clause ?

THE HONOURABLE MR. A. G. CLOW : The clause which takes the place of clause (i) in section 60 of the Code ; it is included in clause 2(*a*) of our Bill—the one beginning with "the salary of any public officer."

This seeks to change the present position in two directions. In the first place, by the main part of the clause, Rs. 100 of salary is totally exempted from attachment, whether before or after it is due, and half the remainder of an official's salary is also exempted similarly. The remainder, if this Bill is passed, will still be liable to continuous attachment ; but the proviso limits the power of continuous attachment. In the first place, the creditor will not be able to secure for any one decree continuous attachment for a period exceeding 24 months either continuously or intermittently. In the second place, after the salary of an official, or rather the portion attachable of it, has been attached for a period of 24 months, he will have a respite of at least a year from all attachment. Now these provisions enhance appreciably, as Honourable Members will recognize, the protection given to public servants from this power of continuous attachment and the justification for them is to be found in the effect which that particular system has on indebtedness. The Whitley Commission were impressed by the fact that undue credit was a danger ; it afforded a strong force working for indebtedness. And investigations since have shown that those Government servants whom this Bill seeks mainly to protect are very often gravely indebted. I may mention that the heads of all Railway Administrations and of the Posts and Telegraphs Department were in favour of an amendment of the law. It is our hope that by restricting the power of continuous attachment in this manner we will restrict the attraction of that class of persons for those who wish to lend them sums which are beyond their capacity to pay without hardship. I trust, Sir, that the Bill will commend itself to the House.

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras : Non-Muhammadan) : Sir, I rise to support the Motion to consider this Bill and welcome it as a very beneficial measure. It has been long overdue and I think many classes of people in this country will stand benefited by this measure.

[Mr. V. Ramadas Pantulu.]

I wish it had been liberalised in two or three directions. Firstly, while the Whitley Commission recommended that incomes up to a limit of Rs. 300 should be totally exempted from attachment, the present Bill brings down the minimum to Rs. 100. I wish the Government had maintained the minimum recommended by the Whitley Commission. There are very many weighty reasons for doing so and Rs. 100 is a very small minimum which will not give adequate relief to a large section of public servants and other people. But I do not wish to labour that point. I only hope that when a suitable occasion occurs and after they watch the effects of this measure Government will take action in that direction. There is one other direction in which they might have liberalised the Bill, namely, small agricultural incomes might have been exempted. Section 60 of the Code of Civil Procedure now contains certain exemptions in favour of agriculturists. I am aware that Agriculture is mainly a Provincial Subject and that the Provincial Legislatures are at liberty to legislate where local conditions require; but here are certain broad principles of an all-India application. If the Government of India had extended the exemptions which agriculturists now enjoy to very low incomes of a specified minimum it would have been a welcome measure. I also think that the words "labourers and domestic servants" might have been explained a little more carefully so as to include agricultural labourers as well. It is doubtful whether the words now used in the Bill "labourers and domestic servants" will include farm servants as opposed to domestic servants. I am not quite certain. Anyhow it should have been made clear.

There is, however, one clause of this Bill to which I have serious objection—clause 3. I feel that the clause nullifies much of the benefit which this Bill seeks to confer on many classes of employees in this country. Clause 3 is objectionable from more than one point of view and with your permission, Sir, I will reserve what I have to say on the subject till I speak when the clause is put to vote. With these observations, Sir, I support the Motion for consideration.

THE HONOURABLE MR. P. N. SAPRU* (United Provinces, Southern : Non-Muhammadan): Sir, I should like to congratulate the Honourable Mr. Clow on the excellent measure which he has just introduced in this House. I consider it, Sir, to be a thoroughly good measure to which we in this House can give our cordial support. Sir, the Honourable Mr. Ramadas Pantulu has referred to certain points and I am more or less in agreement with his main criticisms. I think, Sir, that the exemption limit should have been Rs. 300. I do not say, Sir, that the Bill is not a very great advance from the present position. It is undoubtedly a very great advance but I agree with the view of the Whitley Commission that the exemption should have been Rs. 300. There is a great deal of indebtedness among our railway employees and others and if the exemption limit had been placed at Rs. 300 it would have been better. Anyway, Sir, the Bill represents an improvement in the right direction and I will not stress that point. Then, Sir, I am also inclined to agree with the view of the Honourable Mr. Ramadas Pantulu that the definition should have been so drafted as to include agricultural labourers also. I am not quite sure whether agricultural labourers and domestic servants will come within the purview of the present Bill. Then, Sir, so far as clause 3 is concerned, I should personally have preferred that retrospective effect should have been given to

* Speech not corrected by the Honourable Member.

the measure. I think, Sir, the Act will not apply to proceedings arising out of any suit instituted before the first day of June 1937. I do not like clause 3 and when clause 3 is taken up I shall say what I have got to say in regard to it. Finally, I should like to give my whole-hearted support to this very beneficent measure in the interests of the working classes of India.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan): Sir, being an employer of labour on a large scale I am always for the amelioration of the condition of the labourers. But I should like to ask the Honourable Mr. Clow whether or not this Bill will apply to private domestic servants and industrial labour.

THE HONOURABLE MR. A. G. CLOW: Yes, domestic servants are mentioned in the Bill.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, there is one point I want to mention and I only mention it because perhaps it may entail hardship on the labourer. Owing to grave economic difficulties the labourers have no reserve at all with them although they had a little reserve with them some time back, and I would say that the hardship which there is a possibility of occurring is that sometimes for reasonable grounds, for instance, owing to sickness in the family, he may request his employer for an advance—it is human that that advance should be given but when the time of the payment of salary comes and in case the labourer refuses to pay back that advance the result will be that, although the employer may wipe out that loan, once still it will cause hardship to the labourer in case advances are not made in time of emergency. So, Sir, while I do not oppose the Bill and welcome it as a measure for the improvement of the condition and welfare of the working classes, I would like some sort of safeguard so that this Bill may not entail a hardship upon labour in the manner that I have indicated. I know that the intention underlying this Bill is not to give them advances for being misused or that it may cause spendthrift. But sometimes the advances demanded by the labourer are for emergency purposes, for instance, in case of sickness in his family or in case of some other urgent nature. So I wish, Sir, that some sort of protection should be given to the employer in such like emergencies so that there may be no hardship to the labour. With these remarks I support the Bill.

THE HONOURABLE THE PRESIDENT: Motion moved:

"That the Bill further to amend the Code of Civil Procedure, 1908, for certain purposes (*amendment of section 60*), as passed by the Legislative Assembly, be taken into consideration."

The Motion was adopted.

Clause 2 was added to the Bill.

THE HONOURABLE THE PRESIDENT: The Question is:

"That clause 3 stand part of the Bill."

THE HONOURABLE MR. V. RAMADAS PANTULU: Sir, I wish that the Government had not nullified the effect of a very good and beneficial measure by this very unfortunate clause. The effect of this clause is this: Sir, all the decrees that are obtained hitherto and those that will be obtained in suits to be instituted before the 1st of June 1937 will continue to be executed in the manner in which they are now executed under the Code of Civil Procedure. Therefore, the various classes of persons to whom this Bill applies will not be benefited to the slightest extent by this Bill, so far as decrees that are outstanding now are concerned and also decrees in suits to be instituted before

[Mr. V. Ramadas Pantulu.]

the 1st June 1937; that covers a very large class of persons and they are all deprived of the benefits of this section. If the framers of the Bill had said nothing about this in the Bill and if this clause had not been there the Bill would have had a retrospective effect for the reason that it is an adjective and not a substantive measure. It is a matter relating to procedure of executing decrees. The rule is that a processual law will have retrospective effect unless expressly provided otherwise. Therefore, the benefits of this measure would have gone to all persons retrospectively. All decrees now outstanding would have been executed only in the manner in accordance with exemptions now made by the Bill. Now, Sir, there is another danger. Now that the Bill has given time till the 1st June for those intending to institute suits there will be a large number of suits filed between now and the 1st of June because it gives a distinct advantage to decree holders to execute them in the old manner. It may be said that since the commencement of legislative proceedings to implement the recommendations of the Royal Commission on Labour a certain number of suits have already been filed. I know there has been some rush in the courts. But many people hesitated to file suits in the hope that the Legislative Assembly and the Council of State might not perhaps pass such a measure of protection to debtors because the money-lending classes very largely predominate in both these Houses. As a matter of fact, the Select Committee to which the Bill was referred by the Assembly tried to bring down the minimum from Rs. 100 to Rs. 60 and other amendments made in the Select Committee showed distinct characteristics of the money-lender's mentality having been brought to bear upon this Bill. That is the hope in which the money-lenders in this country have been postponing their suits. Now you give them definitely four months' time for filing their suits. Now, I think people drawing salaries of Rs. 100 or less will all be sued because of the tremendous advantage that the creditors get thereby which will be denied to them after 1st June. I have received a certain number of telegrams and communications urging upon me to request the House not to accept clause 3 of the Bill. For instance, one telegram runs:—"Advocates, Madras. Please see Upper House rejects Thorne's last amendment to section 60 of Bill since it compels suits against people getting low salaries" and so on. I have received certain other communications to the same effect. I would ask this House and the Honourable Member in charge to pay some serious attention to what I have said. I am not ventilating imaginary grievances. I am pleading the cause of the poor people who will be harassed. The creditors in this country are given far too many facilities to recover their debts. The Railway Companies and Government Departments have been made the agents for the collection of decrees and debts due to money-lenders. The law of limitation, the law of procedure, all these unduly favour the creditors in this country and lead to accumulation of debts over long periods of years, and you have created agencies which are least expected to be agencies for collection of debts to money-lenders. I think the apprehension that any curtailment of the existing facilities to creditors might curtail the credit facilities of these people is really unfounded. My Honourable friend Rai Bahadur Lala Ram Saran Das pleaded for certain safeguards lest the credit of these people might suffer. I am sure it would not suffer. Nobody should lend these people moneys in the hope that the Government or Railway Companies will collect the moneys. They ought to lend them on the merits, having regard to the repaying capacity of the borrowers.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Not even in the case of an emergency.

THE HONOURABLE MR. V. RAMADAS PANTULU: You should not give undue facilities to money-lenders. I think the law should curtail those facilities. Any amount of legislation to deal with indebtedness will hardly have any effect unless the existing facilities are considerably curtailed. I hope this House will have some sympathy for these poor people. I am now pleading the cause of the poor, if I was pleading the cause of the rich people this morning. I hope the Honourable Mr. Parker will at least vote with a Congressman's Motion when he pleads the poor man's cause. If he votes with us, he will be helping to remove the injustice to which these people will be subjected. I request him to put his sympathy for the poor man into action by voting with us. With these words, Sir, I oppose wholly clause 3.

THE HONOURABLE MR. A. G. CLOW: Sir, I have a certain sympathy with my Honourable friend who has just sat down. Like him, perhaps, I have the same natural tendency in favour of debtors rather than creditors. But I think his speech illustrates how extraordinarily difficult it is to please everybody. When the Bill was introduced—I think it was introduced on the 8th February, 1935—the date then inserted in this clause was the 1st February 1935; so that no opportunity was given to file suits at all. Then, in Select Committee, the change was made, and although I was not by then a Member of the Select Committee and could not, in any case, disclose what took place there, I think it is reasonable to infer that the change was made at the instance of gentlemen, who, in some matters at least, share the views of my Honourable friend opposite. The effect of that change was that whereas they reported in March of last year with every reason to anticipate that the Bill would be passed within a few weeks, creditors were allowed up to January of this year to file their suits—a period of nearly 9 months. The amendment made in the other House recently is a compromise and gives a period of a little more than 3 months to file suits.

It is extraordinarily difficult in these matters to hold the scales even between creditors and debtors. But there is one point to remember, and that is, that the sums for which suits will be filed were sums actually lent with the expectation that the Code as it now stands will be applicable, and I think that is a consideration that we cannot afford altogether to ignore. It is perfectly true that this clause may lead to the filing of an extra number of suits in the courts in the course of the next few months. But personally I should have thought, having great respect for the acumen of the money-lending profession, that any gentleman of that profession would have recognised at least two years ago that the probabilities were that this Bill would pass into law and they would have had ample opportunities of filing suits in the interval, and most of the suits they were going to file have probably already been filed.

THE HONOURABLE MR. V. RAMADAS PANTULU: You give them further opportunities.

THE HONOURABLE MR. A. G. CLOW: In view of the consideration that they have lent the sums on the expectation that the Code as it now stands will be applicable—probably most of them were lent before any question of amending the Code arose—it does seem fair to give a very brief respite to the creditors. I hope my Honourable friend will not press his objection.

THE HONOURABLE THE PRESIDENT: The Question is:

"That clause 3 stand part of the Bill."

The Motion was adopted.

Clause 3 was added to the Bill.

Clause 1 and the Title and Preamble were added to the Bill.

THE HONOURABLE MR. A. G. CLOW: Sir, I move:

"That the Bill, as passed by the Legislative Assembly, be passed."

I would crave the indulgence of the House for a minute or two to refer to certain observations which fell from my Honourable friends opposite to which I had no opportunity of replying at an earlier stage. My Honourable friend Mr. Ramadas Pantulu suggested that we should have adhered to the Whitley Commission figure of Rs. 300. Well, I am not a likely person to criticise the views of the Whitley Commission of which I was myself a member. But I would ask him to recognise that there has been a good deal of consideration given to this matter since the Whitley Commission reported. We have had views canvassed from all over India and it is quite clear to my mind that at least in one respect, namely, as far as the figure went, the views of the Whitley Commission were not entirely in consonance with public opinion in this country. I would again remind my Honourable friend that in another place this figure of Rs. 100, which we have in the Bill, was reduced to Rs. 60, and had it not been for the combined efforts of the Honourable Mr. Joshi and Government, we would have been at Rs. 60 still, which I think is an indication that my Honourable friend in his pleadings for debtors has not at least unanimous support behind him. I would also point out that although the Whitley Commission figure has not been adopted, we have in the proviso here a very important safeguard which goes beyond what they recommended, so that I do not think that the effect on the whole is likely to be less favourable than the adoption of their recommendation would have been.

There has been a certain amount said about agricultural labour. Well, I am not a lawyer, but I should have thought that an agricultural labourer was a labourer, and in any case I have never heard of a case of an agricultural labourer having his wages attached by a process in the Civil court, and I imagine such cases are extraordinarily rare. As regards my Honourable friend Lala Ram Saran Das's apprehensions I can assure him that this Bill in respect of the classes of whom he was particularly speaking makes absolutely no change. Labourers and domestic servants both have their wages equally exempt under the Code as it stands, and the Bill; and the provisions to which he was referring are a reproduction of the existing provisions.

THE HONOURABLE MR. RAMADAS PANTULU: I am thankful to the Honourable Mr. Clow for the assurance of Government's sympathy in this matter. I will only remind him that if the Government want to translate their sympathy into action, amendments by Government in this House have a much better chance of being carried than in the other House. Therefore whenever the Government feels that their sympathy for the poor has not been given effect to in the other House, I would advise them to bring their motion in this House.

THE HONOURABLE THE PRESIDENT: The Question is:

"That the Bill, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

The Council then adjourned till Eleven of the Clock on Thursday, the 25th February, 1937.

COUNCIL OF STATE.

Thursday, 25th February, 1937.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

MEMBER SWORN.

The Honourable Maulvi Ali Asgar Khan (Assam: Muhammadan).

MOTION FOR ADJOURNMENT *RE. ADJOURNMENT OF TRIAL OF AN HONOURABLE MEMBER BY A MAGISTRATE WHEN THE COUNCIL IS IN SESSION.*

THE HONOURABLE THE PRESIDENT: Honourable Members, before we proceed with today's work, I have to inform you that I have received notice of an Adjournment Motion from the Honourable Mr. Ramadas Pantulu. Before I read the Motion, I want to know from the Honourable Member if he has given notice, before the commencement of the sitting, to the Honourable Member in charge of the Department and also to the Secretary.

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras: Non-Muhammadan): Yes, Sir.

THE HONOURABLE THE PRESIDENT: The Motion is this:

"Sir, I intend to raise in the Council, at such time you may permit me to do so, the question of the privilege of a Member of this House, who has been summoned to attend a session, to be permitted to do so, notwithstanding the pendency of a prosecution against him, by adjourning the trial to such date or dates as to allow him to attend the Council while it is actually in session.

This is in connection with the refusal yesterday (24th February 1937) of an adjournment to the Honourable Mr. Brijlal N. Biyani, a Member of this House, by the City Magistrate of Akola and posting the case for trial for today and from day to day thereafter, notwithstanding the prayer of Mr. Biyani for an adjournment of the case till the present session of the Council concludes in April."

The Adjournment Motion....

THE HONOURABLE MR. V. RAMADAS PANTULU: I gave notice of another Motion of Adjournment itself.

THE HONOURABLE THE PRESIDENT: And you have also given notice of an Adjournment Motion, which reads:

"I beg to give notice of my intention to make a Motion for an adjournment of the business of the Council for the purpose of discussing a definite matter of urgent public importance, namely, preventing an Honourable Member of this House, Mr. Brijlal Nandlal Biyani, from discharging his duties here by refusing to give him an adjournment of trial by the City Magistrate of Akola even for a short time, in the case pending against him in connection with the prosecution for sedition launched against him for an Election speech."

[The President.]

As regards the first Motion, it is a question involving the right of privilege of a Member of the House and I do not propose to go into that question at this stage. But I am bound to consider whether I should allow this Adjournment Motion, which has been properly framed and presented in right time before the commencement of our work today and of which notices have been under the new rules properly submitted.

THE HONOURABLE MR. R. M. MAXWELL (Home Secretary): Sir, I doubt very much whether this is a Motion for Adjournment which could properly be moved in this House. Any business which comes before this House of this character must, it seems to me, either be regarded as a Resolution or not.

THE HONOURABLE THE PRESIDENT: What rule are you referring to?

THE HONOURABLE MR. R. M. MAXWELL: If this is a Resolution then its discussion in this House is prohibited by rule 23 (1) (iii) of the Indian Legislative Rules which prohibits discussion of any matter which is under adjudication by a Court of law. That rule, Sir, reads:

"23 (1)....."

"No resolution shall be moved in regard to any of the following subjects:—"

.....
(iii) any matter which is under adjudication by a Court of Law having jurisdiction in any part of His Majesty's dominions."

That rule, Sir, refers specifically to Resolutions but Rule 24-A (2) says:

"It shall not be permissible to the President or to the Member of the Government concerned to give his consent to the moving of any motion in regard to any of the subjects in regard to which a resolution cannot be moved."

Now, if a Resolution cannot be moved in regard to this subject, then the Adjournment Motion cannot also be moved in regard to it. That is my formal objection.

THE HONOURABLE THE PRESIDENT: I am afraid I cannot accept your argument and I cannot agree with what you have stated on this occasion. Sub-clause (iii) refers to any matter which is still under adjudication by a court of law having jurisdiction and what is generally contemplated by this sub-clause are matters pending for decision in civil suits rather than interlocutory orders already passed in criminal cases. That is my reading of the rule.

Again your objection as regards Resolutions, so far as adjournment motions are concerned we have to strictly confine ourselves within the limits of rules 11 and 12 and I really do not think that your contention is correct and that the Motion is not in order. I am firmly of opinion that the Motion is in order and I have got a precedent to that effect in the Legislative Assembly. A Motion to a similar effect was moved on the 22nd January, 1935, relating to the detention of Sarat Chandra Bose and preventing him from attending to his duties as a Member of the Legislative Assembly. That Motion was allowed and talked out in that House and having that precedent before me I cannot possibly say that the Motion is not in order. I hold therefore that the Motion is in order.

Now it will be necessary for me to obtain the sanction of the Council and if 15 Members rise as required by Standing Order 22, I will give my decision in this connection. Will those Members who are in favour of giving leave to discuss this Motion please rise in their seats?

(Eight Members rose.)

Fifteen Members have not risen—only eight Members, and I am sorry therefore I cannot give the required leave to make this Motion.

INDIAN ELECTRICITY (AMENDMENT) BILL.

THE HONOURABLE MR. A. G. CLOW (Industries and Labour Secretary): Sir, I move:

"That the Bill further to amend the Indian Electricity Act, 1910, for certain purposes, as passed by the Legislative Assembly, be taken into consideration."

The object of this Bill is to set up a Central Electricity Board which will be charged with the duty of making rules under the Electricity Act, a power now vested in the Government of India. The need for the measure arises out of the constitutional changes which are impending. Under the Government of India Act of 1935, if the Indian Electricity Act remains in its present form, the power of making rules will be distributed between the Central and the Provincial Governments. I understand that the probable effect will be this, that the Government of India will have the power to make rules and the duty of making rules in respect of electrical matters on railways, in mines and in oilfields, and that the various provincial Governments will have the corresponding powers and duties in respect of factories and other establishments such as private and public places. Now, from two points of view this will be an extremely inconvenient arrangement. First from the point of the general public, I am sure that all those Members who have acquaintance with industry will recognise that, particularly with the increasing development of electricity in this country, the setting up of a whole series of codes, which would probably tend as time went on to diverge more and more substantially from province to province, would act as a check not merely on the production of electrical machinery but on its use throughout the country. From the administrative point of view those who have experience of the toil and difficulty involved in the amendment of these big technical codes will realise that for a dozen or more separate authorities to sit down and frame codes separately would involve a large amount of labour which is better avoided, and would result in the work being less satisfactorily done than if representatives of these authorities were able to meet and discuss the matter. The proposal in the Bill is for a representative Board in which all these authorities, who but for this Bill would have to exercise their powers separately, will consider matters in concert. The proposal was discussed at the Industries Conference at Lucknow in December and met with general support.

It will, of course, be possible under the new Government of India Act for the Central Legislature to continue to legislate in any matters relating to electricity as the subject is placed in the concurrent field. But those who are familiar with these very extensive rules will, I think, have no difficulty in reaching the conclusion that to embody rules of that kind in a substantive enactment and keep constantly amending them by legislation—for electrical practice needs constant revision—would be an almost impossible task.

The Motion was adopted.

Clauses 2 to 5 were added to the Bill.

Clause 1 and the Title and Preamble were added to the Bill.

THE HONOURABLE MR. A. G. CLOW: Sir, I move:

"That the Bill, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

CODE OF CIVIL PROCEDURE (AMENDMENT) BILL.

THE HONOURABLE MR. A. DEC. WILLIAMS (Government of India: Nominated Official): Sir, I move:

"That the Bill further to amend the Code of Civil Procedure, 1908, for certain purposes (insertion of new section 44 A), as passed by the Legislative Assembly, be taken into consideration."

This Bill, Sir, by inserting a new section 44A in the Code of Civil Procedure, provides for the execution in British India of the judgments of certain courts in the United Kingdom and in those parts of His Majesty's Dominions and the States in India which provide substantially the same facilities for the execution of decrees of British Indian courts. A similar Bill was introduced in the Assembly in 1924 and was referred to a Select Committee. The Committee discovered that owing to the then state of the law in the United Kingdom, it was impossible to secure execution in the United Kingdom of the decrees of any court in British India other than a High Court. The Committee reported that this did not provide a sufficient degree of reciprocity. Government agreed and withdrew the Bill. The position has now been altered by the enactment of the Foreign Judgments (Reciprocal Enforcement) Act, 1933, which gives power to His Majesty by Order in Council to declare that courts in British India shall be courts the decrees of which can be executed in the United Kingdom. Honourable Members will, I think, agree that that provides sufficient reciprocity in respect of the United Kingdom.

As regards the Colonies, the Dominions and the Indian States, the Bill provides for reciprocity only in the case of such of them as are notified, and the intention is only to notify where Government has previously assured itself that there will be adequate reciprocity. Sir, I move.

The Motion was adopted.

Clauses 2 and 3 were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. A. DEC. WILLIAMS: Sir, I move:

"That the Bill, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

INDIAN BOILERS (AMENDMENT) BILL.

THE HONOURABLE MR. A. G. CLOW (Industries and Labour Secretary): Sir, I move:

"That the Bill further to amend the Indian Boilers Act, 1923, for certain purposes, as passed by the Legislative Assembly, be taken into consideration."

Honourable Members will see that this Bill is very similar to the Bill to amend the Electricity Act which we have just considered, and I need add very little to what I said in connection with that Bill. The position in respect of the two subjects is almost exactly the same, and the Board which it is proposed to set up here will be constituted in very nearly the same manner. As a matter of fact, we have had some experience of what it means to have provincial variations, because prior to 1923 the Acts and Codes on the subject were provincial. The result was a great amount of inconvenience, and as a result of complaints from industrialists and others, the Indian Boiler Laws Committee of 1921-22, who examined the matter, recommended centralisation. It was in pursuance of their recommendations that the existing Boilers Act was passed.

There is one little amendment which is unconnected with the main purpose of the Bill, and that is in clause 5 (b). This amendment seeks to remedy a minor defect in the clauses relating to rule-making powers. The powers provide for laying down standards in respect of boilers but they do not provide for permitting necessary variations, and with the increasing complexity of boiler technique it is most desirable that variations in the standards laid down should be admissible when this is consistent with safety.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Sir, I consider this measure a useful one, because, for the reasons given by the Honourable Mr. Clow, creation of a Central Board seems necessary. But, Sir, I should like to know whether the Board under section 27A (2) will consist of technical people nominated by the various Provincial Governments and Bodies or whether it will consist of officials and non-officials or purely of officials. That is the point on which I request the Honourable Mr. Clow to throw some light—whether these nominations will consist purely of technical people or otherwise, and whether those technical and other people will be officials or non-officials or both.

THE HONOURABLE MR. A. G. CLOW: As regards these questions, the authorities mentioned here will of course have liberty to nominate whomsoever they choose. My impression is that they will almost invariably—perhaps invariably—nominate officials who will be guided by the instructions that they receive from their respective Governments. The intention is that they should be representatives of those Governments and put forward their views. As regards the question of whether they will be technical men or otherwise, we had some discussion on that point at the Industries Conference in Lucknow and the views expressed there differed, some Government representatives taking the view that it would be desirable to have a technical official, and others taking the view that it would be advantageous to have an official of administrative experience who might be assisted, if necessary, by a technical officer. My anticipation is that probably the Board will not be composed exclusively of either type of official but that both will be combined in it.

THE HONOURABLE THE PRESIDENT: Motion made:

"That the Bill further to amend the Indian Boilers Act, 1923, for certain purposes, as passed by the Legislative Assembly, be taken into consideration."

The Question is:

"That that Motion be adopted."

The Motion was adopted.

Clauses 2 to 5 were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. A. G. CLOW: Sir, I move:

"That the Bill, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

RESOLUTION RE NON-RATIFICATION OF THE DRAFT CONVENTION AND THE RECOMMENDATION CONCERNING ANNUAL HOLIDAYS WITH PAY.

THE HONOURABLE MR. A. G. CLOW (Industries and Labour Secretary): Sir, I move:

"That this Council having considered the Draft Convention and the Recommendation concerning annual holidays with pay adopted at the Twentieth Session of the International Labour Conference recommends to the Governor General in Council that he do not ratify the Convention or give effect to the Recommendation."

Honourable Members have already received copies of the Convention and the Recommendation mentioned in this Resolution and I do not therefore propose to refer to the provisions in detail. Generally speaking, the object of both is to secure to wide classes of workers an annual holiday with pay of a certain minimum duration. Now, I should like to make it clear that the form in which my Resolution is cast does not imply in any way that holidays with pay, which most of us find so necessary for ourselves, are unnecessary for any other class of His Majesty's subjects. I am myself profoundly convinced of the need that all men have for holidays, of the benefit that one receives, not merely in health and efficiency, but in well-being in the wider sense of the word.

What I have expressed is merely an opinion; but Government have done a good deal more than express an opinion, because, in so far as their own servants generally are concerned, they have embodied this view in their own rules. Most Government servants, whether employed in factories or railways or in other spheres of life, get holidays with pay, leave in other words, on a more generous scale than that embodied as the minimum in Article 2 of this Convention. The Article asks only for an annual holiday with pay of at least 6 working days, which is to be extended to 12 days in the case of persons under 16 years of age, and which is to increase, it does not say in what proportion, with length of service. Well, I think if we were to frame rules for Government servants which would fully satisfy that Article both in the letter and in the spirit, it would be received with feelings of profound dismay if it were proposed to enforce them in various Government establishments. Government therefore have no criticism to make of the general underlying principle and in fact in reporting to the International Labour Office itself before the Convention was framed they said that the principle was sound.

But there is a very big difference—and it is a difference unfortunately not always appreciated by some of the more ardent advocates of labour legislation—between agreeing that a broad proposal is sound and commendable

and translating that into laws which are enforced. In all legislation of a type that is protective and is designed to protect the individual against danger or sometimes against himself, you reach a point where the administrative difficulties and expenses out-balance any advantages that are likely to be derived, and in some forms of legislation you reach that point a great deal quicker than you do in others. And I venture to suggest that in legislation of the wholesale type contemplated by this Convention you would reach it almost immediately. The main difficulty which the Convention creates will be evident by a glance at the very formidable list of undertakings to which it has to be applied; and I would remind the House that in respect of these Conventions no reservations can be attached to ratification. You have either got to ratify the whole of it and implement it fully or you cannot ratify at all.

Now the list of undertakings begins with a very formidable list of public works, in fact practically every one engaged on almost any conceivable form of public work, great or small, and private works too, such as buildings of all kinds, I take it, from the smallest village house to a building of the type in which we sit, roads, drains, wells, irrigation or drainage works and so on. Then it goes on to transport, to mines, to commercial training establishments, ranging I suppose from the smallest grain merchant's shop employing one or two servants up to a great emporium. Then it goes on to various services, newspaper undertakings, various kinds of hospitals, hotels, restaurants, boarding houses, clubs, refreshment houses, theatres and places of public amusement. Those Members who know what it costs to administer various laws will I think at once recognize that the attempt to enforce a Convention of this kind throughout India would involve an immense amount of administration, and consequently of taxation. I would remind Honourable Members that the cost of this would not fall on the Government of India, because the administration of the subject is provincial and will be more emphatically provincial after the 1st April than it is now. And it is most important in dealing with legislation of all kinds, and particularly legislation of this type, that you should not impose a nominal burden, in other words a burden represented by mere statutes which you are not prepared to undertake in action. Nothing could be more unfortunate than to place on the statute-book a series of admirable measures which you do not enforce. How far Local Governments can undertake the proposals in the Convention I am very doubtful, but we are perfectly ready to make a reference to them on the subject. The indications are, as Honourable Members are aware, that the Governments after the 1st April, will be of a somewhat different character from those that are now in the provinces, but I feel sure that some Honourable Members at least will have complete confidence in their views. Sir, I move.

*THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern: Non-Muhammadan): Sir, there is no difference between the Honourable Mr. Clow and ourselves in regard to the principle of the Draft Convention. The object of that Draft Convention, as the Honourable Mr. Clow has rightly pointed out, is to secure to a wide class of workers annual holidays with pay. The Honourable Mr. Clow thinks that annual holidays with pay are necessary; he thinks that they are desirable in the wider interests of the community itself. He has pointed out—and I think very rightly—that Government have embodied this view in the case of their own public servants. Some

* Speech not corrected by the Honourable Member.

[Mr. P. N. Saprū.]

of us think that the higher grades of public servants are treated far too generously. For example, the High Court Judges get 10 weeks' holidays, in addition to very liberal leave rules. Government therefore are not disposed to criticise the general principle, but as the Honourable Mr. Clow says there is a difference between agreeing that a proposal is sound in principle and translating it into practice. He says that there are practical difficulties in the way of translating the proposal into practice. I have not been able to understand those practical difficulties. After all, our workers have to work longer hours; in fact they have to work about 9 or 10 hours. They have to do this 9 or 10 hours' work in a very hot country and they are not an overpaid lot. They must also have some holidays. Therefore, Sir, I do not understand these practical difficulties. He says the number of undertakings to which this Convention will apply is very large, but all these undertakings can be grouped. They come under one class or other, railway employees or municipal employees. I think a classification can be made under which all these undertakings which are to be found in this list at page 30 can be grouped. Then, Sir, it is said that administration of law of this character would be very difficult. The administration of all laws is very difficult. We placed on the Statute-Book the Sarda Act. Have we been able to enforce it strictly? There are laws which are not being enforced strictly, but they will be enforced to the extent that it may be possible for us to enforce. Therefore I am not impressed with those arguments and I should have been happier if Government had taken the decision of ratifying the Convention. Sir, we ought to approach these questions from the point of view of what is best in the interests of the working classes of this country. I think, Sir, the Convention is in the interests of the working classes in this country.

Now, Sir, with your permission, I should also like to refer to the procedure which is proposed to be adopted in regard to the ratification of International Conventions in future. Sir, we know that we are original members of the League of Nations and we are also members of the International Labour Organisation. I have always attached value to our membership of the League of Nations as also the International Labour Organisation. It is laid down in Article 405 of the Treaty of Versailles that every member-State of the International Labour Organisation should, within the period of 18 months from the closing of the session of the International Labour Conference, bring the Recommendations or Draft Conventions adopted at that Conference "before the authority or authorities within whose competence the matter lies, for the enactment of legislation or other action." Part 7 of the same Article says that:

"In the case of a Draft Convention, the member-State will, if it obtains the consent of the authority or authorities within whose competence the matter lies, communicate the formal ratification of the Convention to the Secretary-General of the League of Nations and will take such action as may be necessary to make effective provisions of such Convention."

Now, Sir, the first occasion on which the Conventions of the International Labour Conference were brought before the Central Legislature was in 1921. The first International Labour Conference was held at Washington in 1919 and on the 19th of February 1921 Sir Thomas Holland moved a Resolution in the Indian Legislative Assembly about the ratification of the Draft Convention regarding hours of work. Now, Sir, in the course of his speech he said:

"Now for the authority of the agent who acts, the 'competent authority' recognised by the Washington Conference. This Assembly is one constituent...."

—he was speaking in the Assembly and I would say that this Council is also a constituent—

".... of the competent authority, and I congratulate the Assembly on having the privilege, in the first Session of its existence, of having to deal with the earliest of the measures adopted by the League of Nations in the cause of humanity."

Further on he said:

"According to Article 405 of the Peace Treaty, if a Recommendation or a Convention fails to obtain the approval of the competent legislative authority, no further obligation will rest on the Member, that is, the Government of the country represented. It is, therefore, for this Assembly to say whether the measures proposed for the protection of labour shall or shall not form the guiding principles of our legislation. If these Resolutions and the legislation proposed are thrown out by this Assembly, no further responsibility rests on the Government of India as representing this country in the League of Nations."

Introducing the same Resolution in the Council of State, the Honourable Sir Atul Chatterjee said:

"The action that is obligatory on all members of the League is embodied in Article 405 of the Peace Treaty. Each State, on receipt of these proposals is bound to place them before the authority or authorities in whose competence the matter lies for legislation or otherwise.... The Government of India considered that it was desirable that these proposals—at least those proposals which required legislative action—should be laid before the new Legislature, because it will be for the new Legislature to give effect to these Conventions and Recommendations if they found acceptance with them."

Sir, I may also draw attention to page 120 of Volume No. 4—"The International Labour Organisation" of Indian Industries and Labour, published by the Government of India, where it is definitely stated:

"In the case of Draft Conventions involving fresh legislation, the Legislature is the 'competent authority' referred to, and it is incumbent on the executive Government to submit the Draft Conventions to it. If a Draft Convention has been approved by the competent authority that State is bound to carry it into effect."

Now, Sir, my point is that the two branches of the Legislature have acquired by precedent and by convention the right to be considered "the competent authority" to decide whether the Conventions of the International Labour Conference should be ratified or not. We have got this right now by the uninterrupted practice of the last 15 years.....

THE HONOURABLE THE PRESIDENT: At the moment this is all of academic interest only. We are considering a definite Resolution which is placed before the House. If I had known that you wanted to go into various matters, I would have asked you to move this matter by way of a special Resolution.

THE HONOURABLE MR. P. N. SAPRŪ: I was raising this question at this particular moment because I did not feel quite sure that we would have any other opportunity of discussing this wider question of procedure.

THE HONOURABLE THE PRESIDENT: Certainly you could have brought it by way of a Resolution.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern: Non-Muhammadan): Sir, Government the other day laid a statement on the table indicating the course which they would pursue in connection with the Conventions and Recommendations of the labour organisation in future. I see no reason why Members should be debarred from speaking on the subject.

THE HONOURABLE THE PRESIDENT : I have not stopped the Honourable Member. I have only told him that this is a very inopportune time for going into these matters. If you wish to proceed with your remarks you can do so, Mr. Sapru. As you have spoken all this time, you might as well finish what you have to say.

THE HONOURABLE MR. P. N. SAPRU : Very well, Sir. I will not weary the House but will try to be as brief as I can. The point that I wanted to make, Sir, was that, so far, all Conventions, whether they are proposed to be ratified or not, have been brought before the Legislature. (*The Honourable Mr. A. G. Clow* : "Oh, no.") Whether they are going to be ratified or not they have all been brought before the Legislature. Now it is proposed hereafter to bring only those Conventions before the House which Government propose to ratify. Therefore, Sir, there is a change of procedure contemplated so far as the future is concerned.

Now, Sir, the position in this country is different from the position in other countries. Sir, we in this country have an irremovable Executive, we have an Executive which is not responsible to the Legislature. Therefore, this right which we the Legislature possess is a very valued right. When a Resolution comes before us here, when a Convention comes before us, we can apply our minds to that Convention and we get an opportunity of discussing that Convention and contributing something to the welfare of the working class in this land. Sir, these discussions, particularly in the other place, in regard to these Conventions have had a good effect so far as working class legislation is concerned, and I think, Sir, it is a right about which we ought to be jealous. It is a right which we have now enjoyed for the last 15 years. I know, Sir, that hereafter statements will be laid on the table. But it is not the same thing. If you lay a statement on the table people sometimes do not care to read the statement. If you bring a Resolution you attract the attention of Members in a pointed manner to the questions raised by the Resolution and therefore, Sir, the future procedure will not be as helpful as the present procedure is. There is a curtailment of our privileges, privileges which we have acquired by the established practice and convention of the last 15 years. I could say more about this, Sir, but I do not wish to take up more of the time of the House, and will therefore conclude, Sir, by requesting the Honourable Mr. Clow to give the observations which I have placed before the House some consideration and to revise in the light of my observations the procedure which he and the Labour Department propose to follow in future. Sir, these are all the observations that I have to make in regard to this Resolution of the Honourable Mr. Clow.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Mr. President, we had yesterday a Member of the Government here who enunciated the proposition that sympathy given to a measure which was not supported by us was wholly insincere. Today we have another official who, while expressing profound sympathy with the principle underlying the Draft Convention and Recommendations now placed before the House, finds himself compelled to ask the House to reject them. Well, I am sure, Sir, that my Honourable friend, Mr. Clow, was the unhappiest Member of the House yesterday. Perhaps when the Honourable the Finance Member was speaking he was saying to himself, "God save us from our friends. Members of Government might well be required to possess in addition to technical ability some political sense also if they are expected to deal with large questions of policy in a vast country like India". I do not therefore wish to add to his difficulties by visiting on his head the sins which do not properly belong to him, but, so far

as the proposition that he has laid before the House is concerned, while I am free to confess that the Convention passed by the International Labour Organisation is of so wide a character as to make it very difficult to apply it in its entirety, I feel that nothing has been said by him to assure us that it could not be given effect to in any of the numerous private undertakings or departments of public activity mentioned in the Convention. Now let me take first those departments of Government which might have come under the Convention if it had been ratified. I know that there are a good many departments where the workers are treated better than is contemplated by this Convention but we do not know whether the rights which a Convention like this if ratified will accord to the subordinates in various departments are applied in all cases. I have certainly no assurance that the employees of local bodies universally enjoy the rights which the Convention now before us would like to confer on subordinate public servants. I think, therefore, Sir, that my Honourable friend, Mr. Clow, should have taken the trouble to inform the House what are those departments of Government or local bodies to which this Convention if ratified would have been applicable and to show in what cases the Convention was already being given effect to in practice or action in excess of that required by the Convention was being taken. Not having done that, he cannot blame us if we do not feel convinced by the arguments that he has used.

Then, Sir, take the private commercial and industrial establishments to which this Convention would have been applicable if ratified. Now it may not be possible for Government without having a large establishment to see that the rules made to carry out the Convention are observed. Is there anything however to prevent it from choosing one or two kinds of activities and seeing whether the ratification cannot be enforced in respect of them. It was not enough for my Honourable friend, Mr. Clow, while expressing profuse sympathy with the principles underlying the Convention, to say that it is of so vast or so vague a character that it is impossible to give effect to it. It was incumbent on him when he points out the objections to such a Convention if generally applied also to convince the House of the sincerity of Government by stating that action would be attempted to be taken in respect of those undertakings in which the Convention can be fairly easily enforced. But he has done nothing of the kind. I am therefore disposed to doubt whether the Convention is as impracticable as he has tried to make out. On these grounds, Sir, I am not prepared to support the Resolution of the Honourable Mr. Clow as laid before the House. Had he followed the course that I have indicated earlier, he would certainly have been entitled to ask us to support him. But, having done nothing of the kind, having come forward with a mere negative, I do not think he deserves the support of Members on this side of the House.

Now, Sir, I will take advantage of your indulgence to deal with the procedure which Government propose to adopt in future in dealing with the Conventions and Recommendations of International Labour Conferences. The present procedure is one that Government have been following for the last 15 or 16 years. If they wish to change it, it is necessary for them to lay cogent reasons before this House for an alteration in the procedure. My Honourable friend Mr. Clow has not tried to enlighten us at all with regard to the grounds on which a change of procedure is necessary. His Chief, however, gave a few instances in another place to show that the present procedure had proved cumbrous and inconvenient. The substance of what he said was that in some cases there had been unnecessary discussion. The Assembly had discussed more than once the same principle in connection with different

[Pandit Hirday Nath Kunzru.]

Conventions and thus the time of the House had been to a certain extent wasted. It is not clear in the first place that when we are unable to accept a recommendation of a general kind, it should not be applicable even to a particular case. It may have been that when the Assembly rejected a particular Convention of a general kind, it still thought that something would be gained by discussing its applicability to a particular trade or industry. Apart from that, Government themselves have admitted that the discussion even of those Conventions which have not been accepted and which were not applicable to Indian conditions has proved beneficial and has led in certain cases to the initiation of very useful measures. This admission was made by the Honourable Sir Frank Noyce the other day in the Legislative Assembly. My Honourable friend Mr. Clow too has made a similar admission in a book entitled "The State and Industry" which he wrote or edited in 1928. There is a proverb, Sir, which says, "Would that mine enemy would write a book". My Honourable friend Mr. Clow, who though not an enemy of ours is for the time being opposed to us, has, happily for us, written us a book which provides us with very cogent arguments against himself. On page 141 of this book he says :

"The International Labour Conference cannot compel countries to accept its conclusions and its procedure, and the fact...." (I draw the particular attention of the House to the following words) "...and the fact that its Conventions and Recommendations have ordinarily to be submitted to the Legislature in each country ensures regular examination both by the Executive Government and by popular representatives of numerous schemes for the amelioration of labour conditions. Ten sessions of the International Labour Conference were held between 1919 and 1927 and the submission at intervals of conclusions reached by the Conference to the Legislative Assembly and the Council of State has been instrumental in stimulating public interest in labour questions and at times in initiating measures which might not otherwise have been adopted."

Can there be a stronger justification of the procedure that the Government have followed during the last 15 or 16 years? If the time of the House has been wasted on one or two occasions, can it be weighed for a moment in the balances against the good that the discussion of the proposals of the International Labour Conference has led to? If the question were to be decided merely on a consideration of the balance of advantage, if it were to be decided merely in accordance with experience, I have no doubt whatsoever that every impartial Member of this House will admit that the present procedure has amply justified itself.

But, Sir, the arguments that I have urged up to the present time are not the only ones that lead me to protest against the change of procedure adopted by Government without any warning to this House and without giving it an opportunity of pronouncing its opinion on their proposal. There are even more solid grounds for resenting the change of method that is now proposed by Government. The Federal Constitution unfortunately takes away much from us that we enjoy even under the present dependent political conditions. Happily for us, we can at present deal with labour questions relating to the whole of India in the Central Legislature. But I do not know what the situation hereafter will be—who will deal in future with questions that come within the purview of the International Labour Conference. We do not know whether it will be a popular Minister or whether it will be the Governor General or some other authority. We are therefore nervous lest the change of procedure now proposed by Government should lead to a substantial curtailment of the power of this House and should result in consequences detrimental to the best interests of labour. So long as we feel certain that every Convention or Recommendation, whether applicable or inapplicable to India, will be

brought before the Indian Legislature, we have a guarantee that all questions relating to labour will receive adequate consideration at the hands both of members of Government and the popular representatives. But if this procedure is altered, if it depends entirely on Government whether in any particular case a Resolution relating to the proceedings of the International Labour Conference is to be placed before us or not, there can be no certainty that even important questions will receive due public consideration.

THE HONOURABLE THE PRESIDENT: May I draw your attention to the fact that your 15 minutes have already expired?

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Sir, I did not know there was any time limit in regard to speeches on a measure of this kind.

THE HONOURABLE THE PRESIDENT: It applies to all Resolutions.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: I have something more to say but I will not trespass any further on your indulgence. I hope what I have said will be sufficient to convince the House that the change of procedure adopted by Government is not merely one of form. It is one of substance, and if adopted it might lead to serious injustice in the case of those whom it ought to be our business to protect most. It is true that in the past too Government have not felt themselves compelled to bring before us every Recommendation or Convention of the International Labour Conference. But, so far as I am aware, this was done only in those cases where Government felt that they already had the power to carry out the objects underlying the Convention or Recommendation. I am not aware that in any other case Government failed to place the matter before the Legislative Assembly or the Council of State.

Well, I shall not weary the House any further, Sir, but I shall express once more the hope that the House will not easily allow the present procedure to be changed. Is it too much to hope that Government after considering the matter fully will themselves come to the conclusion that it is not fair to this House, that it is not fair to those with whom they express profound sympathy time after time, to change the procedure in the manner indicated by them?

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras: Non-Muhammadan): I rise merely to make a suggestion to the Members opposite, especially to the Honourable Mr. Clow, to give an opportunity to this House to express itself more fully on this question, through a Resolution moved by Government in regard to the change of procedure. It is much easier for the Government to do this because they have many more days allotted for official business than we non-officials have for our Bills and Resolutions. I think the matter is of sufficient importance for the Government to ascertain the views of this House by a Resolution tabled on this subject. I think that would be fair and courteous to this House before embarking upon this change. It is certainly useful, even in cases where Government do not propose to give effect to the Recommendations and Conventions of the International Labour Conference, to tell this House and the public through this House why they propose not to give effect to them. The reasons would always be worth knowing.

And as regards the Consideration of the time of the House occupied in discussing Conventions which the Government do not wish to ratify, I may say that this House is not burdened with too much work. Non-official Members

[Mr. Ramadas Pantulu.]

on this side of the House enjoy too many holidays with pay on which they would be glad to do some work. We will therefore not complain if any additional work is thrown upon us by discussing Conventions which Government do not propose to ratify and going into the reasons for that non-ratification. Even if the other House is over-worked, there is no reason why these questions should not be brought before this House. At least it will afford an opportunity for Government to take the public into their confidence in regard to non-ratification of any particular Recommendation or Convention. And as I have said, there is plenty of time hanging heavy on our hands and we would welcome having something more to do. Therefore I request Mr. Clow to consider my suggestion for tabling a Resolution on the change of procedure proposed to ascertain the opinion of this House.

THE HONOURABLE MR. A. G. CLOW : Sir, on the immediate subject of the Resolution before us I do not think I need say very much. My Honourable friend Pandit Kunzru suggested that I had no right to suggest non-ratification until I had discussed where the principle could be applied. I tried to point out in my original speech that you cannot ratify a Convention unless you are prepared to apply it everywhere within all the establishments covered by the Convention. Therefore, so far as mere ratification is concerned, if my Honourable friends opposite agree with me that there is any single class of establishment to which it cannot be applied, that should be sufficient to determine their conclusion on the question of ratification. As regards the action to be taken on the principle, I indicated that we were prepared to refer that matter to Local Governments within whose competence the matter very largely lies. In fact they will have almost entirely the executive authority and they will also have the power of legislation.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Then why do you bring up this question now ? You may have waited for their reply.

THE HONOURABLE MR. A. G. CLOW : Because under the Treaty of Versailles we are obliged to bring forward Conventions within a fixed period, normally a year, from the close of the Conference. (*An Honourable Member* : "18 months.") 18 months in exceptional circumstances. And as I say, if the House, as I am sure it is, is convinced that there is any single class of establishment mentioned in the Convention to which it cannot be applied, then it is impossible for us to ratify it. I might say in passing that I am sorry that I do not feel convicted of any insincerity, because I recognize no parallel between the present position and the position in which we were yesterday. Yesterday we were confronted with a Bill which, whatever Honourable Members think about it, they all recognized as being perfectly practical. In fact their complaint was that it was only too practical. Today we are dealing with a Convention which I maintain, so far as India is concerned, is impractical ; and I cannot see any exact parallel between the two situations.

Now, coming to the more important question which my Honourable friends raised, I think I can say at once in regard to the Resolution which it was proposed Government should bring in, that I do not see the need of it. We have had the position from one point of view very admirably expressed by my Honourable friends Mr. Sapru and Mr. Kunzru, and if after what I have said Honourable Members still feel that there is a great deal more to be said on it, nothing I can do can prevent Honourable Members opposite from tabling a Resolution on the subject. But I think there is a great deal of misapprehen-

sion regarding the position. I was not in the least embarrassed by anything which was quoted from Sir Thomas Holland or from that distinguished leader in labour matters Sir Atul Chatterjee, or even from what in my humbler capacity I wrote myself in 1928. I entirely agree with what the Honourable Mr. Kunzru said that the submission of these matters to the Legislature has had useful results, even when a Convention is not ratified. And I believe it will have those results in the future. We are still submitting these Conventions and Recommendations to this House. It has not been an invariable practice in the past. There are certain circumstances in which we have not submitted them. For example, some Recommendations which lay in the provincial sphere have been referred to Provincial Governments for consideration. But we are now submitting the Recommendations and Conventions entire with a statement indicating what Government propose to do and I am at a complete loss to understand what right is being taken away—not the right, surely, of discussing anything.

THE HONOURABLE MR. P. N. SAPRU : May I just explain ? Supposing we move a Resolution ; we have to have the Resolution ballotted. The Resolution may not come in the ballot. Therefore we never get any opportunity of discussing the question.

THE HONOURABLE MR. A. G. CLOW : There are very few Resolutions in my experience—certainly not under your presidency, Sir—of importance which do not find a place in the ballot, and, circumstanced as we are in this House, it is extraordinarily unlikely that if a number of Honourable Members were to table a Resolution on a particular matter of sufficient interest it would fail to find a place in the ballot.

THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY (Eas Bengal : Non-Muhammadan) : I had to cut down one of my Resolutions to get a Bill admitted for discussion.

THE HONOURABLE MR. V. RAMADAS PANTULU : What objection have you to table one ?

THE HONOURABLE MR. A. G. CLOW : The objection that I have is this. If an Honourable Member wants action, it should ordinarily be for that Member to take the initiative. Why should I come forward when I am content with the position and table a Resolution that no action should be taken ?

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : You are changing the procedure without giving the slightest reason for it. It is up to you to come and justify your action here.

THE HONOURABLE MR. A. G. CLOW : That is exactly what I am attempting to do if the Honourable Member will have patience with me. We are now placing a statement before the House. Thereafter we are in certain circumstances moving Resolutions. I would draw the Honourable Member's attention to this very Resolution. This very Resolution is one illustrating what I said. I am moving a Resolution although we do not propose action and giving an opportunity to the House to discuss the matter. In certain cases such discussion would be entirely infructuous, and I would like to give the House an example or two of that. We had last session—I think it was the last Delhi session—a Resolution on the subject of the 40 hours' week. That was discussed in this House and the House pronounced against ratification.

[Mr. A. G. Clow.]

of the Convention embodying the principle. Almost immediately afterwards I brought forward a Resolution dealing with the application of the 40 hours' week to glass bottle works. Quite honestly I do not see that any possible advantage was or could have been gained by the discussion on that subject.

When we looked into this matter we found that the procedure adopted here, so far as we could discover, was not adopted in any other country in the world. Although other countries along with India fulfil the requirements of Article 405 of the Treaty, they do not do so by bringing every matter, great and small, before their Legislatures in the form of Resolutions. What we propose to do is first to bring forward Resolutions whenever Government want to ratify and desire legislation for the purpose. We will either bring forward Resolutions or will bring forward the legislation, which is probably a more convenient method, to enable the House to discuss and pronounce upon it. Secondly, if we consider that any Resolution, although Government are not prepared to ratify, brings in a new principle of sufficient practical importance like this one to justify discussion, it is proposed to move a Resolution on it. The Conventions on which it is not proposed to move Resolutions will be those that in our opinion are not of practical importance to India. I recognise that our judgment in that matter is open to question and is not infallible. But surely if Honourable Members opposite take the view that we are wrong in considering that there should not be a discussion on a particular matter, and that a discussion would serve a useful purpose, it is not unreasonable to ask them to table Resolutions on the subject. As I said before, if a sufficient number of Members table a Resolution, it has in this House at least almost a certainty of finding a place on one of our non-official days. But if a number of Members table a Resolution and it has failed after a reasonable time to find a place, I am sure Government will be prepared to consider the matter if it is one of practical importance and if Honourable Members show that they attach value to it.

I hope I have said enough to reassure the House that there is no attempt in any way to infringe or curtail any right that they possess and that any Convention or Recommendation which is of practical importance will be brought up in this House. And I must, with due respect, emphatically dissent from the view suggested by my Honourable friend Mr. Sapru that the importance of the change lies in the fact that if we bring forward Resolutions Honourable Members wake up to the importance of the subject, whereas if we lay papers on the table, if we lay a statement on the table, it is suggested that Honourable Members do not read the papers. That is an unwarranted reflection on the interest that Honourable Members, and particularly my Honourable friend himself always take in these matters.

THE HONOURABLE THE PRESIDENT: Resolution moved:

"This Council having considered the Draft Convention and the Recommendation concerning annual holidays with pay adopted at the Twentieth Session of the International Labour Conference recommends to the Governor General in Council that he do not ratify the Convention or give effect to the Recommendation."

The Question is:

„That this Resolution be adopted."

The Motion was adopted.

RESOLUTION *RE* APPROVAL OF DRAFT NOTIFICATION DECLARING EMIGRATION TO BURMA FOR UNSKILLED LABOUR LAWFUL.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Education, Health and Lands Member): Sir, I beg to move the following Resolution:

"The Council of State approves the draft notification which has been laid in draft before the Chamber specifying the terms and conditions on which emigration for the purpose of unskilled work shall be lawful to Burma and recommends to the Governor General in Council that the notification be published in the Gazette of India."

The draft notification is already in the hands of Honourable Members and all that I need explain to the House is the reason for bringing forward this Resolution. Honourable Members are aware that Burma is soon to be separated from India. The separation is to take place from the 1st of April next. At present Burma being within India emigration is treated as between one province and another. As soon as Burma is separated, its position as regards the question of emigration will be the same as that of, say, Ceylon or of any other outside country and under section 10 of the Indian Emigration Act, before emigration of unskilled labour can take place from India the terms and conditions on which such emigration can take place have to be notified in the Government of India Gazette and before the notification can be issued it has to be approved by both Houses of the Indian Legislature. It is for that reason that this Resolution has been placed before the House. As Honourable Members will see from the terms of the draft notification, we are making no changes whatever. There are at present no restrictions as regards emigration to Burma. The only restriction is with reference to the liability of immigrants into Burma, from whatever country they may come, to being vaccinated and our Notification therefore says that only those restrictions which were in force before the commencement of the Government of Burma Act, 1935, will remain. As I said, this is the only restriction and we are therefore making no changes of procedure. All that we are doing is to comply with the provisions of section 10 of the Indian Emigration Act. The draft notification has already been approved in another place and I trust that after the explanation that I have given the Notification will also be approved by Honourable Members in this House.

The Motion was adopted.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Leader of the House): Sir, I think some Honourable Members desire to know as to when the Council is likely to meet after Saturday. It looks to me at present, subject to any modification that I may have to make on Saturday, that it is unlikely that we shall meet before the 4th of March for the discussion of the General Budget. We shall meet on Saturday for the Budget and then I think after that on the 4th March, as far as I can see.

THE HONOURABLE THE PRESIDENT: I may also remind Honourable Members that before the Council begins on that day (the 4th of March) a group photograph of the Council will be taken.

The Council then adjourned till Half Past Five of the Clock on Saturday, the 27th February, 1937.

COUNCIL OF STATE.

Saturday, 27th February, 1937.

The Council met in the Council Chamber of the Council House at Half Past Five of the Clock, the Honourable the President in the Chair.

MEMBERS SWORN.

The Honourable Raja Yuveraj Datta Singh (United Provinces Central : Non-Muhammadan).

The Honourable Mr. Narayandas Girdhardas (Madras : Non-Muhammadan).

PRESENTATION OF THE GENERAL BUDGET FOR 1937-38.

THE HONOURABLE MR. J. C. NIXON (Finance Secretary) : Sir, in presenting the annual financial statement of the Governor General in Council for the year 1937-38 I am less fortunate than some of my immediate predecessors. For I have to say at the outset that the year 1936-37 has not from the point of view of the public revenues of the Government of India come up to expectations.

I naturally cannot present a Budget without figures but I shall refer only to the most significant of them in the hope that my printed explanatory Memorandum will enable Honourable Members to complete the picture for themselves.

I shall as usual first deal briefly with the events of last year, 1935-36. The revised estimates of that year, as the House may recollect, indicated a surplus of 197 lakhs which it was intended to devote to helping to bridge the expected deficit in the central budget in the first year of provincial autonomy. Incidentally, I may remind Honourable Members, this device serves the finances of only one year and does not solve the position in regard to subsequent years.

In the event, the final surplus has turned out to be 13 lakhs less, and to amount to 184 lakhs. The Income-tax returns of the year were 27 lakhs better than had been expected. But Salt Revenue produced that same amount less than the estimates, owing to the postponement of clearances, no doubt in the vain anticipation that a reduction of the duty might possibly be conceded. There were increases of receipts under other heads amounting to 19 lakhs. But the main deteriorating factor in the situation was the final Customs Revenue figure which was 61 lakhs below that adopted in the revised estimates, with a conspicuous drop of 36 lakhs under Sugar Import Duty.

Mr. Raisman last year described some of the uncertainties about imported sugar as a source of revenue, and indeed before the budget session was ended the Honourable the Finance Member explained in the other House

[Mr. J. C. Nixon.]

how the latest figures just then available indicated that the revenue under this head had been framed on too optimistic a basis. The last months of the year 1935-36 saw also a reduction of customs revenue under other heads partly as a result of the Italian sanctions and partly representing a fall-off and a diversion in the general import trade of India which, as I shall have to describe in more detail later, continued into the current year.

The original budget estimates for the present year, 1936-37, led to an anticipated surplus of 6 lakhs. The latest revised estimate unfortunately turns this into a deficit of 197 lakhs. On balance our present expectations for the year which is about to come to an end are just over 2 crores below the estimates which we made 12 months ago. The expenditure of the year is likely to be 25 lakhs above the budget figure and the revenue 178 lakhs less.

The main features in the fall of revenue are 216 lakhs under Customs, 37 lakhs under Income-tax and 28 lakhs under Currency. In the other direction are improvements of 41 lakhs under Central Excises, 10 lakhs under Salt and 37 lakhs under Miscellaneous.

The increase under Miscellaneous is practically accounted for by 24 lakhs on account of an accumulation of unclaimed Post Office Cash Certificates (an item which will not be repeated on this scale), and 10 lakhs representing gain on exchange.

The improvement under Central Excises is mainly in the form of sugar excise, but this improvement is in fact more than counter-balanced by a fall in the duty collected on imported sugar.

The reduction in Currency receipts represents almost entirely a decrease in the share of the profits of the Reserve Bank payable to Government, and is a result of the relatively poor yield on the sort of security in which the Bank by the terms of the Reserve Bank Act is permitted to invest.

The fall in receipts under Taxes on Income must be ascribed in the main to two causes. In the first place, as is widely recognised, price cutting among some of the weaker companies in the indigenous sugar business has been so persistent as to amount to a distinct danger to the stability of the industry. This has led to a reduction of profits which is reflected in the Income-tax returns. Secondly, the various pieces of provincial legislation designed to deal with rural indebtedness have naturally resulted in a reduction in the profits earned by money lenders and such like, with also a fall in their volume of business. This again has meant a drop in the Income-tax collections.

However, the largest single feature which has affected the estimates of the current year is a net fall of 216 lakhs under Customs Duties. I say a net fall because the duty on silk piecegoods is expected to be 55 lakhs above the budget figure while that on imported silver seems likely to produce as much as 153 lakhs more than our expectations a year ago.

But in the other direction, customs duty on sugar will produce about 145 lakhs less than our anticipated figure, British piecegoods 75 lakhs less, non-ferrous metals 40 lakhs less, while there are likely to be small shortfalls over a large number of other items of the schedule amounting in all to nearly 1½ crores.

We were fully conscious of the precariousness of the 2 crores of duty on imported sugar entered in the estimate for 1936-37 of which we expect now to collect only 55 lakhs. This element alone, especially in the light of events

which have since happened, amply justifies the cautious attitude of Government in the last year or two in the matter of remissions of taxation.

Despite the gloomy prognostications expressed by some persons at the time, the acceptance by Government of the recommendations of the last Tariff Board on cotton piecegoods has not resulted in an immediate large increase of imports from Lancashire into India. In fact, as I have said, the duty collected on that item is likely to fall 75 lakhs short of our estimated figure.

The decrease in India's imports of non-ferrous metals follows to some extent automatically from the world demands for armament purposes and from the consequential rise of prices and difficulties of delivery. These same causes no doubt account in part for the reduction of India's imports of manufactured goods over a large part of the tariff schedule.

Other influences which were at work during 1936-37 in reducing imports into India, below those expected when the estimates for that year were framed, must be—

- (a) the sanctions against Italy,
- (b) the effects of the measures taken in the provinces to reduce rural indebtedness which in various ways, at any rate for the moment, have reduced the purchasing power of the agriculturalist, and
- (c) the diversion of some of the available external purchasing power of India from ordinary manufactured goods to silver—from the point of view of the public exchequer a much less remunerative line.

The revised expenditure estimates for 1936-37 are, as I have said, likely to exceed the budget figure by 25 lakhs. Heavy discharges of Post Office Cash Certificates account for an increase of 46 lakhs under Interest. In the other direction there is a saving of about 20 lakhs of which the principal cause is a throw forward of certain expenditure on Delhi schemes.

The Defence Department estimates for the current year provided for a net expenditure of 44 crores 85 lakhs plus 60 lakhs on Quetta. There are naturally variations in the details of the revised estimate but none of any relative magnitude. The absence of certain troops from India accounts for a drop of expenditure under certain heads by 9 lakhs. Another reduction of 12 lakhs is accounted for by the fact that the effects of the War Block scheme have been more rapid than was expected. In the other direction, an unanticipated sum of 11½ lakhs is expected to have been spent on the Waziristan operations. In the event, the following approximate sums will fall into the Defence Reserve Fund—

- (a) 5½ lakhs representing accidental net underspendings,
- (b) 33 lakhs of regular contributions to equalisation funds, and
- (c) 45 lakhs to cover postponed liabilities, including 10 lakhs on account of Quetta.

The Posts and Telegraphs Department now expects to complete the year 1936-37 with a surplus of 8 lakhs against a surplus of one lakh anticipated a year ago. Although receipts are likely to be 6 lakhs down, working expenses are expected to produce a saving of 12 lakhs while interest charges will be a lakh below the budget figure.

[Mr. J. C. Nixon.]

I turn now to the budget estimates for the year 1937-38 immediately ahead of us. Three factors will, I fear, render a study by Honourable Members of the budget figures for the next year more difficult than usual.

In the first place there are certain changes in the nomenclature and content of some of the heads. These are mostly necessitated by the new constitution or have been introduced in order to give an eventually clearer picture of this. I shall not go into the details but I shall be happy to give any personal help I can to Honourable Members in this matter. So as to make comparisons easier, the figures for 1935-36 and for 1936-37 have, as far as possible, been recast correspondingly.

The other two special events affecting the figures under most of the heads of the budget for 1937-38 are the Separation of Burma and the various adjustments with the provinces arising out of the Niemeyer Report. A special table has been printed in my explanatory Memorandum to show how much of the difference between the figures for 1936-37 and 1937-38 under each head is the result of these events.

The exact amounts due from Burma by reason of her liabilities to India will not be known until the accounts for the year 1936-37 are finally closed. We have taken credit in our 1937-38 budget for the payment of any annuity of 229 lakhs a year for 45 years on account of Burma's debt to India. We have also taken credit for an initial sum of 94 lakhs on account of pensions, which liability is to be liquidated over 20 years by regularly decreasing contributions. After taking these two credits into account, and also a net improvement of 13 lakhs in the Posts and Telegraphs Department arising from the same cause, the separation of Burma is expected to result in a deterioration of 233 lakhs in the budget position of the Government of India for 1937-38. But I must not fail to add that there are so many uncertain features in the position that no undue reliance can be placed on these figures at this stage.

The adjustments with provinces are calculated to mean in 1937-38 a reduction of 51 lakhs on the revenue side of our budget and an increase of 134 lakhs on the expenditure side; that is to say, they will cost the Government of India 185 lakhs. This is of course additional to the 50 per cent. Jute Duty amounting to nearly 2 crores previously assigned to the provinces and a total sum of 258 lakhs provided in 1936-37 by way of regular subventions to the N. W. F. P., Sind and Orissa.

In the matter of the future relationship of provinces with the Centre, I would take this opportunity of explaining briefly the position in regard to borrowings. In the past most of the provinces have obtained their capital requirements from the Government of India through what has been known as the Provincial Loans Fund. Various defects in this arrangement had already become patent, while it is clear that it will be quite inappropriate to circumstances in the future. It has accordingly been decided to wind up the Provincial Loans Fund and to consolidate (after making certain of the Niemeyer adjustments) most of the debts due by the provinces to the Government of India in 45-year annuities. Incidentally, the capital element in these annuities will in effect be used for the avoidance or reduction of debt. The provinces in the future, as seems most compatible with financial autonomy, will obtain their capital requirements from the market through the agency of the Reserve Bank. The Government of India do not exclude the possibility of their lending money to a province in exceptional circumstances, but the terms for any such loan would be fixed separately on each occasion in accordance with conditions at the time.

In dealing, as I propose now to do, with the budget for the ensuing year 1937-38 I shall, as far as possible, make comparisons with the *corresponding* figures of the revised estimate for the current year, *i.e.*, after eliminating the consequences of the separation of Burma and of adjustments with provinces.

The Customs revenue for the year 1937-38 is estimated to amount to 44 crores 66 lakhs, or 219 lakhs above the current year's corresponding revised estimate figure. The increases are spread over a large number of items.

Taxes on Income are expected to yield 14 crores 30 lakhs, or 40 lakhs more than we expect to collect correspondingly in 1936-37. About a half of the improvement is ascribable to the Income-tax measure which this House recently accepted.

Including an anticipated contribution of 15 lakhs from Railways, the total revenue for the year 1937-38 is put at 79 crores 99 lakhs, that is to say, 239 lakhs above the corresponding revised estimate figure for this year.

The expenditure side of the budget comes to 83 crores 41 lakhs which is 34 lakhs *below* the comparable revised figure for 1936-37.

The provision under Civil Works is 25 lakhs higher than in the current year, the increase partly representing heavier transfers to the Road Fund and partly provisions for various office schemes. The Calcutta Customs House has to be rebuilt, while a building to house most of the Central Offices at present in hired buildings in Bombay is in progress. The last is a distinctly profitable undertaking. There is an increase also under the cost of Civil Administration partly representing the throw forward of certain Delhi schemes to which I referred in speaking of the figures of the current year.

But against these increases of expenditure there is a welcome fall of 87 lakhs under Interest payments owing partly to a drop in the aggregate amount payable as bonus on Post Office Cash Certificates and partly to the paying off of the 5½ per cent. sterling loan of nearly 17 million pounds.

The separation of Aden saves India 20 lakhs a year. This however affects the figures of the Defence Budget. The Defence estimates for the current year, apart from the provision for Quetta, amount to 44 crores 85 lakhs. Excluding the 20 lakhs saving on account of the separation of Aden and 104 lakhs due to the separation of Burma, the figure for present comparison purposes is 43 crores 61 lakhs. The corresponding figure in the budget for next year is 43 crores 87 lakhs, an increase of 26 lakhs. There is however a special provision of 6 lakhs towards the cost of sending a contingent of the Army in India to the Coronation ceremony. Consequently the real net increase in ordinary expenditure is 20 lakhs. As the Defence estimates for 1937-38 provide for an increase of 25 lakhs under Ordnance services, a rise of 14 lakhs under grain purchases, an extra 3 lakhs representing the withdrawal of a former railway concession, an increase of 7 lakhs under the pay of British soldiers and miscellaneous small inevitable increases aggregating about 11 lakhs under other heads, a net increase of 20 lakhs in the total means in fact that there has been a reduction among the other items of the Defence Budget of about 40 lakhs. His Excellency the Commander-in-Chief has agreed with considerable misgivings to co-operate to this extent in the relief of our difficulties in this first year of provincial autonomy. He has however pointed out that some at any rate of the reductions can only be regarded as postponements of expenditure, and I know that he has serious doubts whether the proper precautions for the defence of India can be fully supplied from the present resources placed at his disposal.

[Mr. J. C. Nixon.]

To complete my account of the Defence estimates I need only state that 75 lakhs are being provided for the reconstruction of Quetta (making with the 10 lakhs carry forward from the current year a total of 85 lakhs) against 60 lakhs for the year 1936-37.

After allowing for the separation of Aden and Burma (the latter of which at any rate has been a net burden on India) the Posts and Telegraphs budget for 1937-38 is expected to show a small surplus of 4 lakhs. The budget provides 5 lakhs for additional postal facilities in rural and urban areas and 8 lakhs net for the Empire Air Mail scheme.

The Posts and Telegraphs budget also allows for two small changes in rates. The present book packet rate is $\frac{3}{4}$ of an anna for the first five tolas and $\frac{1}{2}$ an anna for each additional five tolas. It is proposed to reduce the rate to $\frac{1}{2}$ an anna for the first 2½ tolas and a $\frac{1}{4}$ of an anna for each additional 2½ tolas. This concession is expected to cost about 8 lakhs. The second change is to remove an anomaly in the parcel rates. At present at certain weights it pays to send a letter by parcel post rather than by letter post, while at other stages the parcel rate is cheaper than the book rate. The anomaly will be corrected by applying the 4 annas rate in place of the present 2-anna rate for parcels weighing not more than 20 tolas. This is expected to yield about 8 lakhs and to pay for the other concession.

I can now summarise the budget estimates for the year 1937-38. As I have already said, the total revenue is 79 crores 99 lakhs and the total expenditure 83 crores 41 lakhs. After shouldering the burdens of 233 lakhs on account of the separation of Burma and of an additional 185 lakhs relief to the provinces, i.e., of 418 lakhs in all, the budget of the Government of India for 1937-38 will show a deficit of 342 lakhs. Against this there is the 184 lakhs fortunately set aside in 1935-36, leaving an unfilled gap of 158 lakhs.

I will turn aside here to put before the House the main figures in what we call our Ways and Means forecast. The sterling requirements of the Government of India for 1937-38 are estimated at £35 millions including £6 millions provided for transfer to Commissioners for certain family pension funds and £2 millions for what is really railway capital redemption. According to the new arrangements with the provinces, we shall have to transfer to them on the 1st April 1937 sums aggregating about 860 lakhs. We have also to provide 2 crores as an opening cash balance for Burma which we shall recover through the debt settlement.

No loans fall due for repayment during 1937-38 and, so far as can be seen at present, there will be no occasion for Government to issue a regular loan. Owing to the reduction of yield in Post Office Cash Certificates we anticipate a net discharge of 1½ crores of them next year. The outstanding balance of treasury bills is estimated to increase by 4 crores during the next year which is more than accounted for by 5 crores which will become due to the Reserve Bank under the Act in redemption of surplus silver rupees.

Before I describe the proposals of Government for meeting the 158 lakh gap of 1937-38, I propose to devote a few minutes to a resurvey of the situation arising out of the acceptance of the report of Sir Otto Niemeyer. In May 1936 the Government of India stated publicly but with some measure of caution that they hoped and had fair reason to believe that Sir Otto's programme of relief to the provinces at the expense of the Centre was a feasible one. At the time of presenting last year's budget it was the belief of Government that by putting aside then a reserve of about 2 crores, we should

be able to see our way through the admittedly difficult year 1937-38. The reserve has turned out to be somewhat smaller than was anticipated, but more important than this is the fact that, as I have already explained, there has been a serious falling off of revenue. We find ourselves between 1½ and 1¾ crores short of our expectations, and, unless the growth of revenue ahead proves to be much greater and faster than past experience indicates, a shortage of this order will occur again in the 1938-39 budget. In the circumstances, a question will naturally arise in the minds of Honourable Members as to the soundness or otherwise of the basis on which the Government of India concluded that they would be able to finance the successive stages of the new constitution. It is a hazardous undertaking these days to attempt to look too closely into the future, but I believe that I shall be able to satisfy the House that such pointers as there are give reasonably clear indications of the intrinsic soundness of India's financial position and of India's ability to meet the situation ahead.

On the one hand it is true that the measures taken to reduce rural indebtedness have for the time being reduced purchasing power and adversely affected the public revenues. But if these measures succeed in their professed objects, the result must eventually be to improve circumstances in rural India which is after all the ultimate source of India's wealth. So this present cause of depression should be a temporary one and turn in due course into a bull point.

Imports of silver on the scale of the present year, in place of imports which add more to the customs revenue, are not on the whole likely to be a permanent feature of the situation.

The eventual decline of the customs revenue from imports of protected goods has all along been taken into account in our forecasts. The fact that in certain lines the lower levels are being reached sooner than we had anticipated has a somewhat embarrassing effect on the time table but little on the ultimate position.

However there are some encouraging signs of a more positive nature. The large increase in railway goods receipts is a clear indication of better business. The undoubted and continuing rise in the price of primary products is a sure and welcome sign of recovery. The remarkable increase in India's exports of merchandise in the current year means in due course an extension of purchasing power.

While there is likely to be some lag in these improving features reflecting themselves in the public revenues, the pointers are significant enough—so long as the situation remains unclouded by war or serious internal trouble—to warrant the continued belief in the ultimate ability of the Government of India to stand the strain of meeting the relief to provinces visualised in the Niemeyer Report. And with a comparatively modest addition to their present resources the Government of India will be able to adhere to Sir Otto Niemeyer's time programme and meet the initial strain in 1937-38 and in the immediately succeeding years. The required addition we would place at the 1½ to 1¾ crores by which the budget of the year 1937-38 remains unbridged.

The recently published Income-tax Enquiry Report indicates that there is further public revenue to tap in the direction of improving both the Income-tax law and the machinery of its administration. Steps are also being taken to improve the customs machinery so as to reduce leakages of revenue. We are considering the possibility of improved administration in the growingly important field of Central Excises. The Honourable Finance Member with his recent experience in England lost little time in spotting some of the

[Mr. J. C. Nixon.]

loopholes in our revenue system, and he can be trusted to deal adequately with them. But these measures will not produce immediate large results and cannot be counted upon to solve the problem of bridging the budget gap in the next two or three years. That problem is to increase revenue by $1\frac{1}{2}$ to $1\frac{3}{4}$ crores in 1937-38 and Government make two proposals for this purpose.

The first is to increase the sugar excise from one rupee five annas to two rupees a hundredweight. In 1930-31 sugar in the form of an import duty contributed $10\frac{3}{4}$ crores to the public exchequer. That source of income has now to all intents and purposes dried up. The sugar excise produces something under $2\frac{1}{2}$ crores. A rapid loss over a few years of 7 or 8 crores in respect of a single commodity—a significant fraction of our total revenues—has naturally imposed a very severe strain on the public finances of India. This measure is expected to produce 115 lakhs.

An additional burden of 11 annas a hundredweight will not increase the price of sugar to the consumer beyond what he has been used to paying up till quite recently.

If this measure has the effect of discouraging the less efficient producer, the present danger to the indigenous sugar industry, to which I alluded in speaking of its reduced profits this year, may possibly be checked. In any case, this is likely to tend to arrest any further deterioration in the position pending the forthcoming inquiry by the Tariff Board.

For similar reasons the effect on the cultivator should be to the good. It is evident that the precarious producer provides no guarantee to the cultivator of a minimum price for the cane which he may grow.

The change in the Excise duty involves a change in the import duty. These are somewhat complicatedly related at the moment. India's sugar is being sold at a price so far below that of imported sugar that there is no longer either necessity or justification for maintaining a preference beyond the seven rupees four annas a hundredweight originally recommended by the Tariff Board. The import duty per hundredweight will therefore be fixed at seven rupees four annas *plus* the excise duty for the time being in force.

In order to minimise the dislocation of the market, these changes will take place forthwith, and a declaration under the Provisional Collection of Taxes Act has been attached to the relevant clauses of the Finance Bill. Steps are also being taken to bring the sugar-producing Indian States into line.

The second proposal for helping to fill the budget gap is to raise the import duty on silver from two annas to three annas an ounce. This small increase is not likely to result in a recrudescence of the smuggling which took place when the duty was at five annas or over. The additional duty from this source is estimated at 50 lakhs and the change will take effect at once.

These two measures will, it is hoped, produce 165 lakhs and convert the net deficit of 158 lakhs for 1937-38 into a small surplus of 7 lakhs.

If it be remembered that 7 or 8 crores of income from sugar have disappeared in the last six years (a period when the public revenues have suffered in other ways from the effects of the world depression), that the budget of 1937-38 will have borne the burden of a loss of $2\frac{1}{2}$ crores by reason of the separation of Burma, and that it will be furnishing no less than $6\frac{1}{2}$ crores of assistance to the provinces of India, it is in a way gratifying to observe that the stability of India, as represented by a balanced budget, can be purchased at such small extra cost. (Applause.)

STATEMENT OF BUSINESS.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Leader of the House): Sir, there is no occasion for the Council to sit on any day between now and the 4th March when the general discussion on the Budget will take place. But in order to give some idea of the meetings thereafter I may say that there is at present for disposal the following business before the House. Firstly, motions for election to 5 Committees and bodies, namely,—

- (1) Standing Committee for Roads for the remainder of the current financial year ;
- (2) Central Advisory Board of Education ;
- (3) Central Advisory Board of Health ;
- (4) Standing Committee for the Indian Posts and Telegraphs Department.
- (5) Imperial Council of Agricultural Research.

Secondly, motions for the consideration and passing of the Contempt of Courts (Amendment) Bill which was laid on the table on the 16th February. Lastly, there is the Government Resolution regarding the Road Fund. In order to dispose of this business I suggest, Sir, that you may be pleased to direct the Council to sit on Friday, the 5th March. On that date it will also be possible to lay on the table of this House any Bills passed by the other House. Thereafter I would suggest, Sir, that the Council should sit on Tuesday the 9th March, and if necessary on Wednesday the 10th also, for the disposal of any business which may remain outstanding on the 5th March, for the consideration and passing of any Bills laid on the table on the 5th March and for the election to the Committees and bodies which I have mentioned, if that proves necessary.

The Council then adjourned till Eleven of the Clock on Thursday, the 4th March, 1937.

COUNCIL OF STATE.

Thursday, 4th March, 1937.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

MEMBERS SWORN.

THE HONOURABLE SIR Suleman Cassum Haji Mitha (Bombay Presidency : Muhammadan).

THE HONOURABLE MR. Arthur Kirke Smith (Government of India : Nominated Official).

QUESTIONS AND ANSWERS.

RENEWALS OF CONTRACTS IN REGARD TO COMPANY-MANAGED RAILWAYS.

35. THE HONOURABLE MR. NARAYANDAS GIRDHARDAS : (a) In the case of the recent renewals of contracts in regard to Company-managed Railways, why did Government act against the policy proposed and accepted in the Legislature over a decade ago and given effect to in the case of such systems as the G. I. P., E. I. and Burma Railways ?

(b) Are Government prepared to give an assurance that the recent renewals of contracts do not mean a departure from the policy accepted and carried out in the case of the G. I. P., E. I. and other Railways ?

THE HONOURABLE SIR GUTHRIE RUSSELL : (a) and (b). I would invite the attention of the Honourable Member to the reply given in the Legislative Assembly by the Honourable Sir Joseph Bore on the 5th of April 1935 to Mr. Ahmed Ebrahim Haroon Jaffer's starred question No. 1530.

RESIGNATION OF SIR OSBORNE SMITH.

36. THE HONOURABLE MR. NARAYANDAS GIRDHARDAS : (a) Are Government aware of any mystification in the public mind about the resignation of Sir Osborne Smith ?

(b) Are they aware of conflicting reports about Sir Osborne Smith's resignation current in India ?

(c) Are they aware of reports in conflict with the appreciation expressed both by Government and by the Central Board of the Reserve Bank at the time of his resignation ?

(d) Do Government propose to issue a communiqué stating the full facts ?

(e) If the answer to the above is in the negative, do Government propose to order a non-official or judicial enquiry ?

THE HONOURABLE MR. J. C. NIXON : The Government have nothing to add to the communiqué which appeared in the Press on the 30th of October last.

OPENING OF RAILWAY LINES CONNECTING CERTAIN PLACES WITH THE EASTERN BENGAL RAILWAY.

37. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY :

(a) Will Government be pleased to state whether they contemplate the opening of railway lines between—

(i) Aricha and Dacca ;

(ii) Issurdi and Sodhugunj *via* Pabna ;

(iii) Barisal and any other railway station on the E. B. Railway ?

If so, when and if not, why, and what are the alternative proposals, if any, to connect those places ?

(b) Whether any estimates were ever prepared for the construction of the above railway lines and whether they have been given up. If so, what are the various reasons for doing so ?

(c) Whether the construction of a motor road between Aricha and Dacca is in contemplation by Government and, if so, how will the difficulties set up against the construction of the railway line be avoided ?

(d) What representations, if any, did the steamer companies plying between Goalundo and Naraingunj make on the Aricha-Dacca railway scheme ?

THE HONOURABLE SIR GUTHRIE RUSSELL : The required information is being collected and a reply will be laid on the table in due course.

NUMBER OF CADETS ADMITTED TO THE TRAINING SHIP " DUFFERIN ".

38. THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL :

(a) Will Government be pleased to state if the number of cadets that were admitted to the Training Ship " Dufferin " up to 1934 for being trained as Deck Officers was 33 per year and whether that number has been increased to 50 from the year 1935--25 to be trained as Deck Officers and the remaining 25 as Engineers ?

(b) If the answer to (a) be in the affirmative, will Government be pleased to state whether the number of cadets who sit for the qualifying examination has been declining recently ?

(c) If the answer to (b) be in the affirmative, will Government be pleased to state whether it is a fact that while 200 candidates sat for the qualifying examination in 1935, only 125 appeared for that examination in 1936 ?

(d) Is it a fact that the Governing Body had to select 50 candidates out of 57 only who appeared at the interview ?

(e) Will Government be pleased to state what steps they have taken or propose to take to see that shipping companies would employ the cadets when duly qualified as officers in "adequate numbers" ?

THE HONOURABLE MR. H. DOW : (a) Except during the years 1927 and 1929, when the number of cadets admitted on the results of the qualifying examinations was 30 and 35, respectively, the position is as stated by the Honourable Member.

(b) Yes.

(c) The number of candidates who sat for the qualifying examination in 1935 and 1936 was 180 and 124, respectively.

(d) The Honourable Member is apparently referring to the selection of candidates which took place in January this year, and, if so, the answer is in the affirmative. I should explain that only passed candidates appear at the interview.

(e) Government addressed the leading shipping companies last year on the general question of the employment of *ex*-"Dufferin" cadets and have also been in constant correspondence with them about individual cases.

AMENDMENTS TO THE PROSPECTUS OF THE TRAINING SHIP " DUFFERIN ".

39. THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL : (a) Will Government be pleased to state whether they asked the Governing Body of the Training Ship " Dufferin " to consider some amendments to the Prospectus of that ship either in 1935 or 1936 ?

(b) If the answer to (a) be in the affirmative, will Government be pleased to lay on the table the proposed amendments to the Prospectus in question and to state whether they have received any representation or representations from the Governing Body communicating their regret that they cannot agree to the proposed amendments to be made in the Prospectus ? If so, will Government be pleased to lay on the table copies of the communications received from the Governing Body on that subject ?

(c) Have they decided to make amendments in the Prospectus ? If so, will Government be pleased to state their reasons for doing so ?

THE HONOURABLE MR. H. DOW : (a) Yes ; in 1935.

(b) I lay on the table a statement showing the proposed amendments. With regard to the second portion, I would refer the Honourable Member to the reply given by the Honourable Commerce Member to part (c) of the starred question No. 742 asked by Pandit Govind Ballabh Pant in the Legislative Assembly on the 24th February 1936.

(c) Yes : because Government consider that the parents and guardians of cadets intending to apply for admission to " Dufferin " are entitled to the fullest possible information regarding the course of study and the prospects of employment.

Statement showing the Proposed Amendments to the Prospectus of the Indian Mercantile Marine Training Ship " Dufferin ".

Page 4, paragraph 1.—Aims and objects of the " Dufferin ", sub-para. (ii) :
Add " (See paragraph on General Education). "

Page 5.—Last paragraph entitled " Facilities for Apprenticeship " :—
Delete this paragraph.

Page 7, paragraph entitled " Employment as Marine Engineers on completion of workshop training " :—

Delete this paragraph.

Page 7.—After paragraph entitled " Pay and Prospects " add the following :—
Facilities for apprenticeship and employment at Sea.

Executive : The Government of India have arranged with the principal shipping companies operating on the coasts of India to grant facilities to " Dufferin " Cadets to proceed to sea as apprentices as vacancies occur. Many of these have also agreed to

accept as Officers in their Companies such apprentices who have passed through the "Dufferin", completed their apprenticeship at sea with satisfaction and obtained the necessary certificates of competency.

Engagement of apprentices and the employment of officers in after life is however dependent on many factors, such as conditions of trade, number of vacancies, and the rules and regulations of each individual company.

Engineering : The Government of India are also assured that facilities for training as apprentices are available at the major Marine Workshops in Bombay, Calcutta and Rangoon and further that the principal shipping companies operating on the coasts of India will accept ex-"Dufferin" Cadets who have proved themselves satisfactory, as Junior uncertified Engineers and later as certified Engineer Officers.

Facilities for placing apprentices in workshops and employment at sea as certified or uncertified Marine Engineers, as in the case of the Executive Branch, are dependent on the conditions of trade, number of vacancies and the rules and regulations of each individual company.

General Education : It is realized, however, that not all who join the "Dufferin" may be able to proceed to sea, and indeed may not desire to. For this reason, and to allow for an element of competition in the Training Ship, in addition to vocational training, the Curriculum has been so designed that it combines the requirements of the sea with those of the Universities in India up to Matriculation standard and so provides a good Public School education, a suitable preliminary to an University career or to employment in other walks of life, and arrangements have been made by which the "Dufferin" Passing Out Certificate has been recognised by the Government of India as equivalent to the Matriculation Examination for purposes of admission to the Public Services in India and by the Universities as equivalent to Matriculation.

Instruction on the Training Ship is given in English, Geography, History, Arithmetic, Algebra, Geometry, Trigonometry, Science and Mechanics. For vocational subjects, the Executive Cadets will take Navigation and Nautical Astronomy, Meteorology, Elementary Engineering, Seamanship and Magnetism. The Engineering Cadets will take Practical Mathematics, Engineering Knowledge, Mechanical Drawing, Manual (Workshop Practice) and Elementary Seamanship.

The above subjects will be included in the Final Passing Out Examination.

The Syndicates of the Universities of Bombay, Nagpur, Madras, Delhi and Benares have recognized the "Dufferin" Final Passing Out Examination as equivalent to the Matriculation and the High School Examination on obtaining the requisite quota of marks.

The University of Patna has granted permission to a Cadet of the "Dufferin" who passes the final examination of the ship to join the First Year Class of a College affiliated to that University provided that he satisfied the conditions of regulations 8 (4) of Chapter XXVIII of the Patna University Regulations. The Universities of Mysore and Rangoon too have granted equal recognition subject to certain conditions.

The Syndicate of the University of Calcutta has sanctioned the admission of a student who has passed the Final Examination on the "Dufferin" into the first year class of a College affiliated to that University provided the candidate passes in one of the vernaculars mentioned in Section 9 (4) of Chapter XXX of the Regulations before proceeding to the Intermediate Examination of that University.

*In respect of the Executive Cadets, the Board of High School and Intermediate Education, United Provinces, Allahabad, have recognised the "Dufferin" Final Passing Out Examination as equivalent to its High School Examination for the purpose of enabling candidates to enter upon the course of study prescribed for the Intermediate Examination.

The Universities of Osmania, Punjab, Andhra, Annamalai and Aligarh have granted equal recognition subject to certain conditions.

These five Universities as well as the Allahabad Board have now under consideration the grant of equal recognition to the Final Passing Out Examination in the case of Engineering Cadets.

Page 10.—Delete paragraph on General Education.

* This will require to be re-edited as by the time the fresh prospectus is ready for the press, it is anticipated that all the Universities will accede to the request for recognition of Cadets taking the Engineering Course.

PROCEDURE FOR THE ELECTION OF CHAIRMAN OF MEETINGS OF THE GOVERNING BODY OF THE TRAINING SHIP "DUFFERIN".

40. THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL : (a) Will Government be pleased to state whether they have received any communication from the Governing Body of the Training Ship "Dufferin" requesting Government not to make any alteration in the procedure followed since the inception of the Training Ship in regard to the election of the Chairman of the meeting when the regular Chairman was absent at that meeting and to reinstate the old rule whereby the Governing Body will be able, as in the past, to elect a Chairman from amongst themselves at any meeting where the regular Chairman was absent ?

(b) If the answer to (a) be in the affirmative, will Government be pleased to state whether they have complied with or propose to comply with the request of the Governing Body in this matter ? If not, why ?

THE HONOURABLE MR. H. DOW : (a) Government are not prepared to disclose communications made to them by the Governing Body.

(b) Does not arise.

PUBLICATION OF THE REPORT OF THE CONTROLLER OF THE CURRENCY.

41. THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL : Will Government be pleased to state—

(a) whether the publication of the report, known as the report of the Controller of the Currency, will be continued by the Reserve Bank of India ;

(b) if so, when will the report be published ?

THE HONOURABLE MR. J. C. NIXON : (a) and (b). The publication of the report of the Controller of the Currency has been discontinued. The more important material previously included in that report now appears in the statistical summary of the Reserve Bank.

ABOLITION OF PREFERENTIAL TARIFFS ACCORDED TO IMPORTS FROM THE UNITED KINGDOM.

42. THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL : Will Government be pleased to state as to when do they propose to abolish preferential tariffs accorded to imports from the United Kingdom under the Ottawa Pact ?

THE HONOURABLE MR. H. DOW : The question of a new agreement to replace that concluded under the Ottawa Pact is now under discussion with His Majesty's Government in the United Kingdom, and Government are not yet in a position to anticipate the results of that agreement.

DETAILS OF THE RUPEE AND POUND SECURITIES HANDED OVER TO THE RESERVE BANK.

43. THE HONOURABLE MR. HOSSAIN IMAM : Will Government lay on the table a statement giving details of the Rs. and £ securities, handed over to the Reserve Bank on 1st April, 1935 (note : composition as published for G. S. R.).

THE HONOURABLE MR. J. C. NIXON : Government consider that it would not be in the public interest to give this information.

COMPOSITION OF RUPEE AND POUND SECURITIES HELD BY THE RESERVE BANK.

44. THE HONOURABLE MR. HOSSAIN IMAM: Will Government kindly state the composition of £ and Rs. securities held by the Reserve Bank on 31st December of 1935 and 1936?

THE HONOURABLE MR. J. C. NIXON: The Bank does not publish the details of its investments.

REPLACEMENT OF THE OTTAWA AGREEMENT.

45. THE HONOURABLE MR. HOSSAIN IMAM: Will Government state fully what steps they have taken, and what steps they propose to take to replace the Ottawa agreement, and do they propose to give the Legislature an opportunity to ratify or reject their interim arrangements? If not, why not?

THE HONOURABLE MR. H. DOW: The matter is still under consideration in consultation with Government's non-official advisers and with His Majesty's Government in the United Kingdom. As regards the interim arrangements, the Honourable Member's attention is invited to the Press Communiqué issued by the Government of India on 19th October 1936, a copy of which is in the Library. Government do not propose to bring this before the Legislature in any other manner.

THE HONOURABLE MR. HOSSAIN IMAM: Does the sanction of the Assembly mean that the interim arrangement can be made for a prolonged period?

THE HONOURABLE THE PRESIDENT: That is a matter of opinion. I disallow it.

AMOUNT IN THE DEPRECIATION FUND STANDING TO THE CREDIT OF THE EAST INDIA AND THE BURMA RAILWAYS, ETC.

46. THE HONOURABLE MR. HOSSAIN IMAM: Will Government kindly give the following information separately about the East India and the Burma Railways:—

(a) The amount standing to their credit in the Depreciation Fund on 31st March, 1929 and 1936;

(b) The total credits to and withdrawals from the above fund for the last seven years;

(c) The amount taken as loan from the above fund and Railway Reserve Fund, in each of the last seven years;

(d) The surplus or deficit, from 1924-25 to 1935-36, after deducting the contribution actually made to general revenues?

THE HONOURABLE SIR GUTHRIE RUSSELL: (a) and (b). I would refer the Honourable Member to paragraph 25 of Vol. I of the Administration Report of Indian Railways for 1925-26.

(c) Neither the amount of loan taken from the Railway Depreciation Reserve Fund nor the balance at credit of the Railway Fund has been allocated to individual railways.

(d) For the same reason the surpluses and deficits cannot be allocated to individual railways.

INDIA'S LIABILITY FOR POUND WAR LOAN.

47. THE HONOURABLE MR. HOSSAIN IMAM: Will Government state what steps they have taken or propose to take to quash India's liability for £ War Loan?

THE HONOURABLE MR. J. C. NIXON: The payment of capital and interest remains suspended according to arrangements following the Lausanne agreement of 1932.

NUMBER OF STUDENTS WHO PASS OUT ANNUALLY FROM THE INDIAN MILITARY ACADEMY, DEHRA DUN.

48. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Will Government kindly state:

(a) What has been the number of students who pass out each year from the Indian Military Academy, Dehra Dun, during the years it has been in existence?

(b) Whether its students after completion of their course at Dehra Dun go to Great Britain for further training? If so, for what period?

(c) What is the total amount of fees charged for training each student, and what proportion of such fees does Government bear?

(d) How many of the Diploma Holders of the Indian Military Academy have so far obtained King's Commission in the Army in India?

(e) Whether the places of Viceroy's (Indian) Commissioned officers are now filled by students from the Indian Military Academy, Dehra Dun?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: (a) 29 in 1934, 63 in 1935 and 53 in 1936, or 145 in all.

(b) No.

(c) The fees for the course of five terms amount to Rs. 3,850 for all cadets except Indian Army cadets who are charged no fees. It has been calculated that the cost to Government per cadet is Rs. 10,775.

(d) No Diplomas are given at the Indian Military Academy. 124 out of the 145 cadets who have passed out of the Academy have been given Commissions in the Indian Army.

(e) Yes, except in the case of those who are posted to the Indian Regiment of Artillery.

REPORT ON THE RURAL CREDIT BY THE RESERVE BANK OF INDIA.

49. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Will Government kindly state whether the Reserve Bank of India has issued any report on rural credit? If so, will they lay it on the table of this House?

THE HONOURABLE MR. J. C. NIXON: The Reserve Bank of India have submitted a report under section 55 (1) (b) of the Reserve Bank Act which was published on the 30th December last. Copies will be found in the Library.

NUMBER OF CADETS RECEIVING KING'S COMMISSION IN THE ARMY IN INDIA.

50. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Will Government kindly state the total number each year of cadets who have

during the last five years received the King's Commission in the Army in India, and how many of them have been posted in the places vacated by Viceroy's (Indian) Commissioned Officers?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: With your permission, Sir, I propose to answer questions Nos. 50 and 52 together. Practically all the information required by the Honourable Member will be found at pages 231 to 239, 278, 406, 407, 414, 428, 455, 463, 471, 477, 479, 489, 499, 505, 510, 517 and 544 of the Indian Army List, a copy of which is in the library of the Indian Legislature. Except for those posted to the Indian Regiment of Artillery, all officers commissioned from the Indian Military Academy, that is to say since 1934, have taken the place of Viceroy's commissioned officers. It is, however, impossible to give the names of all the Viceroy's commissioned officers who have been displaced.

THE HONOURABLE MR. P. N. SAPRU: Is the Indian Army List supplied free to Members of the Legislature?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: I would like to have notice of that question, Sir.

SALARIES AND ALLOWANCES TO ARMY OFFICERS HOLDING KING'S COMMISSIONS AND OFFICERS PASSING OUT OF THE INDIAN MILITARY ACADEMY, RESPECTIVELY.

51. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Will Government kindly lay on the table of this House the scales of salaries and allowances (including Lee concessions) to the Army officers holding King's Commission, and to the officers who are the product of the Indian Military Academy?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: The rates of pay and allowances of the King's commissioned officers of the Indian Army are laid down in the Pay and Allowance Regulations, Parts I and II and Part I—Special. The Lee concessions will be found in Passage Regulations (India). The rates of pay of Indian Commissioned Officers recruited through the Indian Military Academy were published in Army Instruction (India) No. 32 of 1935, as amended by corrigendum No. 1, dated the 26th November 1935. Copies of all these publications are in the library of the Indian Legislature. The rates of allowances for Indian commissioned officers are at present under consideration.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Will His Excellency be pleased to kindly place the relevant extracts from those seven books on the table of this House as these books are not generally supplied to the Members of the Legislature?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: I will consider that suggestion, Sir.

OFFICERS HOLDING KING'S COMMISSIONS WHO PASSED OUT OF THE INDIAN MILITARY ACADEMY, WITH THEIR RANKS, ETC.

*52. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Will Government kindly lay on the table of this House the names of the officers holding King's Commission who passed out of the Indian Military Academy, since its inception, and the names of the Regiments to which they have been posted and ranks of the officers; giving names of the officers whom they have replaced?

*For answer to this question—see answer to question No. 50.

PURCHASE OF STORES FOR THE DEFENCE DEPARTMENT BY THE INDIAN STORES DEPARTMENT.

53. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Will Government kindly state whether or not they are considering the question of entrusting the purchase of stores needed for the Defence Department to the Chief Controller, Indian Stores Department? If not, why not?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: As has been explained on previous occasions, the Defence Department do already entrust the purchase of certain stores, including textiles and certain machinery, to the Indian Stores Department. Government are not considering any extension of this practice, as the present system has, so far, worked satisfactorily.

COUNTERFEIT COINS IN CIRCULATION IN INDIA.

54. THE HONOURABLE HAJI SYED MUHAMMAD HUSAIN: Will Government be pleased to state:

(a) If a large number of counterfeit coins have been in circulation in India since 1930 and their number is increasing?

(b) If so, what steps are Government taking to stop this?

(c) What was the percentage of counterfeit coins detected in the mints in 1930, 1931, 1932, 1933, 1934, 1935 and 1936?

THE HONOURABLE MR. J. C. NIXON: (a) Government are aware of some increase in the circulation of counterfeit coins but the increase has not been as marked as is suggested by the Honourable Member.

(b) Special steps are being taken by the Mints to render counterfeiting more difficult in future and by the police to check the circulation of counterfeit coins.

(c) The question is not clear. The Honourable Member presumably refers to the percentage of detected counterfeit coins to total coins in circulation. If this is so, the information cannot be supplied as the number of coins in circulation is unknown. The percentage, however, would be negligible.

INDIAN RESEARCH FUND ASSOCIATION.

THE HONOURABLE THE PRESIDENT: With reference to the announcement made by me on the 20th February, 1937, regarding nominations to various Committees, I have to inform the House that the Honourable Diwan Bahadur Sir K. Ramunni Menon and the Honourable Mr. Hossain Imam have withdrawn their candidature for election to the Governing Body of the Indian Research Fund Association. As there now remains only the candidature of the Honourable Sir Phiroze Sethna, I declare him to be duly elected.

LIBRARY COMMITTEE OF THE INDIAN LEGISLATURE.

THE HONOURABLE THE PRESIDENT: I have to announce to the Council that I have appointed the Honourable Diwan Bahadur Sir K. Ramunni Menon and the Honourable Mr. B. K. Basu to be members of the Library Committee of the Indian Legislature.

GENERAL DISCUSSION OF THE GENERAL BUDGET FOR 1937-38.

THE HONOURABLE THE PRESIDENT: Discussion will now proceed on the General Budget (Part II). I do not propose to fix any time-limit for speeches, but as there are many Members who would be anxious to address this House, those who rise will kindly bear some consideration for Honourable Members who will follow them.

THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal: Nominated Non-Official): Sir, the speech of the Honourable the Finance Member in the Assembly in introducing the Budget estimates of this year was, if I may be excused for saying so, characteristic of the man. It was blunt, plain spoken, straightforward and devoid of platitudes. He has grappled the financial situation with courage, boldness and imagination.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhammadan): He denies it.

THE HONOURABLE MR. BIJAY KUMAR BASU: I think he will answer for himself.

Many of us, Sir, were afraid that this year the present Budget would have disclosed much heavier taxation and would have covered a larger field than what has been disclosed. The threatening war atmosphere in Europe where the horizon is overcast which may at any moment have an outbreak led many of us to think that the Army Budget would have been of much bigger proportion than what has been provided. Only this morning in a local newspaper I saw a telegram which supports me in that view. It was a telegram which announced that the Lloyd Underwriters have increased their war risk insurance premium from 2 shillings to 10 shillings per cargo to and from or calling at French Mediterranean Ports, and they have increased the rate of assurance of cargoes to and from or calling at the other Mediterranean ports from 2 shillings to 5 shillings. India may not escape from the effects of repercussions of an outbreak in any part of the world. I think that was one of the reasons which led His Excellency the Commander-in-Chief to express his "concern" about these low estimates. I only hope there should be no occasion in the near future for the disturbance of the peace of the world and that the comparatively low estimates provided for Defence will not seriously affect the well-being of India. But at the same time we must not forget that very old saying that "War demands three things,—gold, gold and gold." In any case it would not be idle for us to think that in case of any political turmoil in the world it would not be possible for us to keep our expenditure on Defence within the narrow limits provided in the Budget or anywhere near it. But I believe I am speculating. I shall be content to leave the matter at that.

The next point, Sir, I would like to make is to express due praise to the far-sightedness of Sir James Grigg in having a Revenue Reserve Fund last year which has provided to a certain extent for the inauguration of Provincial Autonomy. Otherwise we would have been in a much worse position today, had he not with his usual perception of realities timely provided a little nest-egg for the purpose.

I believe, Sir, I should fail in my duty if I did not express my congratulations on the administration of the Posts and Telegraphs Department of the Government. It is one of the most efficiently managed Departments which has always been amenable to public opinion and which has served the demands of the public always with a smiling face. My friend Mr. Bewoor's personality and his public spirit has been well reflected in his administration. I take this opportunity, Sir, of publicly giving vent to my appreciation of his devotion, zeal and efficiency.

The unexpected fall in the customs revenue this year is an alarming situation in the budgetary position of the Government and I hope that during the next 12 months the position will improve with the improvement of trade and commerce generally so that the Finance Member may not have to go "to-morrow to fresh woods and pastures new".

The proposal for the increase of sugar excise and the duty on silver have my whole-hearted support and, if I may be allowed to say so, I entirely agree with the arguments that have been advanced by the Finance Member in his speech to the Legislative Assembly. The additional excise duty of 11 annas per cwt. will have a very salutary effect on the sugar trade by eliminating rate-cutting and leaving the field to stronger producers who would naturally augment their profits and pay the agriculturists more reasonably; over-production will stop, and finally the profits will contribute a handsome amount to the income-tax.

At the same time, Sir, I do not expect the yield from the increase in the silver duty to be anywhere near the estimates of the Honourable the Finance Member. But I feel that by this increase the speculators, at any rate, will be liable to contribute some money to the exchequer from their easy gains. The two new proposals for additional taxation have this merit that they will not fall, as has been pointed out by the Finance Member, on the shoulders of the poorer classes.

If Sir James Grigg will pardon me the impertinence, I may tell him that although I do not believe that he knows everything, in my opinion he has got the right end of the stick in his hand right enough. As was said by an eminent American President, the way to stop financial joy-riding is to arrest the chauffeur and not the automobile, and Sir James Grigg has effectively done so. He has not thrown cats and dogs together and called them elephants.

THE HONOURABLE SIR PHIROZE SETHNA (Bombay: Non-Muhammadan): Mr. President, every 12 months at this time of the year the people in India are on the tiptoe of expectation for some relief in taxation if the budget figures reveal a surplus. If otherwise, they stand in dread of taxation being increased. The present Finance Member has by now presented three budget statements. Two years ago when he presented the figures for 1935-36 he was exceptionally fortunate. A year later—that is 12 months from now—when he gave us the figures for 1936-37 he counted upon a surplus of 6 lakhs, which unfortunately has been converted into a loss of 197 lakhs. In presenting the figures for 1937-38 he has shown that he expects a deficit of 342 lakhs but fortunately as he was able to set aside the large sum of 184 lakhs and created a Revenue Reserve Fund he proposes to utilise that sum partly towards this deficit and he is now to make arrangements for making up the further balance of 158 lakhs. Sir James Grigg therefore is justified in characterising his statement for 1937-38 as a "story of disappointment". But at the same time he is not one of those who loses heart easily and he hopes that before long things will adjust themselves. Let us hope that this will be so.

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When presenting his first Budget Sir James had informed us that he found the manner in which our budget statements were prepared were peculiar to India inasmuch as three sets of accounts were necessary. We had hoped therefrom that he would introduce a change but so far that change has not been effected. May I also remind him that no effect has been given to the suggestion that was made, namely, that in addition to the mass of figures we are supplied with we might be given figures in a manner which will be readily understood by the man in the street. In addition to the figures of exports and imports, in addition to the figures of revenue and expenditure, it would be ever so much better if, as is the case in other countries, we were also told whether the country is progressing materially or retrograding and if we were given an indication of the income of the people of India and other details. We trust he will yet do so in subsequent years.

The Honourable the Finance Member has told us that there is to be a change in the form and scope of the statements for 1937-38. He has explained that the existing system has prevailed from 1921 when the transformation took place because it was necessitated by the separation of the revenue and expenditure of the Central Government from those of the Provincial Governments. This change, as we see, has been introduced by him.

The trade and industry of this country has waited too long for the restoration of the remainder, namely, 2 3rds of the 25 per cent. surcharge on income-tax and super-tax. We were told that this would be restored at the earliest opportunity. That opportunity has not yet arrived, and it looks as if that date is yet very distant. If I make this observation, it is because I feel that perhaps we made a mistake in restoring the second cut of 5 per cent. in the salaries a little before it should have been done. The result has been that while Government servants have benefited, the general public has been hit hard by the continuation of the 16 2/3 per cent. surcharge, both on income-tax and super-tax. India is certainly a poor country, as we know, and it is generally recognised that the burden of taxation is heavy. But the bulk of the burden is borne by the well-to-do through payment of income-tax and customs tax, and it is therefore that we desire that this should be removed as early as possible. If only our Military expenditure were reduced, the same would help not only to give some relief in the matter of taxation but also in diverting the surplus towards nation building purposes which would very greatly advance the country.

Let us proceed to examine the recommendations made by the Honourable the Finance Member in regard to meeting the deficit of 158 lakhs. He has made two recommendations. The first is an increase in the duty on silver and the second—an increase in the excise on sugar. I do not regard these recommendations as drastic. But at the same time I cannot help commenting on them adversely. Let us first take the case of the duty on silver. It is increased from 2 annas to 3 annas an ounce, which means an increase of as much as 50 per cent. The main objections to this recommendation are two. In the first place, it is a tax on capital investment. In the second place, while time after time representations have been made to Government to levy a duty on the export of gold, Government has not thought fit to pay heed to that suggestion, but at one jump they have now increased the duty on silver by 50 per cent., which will mean that the imports of silver are bound to be discouraged. In regard to the duty on gold, as recently as two or three days ago, the "Statesman" made a comment which is worth quoting—

THE HONOURABLE THE PRESIDENT: Will you please not quote any newspaper? You cannot quote from a newspaper in the House.

THE HONOURABLE SIR PHIROZE SETHNA: I accept your ruling, Sir.

THE HONOURABLE THE PRESIDENT: That has been the practice for many years. My predecessors also used not to allow it.

THE HONOURABLE SIR PHIROZE SETHNA: I will give it in my own words.

THE HONOURABLE THE PRESIDENT: You can do that.

THE HONOURABLE SIR PHIROZE SETHNA: It is the best policy for India to check the overflow and seek to use India's hoards as the basis of internal credit. It seems that this paper has also changed its opinion by now.

Now let us come to the second recommendation, namely, the increase of 11 annas in the excise duty on sugar raising it to Rs. 2 per cwt. This, Sir, is bound to create great alarm in the industry, and perhaps this increase is not justified for the reasons which I will endeavour to explain. It is true that Government came to the relief of the sugar industry in India in a very tangible form in 1932 when it levied a protective duty of Rs. 7-4-0 per cwt. That duty was further increased by the imposition of the 25 per cent. super-charge, which raised it to Rs. 9-1-0. I say, Government came to the relief of the sugar industry, because by this levy of Rs. 9-1-0, it became very difficult for imported sugar to compete with Indian-made sugar. But the position today is very considerably altered. Indian sugar, which sold at one time at Rs. 14-0-0 came down in price to Rs. 13-8-0 last year and today it is sold in the ports of Bombay and Calcutta at Rs. 10-8-0. This excise duty has to be paid to Government in cash, which is to be deducted from this price of Rs. 10-8-0, which will leave to the manufacturer Rs. 8-8-0. We must therefore consider what will be the gain to the manufacturer. The cost of production varies in different factories, based on efficiency as well as location and other reasons, and the cost is expected to be anything between Rs. 7-8-0 and Rs. 8-0-0 per cwt. Therefore, the profit left to the manufacturer is about annas 8 to Re. 1-0-0, and this profit is without taking into account depreciation and interest. If you take depreciation and interest into account, it leaves still less, which means that in the majority of cases these sugar factories will not make any money. As a result, many of these factories will have to go to the wall. Nobody realises that better than the Honourable the Finance Member himself. He has said so openly, perhaps in a "light-hearted" manner. I trust he will pardon my using that expression. He knows I mean no offence. According to a recent ruling, this word is considered un-Parliamentary only when it refers to a vote of the House. He disposes of this matter very light-heartedly because this nascent industry will suffer very considerably. Protection was given to the industry only 5 or 6 years ago. As a result of this protection, the sugar industry developed in this country in a phenomenal manner—far better than and at a quicker pace than any other industry has developed in India. It is therefore too early to impose upon it the burden which Sir James Grigg has imposed by his recommendation. He might ask, "What is your constructive programme? What else would you suggest?" I would say that if Sir James Grigg thinks that because of this protection there has been over-production—and I will admit that the number of mills has increased five times in number, and I will also admit that the production has increased from 400,000 tons to nearly 10 lakhs of tons—the

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remedy would have been not to crush the industry in the manner it is proposed to do but to give a twelve months' time to the industry to put their house in order so that they may by means of rationalisation and other processes stop over-production and bring back the state of the industry to a healthy condition.

THE HONOURABLE THE PRESIDENT: What about the Government revenue during those months?

THE HONOURABLE SIR PHIROZE SETHNA: But Government revenue is not the only thing to be considered. Government has at the same time to consider what is going to be the effect of this excise, because, while it will harm the manufacturer, it will also harm the cane grower, and Government must recognize that it will be faced once again with agrarian troubles in the United Provinces and in Bihar. This they ought to avoid at all costs, and it will not be avoided by the recommendation which my Honourable friend has made. That is my humble opinion. It is true that the protective duty has stopped the import of Java sugar. Java sugar cost Rs. 5 C. I. F. and with the protective duty and 25 per cent. surcharge the cost came to Rs. 14 per cwt. It could not compete with Indian sugar and the imports of Java sugar dwindled down almost to vanishing point. I do not know if with the change now proposed there will be further inroads of Javanese sugar imports into this country.

I should like to quote just one opinion, again in my own words, if I may. It is the opinion of one who was at one time the head of the Imperial Council of Agricultural Research—I mean Sir T. V. Raghavachariar. I see from this morning's papers that the Honourable the Finance Member has criticised his opinion as being biased because he is in some way connected with the sugar industry at the present moment. But at the same time I hope he will give him credit for being a man who would give his unbiased opinion based upon his experience and first-hand knowledge of the subject. May I be allowed, Sir, to read out what he has said in the Press?

THE HONOURABLE THE PRESIDENT: No.

THE HONOURABLE SIR PHIROZE SETHNA: Then I need not, but the opinion has been quoted in another place with the reply made by the Honourable Finance Member to which I referred.

THE HONOURABLE SIR JAMES GRIGG (Finance Member): May I just explain to the Honourable Member that he has not quite accurately represented my point in this matter.

THE HONOURABLE THE PRESIDENT: The Honourable Member will have a proper opportunity later on.

THE HONOURABLE SIR JAMES GRIGG: I am very anxious that this misapprehension should not get any currency at all. What I said was that the late Chairman or Vice-Chairman of the Imperial Council of Agricultural Research was not necessarily an unbiased representative of the agricultural interests, that as he was being employed by the manufacturers' interest his opinion in relation to matters affecting the agriculturist were not necessarily unbiased.

THE HONOURABLE SIR PHIROZE SETHNA: He might not have been directly concerned with the agriculturist at the present moment, but he certainly

looked after the interests of the agriculturist in his position as the head of that Department when he filled that position for years together.

THE HONOURABLE SIR JAMES GRIGG: He got a brief from the other side.

THE HONOURABLE SIR PHIROZE SETHNA: At any rate I for one and I am sure the House will think that the opinion of Sir T. V. Raghavachariar must be regarded as unprejudiced and unbiased.

Now, Sir, having said so much, I would like to repeat that the Indian silver duty might bring in Rs. 50 lakhs and the Honourable the Finance Member had to provide for Rs. 115 lakhs more, which he has done in the manner he has proposed. I for one certainly think that it is wrong to impose a handicap on an industry which is only a few years old, and he should have left sugar alone and tapped some other sources of revenue to make up this Rs. 115 lakhs.

In the budget the only relief we find is in regard to some postage details, but they are comparatively speaking very small indeed. They have been introduced for the sake of removing anomalies. One anomaly was that by book post you could send a packet all the way from London to Delhi at a lower rate than from Bombay to Delhi, and a similar anomaly existed in the matter of parcel rates. Those have been removed, but that does not mean very much. I agree with the previous speaker Mr. Basu that the Posts and Telegraphs Department is worked most efficiently. It is the one public service of Government which comes constantly and intimately into relations with the public at large, and it is the duty of that department therefore to study the requirements of the public, and the one great requirement of the public is a return to the half-anna rate for the postcard. I know it is not possible under existing conditions, but I do hope that as soon as funds permit that will be taken in hand for certain.

I will now with your permission refer to the high military expenditure which this country has to suffer from. I offer no apology for referring once again to this subject. There are some of us who year in and year out refer to this matter and it should not be considered as a case of flogging a dead horse. On the contrary we feel that we should persistently dig into the ears of Government the views which we hold on this subject. It is only by such insistence on our part that we hope we may be able to get them to alter their present attitude. We certainly think that we could with safety reduce our military expenditure. We have said so times out of number. We believe that the strength of the Indian Army ought to be reduced from 180,000 to something less. We also believe that a number of British troops might be substituted by Indian troops, so that, while the numbers may remain the same, the cost may be diminished. If these two proposals are carried out I am sure they will be much to the benefit of the country. If 15,000 British troops in India sufficed during the great war, would not 30,000 do today? Is there any necessity for having 60,000 British troops in the line? Again, the Indian army or at any rate the British element in it is used for imperial purposes. We would be perfectly justified in asking for a share of our military expenditure from the British exchequer. Even Field-Marshal Sir Philip Chetwode two years ago at Simla agreed with the suggestion, and I doubt not that our present Commander-in-Chief His Excellency Sir Robert Cassels will also hold the same view. I will quote two other authorities. Take first the Simon Commission Report. It says very clearly that India can equitably demand a fair share of its military expenditure from the imperial revenues. Take again Mr. Ramsay Macdonald,

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the former Prime Minister. He said that half the cost should be borne by the imperial exchequer, and in support of his contention he pointed out that whilst British troops are sent to the Colonies and to the Dominions not a penny piece is charged to those Colonies and Dominions.

Having said so much, I would like to repeat, as we all know, that we are a poor country. But we are told that we should in the first place see that our defence is not impaired and that its efficiency is maintained at a very high standard and that we should regard our military expenditure as premium for insurance against invasion. All that is true to some extent, but it is sheer folly and a suicidal policy to pay a premium which is greater than we can afford. If as an individual I want to benefit my family by taking out a life policy, I certainly will not pay a larger premium than I can afford. That is what the British Government are getting us to do and that is our complaint. We must be prepared to cut our coat according to our cloth. India is poor. There are many Indian authorities who could be quoted. But I will not quote any Indian authorities. I will quote an authority whom no one in this House will dispute. I quote Sir Walter Layton, the financial expert, who was brought out by the Simon Commission. Sir Walter Layton stated that the average income of the Britisher was £100 and that the average income in India was Rs. 107, which he after further calculations brought down to Rs. 80 and that Rs. 80 in English money is only £6. I would ask the House to compare the figure of £6 of Indian income with £100 of British income.

Sir Walter Layton pointed out that the British tax-payer pays 2½ per cent. of his total income of £100 for the purpose of defence and we pay here against that £2-10-0 only 3s. 4d. taking into account just the British Indian population. But the House will know that our 3s. 4d. is equal to 2 per cent. of our annual income as compared with 2½ per cent. of their annual income. But that is not the only criterion. We must also bear in mind that the foreign trade of Great Britain runs into 1500 to 2000 millions sterling, while our foreign trade is only about 300 crores or £200 millions in English money, which means that our foreign trade is 1/10th or at the best only 1/7th of the English foreign trade.

Sir Walter Layton also said that in Great Britain they spent £112 million for defence purposes, but what we have got to consider is this, that whilst they spend so much on defence they also spend as much as £200 millions for education, for social benefits, for public health, for industrial and agricultural developments in the shape of bounties, etc. Again while England spends as much as £2-15-0 for education, we in India spend—leave alone pounds and shillings—less than 9d. per head of the population. These are the differences, and is it justifiable therefore to expect us to pay the large amount that we are doing in the matter of military expenditure? The threat is held out—I think the Honourable the Finance Member or His Excellency the Commander-in-Chief told us so last year—that we may have to spend more. In that connection I may remind the House of the speech made on the 30th of March last by Field-Marshal Sir Philip Chetwode when he addressed a meeting of the Conservative Private Members of the House of Commons where he said that mechanisation of the army might be advisable in England, but we should go on a very slow pace in India. In conclusion, Mr. President, I would like to repeat that unless the military expenditure of this country is reduced, and reduced substantially, our finances will continue in the present parlous condition for years to come.

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras : Non-Muhammadan) : Sir, the Budget is a very skilfully drawn up document. For reasons which are best known to the Honourable the Finance Member and perhaps which can be easily imagined by us, he has not gone into any questions of large policy. He has tried to square his figures as best as he can and show a small surplus for next year. But it is the policy that really matters in criticising a Budget presented by the Indian Finance Member. After all, there is not very much, and there cannot be very much, in the budget itself which provides for a gross tax revenue of 83 crores, out of which about 45 crores are consumed by the defence, another 20 crores by the civil administration and other services; we have a paltry 15 or 20 crores to comment upon and comment upon is the only thing we can do. But what interests India, as a nation, is the policy that lies behind these budgets. The Honourable the Finance Member can be easily discovered to be the agent of British trade interests and commerce in all that he has said in a subdued tone in his Budget speech. He regrets that notwithstanding the reduction of import duties on British goods, British import trade with India has not considerably increased. The portions of his speech which deal with this matter look almost like a paraphrase of what Mr. Runciman said and what Lord Derby said at the recent luncheon party of the Lancashire Spinners and Manufacturers at the British Industries Fair. They have insisted that a continued trade in cotton goods with India should be the indispensable factor in the future trade agreement between England and India and said that the Government in Britain will do all it can to press on the Government of India the interests of the Lancashire industry, and that both the Governments would see the interests of the British importers into India safeguarded in all future trade agreements. It is exactly what we read between the lines in the Finance Member's speech. The same old anxiety to find methods of importing raw materials cheaply from India and importing British manufactured goods into India are to be found in every line of the Finance Member's Budget speech.

A novel feature of the Budget speech is that this year he is called upon to play the role of the statesman and the politician, for he is anxious to show that the programme for the introduction of the new constitutional reforms in all their stages into India can be gone through and that the Niemeyer's Report prognostications are fairly realisable and that there is no reason to think that there will be any disappointment in that matter. Notwithstanding the fact that he has to find between 4 and 5 crores to meet the additional burden thrown upon the budget in consequence of the constitutional changes, he says he is able to show a surplus no doubt with the help of a portion of the revenue reserve fund which he has built up. He is anxious to co-operate with British Parliament and the Indian Government in inaugurating the Reforms both in the provinces and the centre very soon, but in doing so I think he has not convinced the Indian Legislature, and through it the people of India, that he has given due attention to all the financial implications of implementing those reforms and whether financially the Central Government could sustain and bear the burden which those reforms impose upon this country without additional taxation.

With regard to the usual complaint that India's revenues cannot bear the very heavy military expenditure and the cost of top-heavy administration, that is a very old complaint. The Finance Member on his part thinks that we are foolishly persisting in repeating the same thing year after year without any ground of complaint; on the other hand, we feel that the Government have been persisting in running the administration at their pleasure

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notwithstanding the legitimate grievances of the people. The unreality of the annual debates on the budget can be seen from one fact. Supposing today an Honourable Member reads a speech made by the late Mr. Gokhale in the days of the Viceroyalty of Lord Curzon in the old Imperial Council, that speech will be quite apt and fitting to the present conditions without the change of a word or a comma with regard to the cost of administration, both on the military and the civil side. It only shows that there has been no change either in the outlook or the methods of the Government of this country in the last three decades. Whether it is due to the cussedness of the people of the country in repeating the same thing year after year or to the attitude of the Government is to be judged by the people of this country. It is no use the Finance Member saying that they are old stories and complaints about exploitation and top-heavy administration and do not require serious consideration. That is in substance what the Finance Member said when he replied to the General Debate on the Budget in the other House.

Sir, with these observations on the general policy of the Budget I propose to deal with one or two matters referred to by him in his speech. He said that the fall in the income-tax was due to two or three reasons, one of which was the curtailment of the money-lenders' profits by the measures adopted by the provincial Governments for the relief of agriculturists in regard to indebtedness. I seriously dispute this proposition. That there has been a fall in the income of money-lenders I do not deny. That they have paid less income-tax I do not deny. But the cause is not attributable to any measures of relief which any British province has undertaken to give relief to indebtedness among agriculturists. Speaking of my own province, in the year 1931 the Provincial and Central Banking Inquiry Committees estimated the indebtedness of the province at 150 crores. In the year 1936 the Government of Madras entrusted a Secretary of the Board of Revenue, a member of the Indian Civil Service, with the task of making further investigation into the problem and he reported last year that indebtedness had increased from 150 crores in 1931 to 210 crores in 1936. The Government in Madras have amended certain Acts and have given 20 lakhs of rupees for the relief of agriculturists. 20 lakhs in the budgets of 1935-36 and 1936-37—two years—does not touch the fringe of the problem. It is ridiculous to argue that a provision of this nature or the amendment of the Agricultural Loans Act has anything to do with the relief of the agricultural indebtedness. I believe our own co-operative land mortgage organisations have not doled out more than 80 lakhs of rupees to the agriculturists in the last 10 years. Therefore, nothing has been done to relieve indebtedness and the fall in the credit of the agriculturist is not due to any such measures of relief. The fact of the matter is that continued depression and the adverse exchange ratio and various other causes have gradually deteriorated the economic condition of the ryot and his credit has suffered. Not only the money-lenders but also the indigenous bankers, the joint stock companies, the co-operative organisations, have all curtailed their credit because the man's income has gone down and with it his repaying capacity has also gone down. Where in the pre-depression days we were lending anything between 100 and 130 lakhs through my own Provincial co-operative bank (of which I have been Chairman for the last ten years) our total loans have gone down to 7 lakhs this year. It only shows that agriculturist's credit has disappeared owing to continued economic depression and not to any measures of agricultural relief.

I may also point out, Sir, that most of these recent Acts are paper achievements of expiring Ministries in their anxiety to face the new electorates in the elections.

Sir, in another part of his speech the Honourable the Finance Member says that there is no cause for anxiety, for he expects money-lenders to prosper once again and contribute more to the central exchequer. If the money-lenders prosper once more it means that the agriculturists suffer economically once again. How is he going to reconcile these statements? If again the agriculturist gets into the clutches of the money-lenders and pays ruinous rates of interest, the whole rural economic problem receives a set-back. Therefore, I really cannot understand how the money-lender is going to be once again made to pay more income-tax and enter on prosperous days, and the problem of rural indebtedness solved by restricting credit to the cultivator.

Sir, in regard to this indebtedness, before I leave this subject I think I must pay my whole-hearted compliment to some of the Indian States and not to any British Indian provinces. One of them is the State of Bhavnagar, which is administered by my Honourable friend to the right, Sir Prabashankar Pattani, with great distinction. It is he that has effectively dealt with the question of indebtedness in that State. And another State is the State of Travancore, and the steps taken there once again redound to the credit of an old Member of this House, a very eminent ex-Member of the Government, my esteemed friend, Nawab Sir Muhammad Habibullah. Under his careful and efficient administration measures for the relief of indebtedness have been taken in Travancore and I know personally have been appreciated by the agriculturists of Travancore. Not a single British Indian province received any initiative from the Centre nor did they take any effective action themselves. Therefore, the reason for the fall of income-tax must be found in the going down of the purchasing power and income of the people as a result of the economic depression and as a result of the bad financial policy of the provincial and Central Governments.

The Honourable the Finance Member dealt with the question of the decline in the revenue from protected articles. He himself admits that it is bound to decline year after year as India becomes more and more self-sufficient in the matter of manufacturing her own goods, however little the Government may help India to do so. But at the same time, as he is anxious to show that the Niemeyer prognostications are not falsified, he says that this fall is a temporary and not a permanent embarrassment. I do not know why he says so. If India is industrialised more and more and if she manufactures her own goods more and more, I do not see how we can expect any increased return from customs revenue on protected articles. I think it is all a propagandist speech to show that he can produce a balanced budget and satisfy the conditions for setting up the Indian Federation.

Incidentally, while trying to show that there has been some improvement in the balance of trade on the merchandise side he has taken the opportunity of once more propagating his pet theory about the ratio. He says that the rupee is not only not over-valued, but that there is a great deal to be said for the contrary view. If he had his own way we can easily see that he would put up the ratio to 1s. 8d. or perhaps two shillings. He can easily do it. But what consequences a over-valued rupee has on the poor people of this country, on the agriculturist whose export trade it has ruined, and whose incidence of debt it has increased a great deal, he does not examine. The slight exchange advantages to the Government in regard to outside remittances of 45 or 50 crores will be more than counterbalanced by the

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disadvantages to the masses by the high ratio. This is a matter that has been argued so fully that it is not possible to add anything. In this matter, just as in the matter of the incidence of taxation and expenditure on the military and civil side, the Finance Member and we on this side of the House must agree to differ. He maintains that 1s. 6d. is for the good of India—we say that it works for the ruin of India. There is one significant omission in this Budget to which I cannot but draw attention, and that is, the absence of a provision for rural development grant for which he provided a crore in each of the two previous years. I am rather tempted to say, though it might be uncharitable to say so, that the provision of one crore in the two previous Budgets was nothing more than a political stunt. It was a counter move to the Congress programme of mass contact. The Government of India apparently thought—the Finance Member apparently thought—that this crore will help the Ministries that were set up under the Montford Scheme to do something to capture the imagination of the rural population and to put themselves right at least at the end of their term of 16 years of office and come out, with what success they may, at the hands of the new rural electorates. But even though Government have tried to help the Ministries in the provinces, they failed to take advantage of it. In fact, in my own province of Madras, the Ministry in power wanted to use that money for the strengthening of their own party organisation for election purposes and it was not till that leading Anglo-Indian Daily, "The Madras Mail", exposed the whole plot that the scheme was abandoned. I do think now, reading the revised estimate for 1936-37 and the figures for the previous year, that the Finance Member purposely created a surplus then to find this crore for the rural development grants in order to serve political purposes. That political purpose has ceased to have any purpose now and therefore he has stopped the grant now.

Coming to the two definite taxation proposals to turn a deficit into a surplus of Rs. 7 lakhs, I do not think that any Indian who is really interested in the development of Indian trade, commerce and industry can subscribe to the views adumbrated by the Finance Member. With regard to silver, I am disposed to dispute his statement that the increase in imports of silver marked the reappearance of the old hoarding habit. This theory badly fits in with the greatly diminished purchasing power of the Indian masses. They have really not enough to purchase even their necessities with. It does not also fit in with the export of distress gold week after week from India, which means that the Indian agriculturist is driven to the necessity of disgorging even the gold hoard which he has built up laboriously in times of prosperity and which hoard he valued very greatly. He would not sell gold if he could buy silver. Therefore, I do not think the facts fit in with the Finance Member's theory. On the other hand, I am inclined to think that the increase in imports of silver indicates speculative trade activity. If that is so, it is doubtful whether the imposition of a 50 per cent. additional tax on silver will bring him the 50 lakhs of additional revenue which he expects and whether the speculative traders will really import so much silver when it is made dear to them. One cannot be sure of the data on which the Finance Member has proceeded.

With regard to the other proposal to increase the excise duty on sugar from Rs. 1-5 to Rs. 2 per cwt., I must say it is a most unfortunate decision, taken at a most inopportune time. Since 1932 when a protection policy has been launched, India has shown remarkable progress with regard to sugar manufacture. We were importing sugar and sending out to foreign countries

Rs. 16 crores to get the sugar we needed for consumption in India, and in these 4 or 5 years we have practically become self-contained. In the current year, the import of sugar is expected to be somewhere in the neighbourhood of 30,000 tons and no more. We will produce about 10½ lakhs of tons which is for the present sufficient for internal consumption. Comparing the figures of our consumption of sugar with other countries, India consumes the least per head. There is very little sugar eaten in India—not because we cannot eat more if we can get it, but because we cannot afford to buy more. I ask, Sir, in all humility, why India should be restricted to manufacturing just that quantity of sugar which is enough for internal consumption? The proposal to raise excise duty will hit the manufacturer and grower of cane alike very badly as shown by the Honourable Sir Pheroze Sethna. I need not repeat what he said. Countries like Java when they have facilities, when they have a hospitable soil for producing good cane and when they have got the necessary capital and State aid, manufacture sugar for export. Why should not India also be helped to manufacture sugar not only for internal consumption but also to export to foreign countries?

THE HONOURABLE MR. HOSSAIN IMAM: Merely because our cost prices are too high.

THE HONOURABLE MR. V. RAMADAS PANTULU: What I am saying is that the Government of India should not do anything to raise the price of sugar still higher but must help her to bring it down. On the one hand, they want India to enter into a trade agreement with England to buy costly cotton British goods, by giving preference, when Britain is unable to compete with Japan. Similarly, the Finance Member ought to get concession for Indian sugar in British markets by large preferences and induce British people to consume more of Indian sugar and thus enable Indians to manufacture more sugar to send out to Britain. I think that his two proposals for taxation will not be welcome to this country.

It may be asked, "Have you any alternative proposals to make?" I confess it is very difficult for a Member on this side of the House to suggest alternatives because the time has not yet come when we are to embark upon constructive proposals for budget-making. The expenditure is not in our hands. If we are now charged with being merely destructive critics, I maintain that it is our rightful function until the finances of this country come to our hands. Even if we suggest any constructive measures, they are not likely to receive any consideration or attention at the hands of the Honourable the Finance Member. For instance, we have been asking him to tax the export of gold. Far too much of gold is going out of this country, nearly 300 crores of gold was exported. Why not put a tax on it? Moreover, are there not many articles of import which compete with our village industries, articles of art, silk, and so on, which destroy practically the village industries? He can tax them. That will promote the village industries. As for alternative proposals, it is a fruitless task so long the Treasury Benches frame the Budget for expenditure for this side to go on with alternative proposals for finding revenue. I think there is scope for improving the revenues of the Central Government without taxing sugar.

While I am on this subject I would like to make one suggestion. The Finance Member has promised to overhaul the income-tax law and to place it on a more sound footing and also to explore avenues for increased income-tax. I would remind him that there has been a demand for a long time for the taxation of higher agricultural income, giving relief to the smaller agriculturists and for placing the land revenue system of the provinces on a more

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satisfactory basis. This has a direct bearing on the Central Revenues because it will benefit the centre as well in more ways than one. I personally believe that the scheme is one which is full of potentialities. The Provinces ask for subsidies from the Centre. The Provinces may be told that they have also got an expanding and elastic source of revenue, which they may tap. The Permanent Settlement of really one-third of the British Provinces is an anachronism which ought to be undone. I think the zemindars ought to be treated like other agriculturists and landlords and the Permanent Settlement should be abolished, and the Provinces should be enabled to get their due share of revenue from land. In my own province of Madras, the zemindars realise from their tenants annual revenue even on the basis of the Government rates of land revenue in the ryotwari tracts, about 2 crores—and what do they pay themselves—perhaps less than Rs. 50 lakhs. Why should the Government of Madras forego a revenue of about 2 crores which should legitimately go to them while asking the Central Government for a subsidy for running the administration? So it is in Bengal and so it is in the United Provinces. All these big landlords ought to be subjected to normal taxation and the land should pay its proper revenue to the Provincial Governments, and the Central Government should benefit in its own way by levying income-tax on higher agricultural incomes. The suggestion I make may seem revolutionary just at present but in a short time you will find that the clamour for it will be so great that neither the Provincial Governments nor the Government of India will be able to resist it.

In conclusion I must say that India is bound to be greatly dissatisfied with this year's budget. It fully carries out what I might call the Griggian tradition and the Finance Member's apathy in regard to planning for the economic reconstruction and industrialisation of India. I think in future "Griggism" will denote apathy to economic planning and reconstruction and industrialisation, and that word may soon find a place not only in Indian economic history but also in Anglo-Indian lexicons. May not we ask the Finance Member whether it is not his concern to go more fully in his budget speeches into the economic condition of the masses and to deal with depression, unemployment and the hunger of the masses? If he does not do so then the speeches and discussions in this Legislature will hardly serve any purpose. I think the hunger march of the starving millions in batches during budget session to his doors will be a much more potent factor in reminding him of his duty than a general discussion in this House.

THE HONOURABLE MR. HUSSAIN IMAM: Mr. President, the budget papers which the Honourable Finance Member has presented to both Houses of the Legislature portray more fully than any words that we could utter the absolutely anti-national character of the present Government and of the unscientific nature of its taxation proposals. Sir, the general tendency in the world is that when there is prosperity in a country the finances of its government usually benefit. But here we have the opposite happening. When we were in a time of depression, when our purchasing power was reduced, the Government was comfortably off. But as soon as better times came, the Government finances started going down. It is a strange coincidence that the beginning of the Montford scheme was also heralded by a spectacular deficit such as we are having this year. This is not a very auspicious beginning.

I have been a bit handicapped by the disappearance of two very important statements from the memorandum supplied by our Honourable colleague

Mr. Nixon. I refer to the disappearance of the debt position of the Government of India which used to be a feature of the former memoranda. I know it is very difficult for Mr. Nixon to crystallise the fluid state of affairs caused by the separation of Burma and the inauguration of the provincial reforms. But at least he could have given us a provisional figure to indicate the liabilities that we have to assume owing to this innovation. But perhaps it was due to the anxiety to hide the implications of the inauguration of this scheme that has prevented the Finance Department from giving us these statements. I do hope that before we consider the Finance Bill he will make good this deficiency.

Another item in which he has saved a bit of paper was that he omitted to give us any details of the central excise income, which we used to have formerly. As it is the figures of our income are very meagre, and we do not get sufficient information on those heads. The memorandum does not say how much we are going to get from the different heads which make up the central excise. This is a very essential statement and I do hope this deficiency will also be made good.

Now, Sir, our Honourable colleague Mr. Basu remarked that he found the stamp of the Finance Member in the Budget statement of this year. I am sorry to disagree with him. It is rather said that the Honourable Finance Member has not been able to live up to his reputation. All his former caution has been thrown to the winds, and now we have a strange Budget statement in which all the rules of sound finance have been turned down, and opportunism is visible everywhere. Let me analyse the basis on which I make these charges. First of all, let us consider the surplus of 1935-36, which had set aside for the purpose of making good the deficiency in the coming year. That was a departure from his former attitude—I may say his militant attitude—that no surplus should be utilised for reduction of taxation, which was his attitude in the first year.

THE HONOURABLE THE PRESIDENT: It may be a departure, but it is perfectly legitimate.

THE HONOURABLE MR. HOSSAIN IMAM: That is exactly what I mean to challenge. It was a departure and it would not have been challenged if—and it is a big if—the condition precedent had existed. The condition precedent was that we should end the current year with a surplus or at least balance our accounts. You know, Sir, that in no democratic country can a budget surplus be passed over a deficit year. The first charge on the revenue reserve is to bridge the deficit in the immediate following year. When he laid down this Reserve he had budgeted for a surplus of 6 lakhs in 1936-37, but he finds the year is ending with a deficit of 197 lakhs. It is a well known canon that when a year is about to end you cannot impose taxation to make good the deficit, but in a year not yet begun you can impose taxation. Therefore if there is any deficit in the current year it is a first charge on the revenue reserve. This has been the practice of the Government of India all these years. In no year when there existed a revenue surplus has a deficit been left uncovered. We have always drawn on our revenue reserve to tide over the deficits. This sound principle of finance has not been acted upon because probably the Finance Department was afraid that the imposition of a large amount of taxation would in some way retard the beginning of the Federation. Then the people would have got a clear idea of how defective and how costly the scheme of Federation was. Even the Indian States would have thought twice before joining a bankrupt body. But, Sir, this is not all.

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There are other items of opportunism too. In his speech in paragraph 13 he lays down certain rules for dealing with the payments by provinces; that the interest portions would be credited to head 11 and the capital portion would go straight to the sinking fund. Now, why was not that principle followed in the case of Burma? The Honourable the Finance Member has accepted in the other place yesterday the theoretical soundness of this proposition. I neither agree with him that the whole of this should be credited to the revenue nor with the criticism in the other place that the whole of it should go to the capital account. The only course, and the one just course, was that which he has adopted in the case of provinces; and that is exactly what he ought to have adopted as a straight financier, if he wished to live up to his reputation; but then it is rather difficult to live up to reputation when one gets a high reputation. Then the third item in this is that the payments which we are receiving from Burma of 92 lakhs on account of pensions, that too is not based on actuarial basis on the present commitments. That payment will cease in 20 years' time. It is in the nature of amortisation payment and therefore a portion of that 92 lakhs also ought to have been credited directly to the sinking fund part of our disbursement and it should not have been credited to revenue. Sir, we find that the Honourable the Finance Member has done all these things which he would never have done in other years, as he knows that in the long run it is better to be cautious than to be optimistic and imaginative. As I said when the Honourable Mr. Basu was speaking, he repudiated in the other place imaginativeness. But adversity makes strange bed fellows. He is coming down to our level, falling; he cannot help it; he needs must when the devil of a Federation drives.

Sir, there are items in the budget which make us open our eyes; one of those is that in all the 15 years of the Montford scheme we have laid by 68·31 crores for reduction or avoidance of debt. But in four of these 15 years, that is, the 1st, 2nd, 10th and 11th year, we have eaten up 68 crores in deficit; so the net result has been that we have been able in 15 years to make up the deficits of 4 years only. And with such precedents, is it right for him that he should leave the present deficit uncovered by the revenue surplus, that he should have recourse to devious means of taking revenue surplus back to a new year without thinking of the year which is still current? But perhaps he has been cautious and the revised estimates do not disclose the correct figures. He expects to get more revenue than he is prepared to admit. I do not know what is behind, but that might be the reason.

Then, Sir, I do feel that the speech of the Honourable the Finance Member lacks in certain very essential features. It gives us nothing more or less than the auditors' report of the company's account which does not at all contain, like the managing director's report, some indications of the past management and proposals for the future and promises for betterment. We used to have in the time of Sir George Schuster a statement about the trade conditions, about purchasing powers—

THE HONOURABLE THE PRESIDENT: But you have said he is very cautious.

THE HONOURABLE MR. HUSSAIN IMAM: I do not say that he has deviated from that, but what I do say is that it is an auditor's report and not a statesman's statement. There should be something more in a Finance Member's speech than a mere statement that Re. 1 is the income and 15 annas

and 11½ pies the expenditure, and a surplus of a quarter of a pie. That is not the statement which the Honourable the Finance Member ought to make. He ought to make some promises; he ought to tell us what he is doing to bring prosperity to the country. There is nothing stated. We are on the way to better times, but no thanks are due to the Government. Last year I stressed on the fact that the cheap credit for the Government is not the correct criterion to base our estimate, but the sure pointers are increase in purchasing power indicated by a rise in commodity prices and an increase in export trade. Both these indicators are favourable. They say that internal prices have increased and our export trade too has increased, but the increase had not been brought about by any action, concerted or unconcerted, of the Government; it has automatically come about by an increase in the demand of our purchasers. And here I should like to say a word that India must realise that payments of external trade are not made in cash. If we want the export of our raw materials we must be prepared to buy foreign goods. There can be no export trade without a counterpart import trade; but there is one thing that England must remember, that our invisible imports in the shape of 40 crores which we have to make for our expenses in England must be counterbalanced by increased purchases by England; otherwise, we would not be able to pay back our indebtedness. Sir, while on this subject, I should like to thank the Finance Department for having once in 15 years done the right thing, that is, repaying a sterling loan without incurring a fresh sterling liability. This is the first time during the Montford scheme that this has been done. I have been, as you know, for the last 6 years, agitating for this desirable end to come. Sir Basil Blackett made an innovation, or rather he chalked out a new path—our chief borrowing market ceased to be England and he started borrowing in India. I hope the Honourable Sir James Grigg will make a new departure and whenever there is an occasion he will reduce our sterling liabilities as much as he possibly can. But as there are no sterling maturities for 5 years, I wish the Government would utilise this interval to purchase as much of our sterling paper as they can from the payments which they are receiving on capital head—payment from the provinces towards capital, payment from Burma towards capital and our own provision of three crores for reduction of debts. All these moneys, as far as he can, should be utilised for the purchase of our sterling scrips and their cancellation. If we repay to England we are doing no disservice to England because there are ample applicants for funds in Great Britain and money would not lie idle. And by every reduction in our expenditure abroad we are increasing the purchasing power, and that may be utilised for the purchase of British goods.

Sir, I am also glad that the provident fund interest rate has been reduced to 4 per cent. from next year. You will remember, Sir, that during the last Railway Budget discussion of 1936, I drew pointed attention to the fact that our interest payment on the provident fund was extraordinarily high. The Railway Member was pleased to tell me that the interest is paid by the general revenues but he forgot that general revenues as bankers of the Railway charge interest at their over all rate and therefore any reduction in the interest rate of the Government of India is directly reflected in the Railway Budget. There is, Sir, one very significant thing which has passed unnoticed. Sir, the Finance Department have done a distinct service to India, for in spite of the fact that they have been unduly generous to their own service depositors, they have been able to reduce the interest charges from 53 crores to 46 crores—a reduction of 7 crores in 7 years—that is a magnificent achievement for which they deserve credit. But neither they get credit nor condemnation for their misdeeds.

[Mr. Hassain Imam.]

Now, Sir, I come to certain statements and informations which I hope the Finance Department would give in future years if not in this year. First and foremost is, Sir, the Silver Redemption Fund. That fund was created with the inauguration of the Reserve Bank, but since then we have heard nothing about it. How is that money invested? That is not an operative fund like the Reserve Bank where it would be inadvisable to give out a statement. It was possible to give out quarterly statements of the investments of the G. S. R. Why is not a similar thing done with our Silver Redemption Fund? We know, Sir, that we are drawing a very small income from that Fund. The value had to be underwritten—I do not know why, because the Honourable the Finance Member was too thrifty with words and would not give us any information under that head. Similarly, Sir, there is not a word in the budget statement as to what has happened to the 50 crores of rupees which was withdrawn when the Reserve Bank was formed. Has all that silver coin been melted and sold or is it still lying in the vaults of the Government? No one knows. We have this year to pay Rs. 5 crores to the Reserve Bank. Probably it will be borrowed interest paid while we have an enormous amount of silver rotting in our treasury chests. We could save lakhs and lakhs of rupees, I think about Rs. 15 lakhs, if we were to utilise our silver surplus. We would melt down our silver surplus and pay the Reserve Bank from the proceeds thereof. The agreement with the silver producing countries and silver sellers which was concluded and which is to expire in the next year allows us to do this. I think, Sir, the Government would be well advised to utilise our surplus rupees and should not follow the example of the Indian masses and start hoarding. He may make the excuse that probably the silver that is bought is for hoarding purposes. Why not sell from your own chests and let the people have it, so that our favourable balance of trade may be saved? If you are not prepared to sell silver outside the country, why not sell it inside the country? You won't do it because it will reduce your income, the income which you are going to get from your import duty on silver. But it will increase your income. If you sell it outside you get 20d. to an ounce, but if you sell it inside the country you will be realising about 24d. So you are out of pocket in one place and you gain in another place. There is nothing intrinsically wrong about this business.

Sir, one new change which the Honourable the Finance Member is introducing in the accounts of the Government of India is that the separate head of English expenditure will disappear. This, Sir, has a sinister objective. Due to the retrenchment campaign our Indian expenditure has gone down enormously while our English expenditure has remained almost at a stand still. In order to hide this glaringly unjust non-reduction of our English expenditure probably this thing is being done. We cannot force the Government to deviate from their purpose, but at least we hope that in the memorandum we will get the total figures of our English expenditure, otherwise it will be impossible to collect the figures of our English expenses. We know, Sir, the future taxation proposal. I shall speak on that at some length at the time of the Finance Bill but here I should like to say that the Government must realise that in the present day of controlled production, the *laissez faire* attitude which they have adopted in respect of the protected industries will not pay. The imposition of an additional excise duty will have a good as well as a bad effect. No doubt it will retard the establishment of new factories. It may reduce the profits of the shareholders but at least it will do one good thing. It will stop the undue growth which are detrimental to the industry itself. But internal prices in India have ceased to have any

relationship with the imported prices because the internal competition is so great. Our Honourable colleague, Mr. Ramadas Pantulu, wanted that we should produce more sugar so that we may be able to export. I am sure the Honourable the Finance Member would favourably consider any proposal for a rebate of excise duty if and when there is an export of sugar.

THE HONOURABLE THE PRESIDENT: Where would you export?

THE HONOURABLE MR. HOSSAIN IMAM: That is for Mr. Ramadas Pantulu to explain. Our cost price is much higher than the c.i.f. price in Calcutta. Therefore it is out of the question to consider the feasibility of our exporting sugar.

THE HONOURABLE MR. V. RAMADAS PANTULU: May I just say one word of explanation, Sir? All that I wanted to say was that facilities must be given and time given to make the industry able to produce sugar at a lower cost to enable India export to other countries. That is what I wanted—that time must be given to consolidate our position.

THE HONOURABLE MR. HOSSAIN IMAM: Well, Sir, the sugar industry has done wonderfully well. It has been able to sell at a figure lower than the Tariff Board Report's figure. But very few people realise that this has been done at the cost of the poor agriculturist. In my part of the country there are two kinds of areas. In one, the Government has fixed the rates for sugar cane. In others, where there are a few companies, the rates have not been fixed. In those areas where the rates had been fixed, my Government lowered the rate because the sugar mills could not pay 5 annas; in the other areas where there is no control, the prices are below 4 annas. The cultivators are being put to great difficulties because they have increased their area under sugar cane and there is no market. So, in order to have co-ordination, you should have centralised governing bodies controlling the production of each protected industry. For each industry there should be a Central Board consisting mostly of the manufacturers themselves, with a few representatives of the people to represent the consumers' interests, and a man or two from the Government benches to look after the Government interests.

THE HONOURABLE MR. BIJAY KUMAR BASU: You want Dictators, not a Board.

THE HONOURABLE MR. HOSSAIN IMAM: No Dictators for me. Have you forgotten jute? What is the trouble with jute? Those who are outside the jute combine are the controlling forces. They force those who are in the Association to forego their restricted production. You have this sort of thing everywhere in our country. If one man goes out of your Association, he starts manufacturing and working over-time—night shifts—increasing production. What will others do? They will follow suit. There is a glut in the market and the whole industry goes fit. We are apt to follow the old English precedent of leaving things to take their own course, and do not copy new British innovations.

The Honourable Mr. Ramadas Pantulu was a very severe critic of the Permanent Settlement. I do not know how this subject can be brought in as part of the Budget discussion. Permanent Settlement or no Permanent Settlement has nothing to do with the Government of India. In the Centrally

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Administered Areas of our Government I think there is no Permanent Settlement. There is the ryotwari system or the temporary system of settlement with Zemindars.

THE HONOURABLE THE PRESIDENT: He only indirectly referred to it when he was speaking about the benefit to the agriculturist; otherwise I would have stopped him myself.

THE HONOURABLE MR. HOSSAIN IMAM: If Permanent Settlement is to go, the industries also should be nationalised. We should have a full fledged socialistic Government with all the key industries, Banks and everything else, controlled by the State. All lands and industries should go to the State. We should sink or swim together.

Sir, there are certain items in the speech and in the papers which I have not been able to understand and I hope the Honourable the Finance Member will enlighten us on those points.

THE HONOURABLE THE PRESIDENT: You have already taken your half hour.

THE HONOURABLE MR. HOSSAIN IMAM: I would not take more than three minutes on these two items. I refer to paragraph 7 of the speech where he says that there is an increase of 46 lakhs for expenditure due to a heavier discharge of cash certificates in the revised estimates. Sir, I was under the impression that the provision in the Budget was on an actuarial basis, and not on the actual payment of interest. If on that basis we make provision for all the interest charges that might accrue on the deposits in hand, then there is no reason why a greater or less discharge should in any way affect our figures, at least of revenue, because the repayment of the capital portion of the cash certificates is made from the capital head. We only pay the interest portion from the revenue. The interest portion being on an actuarial basis, there cannot be any change due to a greater discharge, and no reduction on account of a lesser discharge should be made. The money will remain to credit of the fund; I should like the Honourable the Finance Member to explain this.

There is another item on page 131 of the Detailed Budget Estimates. I find there that the Payments to Post Office for Savings Bank and Cash Certificate work is 69.11 lakhs for the coming year. But in the Posts and Telegraphs Department Estimates on page 57 I find that the credit there is only 55.60 lakhs. Now, there is either an over-estimate in one or an under-estimate in the other. This is the impression on the face of it. But I think that the Finance Department is too careful to do this sort of thing. They would not allow a difference of 13½ lakhs to remain in their accounts by oversight.

THE HONOURABLE THE PRESIDENT: I am sure if you had seen the Finance Secretary this morning before the debate began, he would have gladly given you the information on the subject.

THE HONOURABLE MR. HOSSAIN IMAM: Probably it is bad accounting, which is responsible for this.

THE HONOURABLE THE PRESIDENT: That is a matter of opinion.

THE HONOURABLE MR. HOSSAIN IMAM: This shows that if the Posts and Telegraphs Department have under-estimated, there will be a surplus which we would be entitled to ask them to give to our relief; or if it is an over-estimate in Demand No. 11, the deficit is reduced and the taxation proposals should go to that extent. But personally I do not think that this is the explanation. Probably it is bad accounting and the thing is hidden somewhere and cannot be easily found.

Sir, we have not been allowed to discuss the final implications of the separation of Burma and it would be difficult to deal with that subject in the Budget discussion. There are any number of questions arising from the separation of Burma, which we cannot ventilate except by having a day set apart. I would therefore request the Finance Member to give us a day to consider this subject.

THE HONOURABLE THE PRESIDENT: That cannot be done. There is nothing to prevent you from putting in a Resolution on the subject.

THE HONOURABLE MR. HOSSAIN IMAM: Some Honourable Member has already done that or will be doing it in the near future, if Government do not give us this facility. But I wish to have a separate day so that this will not deprive us of the discussion of other Resolutions. Non-official days are for all of us and the Burma question is so big that it may eat up the whole day.

THE HONOURABLE THE PRESIDENT: You know that last year the Leader of the House was so good as to give you one additional day for the purpose of non-official business. If something like that happens this year also, he is sure to listen to you.

THE HONOURABLE MR. HOSSAIN IMAM: I hope he will heed your advice and give us an additional day in the future.

Sir, before I conclude I must say that the Honourable the Finance Member has not given us a complete picture of Federation. The formation of the Federation is a losing game. States should be

THE HONOURABLE THE PRESIDENT: Surely you are not going into such a big question at this stage. You have spoken for 35 minutes already.

THE HONOURABLE MR. HOSSAIN IMAM: I am not going to dilate on it. I am just saying that he should have budgeted in a strictly sound manner, either by increasing his income or reducing expenditure. But until he is able to give a stable budget, I think the Princes should consider twice before they enter the future Federation.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA (Bihar: Non-Muhammadan): Mr. President, as this is the first occasion when as one of the representatives of Bihar, which was severely hit during the terrible earthquake of 1934, I have the honour to address you, and the occasion, through you, to address the Honourable Members representing the Government of India, I hope you will permit me to precede my remarks on the subject matter of the budget before us by an expression of gratitude on behalf of the people of Bihar for the financial help that was so spontaneously extended to us by the Government of India at a time when we were in the grip of severe calamity. That help has enabled the Provincial Government, and more particularly the local bodies, to resuscitate themselves and has brought cheer to

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the destitute peasant and the ruined tradesman, whose debt of gratitude to some non-official agencies like the Congress, the Marwari Society and the Servants of India Society, of which the worthy President is an Honourable Member of this House today, is also great and unforgettable.

Coming now to the budget, I disagree wholeheartedly with the platitudes the Honourable Mr. Basu showered. I do, partially, agree with what the Honourable the Finance Member himself said in introducing it, that "it is a story of disappointment". I only wish to add that it is a story of far deeper disappointment than the Honourable Member seemed conscious of, or wanted to acknowledge. The gravest disappointment that the budget presents is not in its arithmetic, which is all that the Government seem to have looked upon with any concern, but in its outlook. The present budget is in line with its predecessors in being irresponsible to the criticisms and suggestions that, from a perusal of the previous debates in this or in the other House, I find made year after year. I anticipate that I shall be told that it is not possible to incorporate in the budget all the suggestions made, many of which are contrary to each other, and some open to question with regard to their soundness. I admit that there is this practical difficulty. But the complaint that I make is that the general trend of those recommendations and criticisms ought to have been recognised, their spirit ought to have been imbibed and a sincere effort made to mould the budget on popular lines. The budget to make itself commendable must, in the main, be able to show that it is the people's budget, that the Government exists for the people and not the people for the Government. But the Budget year after year continues to be the Government's Budget and shows no appreciable sign or move towards lifting the balance of the scale on the just side.

Going merely through the headlines of the Budget, showing the different channels of our activities, we find that they are indeed so varied as to credit the Government of any of the modern progressive States. But disappointment begins to overtake us when we go past these misleading signboards, enter the portals and discover the top-heavy character of the administration and find provision made only for a large number and variety of officers, who, true to the system they represent, lie hidden in remote inaccessibility, tied to their chairs in red-tape. The central complaint of the people of this country is against the attitude of the Government, against the bureaucratic perspective. I submit, Sir, that more and more attention should be paid to cultivating and nourishing a more vital contact between the officers of the various departments, particularly the departments that aim at helping agriculture, industry, public health, etc., and the people they want to serve. The officer who wants to deal with the villager and lead him to take to better ways of cultivation and living must go to him like his brother and make himself a real instrument of service. Prosperity cannot be achieved only by compiling statistics and regular submission of reports on prescribed forms. It is the spirit of service that should dominate his behaviour and work, so that the villager may give up his present aloofness and be drawn to him. If this is not done, bulletins and broadcasting, over which the Government of India spend not an inconsiderable amount, would turn to be of no avail.

Coming events cast their shadows before and the coming constitution has cast a deep shadow on the budget. Apart from the annuity recoverable from Burma under the Amery Award during the course of the next 45 years on account of debts, other liabilities and pensions, the net loss on account of separation of Burma would be 5 crores and 56 lakhs. Provincial autonomy accounts for a reduction of 51 lakhs in revenue and an increase of 1 crore and 34 lakhs in expenditure. The additional burden falling on the budget for

1937-38 arising from constitutional changes is estimated to amount to 4 crores and 18 lakhs. Whatever may be the other merits or demerits of the coming constitution, the budget before us is enough to show that it is financially lame. This, however, is not the proper occasion to eulogize or condemn the coming constitution except in so far as it affects our finances. The Finance Member is optimistic about the ability of India to pay for the unwanted blessing of the new constitution. But, now that we are on the threshold of the new constitution, I would like to sound a note of warning to the Government of India. My warning is this, that if it is their desire that the country, howsoever disappointed and dissatisfied, should still be able to make the best of a bad bargain, if the Government do really want that the new Reforms, going to be born on a Hartal day, should not die in its cradle, they must see that the provinces do not find themselves reduced to the need of undertaking fresh taxation in order to support the burden of the so-called autonomy with which they are to be blessed. Nothing will kill the reforms sooner than forcing by circumstances the Provincial Governments to resort to fresh taxation or even for the Government of India to undertake centrally to tax in order to meet the high cost of administration here and in the provinces. Therefore, I want the Government to adopt a bold, straightforward and business-like policy. I want them to pick up the axe and lop off from the top some of the many overhanging heavy branches and to make the structure more harmonious, such as the roots, without damaging themselves, may sustain.

With this short criticism of the general character of the budget I shall pass on to the second part of the speech of the Honourable the Finance Member in introducing the budget proposals of 1937-38. The Finance Member in proposing an enhancement of the sugar excise from Rs. 1.5 to Rs. 2 per cwt. and lowering the protective import duty from Rs. 9-1 to Rs. 7-4 per cwt. has enunciated a miraculous proposition. He contends that while he can draw no less than an additional income of 1 crore and 15 lakhs from the sugar industry, the industry, instead of suffering, will gain in stability. The increased tax, he thinks, will not hit the manufacturer, be felt by the consumer nor noticed by the grower. This is a rare feat of financing, almost verging on black art, commonly called magic. The important part played by sugar industry in these days, in the economic life of the people of this country, can be visualised from the replies given in this House on the 16th of last month by the Honourable Sir Jagdish Prasad to questions put by the Honourable Sardar Buta Singh. It was stated that the area under sugar-cane was roughly a million acres more today than in 1926-27. The estimated production of sugar cane had gone up from 35-1/3 crore tons to over 61 crore tons during the last 10 years and the amount paid to growers had mounted from 19 crores of rupees to about 40 crores. The industry provides employment to about 2 hundred thousand skilled and unskilled labourers and thousands of educated scientists and others. The return to Government coffers from income-tax on factories apart from what is realised from employees is about 30 lakhs a year and the income to Railways is also very considerable indeed. I submit, Sir, that the economic prosperity induced by the industry more than sets off the loss in revenue to the Indian exchequer. The picture of loss has apparently been overdrawn by the Finance Member in taking for comparison the receipts of 1930-31 when import duty contributed 10 3/4 crores and not taking into account a year like 1923-24 when receipts were only 3-1/3 crores.

I am, Sir, a sugar cane grower on a moderate scale, and know from practical experience what a narrow margin of profit the cultivation affords to the grower at the present market rate. The Honourable the Finance Member is labouring under a wrong notion that the industry is over-protected. It must not be

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forgotten that before the protection was granted, i.e., before the Tariff Board reported, the revenue duty on sugar was Rs. 6/12 per cwt. To leave it now at Rs. 7/4 and to raise the excise by 11 annas a cwt. is to reduce the protection to a dangerously narrow margin which would mean sure ruin to a number of mills, loss to capital, fall in income to the grower, and unemployment to the people. It will unduly increase the burden of the consumer in the interest of foreign import. If the industry is passing through a crisis, Government should step in and check the rate-cutting in the price of sugar cane to the grower. If this is done it will have the wholesome effect of checking over-production and also lead to the general amelioration of the agriculturists.

A word, Sir, about the increase of duty on silver, and I have finished. May I start by asking why Government did not think of imposing an export duty on gold instead of imposing an import duty on silver, which, as a metal, is used for various purposes by the middle class people? There has been an insistent demand for a duty on gold in order to check its flow into England and America. Government owe to the people of this country a straight answer.

With your indulgence, Sir, I will just say a word with regard to the light hearted and inconsiderate suggestion made by the Honourable Mr. Ramadas Pantulu regarding the abolition of the permanent settlement. I would like to point out to him that very few or none of the present zamindars are those with whom the East India Company originally settled their lands. Quite a large majority of the present zamindars are those who have bought at full price their zamindari out of their earnings, in most cases life-long earnings. How does he propose to treat them? They invested their earnings from legal, medical or engineering professions or from trade into land and bought zamindari, finding the investment to be honest and sound.

THE HONOURABLE THE PRESIDENT: You need not discuss that question at length now. I have already informed the Council that he spoke with reference to agricultural prosperity only.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA: But, Sir—he mentioned that as a means of financing the Budget.....

THE HONOURABLE THE PRESIDENT: We must confine ourselves to the budget before us.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA: I have only got to point out that the great organisation, which the Honourable Mr. Pantulu here represents, the Congress, has not anywhere, to my knowledge, given any official indication of their intention to abolish the permanent settlement and I am afraid the Honourable Mr. Pantulu has not been circumspect in regard to his observation in the matter.

THE HONOURABLE THE PRESIDENT: The Council will now adjourn till 2-30 in the afternoon.

The Council then adjourned for Lunch till Half Past Two of the Clock.

The Council re-assembled after Lunch at Half Past Two of the Clock, the Honourable the President in the Chair.

THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL (Bombay, Non-Muhammadan): Sir, If one must give a name to this Budget, one can call it neither a rich man's budget, nor a poor man's budget nor even a middle man's budget; for there is relief to none from the crushing burden of taxation. One may, I suppose, have to be content by calling it an Englishman's Budget with all the characteristics of his race. In spite of depleted stocks the budget bravely displays the sign-board "Business As Usual" and the financial statement is marked by an abundance of self-complacency and distinguished by lack of constructive imagination and ability to see ourselves as others see us.

At the outset, one must, in common fairness, concede that the Honourable Finance Member has been proved right in two things—in being cautious regarding revenue in view of the uncertainty of the yield from the sugar import duty and in his provision for a Revenue Reserve Fund to meet liabilities in the first year of Provincial Autonomy. Nor can I find fault with the careful presentation of the financial position which is done with a book-keeper's eye for detail regarding the receipts and outgoings. But there is no evidence in the budget statement of an adequate appreciation of the factors that will safeguard the general well-being of the people and at the same time help forward the economic development of the country, which alone can relieve us of the present financial stringency. There are brief references to the slight improvement in the Railway finance, to a certain rise in the price level of India's raw products, the recent increase in the exports and some improvement in the balance of trade. But there is no evidence of an adequate realisation of the fact that all these are largely the result of abnormal factors, namely, the war scare in Europe resulting in rapid rearmament and storing up of supplies in apprehension of war. For all we know, the slight recovery at present may prove shortlived. In these days of quotas, high tariffs and currency war, we cannot trust in Providence or international good-will for a continued improvement in the economic position of our country. We have to take active steps to improve our export trade, which by increasing the purchasing power of the people will, to some extent, stimulate the import trade also. Considering the rapid increase in India's population, the total consumption of goods remains at a depressingly low level. Instead of any evidence of a desire to adopt far-reaching measures to improve the basic economic position of the country, one finds, on the contrary, a certain spirit permeating the financial statement which gives rise to serious apprehension. I may refer, for instance, to the hyper-critical attitude towards Protection of Indian Industries, and complete satisfaction with the present ratio and the persistent refusal to borrow when rates are low, either to meet capital expenditure like the reconstruction of Quetta or in order to acquire the Company-managed Railways and thus reduce the foreign liabilities of India.

Sir, one cannot help feeling that it is this unsympathetic frame of mind that is responsible for the fact that as soon as the Honourable the Finance Member finds himself in a tight corner, his first thought is to raise the excise duty on sugar—a national industry which bids fair to make us self-supporting at least in one of the primary articles of consumption. Regarding the Honourable the Finance Member's anxiety to tighten up the administration of revenue by closing possible loop-holes, one cannot fairly quarrel, provided this is done in a fair and judicious way. But unfortunately one does not find adequate evidence of an equal anxiety to tighten up the administration of expenditure. I agree with the Honourable the Finance Member that one need not exaggerate the importance of a gap of one or two crores in a budget of 80 crores. But

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it is equally pertinent to remark that in an expenditure of such vast dimensions, it would not have been impossible to effect retrenchment of a couple of crores, if only there had been the will to do so.

One may refer in this connection to the economies suggested by the Retrenchment Committee and the continuation of the Lee concessions, notwithstanding the fall in the cost of living. With an adequate cut in expenditure, there would be no necessity to apply the axe to a growing national industry like sugar, specially when a review by the Tariff Board is so close at hand.

Sir, I am surprised to find that the Honourable the Finance Member draws satisfaction even from the fact that the effect of the enhancement of the excise duty will be to drive out of existence what he calls the weak and inefficient producer. I for one am not prepared to regard this as a desirable result. I would prefer that he were spared this blow and had an opportunity of improving his efficiency. This increase in duty will add to the cost of sugar produced both by the weak as well as the strong manufacturer and will adversely affect both. I am also unable to subscribe to the reasoning of the Finance Member that the higher duty will benefit the cultivator of the sugarcane. On the contrary it is obvious that there will be less demand for his cane when some factories cease to work. The Honourable the Finance Member, I am afraid, is claiming too many virtues for his proposal. It seems to me, if anybody stands to gain it is the khandsari producer who will have an advantage to the extent of additional excise duty levied on factory sugar. The growth of the sugar industry has added to the economic betterment of the people particularly of the northern parts where industrial development is comparatively of recent growth. If the Finance Member's proposal is accepted, the industry will lose even the marginal advantage of 8 annas per cwt. which it has hitherto enjoyed.

Sir, my objection to the enhancement of import duty on silver is based on two grounds. First, all treasure such as silver and gold should have free entry. Secondly, silver is a metal in which small men in the villages hold their savings with a view to fall back on them in times of dire distress. Before resorting to this desperate measure, it was open to the Honourable the Finance Member to subject to income-tax pensions and salaries, interest and dividends earned in India by persons residing outside, as recommended by the recent Committee.

Sir, one is glad to note that the 5½ per cent sterling loan of £17 millions was repaid during the current year and to that extent our foreign liabilities are reduced. But one cannot see the wisdom of refraining from issuing a rupee loan to meet our Capital outlay when rates are so low. With due deference to the opinion of the Honourable the Finance Member, I venture to hold that the expenditure of 7 crores on the reconstruction of Quetta is essentially of the nature of Capital outlay. I have no objection to making provision from Revenue for the Interest and an adequate contribution to strengthen the Sinking Fund; but one cannot help strongly protesting against the policy of saddling the Revenue with the entire amount of the Capital outlay. I am aware the Honourable the Finance Member holds strong views on this question and is emphatically opposed to borrowing money to meet expenditure in Quetta, as he said last year, "It is contrary to strict financial orthodoxy to borrow for expenditure which does not yield a cash return equivalent to the interest and sinking fund charges on the amount borrowed". "I know", he added, "that this strict view has not always been followed in India".

Sir, I beg to point out that it is not only in our benighted India, but even in his home country, such a fetish is not made of what he calls strict orthodoxy.

May I, for instance, know if the huge Defence Loan that the British Government is Issuing is of a productive character? Can it yield a cash return equivalent to the Interest and Sinking Fund charges on the amount borrowed? One wonders what this huge Defence Loan will produce except a first class war. It may be mentioned that the financial Pundits of the British Labour Party are opposing the British Defence Loan, among other reasons, on the ground that the method of raising money by loans for such expenditure violates the canons of sound finance. To this criticism the Chancellor of the Exchequer, Mr. Neville Chamberlain, gave a fitting reply, while moving the Second Reading of the Defence Bill a week ago. After reiterating his horror of Europe's rearmament and the "unproductive" expenditure in which it involved the nations, Mr. Neville Chamberlain declared that the Labour Party's suggestion that the whole of the defence expenditure should be met out of the current revenue necessitating the imposition of fresh and crushing taxation was pushing financial orthodoxy to dangerous pedantry.

While the Government in such a rich country like Britain refrains from imposing fresh taxation and borrows when necessary, in a poor country like India the interests of the tax-payer are being sacrificed, I will not say lightly, but obstinately on the altar of financial pedantry.

I believe this very financial inhibition is partly responsible for the refusal to acquire the B. N. and M. & S. M. Railways, in defiance of the declared policy of the country in favour of State management. Here at least there was no question of an unproductive loan. The pleas offered in support of this decision are most unconvincing. Last year, I believe, the Commerce Member said that the Remittance position did not justify Government in undertaking these obligations. This was difficult to understand in view of the sterling balance accumulated by the Reserve Bank and the continued large offerings of sterling by the Exchange Banks. As regards the M. & S. M. Railway we are told that the Government thinks it would be feasible to amalgamate it with the S. I. Railway, the contract with which expires in 1945. One wonders what prevents the Government from acquiring the M. & S. M. this year and amalgamating it with the S. I. in 1945. The low rate of interest prevailing at present will not obligingly stay at that level till 1945.

Sir, it is reassuring to learn that in the first nine months of the current year the favourable balance of trade amounted to 50 crores against 19 crores in the corresponding period of the previous year. But one cannot, therefore, subscribe to the inference drawn from this fact by the Finance Member that it does not look as if the Rupee were over-valued. Year after year the Honourable the Finance Member is taking pains to impress on our mind that we are suffering from a delusion that the Rupee is over-valued. Last year he told us that although the Rupee was 1s. 6d. gold when the present ratio was fixed, today the Rupee is 10 to 11d. gold, presumably because the pound is no longer on gold standard. Even granting that in terms of gold the Rupee has depreciated in value, still in relation to the sterling, it continues to remain in the same old unfavourable position. This is still more true in the case of currencies which have depreciated even further. And this is after all what really matters and continues to act as a handicap on our export trade.

To return to the balance of trade, the recent improvement is there, not because of the present ratio but because of the present abnormal international situation. As the Commerce Member correctly recognised, the recent spurt in the export trade of India is largely due to the war scare. On the other hand, the contraction of our import trade, as suggested by the Honourable

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the Finance Member himself, may be ascribed in part to the difficulty and uncertainty which attends the fulfilment of order for manufactured goods from Europe, because of the rearmament programme in most of the European countries. These are the real reasons for augmenting our favourable balance of trade and not the present ratio so dear to the Finance Department.

For a debtor country like India to remain solvent, it is absolutely essential to have a large favourable balance of trade. How else are we to meet our debt liabilities to Great Britain? So far as Britain is concerned, we have still an unfavourable balance of trade. Besides this adverse balance of trade, India has to pay an annual tribute to Britain to the tune of about 60 crores in consideration of the invisible imports. For the last few years India has been able to settle her accounts with Britain by a heavy and disastrous export of gold—gold so necessary for the development of the national industry and the Indian home market. This frittering away of India's capital assets still continues, although one is glad to note that the net exports of treasure were reduced from 32 crores to 14 crores in the first 9 months of the current year.

Sir, regarding the British piecegoods, we are told that they have not so far succeeded in recapturing the Indian market in spite of the further reduction in duty, which, it may be recalled, was put into force without consulting Indian opinion. Sir, we have already gone far enough; and I do not see why we should consider ourselves under any special obligation to enable Lancashire to accomplish the reconquest of India. If in spite of the concessions already given Lancashire cannot take advantage, it is her own fault. If the prices of Lancashire goods have remained largely beyond the reach of the Indian purchaser, the Indian consumer is none the worse for it. The internal competition in the Indian textile industry is sufficient to safeguard his interests. It should not be difficult for a Finance Member, in a country like India so favourably placed for the production of textiles, to realise that for the Indian people to purchase foreign cloth is to purchase poverty and unemployment.

Sir, it is to be hoped that the Indian Government will not, in the impending negotiations for a new Indo-British Trade Pact, subordinate Indian interest to British interests.

Sir, on the question of Defence expenditure which we are threatened may rise higher than the present high level in the next few years, I will not say much; for we are painfully conscious of our helplessness to effect any drastic retrenchment in this spendthrift department. When we acquire the power and freedom to order the finances of the nation, we would not go in for mere cheese-paring economy, but we would courageously go forward with a sincere and radical policy of Indianisation both in the case of officers and the rank and file.

But things being what they are, I will content myself by giving only one warning to Government. Modern Defence and modern warfare have grown so complicated that it is no longer a mere question of the size of the army or the amount of armaments. The efficiency and the level of the economic structure behind the military lines play a far more decisive role in the defence of a country than in the past.

This was the reason why Tsarist Russia collapsed so completely before the forces of an economically advanced Germany. And the strength of Soviet Russia is considered by many to lie mainly in the remarkable development of Soviet industry and agriculture, rather than in the efficiency of the Red Army which is still an unknown quantity. You may, therefore, pour out year after year crores and crores of rupees on the army, on the strategic railways, on

aviation, on roads in Waziristan, on the reconstruction of Quetta; but all these in the hour of crisis will be of little avail with an impoverished countryside in the rear and an infantile development of Indian Commerce and industry.

* THE HONOURABLE MR. R. H. PARKER (Bombay Chamber of Commerce): Sir, I would like in the first place to deal with one or two points which the Honourable Mr. Motilal has just referred to. I do not think that you can draw any analogy at all between Quetta and the rearmament loan in England. Quetta is a case of replacing something that you have lost; the rearmament loan in England, if I rightly understand it, is to provide us with new factories, new plant and generally to provide for the wants of the future, not to replace something lost in the past.

In the circumstances in which the Honourable Finance Member has found himself on this occasion I think that his proposals for new taxation are sound. I am however by no means satisfied that those circumstances were completely unavoidable. He has himself referred in his speech in another place to the inevitable diminishing returns from high revenue duties, and for my part I feel that it would have been sounder finance at an earlier stage to reduce some of these duties with a view to avoiding income from this source being less than it would be with lower duties. I shall be very glad if the Honourable Member can assure us that the necessary preliminary examination of this point of view has been made and that when the opportunity occurs he will be in a position to make changes of this kind.

The Honourable Member knows far better than I do that this question does not only affect the revenues of the Government but it must affect the exchange position, and neither he nor I would like to be driven to the necessity of a 1s. 8d. rupee or to any change in the present rate.

Subject to these remarks I think that the most serious aspect of the budget is the Railway position. I think that it is being dealt with much too casually and unscientifically. As I mentioned when I spoke on the Railway Budget, I do not agree that there is any surplus available from the Railways which can properly be treated as ordinary income. I do not propose to repeat the criticisms which I have already offered on the proposal to charge to the Depreciation Fund and not to Capital any excess over the original cost when replacing an asset by an identical asset. I would only remind Honourable Members that this leads to over-stating profits, under-stating capital values and to failure to know from year to year what your real working expenses are, and is accordingly unsound.

The Honourable Mr. Nixon, when replying to my remarks on this subject the other day, said that he did not fully understand commercial accounts. I assume that it is because it was realised that Government Departments might need the assistance of those who were acquainted with commercial methods that the Constitution provided for representatives of certain Chambers of Commerce to sit in this House, and I would like to deal with one or two points arising out of what the Honourable Mr. Nixon said.

He suggested that you could not charge the cost of an asset of the kind we were contemplating to share capital and pointed out that share capital was a liability and not an asset. With that view I entirely agree. I would, however, like to draw the attention of the Honourable Member to Form F which will be found in Schedule III of the Indian Companies Act. The first

* Speech not corrected by the Honourable Member.

[Mr. R. H. Parker.]

heading on the Assets side in Form F is "Property and Assets—Fixed Capital Expenditure". Now, Form F is the form of balance-sheet which the Government insist upon in the case of Companies and this heading to which I have referred is the heading to which expenditure of the kind we have been discussing should be charged. Form F provides for distinguishing under this main heading, as far as possible, between expenditure on land, buildings, leaseholds and mentions other similar items. It goes on to say that in every case the original cost and the additions thereto and the deductions therefrom during the year and the total depreciation written off under each head have to be shown. You will note that the original cost has to be charged under this form of Balance Sheet to Capital Account as I said it ought to be and as I said the Railways ought to do.

If the Government of India will treat their Railway accounts in this way I shall be quite satisfied provided their depreciation is calculated over a reasonable life. I can see no reason why the Government of India should treat the Railways differently from any limited Company in this particular respect and I think they should prepare their accounts in a similar manner. I think they are setting a very bad example. If they consider that information of this kind should be available for shareholders there can surely be no reason why the same kind of information should not be provided for the information of the tax payer who owns the Railways. If for any reason it is impracticable to do this in respect of the past, there can still be no reason why additions to assets and replacements of assets should not be dealt with in this manner and to that extent the Railway records improved and increased in accuracy.

I would also like to draw the attention of the Honourable Member to section 183 of the Government of India Act, 1935. This section directs the proposed new Federal Railway Authority and lays down the principles to be observed by that Authority. I draw particular attention to the words in line 2 of the section; it is laid down that the Authority "*Shall set on business principles*" and further on that the Authority shall make proper provision for meeting out of their receipts on revenue account all expenditure to which such receipts are applicable under the provisions of this part of the Act.

Section 186 (2) lays down how the receipts on revenue account in any financial year are to be applied. The first item is "Working Expenses". Now, in my opinion, and in the opinion of a great many people, working expenses include depreciation accruing, but as the Honourable Mr. Nixon pointed out the other day, this view is not universally accepted and indeed those who were responsible for these provisions of the Act evidently recognised this because we find that depreciation is specifically referred to under 186 (2) (e), under which the receipts on revenue account have to be applied in making *due* provision for maintenance, renewals, improvements and depreciation. Now, "*due*" provision means the amount of depreciation accruing in the year in question in respect of the assets in use during the year in question. It does not leave it open for the Authority to say, "We have had a good year and we will put something aside for depreciation", or, "We have had a bad year and we can put nothing or very little aside for depreciation". It binds the Authority to make due provision for the amount of depreciation accruing in respect of a year and this is the amount of the provision which the Government of India ought to be providing for depreciation but which they are not providing.

It is only after provision has been made out of the receipts of the Authority on revenue account in any financial year, for full depreciation and all the other

expenses properly chargeable against revenue in any year, that the question of any surplus on revenue account arises, as is made perfectly clear by section 186 (3). The surplus therein referred to is a surplus after making all the provisions which have to be made under section 186 (2). We have on more than one occasion been told that nothing can be done which is contrary to the provisions of the Government of India Act, 1935, or contrary to the spirit of that Act. I cannot agree that the present methods adopted by the Government of India are in accordance with the provisions of section 186. They clearly are not. That in itself is bad enough, but, Sir, to what does it lead? As I have already stated, it means not only that we are living on capital but we are proposing to go on living on capital so long as the present methods are followed. I fully admit that when the owner of a business has been unwise enough not to provide for depreciation in the past and to take out all the profits when there were any, and to finance the deficits by borrowing when there were any deficits, trouble must be expected, but this is surely all the greater reason for being strictly scientific and methodical in dealing with future years.

I do ask the Honourable the Finance Member to have the views I have expressed—and more particularly the details contained in my speech on the Railway Budget—examined and reported upon. I am confident that he will come to the conclusion that I am right and surely it is better to realise the realities of the position and not to blind ourselves and assume that there will be profits from the Railways which we are never likely to realise. The latter attitude can only mean that we are throwing on to a future generation the burdens which ought to be borne today.

It is bad enough to believe as I do that a fair value of the Railway assets is some hundreds of crores less than the liabilities in respect of the Railways, but to go on acquiescing year after year and making that position more serious by increasing the amount of the excess of your liabilities over the value of your assets is finance of a most dangerous order.

Monopolies such as the Railways have been *have* great advantages but, as is usual in life, these advantages are accompanied by difficulties. I think it is important for anyone who is responsible for the control of a public utility monopoly to keep on continuously thinking "What would I do if I had to face competition? What can I do to make the service more useful or more efficient?" This attitude of mind, which can only be impressed on the staff from the top downwards, would often result not only in a great increase in the utility of the concern, but in forestalling some of the unfortunate effects on the revenues of the undertaking when competition comes, as it frequently does.

Many of the improvements which have been made in the Railways of other countries—only when competition arose—could reasonably have been made at an earlier date. It is true that improvements of this kind in the first instance normally involve the expenditure of considerable sums of money and that this aspect of the matter cannot be ignored. All expenditure of this kind merely requires careful examination from the double point of view: Will the cost to those who use the service and the income of those who own the service be so greatly affected as to make the expenditure not worth while? I think the Railway position would have been very much better now than it is had this attitude been adopted in the past. I think the Railway position will be very much better if this attitude is adopted in the future. In all too many instances there seem to be indications that where there is no fear of competition the Railways are not prepared to improve their service, while where there is competition to be met they are willing to do so, and do so.

3 P. M.

[Mr. R. H. Parker.]

We have already supported the Income-tax Bill which was passed by this House in the current Session and the Honourable Finance Member may rest assured that we are in favour of further legislation, when he is ready to introduce it, to close as many of the existing loopholes in the law as possible because we believe not only that a substantial increase in the receipts from income-tax will result, but that that increase will represent sums which should be paid if the burden of income-tax is to be equitably and fairly distributed. We are at present examining the report of the Income-Tax Enquiry Committee with a view to being in a position to support or criticise such proposals as may be brought before the Legislature in due course in that connection. I think it is a very able document and a very useful basis for consideration.

I hope that the Honourable the Finance Member will bear in mind any inequities which exist under the present law even though they may not have been specifically dealt with in this report. Only recently a curious incident came under my notice. An assessee was assessed in respect of the financial year 1936-37 to income-tax and super-tax amounting to Rs. 1,80,000 odd. An appeal to the Assistant Commissioner was unsuccessful and payment was made under protest. The Commissioner was asked to state a case to the High Court and in the result he decided to revise under section 33. A refund was then made of no less than Rs. 1,68,000 out of the original sum paid which, as I have already said, was just over Rs. 1,80,000. The assessee asked for interest on this very substantial sum of money and the reply was that while section 66(7) of the Income-tax Act provided for payment of interest where a refund was made as the result of a reference to the High Court, where revision is made by the Commissioner and a refund made as the result there is no provision for payment of interest. This does seem to be a very extraordinary omission. Not only does it seem quite inequitable that, as in the case I am mentioning, an assessee should have to pay interest on borrowed money to meet a mistaken income-tax claim, but there is also the objection that the Income-tax Department have it in their power to make incorrect assessments, obtain the use of the money temporarily, and by revising under section 33, instead of allowing the matter to go to the High Court to avoid having to pay any interest for the money of which they have had the use. I merely give this as an example of matters which I hope the Honourable the Finance Member will put right. There must be many others and he is in a far better position to collate them than anyone else is.

As regards the Defence Budget, I must say that I feel great sympathy for His Excellency the Commander-in-Chief. It is always extremely unsatisfactory for any efficient administrator to feel that he has not at his disposal the funds which he regards as necessary to the maintenance of efficiency. I cannot help thinking that we in India are extremely fortunate; we are one of the few countries in the world who are not at the present time bearing heavy increased taxation to provide for increased armaments and forces. I think we can only attribute the avoidance of such increased taxation to the fact that we belong to the British Commonwealth of Nations. Let Honourable Members consider for one moment what their position would be if—as some parties desire—India were what is called “independent”, that is, outside the British Commonwealth of Nations.

I am not an expert in matters of naval or military defence but it is quite obvious to the most ignorant that the sums which would be necessary to defend the coast of India, were it not for the existence of the British Navy, would be so colossal as to put in the shade many of our present difficulties.

As regards the Honourable Member's proposals for new taxation, I am glad to note that the tax on sugar is not likely to result in the price being unduly high. On the contrary it seems reasonably certain that sugar will still be available at what may fairly be regarded as a low price.

Much as I regret the failure to remove the surcharge on income-tax on this occasion I do not suggest that this ought to be done in the existing circumstances. To do so would merely necessitate the substitution of some other taxation unless we were to have a deficit in the Budget.

I would like to congratulate the Honourable Sir Frank Noyce and Mr. Bewoor on what I must say I feel is an excellent bargain in connection with the new Air Mail Services. If I understand the position rightly, had I been the other party to the bargain I think I would have thought them rather hard, but so far as India itself is concerned, there seems to be every cause for congratulation.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern: Non-Muhammadan): Mr. President, the last three surplus years had created the hope that we had left days of adversity behind and bright prospects before us. The remission of taxation and the stress laid by the Honourable the Finance Member on the increase in the income-tax revenue strengthened that impression. There was, however, no correspondence between the economic life of the country in general and the improved financial position of the Government of India. The Central Budget did not accurately mirror the life of the country at large. I am free, however, to say that in the current year there was a larger movement of goods and there seemed to be greater business activity than in previous years. This had its necessary consequence in the improvement of the railway revenues. It must therefore have come as a surprise to Honourable Members to learn that the current year will close with a deficit of nearly 2 crores, and, what is more disquieting, that the year 1937-38 is expected to disclose a deficit of nearly 3½ crores. It is true that the Honourable the Finance Member speaking last year anticipated that in the year 1937-38 there would be a deficit of nearly 2 crores. The revenue of 1937-38 is therefore down by no more than 1½ crores but the current year was expected to end with a surplus. The real cause of anxiety is the deterioration of the position in the current year, which suggests that the deficit in 1937-38 might continue in future years. And here I should like to support my Honourable friend Mr. Hossain Imam in his criticism of the method adopted by Government with regard to the disposal of the sum available in the revenue reserve fund. Ordinarily speaking, that sum should have been used in order to meet the deficit in the current year, but Government instead of doing that have met that deficit by reducing their cash balances. The cash balances were none too large as they were. After the separation of the provincial balances they will become too small in comparison with the total liabilities of the Government of India. And after the deficit of the current year has been met from them they will be reduced to a still smaller amount. I am afraid that this method must be regarded as a concealment of the true position of our revenues in 1937-38 which is more unsatisfactory than Government have admitted, though the cash balances would be of the same amount whether they were used to meet the deficit of 1936-37 or 1937-38.

Apart from this, Sir, there are other factors which go to show that the real deterioration is much greater than that pointed out by the Honourable the Finance Member in the Budget. He referred, Sir, to the effect on our finances of the separation of Burma from India. We have been told that the deterioration would amount to about 2 crores and 33 lakhs. But this would

[Pandit Hirday Nath Kunzru.]

be the result if the payment that would be made by Burma to India were credited to revenue. Now, Burma would pay 94 lakhs this year and a gradually diminishing sum for 20 years to liquidate her pensionary obligations. Burma will discharge in 20 years by these capital payments her liabilities for pensions in course of payment on the 15th April, 1937-38. Obviously this sum cannot be regarded as an addition to revenue. Only such portion of it as is used in the year 1937-38 or thereafter for the payment of pensions can be employed in relief of the revenues but the rest of it must be treated as capital, the interest on which will enable Government to meet its liabilities in future. Then take, Sir, the contribution to be made by Burma in respect of debt and certain other obligations. Well, this contribution amounting to 2 crores and 29 lakhs is made up of two elements, the payment of the interest charges and the repayment of capital. Well, the amount used to pay the interest charges will legitimately form part of the revenue side of our accounts but the amount for the repayment of capital cannot be so used. We have not been given any information which would enable us to divide the contribution that we received from Burma into its constituent elements, but it is nevertheless clear that if, as it ought to be, the whole of the sum were not credited to revenue our deficit would be much greater than even 3½ crores.

The Honourable Finance Member asks us to take consolation in the fact that we have borne burdens that were not foreseen a few years ago without extra taxation. He says to us: "Look at the strain that our revenues have had to bear and then judge of our achievement". He draws our attention to certain figures. The provinces, taking into account their share of the jute duty and the money that they will receive in accordance with the Niemeyer recommendations will be getting about 6½ crores from the Government of India. Then there is the deterioration of 2½ crores due to the separation of Burma. These figures are pointed out both by the Honourable the Finance Member and the Financial Secretary. I will go further and take into account certain other factors which were left out of consideration by the Honourable the Finance Member. Take, for instance, the loss of the duty on sugar. Now I take the year 1931-32 as the starting point and not 1930-31, as 1930-31 was a very abnormal year. The revenue realised in that year was never realised either before that year or afterwards. I start therefore with the revenue yielded by sugar in 1931-32, which was 8 crores. It is clear that there is here a deterioration of nearly 7½ crores. And then take the remission of taxation in the current year and last year amounting to 3.42 crores. Adding up all these figures we can say that the total additional burdens that the Government of India have had to bear amount to 19½ crores. I may, however, point out in passing that the loss of the income from the sugar duty was not unforeseen. Sir George Schuster stated in his Budget statement for 1932-33 that commencing with the year 1931-32 India must be prepared to lose annually a crore on the sugar revenue. It is true that the revenue went down much more rapidly, but had the process foreseen by Sir George Schuster continued as gradual in its operation as he wished, even then our revenue from sugar would have been practically extinguished by now.

Sir, I have pointed out the strain which the revenues of the Central Government have had to bear. Let us, now, consider the additions to the revenue made during the last few years. Take first, Sir, the excise duty. Now, the excise duty was not thought of when extra taxation was imposed in March-September 1931 and this duty is expected to yield about 3½ crores. Then take, Sir, reduction in interest charges excluding the share of the Railways and the Prov-

incial Governments. I understand that this may at a conservative estimate be put down at 2 crores. There has thus been a betterment in the revenue position of the Government of India by nearly 5½ crores and the total net deterioration comes to about 14 crores. Well, now consider, Sir, the taxation imposed in 1930-31 and 1931-32. The taxation imposed in 1930-31 amounted roughly speaking to 5 crores and that imposed in 1931-32 was expected to yield nearly 29 crores. These 2 items amount to 34 crores. Then we have to take account also of the increased postal charges amounting to ½th of a crore. The total additional taxation thus comes to about 34½ crores. Now, it is true, Sir, that the taxes that were imposed did not yield all the revenue that was expected of them but before congratulating ourselves on the improvement in our revenue position we must in all fairness take account of their existence and magnitude. If we have been able to meet new burdens to the extent of 14 crores after passing taxation measures expected to bring in over 34 crores, I cannot see that we have any occasion to congratulate ourselves. All that we can say is that the taxation measures are beginning to bear fruit, though even as yet the yield from the taxes may not be all that was hoped for from them.

In order to meet the situation as it is, Government propose to increase the excise duty on sugar and the import duty on silver. I shall take the silver duty first. The Honourable the Finance Member, as his Budget speech shows, thinks that the recent imports of silver into India indicate a revival of the hoarding habit. I am not aware that the silver that has come into this country recently has found its way on a large scale into the villages. We must have some evidence on the subject, but it has not been furnished in the slightest degree either by the Honourable the Finance Member or by the Honourable the Finance Secretary. But even if it be true that a large part of the silver has been acquired by the villagers, does it show that it is being hoarded? Look at the large population of this country; look at the social requirements of the people. Consider also the large amount of gold that the country has had to part with in recent times. At least some of it, as Sir George Schuster admitted in one of his budget speeches, was due to the economic distress prevailing in the country. If in the first year of the revival of the export trade the people took advantage of it to provide a little jewellery for their women or to lay by something against future needs, can any one fairly charge them with trying to hoard money? The position this year can be looked at in this way. In the first 9 months of the year, gold of the value of 23½ crores has been exported, and silver to the tune of 9½ crores has been imported. It only means that a part of the gold has been used to purchase silver, and the Honourable the Finance Member, in order to discourage this, increases the tax on silver. If it is true that most of the silver that has come recently into this country is to be found in the possession of the villagers, then he is according to his own showing guilty of putting a tax on the savings of the poor. I am afraid therefore that I cannot support the enhancement of the duty on silver.

Now, let us take the sugar excise duty. It is a pity that the Government of India had committed themselves to the proposition that as soon as our finances improved, the cuts made in salaries should be entirely abolished. I wish for my part that the higher salaries had been kept at a reduced level for some time longer. (An Honourable Member: "Permanently.") Well, at any rate, till there were more signs of financial prosperity than were evident when the cut was entirely removed. Then, Sir, take the surcharge on income-tax and super-tax, which has been partly removed. If steps had been taken to exempt men with small incomes and to confine it to men with higher incomes, I personally think that such a measure which would have distributed the burden more evenly would have been preferable to a measure of the kind adopted

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by the Government of India. I am in entire sympathy with the position taken up by my Honourable friend Sir Phiroze Sethna when he suggested that the Government of India, if they wanted to take steps to strengthen the sugar industry, ought to have given it some time to put its house in order. This is not an unfair demand. As it is, I am afraid that the action of the Government will be regarded as having been determined by political motives. I know that the country has had, at any rate temporarily, to make a large sacrifice in order to establish the sugar industry. Patriotic sugar producers will certainly be the last to object to shouldering any additional burdens rendered necessary by the loss of the customs revenue from sugar. But both they and we have a right to expect that before any additional burdens are imposed, they are not unduly burdensome and are in accordance with sound canons of taxation. Sir, I do not wish to labour this point further. I will sum up my position by saying that I am not in sympathy with either of the measures suggested by the Honourable the Finance Member.

One will naturally say in such a position, "What is to be done to improve our situation? What is the outlook for the future? What is the real economic position of the country?" The Honourable the Finance Member has made some observations on this subject in his budget speech which are of considerable interest. He thinks that the protective and revenue duties are reducing our income unnecessarily, and he had the support of the Honourable Mr. Parker who asserted that it was the duty of the Finance Member in view of the opinion expressed by him to take his courage in both hands and to reduce the duties. Before I deal with this point, I should like to quote the exact words used by the Honourable the Finance Member. "The height of the protective and possibly of the revenue duties as well", he said, "is bringing about the inevitable diminishing returns and these are operating more rapidly than we had believed possible." This is perfectly true of the protective duties, but they were not imposed for revenue purposes at all, and taking the last 6 or 7 years, the diminution has not been as rapid as one might be led to believe by this statement of the Finance Member. Again, if protection is given to suitable industries, it is obvious that the resulting economic prosperity of the country would repay many times over the temporary loss that might be sustained by Government. The more serious part of his remark, however, deals with the revenue duties. Now, what is there to show that our revenue duties are tending to reduce the yield that one might legitimately expect from them? Sir George Schuster considered this position both in his Budget speech for 1933-34 and in that for 1934-35, and in both years he came to the conclusion that there was no case made out for a reduction of the duties. He said in 1933, "We have considered very carefully whether in any case of customs duties a point of so-called diminishing returns has been reached, but I am quite satisfied that there is no class of ordinary imports in regard to which a reduction of the duty would so stimulate the demand as to produce an increase". And referring to the subject in 1931, he said, "A careful scrutiny of the remaining items in the tariff schedule"—(that is, excluding manufactured tobacco and silver)—"has not revealed any other clear case for making a change on the ground that a reduction in the duties would mean an increase of revenue or indeed would not involve a definite waste or loss of revenue". We could not have a more clear pronouncement than that on this subject and the recent trade returns bear out what Sir George Schuster said on both these occasions. Take our export and import statistics starting from the year 1927-28. Both tell the same tale but I will content myself with dealing with the imports only because I take it that the Finance Member in making the remark to which I

have referred was thinking primarily of the import trade. Well, the worst year for imported goods was 1931-32, when their volume on the basis of the prices that prevailed in 1927-28 was only 70·6 of the standard reached in 1927-28. The corresponding figure for 1935-36 is 86·6. There has thus been a continuous and substantial increase in the volume of imports since the time when the duties adversely commented on by the Finance Member and the Honourable Mr. Parker were imposed. Again, the reduction last June of the duty on certain kinds of British cotton goods did not add a pie to the customs revenue. The view of the Honourable Finance Member is thus unsupported by facts.

There is another remark made by the Honourable Finance Member which also deserves attention at the hands of Honourable Members. Referring to the favourable trade balance of India in the current year he said, "It certainly does not look therefore as if the rupee were over-valued; in fact, there is a great deal more to be said for the contrary view". Now, it is true that in the first 9 months of the year the balance amounted to 50 crores. If our position improves at the same rate, you might expect a balance of nearly 67 crores in a full year.

THE HONOURABLE SIR JAMES GRIGG: I should like to tell the Honourable Member that in the 10th month the favourable balance added 10 to the figure of 50. So it looks like speeding up. I mean that it is increasing rather more quickly.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: I know that. I will therefore assume that the balance which will increase more rapidly will at the end of the year amount to 75 crores. But is that a figure which need cause the slightest concern to a Finance Member of the Government of India? What was the figure of the trade balance in pre-war years? (An Honourable Member: "60".) It was much larger than 60. In the quinquennium just preceding the war the favourable trade balance amounted to 78 crores, and it has to be borne in mind that India was then an importer of the precious metals. In the current year, however, the favourable trade balance takes into account also the export of gold. We are therefore nowhere as compared with the position we occupied in the pre-war years. It is true, however, Sir, that, while the exports have gone up, the imports have declined. But we do not really know what the permanent state of things will be. There is nothing to indicate at present that the imports will continue to go down. The decrease in imports may well be only a passing phenomenon. As our exports go up it is natural to expect that people will receive a larger portion of the payment due to them in the shape of goods. In any case there is nothing here to show that the rupee is in the slightest degree over-valued. We know however that the revival of prosperity in the country depends on the increase of the purchasing power of the people, and one of the most potent ways of doing it would be a reduction in the value of the rupee. And here, Sir, I should like to put a question to the Finance Member. When he said he thought there was a great deal to be said for the view that the rupee was under-valued, what exactly did he mean, to what currencies did he refer? Did he refer to the English currency or did he refer to non-English currencies? So far as non-English currencies are concerned, the Indian currency is linked to them only through the English currency. If then the rupee is under-valued in relation to them, it can only be because the pound also is under-valued in regard to them. As regards the English currency, however, there could be no under-valuation of the rupee because the ratio has been forcibly maintained at the previous level by the British Government. England itself went off the gold standard and managed

[Pandit Hriday Nath Kunzru.]

its currency as it thought would suit its economic interests. But it somehow came to the conclusion that the interest of India would be best served if she continued to be in the leading strings of England. There is, Sir, not the slightest evidence to show that the rupee is under-valued; on the contrary, there is a great deal to be said in favour of the view that if the rupee were slightly under-valued, our recovery would be quicker and both our economic and financial position would so improve as to remove the embarrassments from which the Government of India are suffering.

As regards the future, Sir, there has been some increase in prices in the current year, a small but steady increase. It is difficult to say whether the increased business activity which is due to it is genuine or speculative. Business men whom I have had the opportunity of talking to have generally attributed the recent rise to the disturbed political conditions in Europe. One hopes that their prognostications may turn out to be untrue, for no one is interested in showing that the condition of this country has permanently deteriorated. We must however take account of the genuine fear entertained in well informed circles that the increased movement of goods visible during the last 9 or 10 months may prove to be short lived.

Sir, I should like before I sit down to deal with a question in which I have been taking considerable interest for many years. I refer, Sir, to the army. I am free to admit that a great deal of reduction in army expenditure has been carried out during the last 5 or 6 years even after taking account of the contribution of 2 crores made by the British Government and the reduction in the pay of the British soldier. The reduction has been greater than any one of us would have believed possible, say, in 1931-32. The army authorities are therefore entitled to full credit for the efforts made by them to co-operate with the Government of India. But that unfortunately, Sir, does not end our difficulties. The army authorities may have considerably reduced the expenditure of the army, but we have yet to consider whether even the present scale of army expenditure is in consonance with the general standard of life in the country. Now, Sir, in order to judge of the relation the army expenditure bears at present to the revenues of the country, I compiled figures relating to the central and provincial revenues for the year 1935-36. For the central revenues I took the figures relating to Railways, Posts and Telegraphs, Currency and Mint, Interest Charges, and Defence Services net and I found that the revenue of the Government of India amounted to about 82½ crores. As for the provincial revenues, taking Irrigation and Interest net, I found that they amounted to 81½ crores; the total revenues of the Government of India and the Provincial Governments thus came to 164 crores in the year 1935-36. The net Army expenditure in that year—and when I say net I take into account the contribution of 2 crores made by His Majesty's Government—amounted to about 45 crores, that is to say, nearly 27½ per cent. of the total revenues of the country as computed by me. I leave it to Government themselves to consider whether such a figure can be regarded with equanimity at the present time. Had we received no contribution from His Majesty's Government, the percentage would have been in the neighbourhood of 29. But this is not, Sir, the whole of the story. The cost of the re-equipment programme has gone up by nearly 2 crores and His Excellency the Commander-in-Chief has warned us that the present scale of expenditure is insufficient to meet the needs of the Defence Services. I am not unduly alarmed by that fact, for since the days of Lord Rawlinson up to the present time there has not been a single year when the Commander-in-Chief has not said—perhaps out of loyalty to his Department—that when

financial prosperity returned he would ask for a reversion to the old scale of military expenditure. But at the present time even any small addition to our military expenditure would involve a severe strain on our financial situation. We have had some relief—so far as defence expenditure goes and not so far as the whole financial position goes—on account of the separation of Burma. I hope the army authorities will not, simply because the defence expenditure will in future be apparently smaller than it has been hitherto, press for increased expenditure. If any such demand is made, then we, whatever our desire might be to secure the safety of the country, would have no option but to come forward with a determined negative.

Now, Sir, we have to ask ourselves as to what is the relation of the Department, of the Army Department which is costing us so much, to the country as a whole. Is it a national department? Has it created a national army? Has it Indianised the officer ranks? I am afraid, Sir, that the answers to all these questions must be in the negative. My Honourable friend Mr. Parker thought it very fortunate that India was a member of the British Commonwealth of Nations, for it was thereby saved the necessity of spending large sums of money on military preparations. I wish he could convince the United States of America and France and Germany of their incredible folly in remaining outside the British Commonwealth of Nations.

THE HONOURABLE MR. R. H. PARKER : I wish I could.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : I have no doubt that he would be prepared to essay many such impossible tasks. But for us ordinary men, it is enough to take account of ordinary sentiments and motives by which men are moved to action. If we do so, we shall see that the other countries which may be spending more than we are doing—a fact which has not been proved by the Honourable Mr. Parker—are paying a price for national freedom. But what are we paying this price for? Are we expected to pay it for national subjection and to be grateful for it? Another factor of a general nature which I should like to bring to the notice of the authorities.....

THE HONOURABLE THE PRESIDENT : I have allowed you 45 minutes already.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : I will come to a close, Sir, in two minutes. The Army Department is concerned with important aspects of our national life, but does it consider it its duty when the military budget is considered, either here or at another place, to give us information about the factors affecting our security and our relations with our neighbours? Do we ever have a speech of the kind that, say, a Defence Minister or a Foreign Minister would deliver in the British Parliament? It is true that Government are not responsible to us, but is their moral duty any the less for that reason? Apart from that they have accepted the policy of according Dominion Status to India. Does it not behove them, therefore, to take steps to give us that information which will enable us to acquire the knowledge and experience which will be needed in the administration of the Army Department when it is placed in our hands?

Just one word, Sir, about the size of our Army before I sit down. England is making a contribution of about 2 crores to our defence expenditure. I hope I shall have an opportunity of saying something on this subject a few

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days hence. I will therefore only say for the present that this contribution is wholly inadequate. I for one do not want any financial relief from Great Britain. I care more for the self-respect of India and wish that the European troops were replaced by Indian. If, however, England wishes to do financial justice to this country, leaving out the political question, leaving out the large question of political freedom which is indissolubly associated with this question, it ought to make a much larger contribution than it does at the present time. Judging from the table contained in the Army estimates which compares the cost of Indian and British units, I think taking both effective and non-effective charges we can say without exaggeration that the extra burden due to the maintenance of European troops in this country will be in the neighbourhood of 10 crores. What is a contribution of 2 crores in comparison with the large additional burden that is imposed upon our revenues by the maintenance of 60,000 British troops in this country?

But apart from this, Sir, the Inchcape Committee suggested a way of bringing relief to the revenues. It suggested that when the reserves were up to strength, the peace establishment of an Indian battalion should be kept 20 per cent. below the war strength. Now, Mr. Mackworth Young, who was the Army Secretary in the year 1930, replying to a demand for information on this subject, said that the Army authorities had looked into the matter and had been able to make a reduction of 34 men per regiment. If the recommendation of the Inchcape Committee had been carried out there should have been a reduction of nearly 153 men per regiment. At the time the Inchcape Committee reported, there were only about 8,000 men in the reserves. I understand that their number is about 35,000 now. Thus the actual strength of the reserve is the same as its sanctioned strength. Has not the time come then for giving effect to the recommendation of the Inchcape Committee? And as in accordance with the recent reorganisation our regiments will be organised not on a four-company but a three-company basis, it does not seem that the Inchcape Committee's recommendation will make the primary units too small for efficient military instruction.

Sir, I do not wish to take the time of the House any further. I am grateful to you for the indulgence which you have accorded to me. But allow me to say that if I have dwelt at such length on the Army budget and its relation to the political status of the country, I have done so because of the great importance of the subject at the present time. What is the crux of the situation, Sir, in the provinces? Is it not the seriousness of the position then due to the present hopeless condition of the masses? They have practically nothing at present and they have hardly anything to look forward to in future. If we wish to bring about a better state of things we must be prepared to exercise the most stringent economy, to use if necessary radical measures of reorganisation in order to improve the condition of the rural areas and to make the people feel that they have everything to gain from a stable and ordered Government. And the additional money that will be needed for the expenditure required to improve the level of the life of the masses cannot for the present be met out of additional taxation. As the Army is our largest spending department, one has to ask that department, however difficult the technical experts looking merely to their own side of the case might find it, to draw their belts tighter and, in the interests of the very country which they profess to serve, to leave nothing undone in order that greater security, contentment and well-being might accrue to the country than its armed forces alone can bring to it.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, I generally endorse the observations which have been made by my Honourable friends, Sir Phiroze Sethna, Mr. Hossain Imam, Mr. Kunzru and others. I must say, Sir, that this Budget is not only disappointing to the Honourable the Finance Member but is equally disappointing, if not more disappointing, to the general public and particularly to the commercial and industrial community. For some time, Sir, there has been a feeling that the Government's attitude towards industrial development is becoming increasingly lukewarm and its policy of protection, instead of being rigorously pursued, is being directly or indirectly whittled down. The Honourable the Finance Member's speech does nothing to remove this widespread apprehension but on the contrary the entire tenor of the speech seems to indicate a lack of appreciation of the imperative need of development of Indian industries and undue emphasis on purely revenue considerations. I cannot help observing that this concern for budgetary considerations irrespective of wider issues leads him to favour a policy of encouragement of foreign import. I submit with due deference that the whole question should not be regarded as one of merely balancing the Budget but should be considered as an integral part of a national economic policy.

Sir, the Army expenditure is top-heavy. Nowhere in the world is there such a huge standing Army being maintained. Nowhere in the British possessions or the British Dominions is the expenditure on the standing Army kept at such a high level. I cannot therefore understand, Sir, why unlike Dominions India should be burdened with the cost of the Army of occupation. It is time that the policy pursued by the late Commander-in-Chief be pursued further.

(At this stage the Honourable the President vacated the Chair, which was taken by the Honourable Sir David Devadoss.)

Sir, we find that the Defence expenditure, instead of going down, is on the increase, although Burma is going to be separated from India. If we take the actuals of 1936-37, taking into consideration 104 lakhs saving from Burma and 20 lakhs saving from Aden, the actuals come to 43.61 crores. But the estimated figures for 1937-38 are 44.62 crores. If we take away even the expenditure of 75 lakhs on the reconstruction of Quetta, even then the total estimate comes to 43.87 crores. Sir, this expenditure includes the re-equipment of the Army on modern lines. This equipment was estimated to cost about 12 crores, out of which about 8 crores have already been spent. Sir, I ask His Excellency the Commander-in-Chief whether this pace of equipment, considering the present financial condition of India, cannot be made slow.

Sir, it pained me, and I must say it will pain the public of India, to find that the officers who pass out from the Indian Military Academy are filling the vacancies caused by the Viceroy's Commissioned Officers. That is so and the reply which His Excellency the Commander-in-Chief gave this morning to my question bears me out. I find from the books before me that in the year 1936 there were 4,426 Viceroy's Commissioned Officers.

(At this stage the Honourable the President resumed the Chair.)

In 1937, the reports give the figure at 4,230. That means a reduction of 196 Viceroy's Commissioned Officers. In 1936, the number of Indian Commissioned Officers was 141 and in 1937 this has risen to 202. So, against a decrease in the number of Viceroy's Commissioned Officers of 196, there is an increase of 61 Indian Commissioned Officers. This shows how anti-Indianisation is going on among the Officers in the Indian Army. If I mistake not,

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when the Indian Academy was founded, as far as my information goes, it was never intended by Government to add to the inferiority stigma which they gave to the Indian Commissioned Officers. Now, another inferiority complex, perhaps due to colour, is given to these officers and the public will regard them now as dignified Jemadars, dignified Subedars and dignified Risaldars. It pains me to find this. It is useless for Government to spend about Rs. 10,000 on training of a cadet who is to replace a Jemadar. Is that justified? Was that the intention of the Government of India to train Jemadars and Subedars in the Indian Military Academy? Sir, I must say that the people of India will resent this reversal of the policy of Government as far as the Indianisation of Army Officers is concerned. If I rightly remember, when the question of the abolition of the Viceroy's Commissioned Officers was being considered in this Honourable House some time back, His Excellency Field Marshal Sir Philip Chetwode told us that the example of the British units will be followed and these Subedars and Jemadars will be replaced by Sergeants and Sergeant-Majors. But, Sir, I find that, presumably owing to the reversal of that policy, the result has been that instead of the Indian Military Academy Officers replacing the British Officers, they are replacing what we generally consider subordinate officers, that is, the Viceroy's Commissioned Officers. How can you expect that you will get plenty of young men from higher classes to offer themselves to an institution whose product will bear the inferiority and colour complex? Sir, from the way in which the admissions of Indian officers to the Staff College are made and the way in which Indian Officers who duly qualify themselves for admission to the Staff College are not given admission, we suspect, with due respect to those concerned, that the policy of Indianisation is being retarded so that, when the time comes, it will be said that duly qualified passed Indian officers from the Staff College are not available, and so Staff appointments cannot be given to Indians.

Sir, the question of raising the salaries of the Indian Commissioned Officers is also a matter which should receive favourable consideration from the Government of India. A small deputation of the members of the Central Legislature waited on His Excellency the Commander-in-Chief in Simla. They also represented that one of the reasons why cadets from higher classes do not offer themselves in adequate number for admission to the Dehra Dun Academy was that the salary and prospects and the status were not bright. I presume, Sir, that His Excellency the Commander-in-Chief will throw some light as to what decision they have come to in order to induce right class of people to join the Indian Military Academy in larger numbers. We also expect His Excellency to say whether or not there has been a real reversal of policy of Indianisation by the steps they have now taken, and how he justifies the present pace of Indianisation in the face of the assurances given by Army Members from time to time. Sir, at present there are generally about 11 Jemadars, 8 Subedars and 1 Subedar Major in the Indian regiments; but in the Gurkha regiments their number is 2 Subedar Majors, 16 Subedars and 26 Jemadars. This number is gradually being reduced every year and I think within the next few years this whole batch of the Viceroy's Commissioned Officers will disappear. Alas, what a reward to the so-called martial classes! In view of the present pace of recruitment of Indian Commissioned Officers I would humbly request His Excellency the Commander-in-Chief to explain how he proposes to make up the deficiency.

Sir, I agree with those Members who have said that the cost of the British army of occupation should be met by the British War Office. Everybody

knows that the British soldier costs four times as much to maintain as the Indian sepoy, and a reduction of only 1.917 in the number of British ranks is too small a figure.

I will then come to the question of the high salaries paid to officers in India. Some time back when I was dealing with this question in this very House I gave figures of salaries of officers of various countries of the world, particularly of the Dominions and possessions under British rule. Arguments were advanced that conditions in India and the inconvenience which British officers had to face justified their high salaries. I admit that for deserting their homes for a long period and for the tropical conditions which they have to face here, their salaries must be more than the salary which they would draw in England. But I then compared the Indian salaries with those current in Nigeria. That is also a big British possession which, as far as I know, is a very unhealthy country. The time has come when we cannot afford to pay such high salaries, and the revised scales for officers has not met with the demands of the public. The Lee concessions and other concessions still continue. Solemn promises were made from time to time in the Central Legislature that when times improved super-tax and surcharges on income would be removed. But they took the first opportunity to get their salary cut restored while they ignored this promise which stands ignored till today. Any increase in taxation once imposed is lowered only with difficulty and reluctance by Government.

So far as mass welfare is concerned, as my Honourable friend Mr. Pantulu said, the grant for rural uplift has disappeared. May I ask whether that disappearance is due to the fact that the Government's aim has been fulfilled? May I ask what proportion of that rural grant went in the shape of salaries and allowances of officers and staff? May I ask what real sanitary improvements were made? My information, which may not be right but which I assume is right, is that efforts were made to raise the standard of living of the masses. The present economic condition of the masses is such that they want their necessities of life met at every point, and that cannot be met by the provision of extra skylights or of a wider street in their homes. If Government really felt mercy and sympathy for the poor man there was no reason why this grant should be discontinued so abruptly at this stage. Therefore those people who suspected that this was merely a countermove to gain some political ends seem justified on their suspicion.

Sir, China is a backward country as compared with present India, but they made their people who had acquired the habit of eating and smoking opium to give up this habit.

THE HONOURABLE THE PRESIDENT: Do you seriously believe that?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, I seriously believe that because India has suffered a loss of over 9 crores of revenue a year on opium which used to be exported to China. That shows that India has not cared for its own people like China has done. I do not know whether China's efforts to stop the opium habit has been fully or partially successful, but one cannot disbelieve that there has been a distinct improvement as regards minimising the opium habit there. My point is that these 50 lakhs of revenue from opium ought to be stopped and the opium habit in India ought to be discouraged as much as possible. Opium should only be used when it is needed for medicinal purposes. Now, Sir, I come to the increased excise on sugar. I might tell this House that I am not much interested myself personally in the sugar industry. I must say that 2 years

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ago I visited Java and I went to Sorabaya to see the various sugar factories there and it was there that I heard a rumour that the Dutch Government has forced the British Government to agree to discourage the sugar industry in India on account of Dutch Government agreeing to help the British in their political aspirations in the Far East.

THE HONOURABLE THE PRESIDENT : You are a very simple man.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : That was what I heard there. Whether those people who gave me that information were simple or not I do not know.

THE HONOURABLE THE PRESIDENT : No. I say you are a very simple man.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : There they said that Japan by the opening of the Kava canal in Siam and thereby shortening the distance of sea passage by connecting China Sea with the Bay of Bengal aimed that the Singapore Naval Base be rendered not of much use. That in lieu of certain military and naval aid from the Dutch that Britain agreed. I do not say that this is a fact ; that is what the people talked there. But the action which the Government of India has been taking as regards sugar industry makes one suspect that there is some truth in the rumour which I heard in Java. Sir, the Government did decide to pursue a policy of protection. The Tariff Board was appointed to advise Government, but its recommendations were accepted by the Government whenever it suited them. Now we find that there has been a reduction in the import duty on foreign sugar against the recommendation of the Tariff Board. All these things show that the Indian industrialists have to suffer. I admit that in India when any industry is taken up and when people see that that is a thriving industry more people follow it and then the question of overproduction arises. But what steps do the Government propose to take to stop such unhealthy development of industry ? They must do something to save the people from investments in the wrong manner. I think it is the sacred duty of the Government to warn the people in time, when time has come when the country does not require any more of a certain commodity. Their failure to meet the situation also makes one believe that the policy of Government as far as the development of industries is concerned is lukewarm.

Now, Sir, I come to civil aviation. I think personally that we must move with the times and that we should keep ourselves at par with all developments which the civilised countries make. Sir, when the question of allotment of funds to the Civil Aviation Department was being considered at the time when Retrenchment Committees were in existence, and I had had the privilege to serve on one of such committees, I made a proposal for a bigger grant for civil aviation. Sir George Schuster, the then Finance Member, said that it was no use at all to the man at the plough and so the big grants that I demanded were totally unjustified. We see that a few years afterwards the Government of India themselves budgeted over 90 lakhs for civil aviation. We have to see how that big grant is being spent and what part of that is being spent on making India air-minded. We find that the grant to the flying clubs are being reduced. We also find that all that money which is being spent upon civil aviation is being spent for making aerodromes, lighting aerodromes and lighting routes and supplying meteorological and other

facilities. I do not grudge that expenditure, because I consider that that expenditure has been caused by international and political reasons and it will make India defend itself well at the time of war. When these big sums are spent for the sake of war, as a preventive or precautionary measure, a portion of the increased grant ought to be spent to make India air-minded. There ought to be a fleet of aircraft subsidised by the Government of India, Defence Department, as they do in the case of lorries. Those people who hold Pilot A or other better certificates should be included in the reservist list of the military flying corps. A real impetus should thus be given to the people of India to learn flying and to have and to enable them to have some jobs when they qualify themselves. Sir, I had personal experience of the Northern India Flying Club at Lahore. Last year unfortunately we had three complete crashes and the result was that it was with very great difficulty that we could keep the club going with subscriptions raised locally. I do not say that the club is ungrateful for the grant which is being given to it now. But what I say is that in time of such calamity to the clubs, Government must come forward to help them in replacing those crashed planes. That is the only way in which we can make the people of India air-minded.

Sir, it is a matter of regret to find anti-Indianisation going on in the Political Department of the Government of India. If my information is right, some time back there were 3 Indian officers working in the Political Department. But my information now is—and if I am wrong the Government will put me right—that there is not a single Indian officer left in the Political Department. They have been all transferred to the Foreign Department. I should like to know, Sir, why this has happened. Some time back I was told that the Ruling Princes did not like the idea of having Indian Political Officers in the States. But, Sir, when I made inquiries from the then Chancellor of the Princes he contradicted that and His Highness said they would welcome Indians. I would, Sir, therefore request the Government to throw some light on this, as to why Indianisation in the Political Department has disappeared. Similar is the case in the Cypher Bureau.

Then again, the surcharge on coal has not been removed. This also shows how Government is encouraging the development of industries. Coal is the basic material for every industry. When I raised this point in the debate on the Railway Budget, the Honourable President asked me to raise it on the General Budget and that is the reason why I have brought it up now. If the Government are really anxious to advance and develop Indian industries this surcharge on coal should immediately be removed.

Sir, I now come to the point as to what in our opinion should have been the method to meet the deficit. I have before me, Sir, a statement of revenue of the Government of India from various sources. In this, Sir, I see that certain articles are bearing heavier taxation every year and as their imports are on the increase I can deduce that they can easily stand an enhancement of the duty. Now, Sir, take the case of tobacco. Why should not the duty on tobacco be increased ? In 1933-34 the revenue from tobacco was 114.82 lakhs. In 1936-37 it rose to 125 lakhs ; and in 1937-38 the Government expect a revenue of 140 lakhs. That shows, Sir, that tobacco can bear more duty. Then Sir, we come to aniline dyes. The revenue on aniline dyes in 1933-34 was 23.64 lakhs ; and in 1936-37 it rose to 27 lakhs, and the Government are expecting 30 lakhs for 1937-38. Similar, Sir, is the case with non-British fabrics, cotton yarn, and artificial silk. This artificial silk, Sir, which is now proving a wrong thing to buy for the masses because it does not last long, can easily bear a heavier import duty. The revenue from artificial silk in 1933-34 was 68.28 lakhs, while in 1936-37 it rose to 185 lakhs and Govern-

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ment anticipate an income of 220 lakhs this year. The same is the case with cotton hosiery and so many other things. Why duties on such articles have not been increased instead? I do not, Sir, grudge the duty on silver but I do grudge the increase of duty on sugar. Sir, as my Honourable friend, Sir Phiroze Sethna, observed, it was rather unjust to enforce an increase in sugar duty all of a sudden. I should like to ask the Honourable the Finance Member whether this increased duty will apply to sugar which has already been sold and which is lying with the manufacturer on behalf and on account of the purchaser. That is a question, Sir, which I want cleared up. Because, if the Government aim at assessing increased duty on all sugar which is in the godowns of the various sugar factories, irrespective of whether it has been already sold, it will cause great hardship on the manufacturers.

THE HONOURABLE THE PRESIDENT: You have already occupied 45 minutes. There are several other speakers.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, I will only take a couple of minutes more. The reasons for the fall in imports are (1) protection for sugar, (2) Japanese-Indian competition against British textiles and Japanese dumping, and (3) retention of metals in Europe for armaments as a result of the war scare. Then, Sir, there are (4) sanctions against Italy, (5) rural indebtedness and (6) too high estimates for various articles not fulfilled. Fall in income-tax is due to cut-throat competition in sugar and loss in profits of money-lenders. Unless economic conditions become favourable it is not expected that the imports will materially increase. What are you doing in this direction?

The last point which I want to raise, Sir, is the question of rural credit. The Government have forced the money-lenders, even the honest money-lenders, from doing their business in rural areas. The co-operative banks cannot at present meet even a fraction of the demand for rural credit. And the result is that it is impossible for the poor agriculturists, who can offer no security, to raise money. We know what hardships they are undergoing and I should like the Finance Member to explain how their miserable condition can be improved. I do not mean that the money may be found for them for luxury purposes, but for the sake of sickness and in the case of other necessities of life means of providing credit to the poor agriculturist should be found.

THE HONOURABLE SIR JAMES GRIGG: Sir, I am very grateful for this opportunity of addressing this House on the subject of the Budget proposals and I shall try to deal with the more important points which have been raised during the course of the debate.

I might take the Honourable Mr. Ramadas Pantulu's speech first, not because it was the first in point of time or because it was the most important, but because it contained one statement which I should like to deal with rather roughly. He said—and I took the words down at the time—that I was an Agent of British commerce. It is not a very original remark, of course, because the Party whose insignia he has adopted has repeated it *ad nauseam*, but that does not make it any the more true. Well, Sir, in recent days I have had occasion to study what is Parliamentary and what is not Parliamentary and I have discovered an expression which is the strongest that can be applied to such a statement as that within the terms of Parliamentary usage and this expression is hallowed by practice in the British House of Commons. I have no hesitation whatever in characterising that statement of the Honourable Mr. Ramadas Pantulu as a terminological inexactitude. He can look up a shorter paraphrase if he likes.

The Honourable Mr. Pantulu went on to accuse me of making a propagandist speech. Pretty good that coming from a member of his Party. Otherwise, his speech was a collection of unsupported contradictions of various statements in the Budget speech. I am afraid that in the complete absence of any evidence to support his contradictions, I can only say that I repeat my previous statements and remain convinced of their accuracy. There was another terminological inexactitude in his speech. He suggested that I had inflated the figures of 1936-37 in order to provide the rural grants which were given in the last two years. Well, Sir, if I may say so with respect but not too much respect, that really is a very silly remark because . . .

THE HONOURABLE MR. HOSSAIN IMAM: Is "silly" Parliamentary, Sir?

THE HONOURABLE SIR JAMES GRIGG: . . . rural grants were provided out of the realised surplus of 1934-35, and that is a fact well known to everybody.

We come to another contention of his and it related to the Budget proposal to increase the sugar excise duty. He said, "Why not manufacture for export?" There is a very simple answer to that, because the Indian manufacturer produces now only at 200 or 300 per cent. above competitive prices which seems to me to provide a conclusive reason for his not being able to manufacture for export.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Will he be helped by the increased excise duty?

THE HONOURABLE SIR JAMES GRIGG: I will come to that in one second. You mean on export?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Yes.

THE HONOURABLE SIR JAMES GRIGG: That is another point. By putting an increased excise duty, you are increasing the price of the article and therefore hinder export. That is the argument. Surely, Mr. Ram Saran Das must know that when goods are exported, a draw-back is paid on it, so that the effect of the excise duty on export is absolutely nil.

THE HONOURABLE MR. V. RAMADAS PANTULU: I only wanted Great Britain to purchase the costly sugar of India by preference and not other countries.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: What I meant is that in the case of export, the excise duty should be refunded.

THE HONOURABLE SIR JAMES GRIGG: I should have used the Indian term "refund". The English expression for refund of duties is "draw-back". I mean the same thing.

Mr. Ramadas Pantulu went on, after belabouring my proposals or the Government proposals not very accurately or very successfully, to talk about alternatives. He first of all complained rather petulantly that as he had no responsibility, and could not have any responsibility, for producing alternative proposals, he does not know why he should be called upon to do so. In spite

[Sir James Grigg.]

of that, he did start producing alternatives. The first one he produced, though it was not quite relevant to the question of the Central Budget, was the abolition of the Permanent Settlement. I do not propose to say anything about that but his Honourable friend from Bihar seemed to say a good deal and that not entirely of an approving character. So, I think we might leave the two Members of the opposition to answer themselves. Then he came to taxing of agricultural income or the inclusion of it in income for purposes of income-tax. He made a great grievance that the Government of India made no attempt to tax agricultural income, but he does not seem to know that agricultural income is a provincial subject, and it is only the provinces that can tax agricultural income and if he is so keen, his friends from Madras will have quite soon a chance of taxing agricultural income and we shall see what they do about it. So much for Mr. Pantulu.

Perhaps I might now come to the speech of the Honourable Sir Phiroze Sethna and here I would like to make a few general remarks about Defence expenditure. I think a general summary of Sir Phiroze Sethna's main contention is that there should be first of all an absolute reduction in the number of British troops and secondly a substitution of a further number of them by Indians. Well, the second question at any rate raises the very big issue of Indianisation, which I gather has been discussed over and over again in this House and may be discussed again shortly. I do not want to dwell on that but I will refer to his proposal for an absolute reduction of the strength of the Army, particularly at the cost of the number of British troops. All I can say is that I hope he will view such a proposition as that with the same easy optimism a year hence. As a matter of fact, in the present circumstances, there is really not the slightest good deluding ourselves into thinking that in the immediate future there is going to be any reduction of defence expenditure. With the world at its present state, it seems to me, giving full weight to all the factors in the case, and with due regard to the desirability, other things being equal, of effecting economy, to be quite a delusion to imagine that we are going to have any reduction in defence expenditure in the years which are immediately before us. In fact, we shall be extremely lucky if we escape—and for my part I do not think we are going to escape—an increase on defence expenditure to meet the absolutely irreducible minimum needs of defence. I am bound to say, though I say it with regret because like every Chancellor of the Exchequer or Finance Minister in the world, I can only regard an increase of defence expenditure with misgiving, because nobody knows where it is going to stop, but I say, with a due sense of responsibility, that we agree much more with Mr. Parker's view than with Sir Phiroze Sethna's. For the rest, I would like to take up one or two arithmetical comparisons that were made to show how heavy was the burden on India of defence expenditure. I do not want for a moment to maintain that the burden of India's defence expenditure is not a heavy one, but I do not think Honourable Members should exaggerate in comparing with other countries. As far as I can make out—it was a little obscure—the Honourable Sir Phiroze Sethna was comparing India's defence expenditure with the United Kingdom expenditure. But I think he was taking England's defence expenditure before the recent heavy increase. Certainly the defence expenditure of the last few years in England has doubled and probably, when we see the complete defence estimates for the coming year, I think they will be found to have trebled. $2\frac{1}{2}$ per cent. of the national income is the figure which he gave. I think we shall find that it is now very much nearer $7\frac{1}{2}$ per cent. If I am doing an injustice in misrepresenting him or the argument he was advancing, I shall certainly

apologise. But that was my understanding of his arguments and figures. Pandit Kunzru was using the same sort of argument, and he compared quite rightly the 45 crores of defence expenditure in India with the complete Central *plus* Local expenditure and he arrived at a percentage of $27\frac{1}{2}$ per cent. Well, seeing as I say that the United Kingdom defence expenditure has certainly more than doubled and probably trebled, that percentage of $27\frac{1}{2}$ is certainly no more than the percentage in the United Kingdom at the present time. I can put the same facts in another way and compare the proportion of expenditure on the cost of imperial defence that is borne by the various elements of the Empire. I will take the years 1934-35 before the large increases started and the estimates for 1937-38. Taking the total expenditure on imperial defence as 1 rupee, in 1934-35 Great Britain defrayed 11 annas, India 3 and the rest of the Empire 2. In 1937-38 the corresponding figures are, Great Britain 13 annas in the rupee, India 2 and the rest of the Empire 1. So, given the circumstances of the time, I do not think it can be said that India is being hardly treated in the matter.

Then perhaps I can deal with the Honourable Mr. Ram Saran Das's point about the defence reserve fund. He asked why we are spending money on re-equipment. Surely that was precisely the reason why the fund was set up, to undertake a re-equipment programme.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I said, spend slowly.

THE HONOURABLE SIR JAMES GRIGG: If the Honourable Member will remember, when the contract budget was first set up the defence authorities were guaranteed the money to complete their defence equipment programme in 4 years. It is now 9 years since that contract arrangement was made and it is about 6 years since it was broken. In any case here it is 9 years since the arrangement was started and they have not even got the original cost of the re-equipment programme. So, I do not think the Honourable Member can complain that we are spending the money too quickly. In fact His Excellency will tell you that the money is being spent much too slowly.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Was I wrong in saying that the Government of India has spent 8 crores of rupees?

THE HONOURABLE SIR JAMES GRIGG: Perhaps I can put it this way. The original programme was estimated to cost 10 crores. Arrangements were made to provide the Army authorities with this 10 crores in a period of 4 years. It is now 9 years and they have been provided with something like 8 crores. In the meanwhile the cost of the re-equipment programme has risen to 12 crores, so that the money is being spent much more slowly than was originally contemplated and I should have thought slowly enough to satisfy even the Honourable Member.

Then, Sir, if I may go on and deal with some other points in Sir Phiroze Sethna's speech—at one part he was complaining that the heavy burden of the surcharges had not been removed entirely and that still $16\frac{2}{3}$ per cent., or one-sixth, of the surcharge remained. In point of fact, two-thirds have been remitted, so that the heavy burden Sir Phiroze Sethna talks about cannot be very noticeable if in referring to it he makes a mistake of 100 per cent. in the amount. I will leave the House to judge how grave is this burden of which the Honourable Member complains.

[Sir James Grigg.]

Well, Sir, Sir Phiroze Sathna made two complaints against the increase of silver duty. He first complained that it was a tax on capital, and, secondly, that it was not an export duty on gold. Well, as far as the second accusation is concerned, I must admit that that is true. But as regards the first point, that it is a tax on capital, I do not think it is any good giving a dog a bad name and hanging it simply for having that name. There is nothing particularly wrong in principle in a tax on capital provided that it is otherwise unobjectionable, and for my part I am not in the least penitent about increasing a tax on hoarded capital, capital which is not applied to any remunerative purpose. And that is the answer I would give to Pandit Kunzru. Even if this silver is hoarded by the villager and it is a tax on his capital or his savings, I do not feel perturbed about that, if it will induce the villager to put his savings into a more remunerative form. So that on the subject of silver I feel that the criticisms made have left the desirability of the change uninjured.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: What are the banking facilities that you provide the villager with?

THE HONOURABLE SIR JAMES GRIGG: That is a very large question, but I can mention one thing. He can have post office savings certificates. Still that is a question which does not arise out of the immediate accusation made against me.

Then, Sir, I come to the speech of Mr. Hossain Imam. If I may say so without any fear of being thought to patronise, it was a very thoughtful speech and one which raised some real points of substance. But perhaps, having conceded that degree of praise, I may first deal with one complete mare's nest that he discovered. I think his argument went something like this. Two years ago, when the country was impoverished the national exchequer was overflowing. This year, when the country is obviously more prosperous, the national exchequer is not so prosperous; and therefore, as things work contrariwise, in that sense it must be an anti-national Budget. Well, apart from the far-fetched character of the argument, I think the Honourable Member ignores altogether the fact that in this year's Budget there are over 4 crores extra burden or worsening in connection with Provincial Autonomy and the separation of Burma. So, even if you compare like with like, there is still a surplus on this year's Budget without imposing any new taxation; so that the cause of the worsening is not due to some compensating principle on the part of Providence which takes away from the Central Government as the people become more prosperous. The fact is that the Budget has to bear 4 crores more of extra burden, and though it was hoped we might be able to do that without extra taxation, it has just proved not possible to do it. Then he raised the point about the use of the revenue reserve fund in 1937-38 rather than in 1936-37 and Pandit Kunzru raised the same point. I freely admit that the propriety of it is a point

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which is arguable. I do not think the Honourable Member can make any point, as he tried to make, that having got the revenue reserve fund you are bound to draw upon it directly a deficit arises. There is full latitude for the Government to draw upon it at any time which seems to them best; that is indubitable. Let us put aside the more strict, straight-laced, form of his argument and say it is not very sound to use this revenue reserve fund in 1937-38 and leave a deficit in 1936-37 uncovered. Well, I can imagine myself, if our positions had been reversed, taking precisely the same point. But the

implication of that, as the Honourable Member will see, is that the whole gross deficit of 342 lakhs in the current year would have had to be met by increased taxation; it would have been rather more than double the increased burdens or the increased taxes which this budget seeks to impose. Personally I am not prepared in this year—the peak year of the burdens—to be as stern as that. But what I will present the Honourable Member with is that the existence of that uncovered deficit in 1936-37 is an additional argument for strengthening the sinking fund provision as soon as it reasonably can be done. And the moral is the same in regard to the other perfectly legitimate point he raised about the Burma annuity—I think the Pandit raised that point too. The Burma annuity does include an interest element and a sinking fund element. Part of the sinking fund or part of the capital element is really covered by the provision of 3 crores for the reduction or avoidance of debt. But part of it is a definite new provision for the repayment of the Burma railway debt, and to that extent there is no doubt that the sinking fund element, which I should put somewhere about 30 lakhs, ought to have been added to the general sinking fund; or, in other words, the Honourable Member can, for what it is worth, say that Government are reducing their sinking fund provision of this year by 30 lakhs. I would say again that that is another reason why we should at the earliest possible opportunity increase the provision for the reduction or avoidance of debt to a figure more commensurate with our total liabilities. I think Pandit Kunzru said that the same argument applied to the Burma payment, the sliding scale payment, for pensions in the course of payment; but as a matter of fact I am informed—I am not very well acquainted with the matter myself—but I am informed that the argument cuts the other way there, that in point of fact 20 years period which is provided there is a period longer than the average period for which the pensions will continue to be paid, so that the raid, if I may put it rather mathematically, on the sinking fund is a negative one and we will be entitled to take that negative raid in extenuation of the positive raid to which I have just confessed. I hope I have succeeded in making that clear to the Honourable Member. For the rest Mr. Hossain Imam complained that the budget speech was only an auditor's report. I wonder if he had reminded himself of the statutory form of an auditor's report. If I may remind him of it, under section 145 of the Indian Companies Act the auditor is required to say whether such balance sheet exhibits a true and correct view of the state of the company's affairs according to the best of their information. I am quite content to leave it at that. Then, finally, the Honourable Member seemed to me to completely pulverize the rather crude mercantile economics that Mr. Pantulu furnished us with in the matter of the sugar protection, and I am bound to say that I entirely agree with the point which he took. Altogether, as I said at the beginning, I think the House, if I may say so, has reason to be grateful to the Honourable Member for the extremely thoughtful and well reasoned speech, subject of course to the initial mare's nest.

Now, Sir, I shall deal rather briefly with one or two general topics which have been raised during the debate—first of all, the subject of the ratio. I do not propose to keep you here till midnight discoursing on that and I propose to be extremely brief. Mr. Pantulu was complaining that the rupee has not been devalued to 1s. 4d. or even less; Mr. Parker expressed the hope that Government would not allow the ratio to rise above 1s. 6d.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Interests clash.

THE HONOURABLE SIR JAMES GRIGG: I am sorry I do not understand.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: The interests of importers clash with the interests of exporters.

THE HONOURABLE SIR JAMES GRIGG: Of course they do. If everybody's interests in the world were the same, there would be no world trouble, there would be no wars, there would be no taxation, everybody would agree with everybody else. What an extremely dull world it would be! As far as Mr. Parker's argument is concerned, I certainly agree with him that Government ought to do everything conceivable to prevent the ratio rising above 1s. 6d. I entirely agree about that. I would say at the same time that Government have no intention whatever of allowing it to fall below 1s. 4d. Certainly, as I have said before, Government have no intention of taking any part or lot in the recommencement of currency depreciation and tariff wars.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: What about an export tax on gold?

THE HONOURABLE SIR JAMES GRIGG: That can only be intended to be a preliminary step to devaluation; it is devaluation by stages. I do not propose—I have argued it lots of times—to go even one step in that direction if I can help it. One or two speakers raised the subject of revenue duties. Mr. Parker said that it looked very much as if revenue duties having reached the state of diminishing returns and hoped that the Government were studying this question and not losing sight of it. I think Pandit Kunzru also went into this question of revenue duties and he came to the conclusion that there was no declining yield. Well, *prima facie* I should say that the evidence is rather against him now, but the matter is not determined conclusively and will require a good deal of study, and all I can say on that subject at the moment is that it is certainly one which the Government can neither afford to lose sight of nor will they lose sight of. I wish I could feel as confident as Pandit Kunzru does in his assertion that there is no fear of diminishing returns in revenue duties. The lot of the Finance Member would seem easy if he could have, if I may say so again without disrespect, that easy but unofficial confidence.

Perhaps this is a convenient place at which to make one comment on Pandit Kunzru's rather complicated argument about the net amount of extra taxation which had been imposed during the years 1931 onwards. It was an extremely ingenious argument and I have often heard it used in other places, in other countries. But unfortunately it rests on the assumption that the estimated yield of new taxation and the actual yield are the same thing. Of course they are not. And there is no doubt whatever that a good deal, or some shall we say—I do not wish to overstate my case—that some of the new taxation which was imposed in the crisis, definitely resulted not in an increased yield but in a reduced yield. And that is certainly true of the surcharge on the sugar import duty.

Then Mr. Parker asked one or two questions about the report of the Income-tax Inquiry Committee. His specific request was that I should give him an assurance that Government will be free to consider points which are raised by the various bodies which are consulted even if they have not been specifically dealt with in the report. I certainly give him that assurance unconditionally and the particular point he raised, though it is a new one to me, I certainly will have examined.

As regards Mr. Parker's remarks about the Railway capital position, as my friend Sir Guthrie Russell knows with some of what he said I have a good

deal of sympathy and I have been preaching that view for some years. All I can say is that at any rate something has been done to present the railway accounts more truly. I do not pretend—and I do not think Sir Guthrie pretends—that we have done all that we ought to do. But that something has been done is true and certainly Mr. Parker's contentions there are in general accord with what I can possibly call our objects of endeavour.

Well, Sir, I ought to say a little about the subject of the sugar excise, though I am bound to say that very little has been said in the course of this debate which damages our proposals in this matter to any extent,—and that is not very surprising because you cannot make a very great disaster of a reduction of a protection by 1/15th, and I should expect this august assembly to have that sense of proportion and to realise from the start that when 93 or 94 per cent. of the protection is left you cannot make an accusation of a very dreadful character against the Government, and that particularly at a time when Indian produced sugar is being sold at anything from 8 annas to Rs. 1/8 below Java import parity. Lala Ram Saran Das opposed the increase of the duty and at the same time he complained that Government had done nothing—or rather he insisted that Government should do something—to prevent the gullible investor from putting in more money into sugar factories. I think that was the purport of his argument. Well, is not he being a little unfair? Is not increasing the duty precisely the only thing Government can do to discourage the investor from investing in further sugar factories and so to make the problem of sugar over-production worse? And I am confident that either this excise duty will do no harm to anybody but the consumer—and when I say it will do no harm it will even in his case merely take back something of the gain he has got—or that the worst it will do will be to apply a timely remedy to a disease which, if left to run its course any further, will become a very serious one indeed.

Well, Sir, that brings me to the end of my remarks. I am extremely grateful to the House for the way in which they have received the Budget. In this House one gets—or I get—the rare pleasure of having kind things said about the Budget,—in the other House very rarely,—and I am grateful to the Honourable Members who have supported the Budget and supported it so warmly. However, it has not been all jam. Some of the Members attacked it and in particular the Member from Bihar exhorted me to remodel the Budget on popular lines. Well, that really is rather a hopeless task and, if I may be forgiven for an approach to flippancy in this calm and serene air I would like to tell the story of a soldier whom I met during the war who had a saying that there is no bad beer: some beer is better than other. Well, there is no popular Budget. Some are less disliked than others. And from the reception here today I think we can truly claim that on the whole this is one of the less disliked budgets.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: You have not answered my question whether the stocks already sold and held by sugar mills will be liable to the increased excise.

THE HONOURABLE SIR JAMES GRIGG: I am sorry. I understand that the manufacturer has to pay the excise duty on old stocks but in accordance with section 10 of the Tariff Act there are provisions for passing that on to the purchaser notwithstanding anything in the existing contract.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, I am not going to make a speech, but I would like permission to make just one or two

[His Excellency the Commander-in-Chief.]

remarks. Sir James Grigg has dealt with the main points raised during to-day's debate which appertain to Defence. There are, however, some questions that several Members opposite me have raised which have not been answered. Well, it is getting late and incidentally I have not got the information by me to give them accurate answers now. All these questions—a note of which I have made—can, I think, be categorised under the heading “Indianisation”. I understand that the general subject of “Indianisation” is going to be discussed at an early date in the lower House. I will, therefore, undertake that the questions raised to-day will be dealt with then. That is all I have to say.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern : Non-Muhammadan): Mr. President, if you will permit me to say so, I was rather disappointed with the speech of the Honourable Member. I was particularly disappointed with his original speech because in that original speech we find no review of present-day tendencies or economic conditions of the country,—no discussion of the principles on which the Government's financial policy is based. It was, if you will allow me to say so, a rather dull and uninteresting profit and loss account. He objects to the words “Auditor's report”—I shall call it a profit and loss account.

Now, Sir, I shall deal with certain criticisms of the speeches on this side by the Honourable the Finance Member. Our position in regard to the Budget has been cleared by the Honourable the Leader of the Opposition, by the Honourable Mr. Ramadas Pantulu, by my esteemed friend the respected head of the Servants of India Society, Pandit Hirday Nath Kunzru, by the Honourable Sir Phiroze Sethna, and the Honourable Mr. Hossain Imam. We objected to two main features in his Budget proposals, namely, the duty on silver and the excise duty on sugar. So far as the duty on silver is concerned, Sir James Grigg has admitted that it will fall on the poor. Sir James Grigg, we know, has got a great love for the poor of this land. He was responsible for the rural uplift grants which have disappeared from this year's budget.

THE HONOURABLE THE PRESIDENT: I am afraid you have misunderstood him. He did not say that it will fall on the poor. He said it will fall on the consumer.

THE HONOURABLE MR. P. N. SAPRU: He said it will fall on the poor consumer. Sir, the Honourable Sir Phiroze Sethna has said that a duty on silver was in the nature of a tax on capital. I should like to ask this question and I think we are entitled to an answer to it. A capital levy is a tax on capital. Is Sir James Grigg prepared to advocate a capital levy? A capital levy would fall on the rich. Now, this is a tax on the savings of the poor. They may be very unwise in holding their savings in the shape of silver, but it is admittedly a tax on the poor. What about the great love for the poor which Sir James Grigg and the Government of India have? Sir, when you admit the criticism that it is a tax on capital, you really give away the case for this increase in silver duty. Therefore, Sir, so far as we on this side are concerned, we remain unconvinced by the arguments of the Honourable the Finance Member in regard to the proposed duty on silver.

Then, Sir, so far as the excise duty on sugar is concerned, I think the Honourable Sir Phiroze Sethna showed that this excise duty on sugar would

hamper the sugar interests. It might also hamper the possibility of our exporting sugar to other countries. It must be remembered that this sugar industry provides work for a large number of our educated unemployed. There are about 2,000 graduates employed in these sugar factories. Many small people have been investing their savings in these sugar factories. It will not only hit the small investor but it will also hit the grower of sugar cane. In my own constituency, there are districts where sugar is grown—Gorakhpur and Basti—and then we have the sugar mills in Cawnpore. It will hit all these people. If there is over-production in sugar, then why don't you have some scheme of compulsory rationalisation? Why have you not tried any compulsory scheme of rationalisation? You want to hit the sugar industry by excise before you have attempted any scheme of rationalisation. Sir, the sugar industry needs help in many directions. I was going through an excellent pamphlet this morning by Mr. Gandhi, who is a Professor, I think, in the Benares Hindu University. He says that there are a number of things which Government can do to help this industry, and these things are not being done by Government. For example, he says:

“This being so, it becomes the duty of the industrialist and the Government to initiate well-conceived schemes of research to demonstrate to the cultivators the possibility and desirability of improving the quality and of increasing the tonnage of cane with a view to obtain at once a greater return per acre of land and to enable the industry to establish on sound lines.”

Are you doing any of these things? Before we agree to an increase in the excise duty on sugar we are entitled to have an answer to these questions.

I will then just refer to certain aspects of the military expenditure. Burma has now been separated from India. India used to be responsible before the separation of Burma for the defence of Burma. Why is it that with the separation of Burma the military expenditure remains just as it was before? (An Honourable Member: “It has increased.”)

THE HONOURABLE MR. J. C. NIXON (Finance Secretary): May I rise to a point of personal explanation, Sir? Taking into account the 104 lakhs—I think it is—saved on account of the separation of Burma, the military expenditure has not increased.

THE HONOURABLE MR. P. N. SAPRU: Well, Sir, the military expenditure of this year is in the neighbourhood of 45 crores. If I understand the figures correctly, I think there is an increase of about 26 lakhs. How does the Honourable the Finance Secretary say that the military expenditure has not increased?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: It has. It is 43·87 crores against 43·61 crores of the last year.

THE HONOURABLE MR. P. N. SAPRU: The question that I want to ask is this. Why should the Indian Army continue to defend Burma until it becomes possible for Burma to defend herself? I say that this contribution of 104 lakhs is not enough. Burma ought to make a larger contribution if she wants the Indian Army to be maintained at a level which would enable her to be defended. Burma ought to make a larger contribution than she is making to the Indian Exchequer so far as the military expenditure is concerned. The concrete suggestion that I would put forward is that the cost of at least 5,000 British troops should be transferred to the Burman Exchequer. The expense would be justifiable because Burma has a surplus budget this year

[Mr. P. N. Sapru.]

of 2 crores. Burma no doubt will bear the cost of the army stationed in Burma and the expenses of the North Eastern Frontier Watch and Ward. But, Sir, it must be remembered that it was with our money that Burma was conquered and therefore I think, now that Burma has been separated and Burma wants to be separated, we should get some contribution from Burma towards our defence expenditure. So far we have been fed on the view that Burmans do not make good soldiers and therefore they cannot be recruited for the army. What is going to happen hereafter? Are Burmans going to be recruited for the army or will our men continue to remain responsible for Burman defence? How long will Indian troops serve in Burma? We know that one of the conditions under which a British soldier is recruited for the Indian army is that we must pay for his recruitment and training expenses in England. We call them capitation charges. The question I ask is this. Will Burma make a contribution towards these capitation charges, and if so, what is going to be the extent of her contribution towards these capitation charges? If she is not going to make any contribution towards these capitation charges, then why not? If the Indian army is just enough for the purpose only of Indian defence, then why should these troops be spared for service in Burma? If the Indian army is meant for the defence of India and Burma is now separated from India, is it not just and right that Burma should also pay something towards the capitation charges? Sir, the Indian tax-payer, even though he has no direct control over army affairs, is entitled to an answer on these vital questions from the Finance Secretary and the Honourable Finance Member, who in their speeches have thrown no light on these questions. So far as defence expenditure is concerned, the Honourable Sir James Grigg pointed out that with the increase in armaments British defence expenditure will now be in the neighbourhood of $7\frac{1}{2}$ per cent. of the national revenues of Great Britain. Great Britain is an exceedingly rich country, but Sir James Grigg will recognize that there is a difference between $7\frac{1}{2}$ per cent and $27\frac{1}{2}$ per cent. I am quite prepared to have the defence expenditure of this country fixed at $7\frac{1}{2}$ per cent. We shall accept the figure of $7\frac{1}{2}$ per cent. as a just figure for defence expenditure. Is the Honourable Finance Member prepared to accept that figure as a just figure? Then, what is the use of saying that there is going to be an increase in the defence expenditure in Great Britain? Defence expenditure there is $7\frac{1}{2}$ per cent. of the Britisher's annual income of 100 pounds; our annual income is only about 80 rupees, or 6 pounds, and $27\frac{1}{2}$ per cent. of this annual income—I am sorry, Sir Phiroze Sethna has corrected my figures. I have always been bad at figures. But it strikes me that there is no comparison between the capacity of Great Britain to bear the burden of defence expenditure and the capacity of India for defence expenditure. Defence expenditure we think can be reduced if the British Government will only follow a policy of trust, if it will Indianize the officer ranks of the army, if it will throw open the army to all classes of the people and build up a second line of reserve, if it will reduce the British troops in this country. I think it is possible for Britain to reduce defence expenditure in India. We are vitally interested in the development of social services. You have given us this vast electorate, and this vast electorate will expect things to be done. Democracy can only function successfully in communities which are in a position to give to their citizens the social services they need. Will our provinces be able to give their citizens those social services? Please look at the question of Indian defence expenditure from this point of view. Help the provinces which are about to start on provincial autonomy at this stage of their development. Do not look at this question only from the point of view of British imperialism. Look at it also from the point of view of the Indian tax-payer.

Then, Sir, there is another consideration that we should like you to remember and that is this. We are not responsible for the mess that you find yourself in Europe. You have to thank the Treaty of Versailles, and Clemenceau and Lloyd George, and all your big statesmen for the mess in which Europe finds herself today. All this Nazism and Communism and all this armament race in Europe is directly traceable to the unjust Treaty of Versailles. If you control our foreign policy, why should you blame us if we do not approach this question of defence expenditure from your angle? If we were responsible for our foreign policy, possibly we might have been able to evolve a foreign policy which may have enabled us to do with lesser troops. You have been responsible for our foreign policy and it is foreign policy which determines military policy. Therefore, so far as the Indian politician is concerned, he can only look at this question from the point of view of the Indian tax-payer and from the point of view of the Indian peasant. He cannot look at this question from the point of view of British imperial interests. Therefore, Sir, we must press for a reduction of military expenditure. If you want to keep British troops in India, then pay for those troops. But so far as we are concerned, we continue to be of the opinion that our defence expenditure is too high and ought to be reduced, international situation or no international situation.

Sir, these are all the remarks that I have got to offer at this late hour on the Budget.

THE HONOURABLE SARDAR BUTA SINGH (Punjab : Sikh): I have listened to the Financial Statement with anxious care. I wish I could join the applause which it has received from some quarters. Its lucid flow in its limpid clarity has laid bare the financial policy of Government of India. It seems to have no concern with the development of resources, from which revenue can be drawn. It has however shown, that without any pretence, it is ready to draw on these meagre resources, even at the risk of draining them dry.

The Honourable the Finance Member dwelt with some satisfaction on the improvement of prices of agricultural produce. May I enquire what steps has the Government taken in helping this improvement and what steps they are going to take to help further improvement? The Honourable the Finance Member regarded as a disquieting factor "the restriction of Rural Credit caused by indebtedness Bill". Can the Honourable the Finance Member mention the steps which Government of India are going to take to revive Rural Credit?

Now, what has the new budget brought us? There is not the slightest indication that drain of gold is to cease and the savings of the poor are to acquire any stable value. No, on the other hand silver is to be taxed. Why? Because people are beginning to hoard it. Therefore the hoarding of the people must be underwritten by raising the duty from 2 annas to 3 annas an ounce on silver? Why could not an export duty on gold provide enough revenue to balance the Budget, so that India could have retained some of this precious metal.

Take again sugar. It is the one industry which the Government of India can easily claim to have helped in developing; but its rapid development seems to have, for some unaccountable reason, caused great deal of disquiet. Its benefits are ignored, the gains of revenue which this industry has contributed are not revealed.

[Sardar Buta Singh.]

In any other country Government would have considered the development of this industry as one of its greatest achievements and taken up and developed other industries in a similar manner.

In answer to my question, I have been informed that it provided employment to 71,093 workers. The number of people in the growing of 1 million acre of sugar cane and bullock carts employed to carry the cane can be easily imagined, as I have failed to obtain exact figures. It has put in the pockets of the growers Rs. 33,98,16,000. It has given an additional customs revenue by conferring purchasing power on hundreds of thousands of cane growers. The Railways have carried a fair part of 51,30,00,352 tons of cane which the mills have crushed and therefore saved the Railways from further loss. The industry has directly contributed—

Rs. 1,58,51,000	Excise duty.
Rs. 1,58,30,000	Freight on sugar.
Rs. 30,00,000	Income-tax.
Rs. 3,46,81,000	Total.

This is one of those industries in which our agricultural population is directly concerned, and yet our Finance Member could find no other source to balance his budget. He talks lightly of closing down of inefficient factories and reduction of area under cane. Factories are paying annas 0-4-3 a maund for cane and a few even less than that. Will he ask the sugar technologist what it costs to grow sugar cane? The figures of costs are available in Government sugar farms.

The Finance Member has shown that he is only interested in the collection of revenue, and is not interested in considering and improving sources from which revenue is drawn.

I wish to say just a word on our defence. Taking into consideration the rapid increase in armament, India does not seem to be taking any special measures. A large defence programme may have stimulated both the developments of heavy industry and trade. There can be no question that India needs a very large defence force.

I do not wish to dwell on these matters further. The country has great hopes in our Viceroy, who has direct knowledge and who we hope will now be able to frame a programme and policy, aiming at prosperity, that our budget can balance.

THE HONOURABLE MR. V. V. KALIKAR (Central Provinces : General) : Sir, I divide the Honourable the Finance Member's speech into two parts. The first part which we got in the printed form was disappointing, but the second part which we heard today is most disappointing. I submit, Sir, that in the second part of his speech he has propounded his pet theories of rupee exchange and free trade, but I was waiting to hear some remarks from him about the curtailment in expenditure as he wants our support for proposals of fresh taxation. We thought he would try his utmost to curtail expenditure in the various Departments of the Government of India. Sir, Honourable Members on this side have made suggestions, constructive suggestions, but those suggestions have not been taken into consideration by the Government. I think the Honourable the Finance Member cannot charge us for making suggestions in a light hearted manner. I am very glad to listen from him this evening that he appreciates to a very great extent the attitude of this House. If he really appreciates the attitude of this House towards his proposals, I want to ask him a straight question as to how far he has appreciated our suggestions and how far he has been able to bring them into practice. If he wants our support for fresh taxation, we as representatives of the people are entitled to ask him

as to what he has done to balance his budget in the matter of curtailment of expenditure of the various departments of the Government of India. Sir, this side of the House has made various suggestions about curtailment of expenditure in the Defence Department of the Government of India. We on this side of the House made proposals to the Government that at least a half portion of the British troops should be replaced by Indian troops. No, they would not do so, because they do not trust Indians. We ask them to Indianise the officer ranks and some of us,—at least many of us on this side,—are of the view that if the officer ranks are Indianised there will be some curtailment in the expenditure as many of us believe that the youths of India are desirous of serving India at a lower cost than India spends for importing European officers from Great Britain. We are told that this is a very big question and today we were told that that question will be discussed in the other House after a few days. My Honourable friend Lala Ram Saran Das put several questions in this connection and the answers which he received today clearly show that instead of accelerating the pace of Indianisation in the defence services, Indianisation is being deliberately retarded. I could have understood the position of the Finance Member if he had stated frankly that he cannot do anything in the matter, that he has no power to curtail the expenditure of the Defence Department as he has to follow the dictates of the Whitehall. I could have understood that. But, Sir, we charge him with not taking into consideration the suggestions made by this part of the House and with not having tried his level best to reduce the expenditure before coming to us with fresh taxation proposals. Sir, we were told in the first part of his speech that revenue has been reduced to an amount of 376 lakhs on account of changes in the constitution. That means that the constitutional changes are responsible for reducing the Central Revenues to the extent of 376 lakhs. Now, Sir, my straight question to the Honourable the Finance Member is, who told him to impose this constitution on this country? The House knows that this constitution was imposed on this country in the teeth of almost universal opposition. Practically all parties in India opposed this constitution and in spite of that this constitution is being forced on India. Now, Sir, in order to force this constitution, the tax-payer has to pay; not only has he to suffer the burden of the present taxation, but in one form or another he will have to pay more taxation and he will have to thank the Government of India and the British authorities for imposing this taxation on him and for screwing out more money from him. Sir, I am not one of those who say that there should be no taxation; there will be very few people who will say that there should be no taxation. I submit that you can tax people, but tax to the limit of bearing. You have already taxed people to a limit that it is not possible to bear any further burden of taxation. One may honestly disagree on the question of currency and exchange; you might have your own theory about the export of gold, you might have your own theories about the rupee exchange, but to a layman like me it appears that on account of these taxation measures, on account of your turning a deaf ear to the constructive suggestions made by people who according to you do not hold extreme views, you have let loose extreme forces of India.

Today we have heard the voice about abolishing the permanent system of Bengal. Tomorrow, Sir, you will hear the voice of Communists here in this House and I am afraid I will have to hold the Government of India responsible for creating discontent in this country, and encouraging the Communists to come into power. I therefore submit, Sir, that it is the duty of the Government to look to the interests of the masses, the peasants, and to see that the purchasing power of the masses is increased. You have not done anything in the matter as is clearly evidenced from the fact that there is a decrease

[Mr. V. V. Kalikar.]

in the customs duties. If, Sir, that is the position, I am afraid Government will be the cause of creating more discontent in the country by means of measures like these. Sir, I do not wish to dilate on these taxation measures at this stage but I submit that these measures will not in any way do good to the consumers. My friend the Honourable the Finance Member may disagree with me but I submit that the price which a consumer will have to pay under the increased excise duty will not be less but will be more, and therefore I am not in a position to understand the contention of the Finance Member that this increase in the excise duty will do some good to the consumer.

Sir, I have nothing to say further except that the Government of India or Whitehall, or whoever it may be, is not running the administration of India in the interests of India as such and I therefore submit, Sir, that it is high time that they realised their position.

THE HONOURABLE MR. J. C. NIXON (Finance Secretary): Sir, it is getting late and I do not think the occasion calls for any oratory from me, even if I were capable of it. But I do think it is only fair to the House that I should offer a few words of explanation in regard to certain points which have arisen in the speeches which have been made since Sir James Grigg left the House.

And first, I want to correct a misapprehension in the mind of my Honourable friend Mr. Sapru, and also in the mind of this House if it happen generally to exist there, in regard to the figures for Defence expenditure. The figures for 1936-37 are 44 crores 85 lakhs, excluding Quetta. The figures for 1937-38, the year ahead, are 43 crores 87 lakhs, and not a figure bigger than that of the previous year. If I add on to these the figures for Quetta, we get a total of 45 crores 48 lakhs for 1936-37, and of 44 crores 62 lakhs for 1937-38,—that is to say, again a smaller figure. There is one other point I would like to make clear for the benefit of the Honourable Mr. Sapru and that is that Burma will of course be paying her share of the capitation charges on account of the European troops which she employs.

In regard to some of the remarks which he made on the subject of silver, I would like to explain to him and to the House the sense in which one may look upon the extra import duty on silver as a tax on capital. He, I think, described it as a tax on capital and also as a tax on the poor. I should be inclined to describe it as a tax on the future capital of the poor and not on their present capital. And I would also like to point out that increasing the internal price of silver is in a way giving a subsidy in regard to the capital already accumulated in this country in the form of silver.

There is only one other matter I wish to refer to, and that is in regard to some of the remarks of my Honourable friend Mr. Kalikar who asked Government what they had done on the expenditure side of the Budget to meet a difficult budget situation. It will not be news to the House because I made the statement myself a few days ago that the expenditure side of the Budget for 1937-38 as compared with the corresponding figure for the previous year is 34 lakhs less. I would also point out, as I pointed out in that speech, that under certain heads of the military budget the expenditure provided for 1937-38 is 40 lakhs less than the expenditure for the previous year. I do not want to say anything more, Sir, but I would like to add my tribute to the gratitude expressed by the Honourable Sir James Grigg for what after all I must consider has been a not unfavourable reception of the Budget proposals in this House.

The Council then adjourned till Eleven of the Clock on Friday, the 5th March, 1937.

COUNCIL OF STATE.

Friday, 5th March, 1937.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

MEMBERS SWORN.

The Honourable Sir Bertrand Glancy (Political Secretary).

The Honourable Mr. Kenneth Grant Mitchell (Government of India : Nominated Official).

BILLS PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

SECRETARY OF THE COUNCIL : Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of the following Bills which were passed by the Legislative Assembly at its meeting held on the 4th March, 1937, namely :—

A Bill further to amend the Indian Limitation Act, 1908, for a certain purpose ;

A Bill further to amend the Indian Tea Cess Act, 1903, for a certain purpose ; and

A Bill further to amend the Indian Army Act, 1911, for a certain purpose.

STANDING COMMITTEE FOR ROADS.

THE HONOURABLE MR. A. G. CLOW (Industries and Labour Secretary) : Sir, I move :

“ That this Council do proceed to the election, in such manner as may be approved by the Honourable the President, of three Members to serve for the remainder of the current financial year on the Standing Committee for Roads which has been constituted to advise the Governor General in Council in the administration of the Road Fund during that year.”

The Motion was adopted.

CENTRAL ADVISORY BOARD OF EDUCATION IN INDIA.

THE HONOURABLE KUNWAR SIR, JAGDISH PRASAD (Education, Health and Lands Member) : Sir, I move :

“ That the Members of this Council do proceed to elect, in such manner as may be approved by the Honourable the President, one person from among their numbers to be a member of the Central Advisory Board of Education in India.”

The Motion was adopted.

CENTRAL ADVISORY BOARD OF HEALTH.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Education, Health and Lands Member): Sir, I move:

"That the Members of this Council do proceed to elect, in such manner as may be approved by the Honourable the President, one person from among their numbers to be a member of the Central Advisory Board of Health constituted by the Government of India."

The Motion was adopted.

STANDING ADVISORY COMMITTEE FOR THE INDIAN POSTS AND TELEGRAPHS DEPARTMENT.

THE HONOURABLE MR. A. G. CLOW (Industries and Labour Secretary): Sir, I move:

"That this Council do proceed to elect, in such manner as the Honourable the President may direct, two non-official Members to serve on the Standing Advisory Committee for the Indian Posts and Telegraphs Department."

The Motion was adopted.

IMPERIAL COUNCIL OF AGRICULTURAL RESEARCH.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Education, Health and Lands Member): Sir, I move:

"That this Council do proceed to elect, in such manner as the Honourable the President may direct, one Member to sit on the Imperial Council of Agricultural Research and its Governing Body."

The Motion was adopted.

THE HONOURABLE THE PRESIDENT: With reference to the 5 Motions which have just been adopted by the Council, I have to announce that nominations to each of the 5 Committees will be received by the Secretary up to 1 P. M. on Saturday, the 6th March, 1937, and election, if that proves necessary, will be held on the 9th March, 1937.

CONTEMPT OF COURTS (AMENDMENT) BILL.

THE HONOURABLE MR. A. DEC. WILLIAMS (Government of India: Nominated Official): Sir, I move:

"That the Bill to amend the Contempt of Courts Act, 1926, for a certain purpose, as passed by the Legislative Assembly, be taken into consideration."

Sir, the object of this Bill is to place beyond all doubt the intention of the Legislature in enacting the Contempt of Courts Act, 1926. That intention was set out very clearly in the Statement of Objects and Reasons to the Bill which became eventually the Act of 1926. That intention was also repeatedly stated in the Legislative Assembly by Sir Alexander Muddiman at various stages of the Bill's passage. It was again set out very clearly in this Council by the Honourable Mr. Crerar who piloted the Bill here. That intention was that in no case should a High Court inflict punishments of imprisonment exceeding six months for any contempt. The immediate necessity for this Bill arises from a recent decision of the Lahore High Court, which has held that the limitation of six months imposed by the Act of 1926 relates only to

punishments of contempts of courts subordinate to a High Court; but that that limitation does not apply to punishment of contempts of High Courts themselves, and that, so far as these contempts are concerned, the High Court retains its common law power to inflict unlimited punishment. I think that Honourable Members, having regard to the proceedings, both in another place and here when the Act of 1926 was being passed into law, will agree that it is beyond doubt that the intention of the Legislature was to limit the powers of the High Courts to six months as a maximum term of imprisonment for all contempts, whether contempts of subordinate courts or contempts of High Courts, and all that this Bill does is to place that intention beyond all doubt and give effect to it in such a way that there can no longer be any ambiguity on the point.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern: Non-Muhammadan): Sir, I desire to support this Bill. I think that this Bill is a step in the right direction. As the Honourable Mr. Williams has just reminded us, this Bill has been necessitated by a recent case which happened in the Lahore High Court. There a gentleman who is no more was sentenced to imprisonment for an indefinite period because he would not offer an apology. I think, Sir, there ought to be a limit to the punishment which a Court can give in a case of contempt. As a matter of fact some of us think that the law of contempt is in many ways archaic and that there ought to be some restrictions on this law of contempt. It is not right that the Court should have unlimited summary jurisdiction in contempt cases.

THE HONOURABLE THE PRESIDENT: Can you tell us what is the law in England?

THE HONOURABLE MR. P. N. SAPRU: Sir, even in England there is a feeling that the law of contempt is too wide. There has been agitation even in England for a change in the law of contempt. The feeling is that the power in regard to contempt has not in all cases been exercised wisely by some of our High Courts, and therefore I hope, in view of the recent decisions of the Privy Council, that the question of a revision of the contempt law will be taken up at an early date by the Government of India. With these words I give my support to this Bill.

THE HONOURABLE SIR DAVID DEVADOSS (Nominated: Indian Christians): I wish to know whether the Government have circulated this Bill to the High Courts in India.

THE HONOURABLE MR. A. DEC. WILLIAMS: The Bill of 1926 was circulated to High Courts and the High Courts sent in their opinions on that Bill. This Bill merely gives effect to the intention of the Act of 1926.

THE HONOURABLE SIR DAVID DEVADOSS: Sir, I am afraid I cannot give my support to this Bill. No doubt in a recent case it was felt that a High Court dealt very harshly with a person charged with contempt of itself, but I can think of instances where mere simple imprisonment for six months would not meet the ends of justice. Suppose a High Court appoints a Receiver and the Receiver is asked to render his accounts and he refuses to render or fails to render his accounts. If he is simply sent to jail for six months, what is to become of the property of the minor or other person on whose behalf he was

[Sir David Devadoss.]

appointed as a Receiver? He will be able to flout the Court and say, 'you may send me to jail', and there is an end of it. He may have anything from Rs. 20,000 to 2 lakhs or more in his possession and it will be difficult to get the money from him. Is the High Court going to file a suit against him and get a decree and all that? Then, take the case of an injunction against the erection of a building which shuts out light and air from another building. Suppose the injunction is not obeyed. The owner of the property may not be liable but the contractor may be sent to jail for six months; but the object of the injunction is gone; the house has been built and nothing more can be done about it. Is this Council and the other part of the Legislature going to allow such a state of things to exist? That is a case in which the High Court's order is of no use at all, and I can multiply instances of that kind. Therefore, I submit the jurisdiction of the High Courts should not be unduly curbed. In cases where for instance a man refuses to answer a question in Court no doubt six months is an ample punishment; but in other cases its orders may be flouted and there will be no remedy.

THE HONOURABLE THE PRESIDENT: When this Bill is passed, will it override the common law powers?

THE HONOURABLE SIR DAVID DEVADOSS: I should think so, because it is very wide. This is how the Bill reads—"Provided further that notwithstanding anything elsewhere contained in any law....". This will unduly curb the power of a Court of Record. Sir, this question must have been discussed by some people at some time. If you go into the history of it, there are three High Courts in India which have received their powers from the old common law, and those are Madras, Bombay and Calcutta. Originally they were called Supreme Courts. They were King's Courts, and as such administered the common law of England and as His Majesty's Judges they exercised the powers which His Majesty's Judges exercised in England. When the High Court Act was passed the Supreme Court *foujdari* and *dewani* were amalgamated and were made into one High Court. But the High Court, as part of the Supreme Court, always exercised its jurisdiction in committing for contempt. No doubt afterwards other High Courts also exercised the same power in regard to contempt. This power ought not to be taken away by an Act like this. I can multiply instances of the kind I have quoted in which the High Court will be simply powerless. Suppose the High Court under some jurisdiction orders a man to pay Rs. 20,000, and the man refuses and says he will go to jail. What is the High Court to do? (*An Honourable Member*: "Execute an order under the C. P. C."). Suppose, as I have said, in the face of an injunction a man puts up a building obstructing the light and air from another building. The contractor may be sent to jail for six months, but the building is there. You will have no remedy because the remedy is exhausted. The only remedy is the injunction against his putting up that building. The moment that is exhausted you have no remedy. You cannot punish him under the criminal law, and the remedy under the civil law is exhausted and he has his building for all time.

I submit, Sir, all these objections ought to be considered very carefully before a Bill of this kind is brought in. We have only one bad instance of a High Court exercising the power to send a man to jail indefinitely; and in that case even, it was open to that person to purge his contempt, as we say, by apologizing. Is the power of the High Courts to be taken away because one man refused to apologize in a particular case and the power was used against him?

THE HONOURABLE THE PRESIDENT: What would happen in the case of a recurring contempt?

THE HONOURABLE SIR DAVID DEVADOSS: The remedy is lost. I could multiply the instances I have quoted but I do not want to take up the time of the Council. These things ought to be carefully considered and just because there has been one bad case Government ought not to rush through a Bill like this. If the opinions of High Courts are taken they will be able to put forward a number of cases in which it will be impossible for them to exercise their jurisdiction with a handicap like this.

THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal: Nominated Non-Official): Sir, I am afraid my friend, the Honourable Sir David Devadoss, has not given this matter the consideration that it deserves. I can say straight off that I support the Bill and I am only sorry that it has not gone further. For one thing, Sir, as my friend the Honourable Mr. Sapru pointed out, the law of contempt is an archaic one. Here for one thing judges are the prosecutors and after all the judges, however dignified their position, are human beings. I do not think that could be contradicted. Then, Sir, I wanted this Bill to go further, because there are two kinds of contempt: one a contempt pending case or in relation to some order which the court has passed; another class of contempt is by scandalising the court, supposing a newspaper makes an adverse comment on the High Court not with reference to any particular case, nor with reference to any pending case, nor against any order. I will give you an example, the last "Amrita Bazaar Patrika" case in Calcutta. That particular paper said something which went according to the judges against the independence of the judiciary. If I remember the words aright, the paper said that the Judges of the High Court were hobnobbing with the executive and consequently they had lost their independence. That matter was taken up and the trial proceeded in a summary manner. That particular contempt was not shown in reference to any pending case or with reference to any order that the High Court had passed. It was a comment, a general comment; it was certainly a contempt. But I should have thought that the law would have been such that the matter should not have been proceeded with summarily. The High Court ought to have gone through the fuller procedure in that particular case. Now, I would just remind Sir David Devadoss about the building injunction case that he quoted. The man has a remedy. Supposing there is an injunction against the putting up of a particular building and the man disobeys the order. It is not that the High Court is helpless or the parties are helpless. Parties can certainly move the High Court on a plaint saying that that particular building should be demolished and I am sure on a case properly made out the High Court will order the demolition of the building and would under the ordinary Civil Procedure Code be able to exercise its jurisdiction and get the building demolished. So I do not think that it is perfectly correct to say that either the parties or the Courts are absolutely without remedy. The only thing that strikes me is that in case of contempt the accused does not know where he stands. He does not know under what jurisdiction the High Court is proceeding, whether it is proceeding under criminal jurisdiction, or under civil jurisdiction, or whatever the jurisdiction the Court may assume. He does not know who are his prosecutors. He is not given formal charges. It is very difficult for a lawyer to defend a person accused of contempt of court, because he really does not know under what law he is being proceeded with. As a matter of fact, in a particular case in the High Court of Calcutta, I remember Counsel asked the

[Mr. Bijay Kumar Basu.]

Judges before he proceeded to open the case, " My Lords, I would like to know under what jurisdiction your Lordships are sitting." I was present in that court when I found 7 or 5 judges—I do not remember. They were sitting and they began consulting one with the other and they took more than five minutes to answer that question. And after all the answer was, " Well, it is the inherent jurisdiction of the High Court ". If the law of contempt is regularised and if it is put in a regular way, I think people would know where they were. People will be very chary to commit that offence of contempt and why should not they.....

THE HONOURABLE THE PRESIDENT: They would know where they are only so far as the sentence is concerned.

THE HONOURABLE MR. BIJAY KUMAR BASU: Therefore my complaint is that it has not gone far enough. Six months for contempt I think is a very long sentence and that appears to me at any rate to be a very deterrent sentence.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern : Non-Muhammadian): We commit contempt of the Government every day, but we never get six months.

THE HONOURABLE MR. BIJAY KUMAR BASU: Contempt of court is a different thing, if I may remind my friend Mr. Sapru, that contempt of Government in a Legislature is no contempt. Here we are free to air our views, whether they are seditious or disloyal. If Sir David Devadoss would be good enough to bestow a little more attention and forget for the time being that he was a Judge of a High Court....

THE HONOURABLE THE PRESIDENT: You cannot say that he has not paid attention. He was one of the most distinguished Judges of the Madras High Court.

THE HONOURABLE MR. BIJAY KUMAR BASU: I know, Sir; that is why I am appealing to him to bestow a little more attention and forget for the time being that he was on the Bench of the Madras High Court.

THE HONOURABLE HAJI MUHAMMAD HUSAIN (United Provinces West : Muhammadan): Sir, I give my whole-hearted support to the Bill, and as the Honourable Mr. Sapru said I also feel that it is a pity that it has not gone far enough. The law of contempt is administered by the Judges who are themselves complainants and who as human beings may be very sensitive and touchy. The more the limitations we place on their power, the better it is. The law of receiver particularly gives a sort of temporary relief. The punishment for contempt of court is an additional punishment for a person who commits contempt or disobeys the order of the court. So far as the Honourable Member cited the instance of receiver, the question does not arise as he is under the control of the court which appoints the receiver.

THE HONOURABLE THE PRESIDENT: You want to urge that the Receiver can be prosecuted under the Indian Penal Code?

THE HONOURABLE HAJI MUHAMMAD HUSAIN: Yes. The Receiver can be prosecuted under the Penal Code. Besides that, under the Civil Procedure Code, there are other remedies for carrying out the orders. Over and

above that the law of contempt makes him liable for the punishment. Similarly in the case of injunctions, as pointed out, the remedy is there and it does not hamper justice at all. So far as the punishment for contempt is concerned, I think six months is quite sufficient. I have not heard of indefinite imprisonment; even in cases of most serious kind where transportation for life is given, you see, Sir, that there is a limit even to that transportation; and here in the law of contempt, which may involve very honest and patriotic people and make them liable simply because a certain judge is touchy, we find that he can be put in prison indefinitely, even more than transportation. Therefore, with these remarks, I support this motion.

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras : Non-Muhammadian): Sir, after listening to the debate on this very interesting Bill, I am tempted to make one or two observations. First of all till the Punjab High Court recently held that the Act of 1926 did not apply to High Courts, I think most members of the legal profession in this country believed that the Act of 1926 was intended to apply to High Courts as well. I find that that point is made clear in the Statement of Objects and Reasons. This is what it says:

" The original intention of the enactment of section 3 was to restrict the powers of High Courts in the punishment of any contempts whether of themselves or of Courts subordinate to them. The Bill proposes to make the intention clear."

I think this is a very important point of principle, and in order to vindicate the interpretation placed by the Punjab High Court the Judges were content to prolong the period of imprisonment beyond six months by a single day. That is to vindicate their view of a law. If the original intention of the Act of 1926, as the Statement of Objects and Reasons now clearly says, was to apply it even to the High Courts, I think the sooner the amending Act is passed the better. The only other observation I would like to make, Sir, is this, that in a matter like this two conflicting interests are involved. One is the maintenance of the dignity and prestige of the High Court so as to prevent contempts. That is an object to which every citizen ought to subscribe whole-heartedly. Though sometimes the Judges may exercise their powers arbitrarily, I think the law should provide them with sufficient means to prevent contempt. The other is the question of the liberty of the citizen and no law should give any power to any court to put a man in jail for an indefinite period. When subordinate courts exercise their powers in an arbitrary manner, there is a remedy in the ordinary powers of revision and general control, but when the High Court itself chooses to put a man in jail indefinitely there is really no other court from which any redress can be sought. Therefore, I do not really know on what grounds my friend Sir Devadoss wants that the Bill should make no alteration in the existing law as interpreted by the Punjab High Court. I think it will lead to great hardship. Every offence, however heinous it may be, has its own limit of punishment. Punishment varies according to the nature of the crime. How contempt of court stands apart from other offences I fail to see. I think the six months period is if anything too long and not too short, and any claim on the part of the High Courts for power to keep people in jail indefinitely is I think not justified. Taking all the circumstances into consideration and in view of the fact that the original intention of the Act was to apply to High Courts also, this measure is on the whole I think a beneficial measure and I support it wholeheartedly.

THE HONOURABLE MR. A. DEC. WILLIAMS: Sir, the arguments employed by my Honourable friend, Sir David Devadoss, if I may say so, would have been more appropriate in the debates of 1926. As I understand

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him, he is not taking objection to this Bill, he is not saying that this Bill is wrong; he is saying that the intention of the Legislature in 1926 was wrong. Unless he can show that something very material has taken place since 1926, I do not see any reason why the Legislature should change its intention.

As regards the charge of unseemly haste, it seems to me that the Government, having waited for 11 years to give effect to the intention of the Legislature, might rather be charged with undue delay. Before the Bill was passed into law in 1926 it was circulated for public opinion. The views of the High Courts were taken. I may say that the majority view of the High Courts was against the proposal, particularly against the proposal to limit their powers. Nevertheless the Act was passed into law and there is no question that it was the deliberate intention of the Legislature in 1926 to limit the powers of the High Court, and I do submit, Sir, that, unless it can be shown that that intention should be changed, this Bill should be passed into law.

THE HONOURABLE THE PRESIDENT: Motion moved:

"That the Bill to amend the Contempt of Courts Act, 1926, for a certain purpose, as passed by the Legislative Assembly, be taken into consideration."

The Motion was adopted.

Clauses 2 and 3 were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. A. deC. WILLIAMS: Sir, I move:

"That the Bill, as passed by the Legislative Assembly, be passed."

THE HONOURABLE SIR DAVID DEVADOSS: Sir, I wish to make only one or two remarks. The Honourable Members who spoke here probably were under the impression that, when a Court sends a person to jail for contempt for six months, it means that he has to serve all the six months. But the next day he can purge his contempt and he can be released. That is forgotten. That is the reason why a time limit ought not to be put.

Then, as regards the objects and reasons of the Bill of 1926, as everybody knows, the courts are bound not to consider the objects and reasons or the speeches made in the Legislature. Then again, my Honourable friends were under the impression that this Bill will take away the power of the High Court to commit anyone for contempt. Of course, if the Legislature is so pleased to take away the power of the High Court to deal with contempt, it is another matter. For instance, my learned friend Mr. Basu spoke of the "Amrita Bazaar Patrika" case and I can mention other cases as well. We are not concerned at present with the question of the power of the High Court to commit for contempt. We are only concerned with the question of the length of the sentence. My point is that, because one High Court acted in a particular way and allowed a person to be in jail for a long time, the power of other High Courts ought not to be taken away. As I said, Sir, the question of contempt is a matter between a person and a court. The moment he purges his contempt, the moment he apologises or obeys the order of the court, he will be released and the sentence will not take effect. That ought to be borne in mind before we take away the power of the High Court.

THE HONOURABLE THE PRESIDENT: The Court is not bound to accept the apology.

THE HONOURABLE SIR DAVID DEVADOSS: Judges are ordinary human beings. Take for instance the case of "The Leader" which happened some time back. "The Leader" would not apologise.

THE HONOURABLE MR. P. N. SAPRU: My Honourable friend is quite wrong.

THE HONOURABLE SIR DAVID DEVADOSS: I am quite right. My learned friend's father appeared and he said his instructions were not to tender an apology. I carefully read that case. If you wish to deprive the Judges of the right to deal with contempt, that is another matter. Of course, with that we are not concerned here, and these points do not affect the present question. The present question is whether the power of the High Courts should be limited to only 6 months, and that, whether their order is carried out or not, the man should be released. My submission is that it would certainly prejudicially affect the jurisdiction of the High Courts and that in some cases at least justice will fail. With these words, Sir, I oppose it.

THE HONOURABLE MR. BIJAY KUMAR BASU: I just want to say one thing through you, Sir, to Sir David Devadoss, that I was absolutely under no delusion. I know that a man when he is convicted for contempt of court is released generally speaking when he purges that contempt. But at the same time, I do not think that we should allow the courts, if they wanted, to prolong the imprisonment for more than 6 months, whether the man purges his contempt or not. It is inhuman to think that simply because a man has done something which the court thinks is contempt the man should be incarcerated for his whole life.

THE HONOURABLE SIR DAVID DEVADOSS: With your permission, Sir, may I put a question? During the last 150 years, has there been a case where when a man offered an apology and purged his contempt still the court held that the man should remain in jail? Can the Honourable Member give a single case in which a court either in this country or in England acted in this manner during the last 150 years?

THE HONOURABLE MR. BIJAY KUMAR BASU: Sir, I can give the same argument to support what I am saying. If that is not so, can my friend give you one case either in India or in England where a man has been put into jail for more than six months except in that particular case in the Punjab? I have not heard of any such case in my experience, and I would ask my Honourable friend to enlighten me if I am wrong. If that is so, it is no use giving them this indefinite power when a sentence of six months' imprisonment would suffice. Supposing a man does not purge his contempt for six months. Certainly you do not think that the courts will be vindictive enough to keep him in jail for the rest of his life. Supposing a man is cussed enough not to apologise—not to purge his contempt, as you put it. Is that any reason why he should be sent to jail for life? In this particular offence, the person against whom the offence has been committed is the judge. The prosecutor is the judge in this case. That is one thing. I think in the whole of our Jurisprudence you will not find any other case where the prosecutor is allowed to be the judge. Here, of course, we all take it that the High Court Judges are supermen. We would allow them that concession of judging their own case. But I do not think that Sir David Devadoss has properly grasped what was passing through our minds. As a matter of fact, speaking for myself, I was under no delusion whatsoever or under any mistake he thought I had committed.

THE HONOURABLE MR. P. N. SAPRU : Sir, the Honourable Sir David Devadoss says that a man can purge his contempt by apologising. Undoubtedly that is so. But why should you use your power to punish a man to force an apology? Has an apology, which is a forced apology, any value? An apology, in order to be a real apology, must be a genuine apology.

THE HONOURABLE THE PRESIDENT : You do not mean to say that *locus poenitentiae* occurs at no stage?

THE HONOURABLE MR. P. N. SAPRU : Well, Sir, if I do not apologise for 3 months or 4 months and if I apologise at the end of 4 months, the presumption is that I am apologising because I have to spend two more months in jail. It does not indicate that I am convinced that I did anything wrong. So, an apology which is to have a value must be a genuine apology

THE HONOURABLE MR. BIJAY KUMAR BASU : Spontaneous apology.

THE HONOURABLE MR. P. N. SAPRU : and I do not want a forced apology just in order to maintain the dignity of the court. It is not enhancing the dignity of the court by forcing an apology. Well, Sir, reference was made by the Honourable Sir David Devadoss to a case in our Court—Allahabad. I happen to know all the facts of that case and I can supply those facts but it might perhaps not be relevant if I were to supply them at this stage. But there are just one or two things that I want to say in regard to that case. A certain article appeared in the "Leader" and that article was in regard to the Bar Council elections. No editor could have thought that in an article on Bar Council elections there would be any sentence which the court would regard as contemptuous of the court. Well, the article was allowed to go in into the "Leader" and then there was a prosecution of the "Leader". The line taken by the "Leader" was that the article did not amount to contempt and that line was rejected by the court. The Court—I think Mr. Justice Harris and Mr. Justice Tom were the Judges—held that there was really no intention on the part of the "Leader" to commit contempt. They accepted the statement of the editor that there was no intention on his part to commit any contempt. But on the technical question whether the article amounted to contempt or not, they came to the conclusion that the article amounted to contempt. Now, the "Leader" took the line that they wanted to appeal to the Privy Council. They thought that a question of public importance from the point of view of Indian journalists was involved. Though there was no intention to commit any contempt on their part, they just wanted to exercise their right of appeal to the Privy Council, and they went to the Privy Council. The Privy Council said that they were not prepared to interfere in the case because they were not a court of criminal appeal, and it would not be proper for them to interfere in that particular case. But if you read the arguments that were advanced in the case in the Privy Council and the observations of certain learned members of the Privy Council, you will find that the Privy Council was not satisfied that the decision of the High Court was really correct. If they were dealing with the matter as a Court of original jurisdiction or as an appellate Court they might have taken a different view. Lord Blanesburgh made certain observations which very clearly indicate that he at all events did not think that the words amounted to contempt. They did not interfere because of their well-known practice

not to interfere in such class of cases. In those circumstances there could be no question of an apology on the part of the "Leader". There is a subsequent High Court history in regard to that paper and it is not to the credit of the High Court. I have felt constrained to make these observations because of the remarks of Sir David Devadoss.

THE HONOURABLE MR. A. DEC. WILLIAMS : I would only wish to say, Sir, that the point for decision now surely is much more whether the intention of 1926 should be given effect to than whether that intention was right or wrong. The scope of this Bill is very limited; and I had not expected that Honourable Members would range over the whole field of contempts and discuss them on the merits. I am well aware that the Statement of Objects and Reasons of the Bill of 1926 and the proceedings in the Legislative Assembly and in this Council of 1926 are not available for the interpretation of the Statute, but they are available, and they should be referred to, for ascertaining the intentions of the Legislature. I do submit, Sir, that that intention should not now be changed and that all that this Bill does is to give effect to that intention.

THE HONOURABLE THE PRESIDENT : The Motion is :

"That the Bill to amend the Contempt of Courts Act, 1926, for a certain purpose, as passed by the Legislative Assembly, be passed".

The Motion was adopted.

RESOLUTION RE ROAD DEVELOPMENT FUND.

THE HONOURABLE MR. A. G. CLOW (Industries and Labour Secretary) : Sir, before I commence my speech, I would invite your attention to clause (b) of sub-order (1) of Order 60 of the Standing Orders. It says that a Member moving a Resolution "shall commence his speech by a formal motion in the terms appearing on the list of business." As I read that Standing Order, it necessitates my inflicting on the House the reading of this very long Resolution, copies of which are in the hands of every Honourable Member. I beg to submit for your consideration whether on this occasion, if there is no objection, this Standing Order might be suspended and I may move my Resolution in more formal terms.

THE HONOURABLE THE PRESIDENT : The usual practice is that before a Motion is adopted, it must be read in the House. But I understand that copies of this Motion, which is now about to be proposed, have been supplied to Honourable Members and unless any Honourable Member objects to my suspending the Standing Order and granting the request of the Honourable Mr. Clow, I am myself inclined to agree to his proposal. Has any Honourable Member any objection? (*Honourable Members* : "No.") Then you have the permission of the Council.

THE HONOURABLE MR. A. G. CLOW : I thank you, Sir. Sir, I move :
"That the Resolution* standing in my name be adopted".

In dealing with it I propose first to refer very briefly to the origin and the evolution of the Road Account and then to give some indication of the manner in which we have discharged the mandate that was entrusted to us in this Council 3 years ago and finally to deal with certain variations between this Resolution and its predecessor.

* For the Resolution—See Appendix at the end of these Proceedings.

[Mr. A. G. Clow.]

The Road Fund actually traces its ancestry to a Resolution moved in this Council. That Resolution was adopted in February 1927 and it recommended the appointment of a Committee including Members of both Houses of the Central Legislature to examine the desirability of developing the road system of India, the means by which such development could most suitably be financed and to consider the formation of a Central Road Board for the purpose of advising in regard to and co-ordinating the policy in respect of road development in India. In pursuance of that Resolution a strong Committee of Members of the Central Legislature was appointed. That is the Committee formally known as the Road Development Committee and sometimes alluded to as the Jayakar Committee, from the name of its distinguished Chairman. That Committee after about a year's deliberations reported in September 1928. It recommended the development of the road system in India and it came to the conclusion that that system could legitimately be developed by means of additional Central taxation, and it proposed an enhancement of the duty on petrol for that purpose. It recommended that the future policy should be controlled by the Legislature in two directions: first, by getting the approval of the Legislature to the general principles—and that is what I am seeking to do in a revised form,—and secondly, through a Standing Committee which would approve schemes and would advise Government generally. It contemplated that grants would be made to each province up to the amount apportioned for each year to be expended on projects so approved.

Then, after consultation with Local Governments and after securing the sanction of the Secretary of State, to expend from Central revenues on what was in every province but one a provincial transferred subject. The scheme advocated by the Committee was generally adopted. Extra taxation was imposed. The Standing Committee was set up. Grants were made to the provinces and the development of our road system has gone on with increasing vigour ever since. I might however point out at this stage that, instead of giving grants in accordance with approved schemes, which was I think the scheme the Jayakar Committee contemplated, the system adopted was that of handing over to the provinces the total amount due from time to time but not allowing provinces to spend the money until the schemes had been approved. Now, the system was on a five years' basis in the first instance, and I might just give the House one or two figures of the position as it stood about the time the last Resolution was adopted, that is, at the end of the first five years' period. At that time, at the end of the financial year 1933-34, there had been credited to the Road Fund 523 lakhs. Ignoring a small sum which went for the purposes of aviation, 59 lakhs went to the States, 15 lakhs to the minor administrations and administered areas, and 388 lakhs to the provinces; and out of that money allotted to the provinces the unspent balances at the end of the period were 132 lakhs. 60 lakhs had been credited during that period to the Government of India's reserve, out of which 41 lakhs had been allotted to approved schemes.

I now turn to the present position. In round figures the total sums which have been or will have been taken into account in the Road Fund in the three financial years 1934 to 1937, including a windfall we got of 40 lakhs in the budget of two years ago, will amount to 362 lakhs. That makes the total sums credited or to be credited to the Road Fund, in the eight years since the fund was opened, 885 lakhs. Out of that, 4 lakhs will have gone to aviation, 87 lakhs to the States, 22 lakhs to minor administrations and administered areas, 13 lakhs are temporarily unallotted, 148 lakhs go to the Government

of India reserve and 610 lakhs have been or will be allocated to Provincial Governments. Now, out of this 610 lakhs we estimate that about 360 lakhs will have been spent by the end of this financial year. That leaves an unspent amount of about 2½ crores. Of this, however, about half a crore will represent an allocation on account of revenue for the current year, and that falls to be adjusted next year. As regards the reserve, our estimate is that out of 148 lakhs credited to it, at the end of this year about 118 lakhs will have been spent, leaving a balance of about 30 lakhs, and we think it likely that that will be reduced to about 7 lakhs by the end of the next financial year.

These I am afraid are very dry figures, but I would like the House to make a little effort of imagination and try and translate them into human terms, because they represent a very big work that has had its repercussions throughout India. It means that all over India there are better communications than there were three years and eight years ago. All over India thousands of men, as we sit here, are going about those roads carrying on their trade or pursuing their lawful avocations and I think finding life a little easier and perhaps a little more prosperous in consequence. And the benefits are not merely to be measured in economic terms. There are cultural benefits that pass all our calculations, for roads like railways carry not only men but ideas, and I believe that the development of this network of roads is playing an important part in linking together the various parts of India and in helping to create and bind up the new India that we hope to see.

I would have liked to have gone into details and tried to describe the various works that have been carried out; but that would be a very difficult and very tedious task, even if I had the time. The work has been scrutinised in the Standing Advisory Committee with great care and thoroughness. Those Members who have served on that Committee will be fully familiar with that. But most of it has not gone in works of spectacular interest. It has gone on small improvements scattered over a wide area; metalling of parts of unmetalled roads; transforming roads already metalled for the older type of traffic into re-conditioned roads capable of bearing the strain of modern transport; bridging streams that formerly had to be forded or were crossed at certain seasons of the year only by temporary bridges. There must be few Members of this House who in their own constituencies or districts have not had some experience of what has been done in this direction.

I might however try to give some indication of what has been done with the Government of India reserve, asking Honourable Members to bear in mind that that gets 15 per cent. of the total fund, that is, only about one-seventh of the total. Now, from that reserve we have completed a large number of through communications. For example, the through road from Lahore to Ajmer has been virtually completed by metalling several lengths and constructing two important bridges. Then a grant to the United Provinces for the road from Allahabad to Rewa is connecting up the great Deccan road from Nagpur and Jubbulpur with the Grand Trunk Road at Allahabad. Then there is the completion of the metalled road from here to Jaipur; there is another one from Bhopal to Saugor; there is another one from Bagh to Ambua which will connect the Central Indian road system with the system from Bombay Presidency at Dohad. Then the Purna river is being bridged in Khandesh and that, with work in the Central Provinces, will give a good connection between Dhulia and Nagpur going by Amraoti.

We have also given grants from the reserve in furtherance of provincial programmes. For example, Orissa—a province very badly in need of road communications—have received about 13 lakhs to enable them to develop their road system. About 10 lakhs have

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gone to Sind where there is likely to be in the future considerable need of the development of the system and where a scheme was worked out by an officer appointed by the Government of India some years ago. We have given 10 lakhs to Bengal for a road in the north of the province. We have given 30 lakhs to Assam which will enable the Assam Government to carry out a large number of improvements and particularly to construct a road from Shillong to Sylhet and to bridge the Surma river at Sylhet. Those who are familiar with Assam will realise that this is a vital communication between two separate valleys that constitute that province.

Now I come to the points on which this Resolution differs from the Resolution that was passed in this House three years ago. There are a considerable number of minor alterations and alterations of a verbal character and some other alterations which I do not propose to discuss in detail. For example, a paragraph relating to Burma has disappeared and there are changes in the paragraph relating to the constitution of the Standing Committee, which are changes more of form than of substance. But there are three changes of some importance to which the House will expect me to refer. These relate, first, to the purposes on which the money can be spent, secondly, to the time at which the money is to be distributed, and, thirdly, to the possibility of resumption of money that has been allocated. Honourable Members will find the purposes on which the money can be spent in paragraph 7 of the Resolution. Here there has been a slight enlargement. Thus clauses (iv) and (v) of the paragraph are new. On the other hand an alteration has been made which has the effect of limiting the use of the Road Fund for meeting the interest and amortization of loans to loans which have been approved prior to the passing of this Resolution. The objections to using the fund for meeting charges on loans are fairly obvious. The amounts that a province gets from this Fund depend on the moneys voted by the Central Legislature, and the Central Government of the future will have to have full liberty of action in respect of that Fund. I know that it is quite possible to argue that a province might be allowed to raise a loan to meet the demands on it from the Road Fund so long as that Fund exists and, if the Fund ceases to exist or is curtailed, then it can come from provincial revenues. But the fact is that the withdrawal or even any substantial reduction in the amounts credited from the Road Fund would have the result of throwing charges hitherto met from that Fund directly on provincial revenues, and the Central Government would inevitably be faced with a serious dilemma if it came to the conclusion that the sums it will give or was giving were no longer appropriate or could no longer be afforded. It would either have to continue payments which it no longer wanted to make or it would have to create serious financial embarrassment in the provinces, and the effect, whatever it may be in theory, in practice would be to curtail the liberty of action at the centre.

Now, in the second place, whereas under the preceding Resolution the procedure was to allot the money to the provinces as it came in, that is, in instalments, whether the provinces had any immediate need for it or not, what is now proposed is that the money should be retained by the Governor General in Council until it is actually required. This represents in my opinion a closer approximation than the existing system to what was contemplated by the Road Development Committee. That Committee after referring to apportionment to the provinces and to allotment to the Government of India—I would like the House to note that distinction—went on to say that “grants should then be made to each province up to the amounts so apportioned to it in each year for expenditure on projects approved by the Governor General

in Council with the advice of the Standing Committee.” My amendment contemplates that the grant should be made according to the projects approved and up to the limits apportioned.

The third and last change to which I wish to refer is that represented by clauses (3) and (4) of paragraph 3 of the Resolution. These relate to the possibility of resumption of moneys by the Government of India and provide for the redistribution of those sums in the manner specified. So far as resumption may be based on failure to utilise the sums, here again I think I can claim some support from the Jayakar Committee's Report. Referring to that Report, I find that they said that under the system adopted by the United States of America, on which they had to a considerable extent based their recommendation, sums unexpended at the end of a fiscal year remained in the hands of the States for one further year, after which they were re-apportioned among all the States. And the terms of their actual recommendation were that “if any part of the amount apportioned to a province remains unexpended at the end of the financial year it should be carried over for expenditure in the province in the following year”. Now, I recognise that those words are capable of more than one interpretation, but they at least suggest to my mind that the Committee did not contemplate an indefinite carry over, which would have involved, or rather would have represented, a retardation of the programme of development. But we are not proposing to follow the United States of America, if they have that system still there, in having a rigid provision for the resumption of moneys which have not been spent. On the contrary, the provision we are inserting here is intended as a measure only to be used in special cases and I trust that it will seldom or never require to be used. I might add that in the Standing Committee attention has been drawn on several occasions to the unspent balances and the Government of India have been urged by certain provinces to make a more rapid progress.

But the House will observe that it is proposed also to make resumption possible where a province has “failed to take such steps as the Governor General in Council may recommend for the regulation and control of motor vehicles within the province”. Now, that proposal arises from a Resolution adopted by the Road-Rail Conference which I would like to read to the House. It runs as follows :

“In order to ensure increased co-operation and more intelligent co-ordination of effort between the various authorities concerned, this Conference considers that the following measures would be justifiable—

- (a) the control of public service and goods motor transport should be regulated in the interests of public safety and convenience ;
- (b) the number of vehicles licensed to ply for hire should be restricted so as to prevent such competition between all forms of transport as may be contrary to the public interest.”

Now, the same principles were affirmed in the statement of policy adopted at both meetings so far held of the Transport Advisory Council. One of those meetings was held last summer, and the conclusions in both cases were clearly aimed at ensuring proper control of road transport and at a proper co-ordination of road transport with other forms of transport, and particularly transport by rail.

Well, Sir, I hope I have said enough to justify me in asking the House to adopt this Resolution and I would add only one observation in conclusion. I think there is a tendency in some quarters in discussing questions such as that before us to concentrate on certain controversial points which are really

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only of secondary importance, such as the road-rail controversy. I do not propose to discuss the merits of that admittedly controversial question myself, but I would ask the House, as I am sure it will, to keep a sense of perspective in this matter. Any controversies there may be about roads and railways after all affect only the minor portion of the field. Over the great part of the field there is and can be no controversy. I recognise that there is always a danger of conflict where big interests come into play—but I think there is a danger that the dust of that conflict may rather obscure the great work which is going on over the bulk of the field, where works are being carried out constantly without any question arising as to their beneficial effects on the peoples of India. (Applause.)

THE HONOURABLE THE PRESIDENT: Before I put the Resolution to the House I want myself some explanation from the Honourable Member. In clause 9 the constitution of the Standing Committee has been provided and sub-clause (c) says "three members elected by the Members of the Council of State from amongst themselves", and (d) "six members elected by the Members of the Legislative Assembly from amongst themselves". Then later on, in sub-clause (3) it is stated:

"No approval to any proposal for expenditure from the Road Fund shall be given by the Committee unless it is supported by—

(i) a majority of the members present and voting who are Members of the Legislative Assembly, and

(ii) a majority of the members of the whole Committee present and voting."

I can quite understand sub-clause (ii), but why has a special privilege been given under sub-clause (i) to the Legislative Assembly? Is the vote of the Council Members not so important as that of the Members of the Legislative Assembly and why has this privileged discrimination been made in favour of the Members of the Assembly?

THE HONOURABLE MR. A. G. CLOW: I would like to explain, Sir, that both the clauses which you have read are taken verbatim from the preceding Resolution. The only change, I think, is the substitution of the word "Fund" for "Account". Actually this arises out of the greater responsibility for expenditure given to the other House. The original proposal—I am speaking from memory—of the Jayakar Committee was that there should be a financial sub-committee and that the proposals were to be voted by the financial sub-committee and then voted by the Committee as a whole. But that was found to be rather a useless formality. There was a discussion and they decided in favour of this simpler system, which is a system that has been in force for the last three years and is in consonance with the constitutional position. I need hardly assure you, Sir, that I do not attach more importance in any matter to the vote of the other House than I do to the vote of this House.

THE HONOURABLE THE PRESIDENT: You have revised the previous Resolution altogether and when doing so, apart from other considerations in view of the fact that even under the Government of India Act, 1935, co-equal powers are being given to the two Houses, I think Government ought to have taken into consideration that nothing affecting the dignity of the Members of the Council of State was imported into this Resolution. I am sorry this has happened but I hope this invidious distinction will be corrected at an early date.

I think it will be conducive to the debate if I allow Mr. Parker's amendment to be moved at this stage so that both the Resolution and the amendment can be debated together.

THE HONOURABLE MR. R. H. PARKER (Bombay Chamber of Commerce): Sir, I move:

"That to sub-paragraph (3) of paragraph 3 of the Resolution the following proviso be added, namely:—

'Provided that the Governor General in Council shall give a Local Government six months' notice of his intention to resume any such sum before doing so.'

Sir, in moving this amendment that stands in my name I wish to make it clear that I do so because the circumstances are of an exceptional nature. In the first place, the Governor General in Council, who under the Resolution will in certain circumstances be entitled to resume funds which would normally be available for a particular province to spend, and who under the Resolution would be the sole judge of whether such sums ought to be resumed by him or not, is at the same time the Head Executive of the Railways. It has been made very plain by what has been said by the Honourable the Finance Member and the Honourable the Railway Member that they have very strong views as to how far competition of road transport should be allowed to interfere with railway revenues, and there is therefore justification for the fear that does exist in the provinces that the interests of road users—and indeed the interests of road users are to a large extent the interests of the nation—may be crippled by injudicious endeavours to protect railway revenues. Normally one would not approve of an interested party (as the Governor General in Council must be in this case) being at the same time the final judge.

The actual amendment which I have moved is an improvement on the Resolution only in this way, that it provides a period of time during which it will be possible for both points of view to be ventilated: more particularly these points of view can be ventilated in the Central Legislature and in the Provincial Legislature concerned. Now it might be that neither party would change its view as the result of such ventilation but I think we are all agreed that in many instances it is a real safeguard against arbitrary action being taken to provide that that action must be delayed and can only be taken after a substantial period of notice has been given. The mere fact that the matter can and will be discussed in public by the parties concerned tends to arbitrary action being avoided and the discussions which take place may in themselves elucidate the position sufficiently to assist in reaching the best conclusion in the circumstances of a particular case.

It is, I think, not the least of the duties of this Honourable House to endeavour to do all it can to assist in the smooth working of the relationships between the Centre and the Provinces upon which the future of India depends to such a very large extent.

I hope that the Government will accept this amendment and that it will receive the support of all Members of this Honourable House.

*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhammadan): Mr. President, the Resolution which the Honourable Mr. Clow has just moved would in the ordinary course of business have been opposed by some of us inasmuch as it materially interferes with the autonomy of the provinces and had there not been special circumstances we, Sir, would not have been a party to the interference of the Centre in matters that are not

* Speech not corrected by the Honourable Member.

[Mr. Hossain Imam.]

only provincial but transferred subjects. But our experience during the last few years has been that the Provincial Governments are in the habit of not spending all the allocation from this Fund, and what is more, they want to utilise this Fund to relieve their own budget of certain items of expenditure which would have fallen on the provincial revenues.

(At this stage the Honourable the President vacated the Chair which was taken by the Honourable Sir David Devadoss.)

During the short period that I was on the Road Committee, some instances came to my knowledge in which some of the Provincial Governments were anxious to utilise this Fund for the maintenance of the roads which they formerly used to maintain from the provincial revenues. There were also some provinces which had accumulated large sums of money from this Fund. When this Resolution was moved in 1934, 100 lakhs were unspent and 55 lakhs were taken as loan by the Provincial Governments from the Road Fund. This is not a proper use to which the Road Fund should have been put. It is to the good of the provinces that there should be a central body which would control them, and will make them spend the money on its proper object. The Resolution, as amended by Mr. Parker, would make quite a good check and so I for one am in support of the Resolution. But there is one objection which was taken in the other place, namely, to allowing this Fund to be used for repayment and security for road development loans. This makes it appear that the intentions of Government are not clear, and that they are still contemplating the resumption at some future date of this, if and when the federal burden is thrown on us. I must enter my emphatic protest against this intention. The Fund has been created for a special purpose. The Legislature and we as representatives of the people have allowed taxation to be imposed on ourselves for a definite purpose, and this should remain earmarked for this purpose alone. It should not be open to the Governor General or the Finance Member at a later stage to resume this Fund by executive action and the extensive powers given under the Government of India Act of 1935. On this condition I support the Resolution.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern Non-Muhammadan): Sir, I am in general agreement with the Resolution which has been moved by the Honourable Mr. Clow. As I understand the position, the tax is a Central tax, and the proceeds of the tax go to the provinces. We act as agency for the levy and collection of the tax. The tax is for the purpose of road development. As the Centre is responsible for the levy and collection of the tax, the Centre ought to have a certain measure of control over the manner in which the Fund is used by the provinces. We are all great advocates of provincial autonomy. We also wish very rapid developments in the provinces. But we cannot forget that the tax is a Central tax and you cannot choose and use the machinery of the Central Legislature without giving to the Central executive and the Central Legislature a certain measure of control. Therefore, Sir, the principle of Mr. Clow's Resolution is sound and has our general support. If the provinces want to have rapid road development, they can have separate taxes. But the Centre is interested in seeing that there is no unhealthy competition between railways and roads.

(At this stage the Honourable the President resumed the Chair.)

I do not say that we, on this side of the House, approve of the particular measures which are under contemplation for checking the competition between railways and roads. Probably, our views on the subject are different from those which commend themselves to my Honourable friend, the Chief Commissioner of Railways. But the principle is sound. Besides, there are a number of safeguards provided here. Clause 9 says that there shall be a Standing Committee on which both the Houses will be adequately represented. Then there is clause 9 (3)—to which I have no objection, because I am always a supporter of popular Chambers—which says :

"No approval to any proposal for expenditure from the Road Fund shall be given by the Committee unless it is supported by—

(i) a majority of the members present and voting who are Members of the Legislative Assembly, and

(ii) a majority of the members of the whole Committee present and voting."

There are these safeguards.

So far as the amendment of the Honourable Mr. Parker is concerned, I think it is a very reasonable amendment, and I give my cordial support to it. There ought to be some notice given to the provinces. I think that is the real object of the amendment. He wants to give six months' notice under this clause to the provinces. I think that Mr. Parker's amendment will improve the Resolution and I hope that the amendment will be accepted by Government. With these remarks, Sir, I give my general support to the Resolution that has been proposed by the Honourable Mr. Clow and I also give my wholehearted support to the amendment which has been proposed by the Honourable Mr. Parker.

THE HONOURABLE THE PRESIDENT: As today is Friday and as I understand that Muhammadan Members would like to retire early from this House for the purpose of offering their prayers, I will give preference to Muhammadan Members if they rise first.

(The Honourable Rai Bahadur Lala Ram Saran Das then rose to speak.)

THE HONOURABLE THE PRESIDENT: You are not a Muhammadan Member.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): As no Muslim Member has risen, I rose.

THE HONOURABLE THE PRESIDENT: You are not giving them enough time.

(After waiting for a few seconds)

As no Muhammadan Member has risen, you can address the House.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Very well, Sir.

Sir, the subject matter of the Resolution has been discussed at such a length in the public and in another House that there is no aspect of the issues raised by it which has not been written or spoken upon. If, therefore, I take a little time of this Honourable House it is because I feel it my duty to voice the emphatic protest of my province, the Punjab.

Our province claims to possess one of the finest systems of roads in any part of India and the keen interest which His Excellency Sir Herbert Emerson

[Lala Ram Saran Das.]

takes in the matter is known to every Punjabee. The feeling both among the Government and the public of my province is that they would rather give up their share of this Fund than subject themselves to the humiliation which the terms of the Resolution involve. Sir, I have the privilege of being the President of the Indian Roads and Transport Development Association, Limited (Punjab Branch), and so, I have some practical knowledge as to how the new construction of roads is controlled by the railways. From the Annual Report which this Association is issuing for the last year (1936) I might quote an extract, which will prove how the railways are interfering in the construction and development of certain roads :

"At the second meeting held on 26th September 1936 the Board approved of the Punjab road developmet programme drawn up by Mr. Stubbs. This programme....."

THE HONOURABLE THE PRESIDENT : Mr. Clow asked you not to enter into that controversy. We are not concerned with that matter now so far as this Resolution is concerned.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : I might explain, Sir, that as these matters are so inter-woven with each other, a reference to it cannot be avoided. I am simply saying that the Government of India should not withhold the funds allotted from any province. The extract I am giving proves the Railway control.

THE HONOURABLE THE PRESIDENT : All right. Please refer to that subject as little as possible.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Very well, Sir.

"This programme, which allows for a total expenditure of 131.6 lakhs, excluding works in progress and is to be financed entirely from the Road Fund, was discussed between the representatives of the North Western Railway and the Punjab Public Works Department, with the following result. Proposals agreed to 63.14 lakhs ; proposals agreed to conditionally 25.87 lakhs ; proposals not agreed to 49.59 lakhs ; total 131.60 lakhs....."

THE HONOURABLE MR. A. G. CLOW : Might I ask the Honourable Member what he is reading from ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : I am quoting from the Annual Report of the Association to which I have referred, the Indian Roads and Transport Development Association, Limited, Punjab Branch.

"..... It is a matter for satisfaction that works estimated to cost 63.14 lakhs have been approved, and it is not improbable that the North Western Railway will be persuaded gradually to withdraw their objections to many of the remaining projects included in the programme."

I dare say my Honourable Colleagues are acquainted with the history of the Road Fund. The idea of Petrol Road Fund tax emanated from the Indian Roads and Transport Development Association in Bombay and was first put forward by the Bombay Government to the Central Government. Public opinion was then sounded and the motoring public endorsed the suggestion. It was made clear that the Central Government was chosen merely as a convenient authority for the purpose of collaboration and that the sole work of the Central Government would be to see that the money collected was distributed on the lines laid down which were agreed upon by all the

Provinces. The Resolution before this Honourable House proceeds on the assumption that the Government of India have a sole legal right to its distribution. Sir, whatever the legality of the position, I make bold to say that the Central Government have no moral right over the Fund.

What the Resolution amounts to is that the Government can utilise it for the protection of railway revenues at the expense of the Bus Services. This fear is supported by the recent instance of the disposal of a scheme of road construction in the Punjab.

With your permission, Sir, I wish to bring home to Government the serious effect of their proposal on rural life and economy. The motor lorry traffic has opened up the rural areas and brought them within easy reach of each other in a manner as has meant to the countryside a greater revolution in life than either the introduction of the postal service or of any other instrument of popular benefit. These lorries traverse tracks which even bullock carts do not. The lorry service has been the best instrument for rural uplift by giving an outlet for skilled men in the rural areas, for increasing their earning. The capital in these enterprises has not been sunk by the money-lender but mostly by the village artisan or peasant. The proposal of the Government will mean a serious handicap to the maintenance of these services in the rural areas, and I can think of no greater harm to the rural area than the adoption of any retrograde proposal of this kind. I am all for devices for safety but the basic economic fact must not be ignored. If the lorries which carry passengers and goods are separated then economic basis will be further destroyed. Have not Railways been carrying for decades mixed goods and passenger trains ? Why is then a handicap to be placed on the lorry traffic ?

It has been argued that the national interests demand the Railway system in which 800 crores of rupees are sunk should be safeguarded. I entirely agree with that proposition but the way to safeguard railways is by reducing their expenses. This can be done by changing the policy relating to purchase of stores and by reducing the working expenses in respect of salaries and allowances of the superior staff.

What I wish the Government to remember is that the railway system, because of its heavy outlay, does not provide economic basis for development of transport facilities and this is proved by the fact that the Railway authorities have not, during the past six years, launched on any programme of capital expenditure in adding to their mileage even though they had the cheapest money rates that have ever prevailed in the money market.

It is thus clear that the railways are not able to play an important role in future development and for their sake we should not stand in way of the opening up of the countryside and linking markets to the remotest corners of the country. Road development alone offers this prospect. But can such a development take place when we have a number of serious handicaps which are being proposed ?

In particular I feel that road service permits should be issued as a matter of formality and should not be exposed to objections from outside bodies such as Railways. Secondly, though the authorities should have power to fix maximum rates we cannot allow them to fix the minimum rates which might tend to assist Railways to return to their monopolistic state. Thirdly, there should be no prohibition or restriction regarding picking up and setting down passengers and goods. Fourthly, public vehicles should not be restricted to specific routes but the law of supply and demand should be allowed to have a free play.

[Lala Ram Saran Das.]

I would like the Government to appreciate the problem from yet another angle. They have in the private lorry driver a potential reserve of skilled men for times of emergency and they have in private lorries a mobile instrument for use in times of commotions. These lorries have penetrated the countryside, have tended to raise the price of primary produce and have brought it into real touch with the district and tehsil headquarters. The Resolution if carried out in its spirit will hamper development of road transport which alone offers the most economical solution of the rural economy of transport. Finally, I would request the Honourable Mover of the Resolution to remember that it is not a good augury for future relationship between the Central Government and autonomous Provinces that the very first act of the Central Government on the eve of the introduction of the new constitution should exemplify the type of stepmotherly treatment that may be expected hereafter. The Government of India got the Resolution passed in another place when the Opposition Block was absent. I am doubtful if the Government would have carried the Resolution, had the other place been its usual self. However, the duty now falls on us to leave the Government in no doubt with regard to what we believe is fair play between the Centre and the Provinces. With these remarks, Sir, I oppose the Resolution.

(The Honourable Mr. R. H. Parker rose in his place.)

THE HONOURABLE THE PRESIDENT (to the Honourable Mr. R. H. Parker): Have you not spoken on the Resolution?

THE HONOURABLE MR. R. H. PARKER: No, Sir. I spoke on the amendment.

THE HONOURABLE THE PRESIDENT: My instructions were that the debate should proceed simultaneously on the Resolution and amendment. As you did not understand I will allow you.

THE HONOURABLE MR. R. H. PARKER: I have only a little to add, Sir.

In my opinion the Standing Committee for Roads ought to have placed before them all the proposals which come from the Provinces for consideration. I understand that the procedure now is for proposals in respect of roads, road programmes and matters of that kind to be referred to the Railways first and when the Railways have combed them, for the remainder (*i.e.*, in practice mainly only those to which the Railways raise no objection) to be placed before the Standing Committee. I think this is quite mistaken. The views of those who advocate the proposals in connection with the roads and the views of the Railways should both be brought before the Standing Committee for Roads, and I hope the Government will intimate in reply that they will follow this course in future.

I also think that all communications between Local Governments and the Central Government relating to road affairs should be placed before the Provincial Boards of Communications. I believe this is customary in some Provinces but not in others. I hope that Government will suggest to all Local Governments that they follow this course so that the respective Boards of Communications may be more fully informed.

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras: Non-Muhammadan): Sir, I regret that I cannot join in the general amount of

support that the Resolution has received from the Members in this House, with the notable exception of my Honourable friend Lala Ram Saran Das. I am not in agreement with those who spoke in support of the Resolution. I do not wish to go into the details of the various clauses. If we agree to the principle of the Resolution, probably the clauses are not very objectionable. But I am wholly opposed to the underlying principle of this Resolution, and that for two main reasons. First of all, Sir, the tax is one which is derived in areas where these motor vehicles ply, and they are the provinces. It is pooled here, mainly for one purpose, namely, of making a contribution to civil aviation, the rest being again distributed to provinces. Now, in the normal course the provinces would like that the contribution that they are required to make for the Central Government should be made by themselves after receiving their own quotas for their own areas. I think each province would lay claim to the revenue derived from this source of taxation to itself and would like to make the contribution to the Centre, instead of the centre Collecting the whole thing and making grants. I think on that there is bound to be a clash between the future provinces and the future Central Government. I think this is a most inopportune time to have brought this Resolution at all in this House and in the other House. Whatever may be said about the way in which the Road Fund was administered under the old system when the Provincial Governments were not autonomous and more or less autocratic and not responsible to the Legislatures, we are on the eve of a very momentous change in the constitution when the Provincial Governments will be autonomous and responsible to the Legislatures. So the future Ministers in the provinces will have ample guidance from their own Legislatures which are now elected on a much wider franchise and therefore I think the action taken by the Government of India in bringing this Resolution now and claiming new powers to the Centre in distributing the Fund among the provinces is a most unwise step and nobody who wants that provincial autonomy should be a success in future can really support this Resolution. Sir, in the other House even the Members of the European Group were opposed to this Resolution. Mr. Morgan very significantly said: "Seven years after the Fund has been in existence"

THE HONOURABLE THE PRESIDENT: Order, order. You are quoting from this year's speech, which you cannot do.

THE HONOURABLE MR. V. RAMADAS PANTULU: The other day when the Resolution was moved in the other House.....

THE HONOURABLE THE PRESIDENT: But you cannot use it.

THE HONOURABLE MR. V. RAMADAS PANTULU: Then I will only say in my own words what he stated: that after seven years of working of this Road Fund to now subject the provinces to the dictation of the Government and asking Provincial Governments to comply with the instructions of the Central Government in regard to the road schemes is not right. That is the objection which was seriously pressed and I whole-heartedly support that view of the matter. The danger of the Central Government interfering with Provincial Governments is not imaginary or unreal. Centrally administered subjects here, like Railways, have their own claims and the claims of trunk roads also conflict to some extent with the claims of the rural communications. We in the Centre here, whether officials or non-officials, sometimes develop an all-India mentality, which does not always coincide with provincial or rural interests. Speaking for myself I think I am on a somewhat different plane

[Mr. V. Ramadas Pantulu.]

when I am sitting here in this Legislature than I would myself be if I were sitting in the Provincial Legislature. It is inevitable that we should place more emphasis on a particular aspect of the question viewed from an all-India point of view or a provincial point of view according to the atmosphere in which we deliberate. Therefore I think there is a great danger of the centrally administered subject of Railways claiming greater attention on the part of the Government to the detriment of the provincially administered subjects. Roads and transport of motor vehicles are both Provincial Subjects, which will be within the full competence of the Provincial Legislature and the Provincial Executive to deal with. I think there is a great danger of rural communications suffering and the claims of provinces being overlooked. The Resolution gives large powers to the Central Government and I do not think that the safeguard of an advisory standing committee on roads, to form which we have agreed today and which is useful so far as it goes, is a sufficient safeguard to keep the Government of India within its bounds. My friend the Honourable Mr. Clow has asked us not to advert to side issues or controversial matters but to concentrate on the broad issues raised in the Resolution. Even on the broad issues, I have said that the Resolution offends against the susceptibilities of the provinces and provincial representatives, but at the same time we cannot accede to the wishes of Mr. Clow, for the reason that at the Road-Rail Conference recently held under the auspices of the Government of India great emphasis has been laid on the need to give prominence to the claims of the Railways and one clause of the Resolution passed by that Conference, which I wish to refer to, reads :

"The number of motor vehicles licensed to ply for hire should be restricted so as to prevent such competition between all forms of transport as may be contrary to the public interest."

The words "public interest" there are synonymous, I beg to submit, with the interests of the Railways, reading the Resolution as a whole in its context. Therefore the real danger of the Railways and the claims of trunk roads interfering with the needs of the provinces and rural communications is really grave. On the whole the principle is wrong. It is bound to bring the Central Government into conflict with Provincial Governments and it would interfere with the true autonomy of the provinces, where roads and motor transport are essentially Provincial Subjects. For this reason I oppose the Resolution because I am opposed to the principle of it.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern : Non-Muhammadan) : Mr. President, the subject with which this Resolution deals is a very difficult one. As several Honourable Members have pointed out, it relates to a matter in connection with which there may be a great deal of conflict between the interests of the Central Government and the provinces. But for that very reason it is necessary to bring about co-ordination between the Centre and the provinces. Again, the Road Fund was established in order to bring about a co-ordinate system of road development all over the country. The Central Government added to the taxation imposed on the country in order to provide funds for this purpose. I do not think, therefore, that in principle the establishment of a Committee of the kind suggested by the Honourable Mr. Clow in his Resolution can be objected to.

THE HONOURABLE MR. V. RAMADAS PANTULU : Nobody objects to the establishment of a Committee.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : I am glad to hear from my Honourable friend that he does not object to the establishment of a Committee of the kind proposed by Mr. Clow. I take it that he too in principle then is not opposed to the arrangement which Mr. Clow asks the House to accept. In regard to particular schemes placed before the Committee there may, it is true, be serious differences of opinion between provincial and Central Governments. This Committee, Sir, the establishment of which we are asked to approve, will have a considerable non-official majority on it. Six members will be elected by the Members of the Legislative Assembly and three by this House. These men I suppose will not be inhabitants of centrally administered areas but will come from areas under the jurisdiction of the autonomous provincial Governments. Now, why need we suppose that where there is a serious conflict between the provinces and the Central Government and the Government of India choose to exercise their powers of resuming the funds allocated to a province unjustly, the non-official members belonging to the autonomous provinces will tamely submit to the decision of the Government of India ? I am sure, Sir, that those members will be the first to take up the cudgels on behalf of the provincial Governments and will take every step to see that the legitimate economic interests of the provinces are not hampered in any way by any selfish policy which the Government of India may desire to pursue.

Apart from this, Sir, I doubt whether the conflict of provincial and Central interests is as great as some Members have tried to make out. There is a great deal of competition at present between railways and vehicles plying on roads. But it has to be remembered that in the interests of the provinces themselves it is necessary in accordance with the proposals made in Sir Otto Niemeyer's report that the railways should begin to make a contribution to the general revenues. Our country must be treated as one indivisible entity from the economic point of view. Administratively it might be cut up into several parts but the economic interests of the people cannot be limited by the boundaries of the provinces to which they belong. If this is so, Sir, we must consider the interests of India as a whole. We must think of the revenues both of the Central and the provincial Governments and not merely of the Central Government or the provincial Governments. If we look at the question from this point of view, all that we are concerned with in the determination of the question of competition between motor vehicles and railways is the best method of bringing about the ultimate economic development of the country. Nobody can at present say on what lines future development will take place. If this were clear, much of the conflict which is now visible at present would disappear but during the period of transition it is obviously necessary that there should be some agency to harmonise the interests of the Centre and the provinces, particularly when their interests, though apparently different, are really common. And so far as the railways are concerned, I venture to draw the attention of the House once more to the fact that any improvement in railway revenues will not merely improve the financial position of the Central Government but will also add to the revenues which the provincial Governments will get from the Central Government.

It has been pointed out, Sir, by my Honourable friend, Mr. Ramadas Pantulu, that the tax is derived from the users of motor lorries which ply within provincial boundaries. That may be so, but is there any central tax which draws its revenues from any source other than the people living in the provinces ? The centrally administered areas are very small and if the Central Government were asked to depend for their revenues entirely on areas under their direct control they would practically be left without any money at all.

[Pandit Hirday Nath Kunzru.]

This moral principle is not followed anywhere. I do not think, therefore, that there is any force in the argument used by my Honourable friend Mr. Ramadas Pantulu. I am, Sir, as jealous of the rights of provinces as anyone can be. It is desirable that full scope should be given for the future development of provinces which depends on their ability to adopt schemes best suited to the interests of the people committed to their charge. But let us at the same time remember that this country is one and that it cannot be divided into a number of independent sections. If we ask for provincial autonomy it is in order that with the development of the interests of the various provinces there should come about a better sense of the essential unity that pervades this country. If, however, we use the autonomy of the provinces in order to have an emasculated Centre, then I am afraid that however strong the provinces may be, the country as a whole will have no reason to be thankful to the new system of provincial autonomy.

This should not be construed to mean, Sir, that I am in favour of the new constitutional arrangements. I am not a supporter of the Government of India Act of 1935. I am one of those who think that under the future system of Government we shall lose some of the rights which we now possess at the Centre. In particular, Sir, if I may refer to a point raised by you, I regard it as a misfortune that the right of voting grants, which is now enjoyed exclusively by the Lower House, will in future be accorded to this House also. But whatever my opposition to the system of Government which will be introduced into this country by the Government of India Act of 1935, I consider it necessary to say in connection with the Resolution before us that howsoever jealous we might be of provincial interests, it is desirable for us always to keep in view the necessity of having a strong Centre which will be able to control the interests of all the provinces and secure a fuller and happier life for the people of this country. Again, the money which will be placed at the disposal of the Road Committee will have been derived from a central source of taxation. It will be unreasonable on the part of any Member of this House to say that the Central Government should impose extra taxation and distribute the proceeds to the provinces even though the provinces may use that money in such a way as to promote their own exclusive interests at the expense of those of the Government of India. We have to devise some way of bringing about harmony between the interests of the Government of India and those of the Provincial Governments and I know of no better way of doing that than by having a Committee at the Centre which will give its careful consideration to all proposals for road development that might be brought forward. For these reasons, Sir, I give my support to the Resolution which has been placed before this House by my Honourable friend Mr. Clow.

THE HONOURABLE MR. A. G. CLOW : Sir, my first duty is to thank the House for the general support given to the Resolution. Thereafter I feel that I must just refer to the remarks that were made from the Chair. I am informed that the system of voting grants in this House will not come into operation in the transitional period but will operate only on the coming into force of Federation. If that is the case, I submit that the Resolution is correctly designed to meet the present circumstances and that we must leave to a future time the question of any revision that may be necessitated by a change in the constitution.

As regards the remarks that fell from my Honourable friend Mr. Ram Saran Das, I need not say much because I think these have been very adequately

met in the thoughtful speech to which we have just listened from the Honourable Pandit Kunzru. I think he did say, however—I am not sure I have got him right, but I think he said—that the whole object was that Government will utilise the fund for the protection of railway earnings. If that were the whole object of the Fund....

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : May I explain, Sir, what my object was ?

THE HONOURABLE THE PRESIDENT : You cannot make a second speech. You can only explain your point.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Yes, Sir. My object was that the Government of India should not have the power to throw out the construction of such roads where bus services were likely to compete with Railways in traffic.

THE HONOURABLE MR. A. G. CLOW : In other words, that the Government of India should disburse the money without attaching any conditions to it.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Leave it to the provinces.

THE HONOURABLE MR. A. G. CLOW : If they wanted to protect their own railway revenues, the most obvious way would be not to create the Fund at all. But I ask the House if it is not reasonable that they should have powers to ensure that communications are provided not as a mere duplication of existing communications but that they should go as far as possible to the great areas where there are no communications worth the name, and that they should to a large extent assist the rural areas, for I think most Honourable Members will agree that communications between towns are a great deal better than those between the villages and the towns.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : May I put a question ? Suppose a Provincial Government wants to have a road which is not acceptable to the Government of India. Will it, under the new system, have the power to construct that road out of its own funds or not ?

THE HONOURABLE MR. A. G. CLOW : Yes, certainly. It has the power at present. There is no question of withdrawing it. It is open to a province to use its provincial revenue to construct a road exactly parallel to a railway

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : I take it, then, that the effect of the new arrangement will only be to prevent that road being constructed out of the funds given by the Government of India.

THE HONOURABLE MR. A. G. CLOW : This is not a new arrangement. To a certain extent the Government of India have to see that the roads are for the areas where they are most needed and not simply duplication on a competitive basis with an existing railway line.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Do the Government of India mean that by getting the Resolution passed, they will be able to control the bus services and to fix certain minimum fares, thereby to ruin all the bus services ?

THE HONOURABLE MR. A. G. CLOW : There is no intention of ruining all the bus services at all. From what I know of bus services, they stand in need of improvement in many directions. I would refer to labour as one. They stand in need of a certain amount of control. But I think, if I may say so with great respect, the most confused speech of all was that of my Honourable friend, Mr. Ramadas Pantulu. For he seemed to think that the only reason why this money was collected at the Centre was in order that the Centre may give a very small amount of it—I think about $\frac{1}{2}$ per cent—to Aviation and that were it not for that, it would be a far better system to have it collected in the provinces. Well, as regards the argument that this money comes from the provinces, that has been adequately met by my Honourable friend Pandit Kunzru. All the money we have—our income-tax, etc.—comes from the provinces.

THE HONOURABLE MR. V. RAMADAS PANTULU : Roads and Transport by motor vehicles are not Central subjects.

THE HONOURABLE MR. A. G. CLOW : But the petrol tax is.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Just as customs revenue.

THE HONOURABLE MR. A. G. CLOW : Exactly. So is the petrol tax. My Honourable friend then talked of taking away from the provinces the powers of taxation. That is not the position at all. I am not asking for any powers of taxation in this Resolution. The power of taxation is not taken from the provinces by this Resolution or by the preceding Resolution. This is a central tax, as much a central tax as the income-tax. We derive it from a central source of revenue and we are making grants to the provinces. It is not a matter of convenience in taxation. It is a matter of giving from a source of Central revenue certain grants to the Provinces. I think that surely is the answer to the suggestion that there is interference with Provincial Autonomy, that this trenches in some mysterious way on provincial autonomy. We are here making grants from our own sources of revenue. Surely if the position were reversed and a province from its own provincial revenues offered a grant to the Government of India and said, "we shall attach the following conditions if you want this grant," no one would say that it was taking away from the autonomy of the Centre.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Don't you trust the Local Governments as regards the disposal of this fund ?

THE HONOURABLE MR. A. G. CLOW : There are obvious conflicting interests, and the question has to be viewed from the larger aspect of the Centre. We cannot, as I think Pandit Kunzru pointed out, allow an indefinite amount of provincial development without regard to the needs of India as a whole.

Then, Sir, Mr. Hossain Imam—I am sorry he is not here—suggested that the Government of India have designs of some kind on the Fund. Well, when I referred to the possibility of contributions to the Fund having to be withdrawn or reduced, I was not referring to contributions already made. What I was thinking of were contributions in future. Clearly the Federal Minister of the future must have authority in this matter. I am sure Honourable Members

opposite would be the very first to criticise if we at this stage in the constitutional progress were in some way to bind the Federal Ministry of the future to paying fixed sums into this Fund for an indefinite term of years.

Then I come in conclusion to my Honourable friend Mr. Parker. He sprang two requests on me, of which I am sorry I had not previous notice. One was that we should be prepared to give the Standing Committee particulars of schemes which the Government of India had not approved. Well, as I said, this is a new request and I am not in a position to give an undertaking on that point; but I can say that the point will be examined as to whether information should be given. He also suggested that correspondence should be placed before Provincial Boards of Communication. I think that is really a matter largely for the provinces, but I understand we have urged on the provinces that they should employ these Boards of Communication as fully as they can.

And now I will turn to say a word on the amendment standing in the name of the Honourable Mr. Parker. I think he suggested that this amendment was designed to secure harmony between the Centre and the Provinces. Well, on the point of substance I have no difficulty whatever in giving him an assurance that provinces will have at least six months' notice if there is any question of resuming their allotment under the relevant clause of the Resolution. I would remind the House that the Standing Committee needs normally twice a year. All these proposals are to go to the Standing Committee and I am quite sure the Standing Committee will not be prepared to consider them until it has heard what the province had to say to the proposal made by the Government of India that money should be resumed. They would insist upon having before them both the Government of India's statement and the statement made by the province; so that Honourable Members will realize that that secures a good deal more than Mr. Parker's amendment. I trust it will never be necessary to resume any funds. But if it is ever necessary I shall be very surprised if it can be done in any period as short as six months. But as regards the actual form of the amendment I trust he will not press it, because I think it will have the opposite effect to that which he desires. If they are bound to give a more or less formal notice, clearly the Government of India would have to safeguard themselves by issuing the notice in the first instance and conducting the argument later on. But the way of issue of the notice would tend to make relations difficult, for it would tend to make Local Governments feel that something formal had been served on them and thus raise a controversy where a less direct approach by correspondence would in every case reach a harmonious end. I trust therefore he will not press this amendment.

THE HONOURABLE THE PRESIDENT : Do you wish to press your amendment ?

THE HONOURABLE MR. R. H. PARKER : No, Sir, provided it is clearly understood that this assurance means that the provinces will in fact be told six months before the resumption takes place after the final decision of Government to resume it has been made.

THE HONOURABLE MR. A. G. CLOW : Not after an irrevocable decision has been made. When the Government of India have *prima facie* grounds for resuming, they will give notice. But obviously that cannot be after the final

[Mr. A. G. Clow.]

decision, because a final decision, from its very nature, is irrevocable. The six months' notice will be given for the purpose of showing cause. I can give that assurance.

The amendment was, by leave of the Council, withdrawn.

THE HONOURABLE THE PRESIDENT : I will now put the original Motion to the vote.

Resolution moved :

(Not reprinted—*vide* Appendix at the end of these Proceedings.)

The Question is :

"That that Resolution be adopted."

The Motion was adopted.

The Council then adjourned till Eleven of the Clock on Tuesday, the 9th March, 1937.

APPENDIX.

Resolution moved by the Honourable Mr. A. G. Clow on the Road Development Fund.

"In supersession of the Resolution adopted by this Council on the 21st April, 1934, this Council recommends to the Governor General in Council that :—

1. There shall continue to be levied on motor spirit an extra duty of customs and of excise of not less than 2 annas per gallon and the proceeds thereof shall be applied for the purposes of road development.

2. (1) From the proceeds of such extra duty in any financial year there shall be deducted a sum as near as may be equivalent to the share in such proceeds arising from taxed motor spirit used for purposes of civil aviation during the calendar year ending in the financial year concerned, and such sum shall be at the disposal of the Governor General in Council for allotment as grants-in-aid of civil aviation.

(2) The balance of the proceeds shall be credited as a block grant to a separate Road Fund.

(3) For the purposes of this Resolution "taxed motor spirit" shall mean motor spirit upon which the duty of customs or excise shall have been paid and in respect of which no rebate of such duty shall have been given.

3. (1) The Road Fund shall be allocated as follows :

(a) a portion equal to fifteen per cent. shall be retained by the Governor General in Council as a central reserve :

(b) out of the remainder there shall be allocated by the Governor General in Council—

(i) a portion for expenditure in each Governor's province,

(ii) a portion for expenditure elsewhere in British India,

(iii) a portion for expenditure in Indian States and administered areas,

as near as may be in the ratio which the consumption of taxed motor spirit, other than motor spirit used for the purposes of civil aviation, in each area for which an allocation is to be made shall bear to the total consumption in India of taxed motor spirit, other than motor spirit used for the purposes of civil aviation, during the calendar year ending during the financial year concerned.

(2) The portions allocated for expenditure in Governor's provinces shall be retained by the Governor General in Council until they are actually required for expenditure in the manner hereinafter specified.

(3) If in the opinion of the Governor General in Council the Government of any Governor's province has at any time—

(a) failed to take such steps as the Governor General in Council may recommend for the regulation and control of motor vehicles within the province, or

(b) delayed without reasonable cause the application of any portion of the Road Fund allocated or re-allocated as the case may be for expenditure within the province,

the Governor General in Council may resume the whole or part of any sums which he may at the time hold for expenditure in that province.

(4) All sums resumed by the Governor General in Council from the account of any Local Government as aforesaid shall be re-allocated between the credit accounts of Local Governments and the Reserve with the Governor General in Council in the ratio of the main allocation for the financial year preceding the year in which the re-allocation is made. Provided that the sum so calculated as the share of the province from whose account the resumption has been made shall also be credited to the Reserve with the Governor General in Council.

4. The balance to the credit of the Road Fund or of any allocation thereof shall not lapse at the end of the financial year.

5. No expenditure shall be incurred from any portion of the Road Fund save as hereinafter provided.

6. The Central reserve with the Governor General in Council shall be applied first to defraying the cost of administering the Road Fund and thereafter upon such schemes for research and intelligence and upon such special enquiries connected with roads and upon special grants-in-aid for such objects connected with roads as the Governor General in Council may approve.

7. The sums allocated for expenditure in British India may, subject to the previous approval of the Governor General in Council to each proposal made, be expended upon any of the following objects namely:—

- (i) on the construction of new roads and bridges of any sort;
- (ii) on the reconstruction or substantial improvement of existing roads and bridges;
- (iii) in special cases, on the maintenance of roads and bridges, constructed, reconstructed or substantially improved from the Road Fund or from loans approved or sanctioned by the Governor General in Council;
- (iv) to meet charges, including the cost of establishment, connected with the preparation of schemes of road development, or with the administration of provincial Boards of Communications;
- (v) to meet charges including the cost of establishment connected with the control of motor transport; and
- (vi) on the interest and amortization of loans approved or sanctioned before the date of this Resolution by the Governor General in Council, and spent or to be spent on the construction, reconstruction, or substantial improvement of roads and bridges.

8. In considering proposals for the construction, reconstruction or improvements of roads and bridges from the Road Fund, the Governor General in Council shall have regard to the present urgent need for improving the efficiency and reducing the cost of transport by road of agricultural produce to markets and railways.

9. (1) A Standing Committee for Roads shall be constituted each financial year consisting of—

- (a) the Member of the Governor General's Executive Council in charge of the department dealing with the Road Fund, provided that should the said Member of the Governor General's Executive Council be unable to be present at any meeting he may nominate some one in his place;
- (b) one nominated official member other than a Railway official who shall be a member of the Legislative Assembly;
- (c) three members elected by the members of the Council of State from amongst themselves;
- (d) six members elected by the members of the Legislative Assembly from amongst themselves; and
- (e) the Chief Commissioner of Railways.

(2) The Chairman of the Committee shall be one of the official Members of the Committee other than the Chief Commissioner of Railways whom the Governor General in Council may from time to time appoint.

(3) No approval to any proposal for expenditure from the Road Fund shall be given by the Committee unless it is supported by—

- (i) a majority of the members present and voting who are members of the Legislative Assembly, and
- (ii) a majority of the members of the whole Committee present and voting.

(4) All proposals for expenditure from the central reserve and all other proposals for expenditure from the Road Fund to be made in British India shall be referred by the Governor General in Council to the Standing Committee before he approves of them.

10. The functions of the Standing Committee shall be:

- (a) To consider the annual budget and accounts of the Road Fund.
- (b) To advise upon all proposals for expenditure from the central reserve.
- (c) To advise upon the desirability of all other proposals involving expenditure from the Road Fund in British India.
- (d) To advise upon proposals for the resumption of moneys held by the Governor General in Council as provided for in sub-paragraph (3) of paragraph 3 of this Resolution.
- (e) To advise the Governor General in Council generally on all questions relating to roads and road traffic which the Governor General in Council may refer to the Committee.

COUNCIL OF STATE.

Tuesday, 9th March, 1937.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

MEMBERS SWORN.

The Honourable Mr. James Reid Kay (Bengal Chamber of Commerce).

The Honourable Maharaja Jagadish Nath Ray of Dinajpur (Bengal; Nominated Non-Official).

The Honourable Lieut.-Colonel Sir Hissam-ud-din Bahadur (North-West Frontier Province: Nominated Non-Official).

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern: Non-Muhammadan): Sir, before the business of the day begins, may I draw your attention to a matter of considerable importance to this House. During the Budget debate a few days ago, a number of questions relating to the Military Department were brought forward by Members on this side of the House. His Excellency the Commander-in-Chief, rising almost at the end of the debate, said that he had carefully noted down the points that had been raised here and that he would undertake to see that all of them would be answered in the other House. Now, Sir, we are not allowed to quote from the proceedings of the other House here, at any rate during the same Session. Apart from this, Sir, it is not very courteous to Members of this House to be told that their questions would be answered in the other House.

THE HONOURABLE THE PRESIDENT: I cannot allow any discussion except by way of a Resolution. I do not know what point you propose to refer to. If you wish to refer to any particular point, will you please straight come to it, so that I may give my decision on it?

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: The point was this. Was His Excellency the Commander-in-Chief in order in referring us to the speech to be made by an official Member in the other House in reply to questions put by us here? That is the question, Sir, that I want to put to you, especially in view of the fact that we cannot quote from the proceedings of the other House here during the same Session. It may be that we shall have to use the replies given in the other House to certain questions put by us here during the course of this very Session.

THE HONOURABLE THE PRESIDENT: As far as I remember, when the discussion took place on the General Budget, some Honourable Members, and particularly the Honourable Pandit Kunzru, referred to certain important points and asked His Excellency the Commander-in-Chief to give explanation on those points; and, as far I remember, His Excellency said he had not that information at his fingers' tips there and then, but he said that a similar question was likely to be raised in the other House when replies would be given to those

[The President.]

points. The Honourable Pandit Kunzru has also stated that when the debate takes place here, he will not be entitled to refer to the proceedings of this Session in the other House. That is quite in consonance with the previous rulings of this House, but he will be certainly entitled to say then in his own words in this House what was said there without referring to the proceedings altogether; and so far as I am concerned, I will allow Honourable Members reasonable latitude. I presume the Honourable Member refers to his Resolution which is coming on the 18th here. Is that so?

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: I do not know. I may have to use the replies given in that House.

THE HONOURABLE THE PRESIDENT: The Resolution has been admitted by me. In any case, I am sure His Excellency the Commander-in-Chief will as far as possible desire to give replies in answer to what you may say here in connection with it when the actual Resolution is moved.

(The Honourable Rai Bahadur Lala Ram Saran Das rose to speak.)

THE HONOURABLE THE PRESIDENT: I cannot allow any further discussion on this matter under the new Standing Orders.

INDIAN TEA CESS (AMENDMENT) BILL.

THE HONOURABLE MR. H. DOW (Commerce Secretary): Sir, I move:

"That the Bill further to amend the Indian Tea Cess Act, 1903, for a certain purpose, as passed by the Legislative Assembly, be taken into consideration."

The object of this Bill, Sir, is by the addition of only two words to make the Indian Tea Cess Act, 1903, inapplicable to Burma. At present the Act provides for the levy of a customs duty on all tea produced in India and exported from any customs port to beyond the limit of British India or Aden; and it also provides for the administration of the sum thus collected by a committee. Government have had under consideration the position of Burma after separation and it is felt by everybody connected with the industry and by the Governments of both India and Burma that, in view of the very small sum which would be collected in Burma and also in view of the fact that Burma has no representative on the Indian Tea Marketing Board, it would be quite unsuitable for the Act to apply to Burma. The average export of tea in Burma is only in the nature of 30,000 pounds a year and at the present rate of cess the tax so collected would only be three or four hundred rupees. To leave the Tea Cess Act applicable to Burma would merely be to create a possible source of friction. Burma could hardly claim to have a representative on the Board, and yet would feel that the Board ought to concern itself with the advertisement of Burma tea as well as Indian tea. So, looked at from all points of view, the Indian Tea Association, the Indian Tea Licensing Committee, the Government of Burma, and the Government of India, all feel that the best thing would be to remove Burma from the scope of the Act. The necessity for a Bill to give effect to this intention arises from the operation of section 148 of the Government of Burma Act, under which all legislation applying to both India and Burma on the date of separation will automatically take effect in Burma. It is necessary therefore that before the 1st of April this Act

should be so altered that it does not apply to Burma, and the very small amendment which is now proposed to the Act is designed to have that effect.

Sir, I move.

The Motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. H. DOW: Sir, I move:

"That the Bill, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

INDIAN LIMITATION (AMENDMENT) BILL.

THE HONOURABLE MR. A. DEC. WILLIAMS (Government of India: Nominated Official): Sir, I move:

"That the Bill further to amend the Indian Limitation Act, 1908, for a certain purpose, as passed by the Legislative Assembly, be taken into consideration."

Article 149 of the first Schedule to the Limitation Act provides a period of 60 years limitation for any suit by or on behalf of the Secretary of State for India in Council. This provision is of very long standing and I think it is universally recognised that a long period of limitation is desirable where Government is concerned. Indeed, this question is not before us now, for the effect of the Bill before us is to shorten in certain cases this period of limitation.

Now, section 293 of the new Government of India Act enables His Majesty by Order in Council to amend British Indian statutes where such amendment is necessitated by, or consequential on, the new constitution. Such an Order in Council has been laid before Parliament. It effects an amendment in article 149 of the First Schedule to the Limitation Act. The reason for this amendment lies in sections 176 and 179 of the Government of India Act, 1935. These sections, roughly speaking, provide that after the 1st April 1935, in cases where, as things now stand, the Secretary of State for India in Council might sue or be sued, the Federation or the Provincial Governments can sue or be sued. As a consequence of these provisions, the Order in Council will amend article 149 of the Schedule to the Limitation Act so as to read—first of all the existing words—"any suit by or on behalf of the Secretary of State for India in Council",—then it adds the words "the Secretary of State, the Crown representative, the Central Government or any Provincial Government". Honourable Members will, I am sure, appreciate that if the new Act provides that these Governments can sue or be sued, it is necessary to provide some term of limitation. This insertion is therefore being made by Order in Council in article 149.

Well, if article 149, apart from that insertion, is left as it is, the effect will be that in all cases suits by or on behalf of the Secretary of State for India in Council, the Secretary of State, the Crown representative, the Central Government or any Provincial Government will be liable to a period of limitation of 60 years.

I would now draw the attention of Honourable Members to section 204 of the Government of India Act, 1935, which provides for certain original suits before the Federal Court. Sub-section (2) of that section provides that

[Mr. A. deC. Williams.]

these suits are merely of a declaratory nature. The suits can only be between the Federation and the Provinces, or between Provinces, or—though we are not concerned with that for the moment—Federated States.

It is fairly obvious, I think, that for declaratory suits between Provinces and the Central Government or between Provinces, and nearly always of a constitutional nature, so long a period of limitation as 60 years is quite unnecessary. Indeed, a constitutional point should be decided as quickly as possible in suits of this character. It is therefore intended by the amendment made by this Bill in article 149 to take these declaratory suits on constitutional matters out of the article. The effect of this will be to leave them to be governed by the residuary article, article 120, which provides a period of limitation of 6 years. I submit, Sir, that that is perfectly adequate for suits of this character. As regards other suits by these authorities, the existing period of limitation of 60 years will be maintained.

Sir, I move.

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras : Non-Muhammadan) : Sir, while I take no objection to the principle of this Bill to prescribe a short period of limitation for suits to be instituted on the Original Side of the Federal Court, notwithstanding the explanation given by the Honourable Mr. Williams, I am not quite able to follow the necessity for this Bill. The section of the Government of India Act itself which deals with the kind of suits that can be instituted on the Original Side of the Federal Court does not mention any suit to which the Secretary of State in Council is a party and that is made clear by the Statement of Objects and Reasons appended to this very Bill. It says :

"Article 149 of the Limitation Act prescribes a special period of limitation of 60 years for any suit by or on behalf of the Secretary of State for India in Council. This Article will in future govern suits by a Province against a Province or between a Province and the Federation. The reasons which justify a specially long period of limitation for suits by the Crown against a private person hardly seem applicable where both parties represent the Crown."

Both parties may represent the Crown, but there will be no suit by the Secretary of State for India in Council as such. Hereafter, the suits will be either by the Secretary of State, not Secretary of State for India in Council, in which case article 149 of the Limitation Act will not apply, or by a representative of the Crown or by a province. So, the section of the Government of India Act dealing with Original suits in the Federal Court does not contemplate, so far as I can see, any suit by or on behalf of the Secretary of State for India in Council. The Secretary of State for India in Council as such disappears from the whole scheme of future litigation, because the Secretary of State or a representative of the Crown and not the Secretary of State for India in Council will be concerned. I am not indulging in mere legal technicality, but unless the necessity for this Bill is clearly made out, there is no necessity for us to vote in favour of it. Not that I am objecting to the period of limitation being curtailed from 60 years to 6 years in the case of declaratory suits to settle points of legal difficulty arising between province and province or between the Federation and a province. But these are certainly not suits which will fall within the scope of the present article 149 of the Limitation Act, and so far as I can understand the sections of the Government of India Act referred to by the Honourable Mr. Williams and the Order-in-Council, I think this Bill is wholly misconceived and there is no necessity for it.

THE HONOURABLE THE PRESIDENT : Does not this Bill in any case make the point clear and free from any doubt ?

THE HONOURABLE MR. V. RAMADAS PANTULU : Of course, by way of abundant caution, on a matter on which any doubt may arise, it may attempt to make a matter clear. What I mean is that legislation ought not to carry caution to an extent as to deal with doubts which do not arise at all.

THE HONOURABLE THE PRESIDENT : I always thought that caution in framing legislation was the first ideal.

THE HONOURABLE MR. A. deC. WILLIAMS : As I understand the Honourable Mr. Pantulu, his objection is that these words which we are introducing into Article 149 can have no application to the Secretary of State for India in Council, and that is perfectly true ; nor can they have any application to the Secretary of State who is being introduced into this Article by the Order-in-Council. But those words can have application and do have application to the other legal persons who are introduced into the Article, namely, the Crown Representative, the Central Government and the Provincial Governments. There is therefore some force in the amendment. The Honourable Mr. Pantulu's point, I take it, would be met by omitting all reference to the Secretary of State for India in Council from this Article. But we wish to retain this period of 60 years for suits to which the Secretary of State for India in Council and the Secretary of State can be parties. Therefore we are not omitting them from this Article. But there is no question that the amendment does have some application. It applies to those legal persons who can sue under section 204 of the new Government of India Act.

THE HONOURABLE MR. V. RAMADAS PANTULU : Will those suits you contemplate be instituted in the name of the Secretary of State for India in Council ? Otherwise the Bill serves no purpose.

THE HONOURABLE MR. A. deC. WILLIAMS : I am unable, Sir, to fathom the reasons which actuated the Parliamentary Draftsman in drafting the various provisions of this Order in Council. He has seen fit to leave the Secretary of State for India in Council in this Article ; and I for one am not prepared to question the propriety of this.

THE HONOURABLE THE PRESIDENT : The Question is :

"That the Bill further to amend the Indian Limitation Act, 1908, for a certain purpose, as passed by the Legislative Assembly, be taken into consideration."

The Motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. A. deC. WILLIAMS : Sir, I move :

"That the Bill, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

THE HONOURABLE THE PRESIDENT: In the List of Business there were four elections for today. Some Members having withdrawn their candidature in respect of some Committees, there will be only one election before the House today.

STANDING ADVISORY COMMITTEE FOR THE INDIAN POSTS AND TELEGRAPHS DEPARTMENT.

THE HONOURABLE THE PRESIDENT: With reference to the announcement made by me on the 5th March, regarding nominations to the various Committees, I have to announce that the following Honourable Members have been nominated for election to the Standing Advisory Committee for the Indian Posts and Telegraphs Department:

The Honourable Sir David Devadoss, and

The Honourable Mr. Govindlal Shivilal Motilal.

There are two candidates for two seats and I declare them duly elected.

CENTRAL ADVISORY BOARD OF HEALTH.

THE HONOURABLE THE PRESIDENT: The following Honourable Member has been nominated for election to the Central Advisory Board of Health constituted by the Government of India:

The Honourable Mr. P. N. Saprú.

There is only one candidate for one seat and I declare him duly elected.

IMPERIAL COUNCIL OF AGRICULTURAL RESEARCH.

THE HONOURABLE THE PRESIDENT: The Honourable Mr. B. K. Basu has withdrawn his candidature for election to the Imperial Council of Agricultural Research and its Governing Body. As there now remains only one candidate, the Honourable Mr. Hussain Imam, for one seat, I declare him duly elected.

CENTRAL ADVISORY BOARD OF EDUCATION IN INDIA.

THE HONOURABLE THE PRESIDENT: The Honourable Mr. Mahapatra has also withdrawn his candidature for the Central Advisory Board of Education in India. As there remains only one candidate, the Honourable Sir K. Ramunni Menon, for one seat, I declare him to be duly elected.

STANDING COMMITTEE FOR ROADS.

THE HONOURABLE THE PRESIDENT: The following Honourable Members have been nominated for election to serve for the remainder of the current financial year on the Standing Committee for Roads:

The Honourable Mr. J. C. Banerjee.

The Honourable Mr. R. H. Parker.

The Honourable Mr. Govindlal Shivilal Motilal.

The Honourable Haji Syed Muhammad Husain.

The Honourable Rao Bahadur K. Govindachari.

The Honourable Saiyed Mohamed Padshah Sahib Bahadur.

There are six candidates for three seats and an election will be necessary, which will be conducted by means of the single transferable vote. The Council will now proceed to elect three Members. Voting papers will be handed round and I ask Honourable Members to vote in accordance with the instructions noted thereon.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR: I desire to withdraw from this election.

THE HONOURABLE THE PRESIDENT: I wish you had given notice before this. There are now only five candidates for election. (Voting papers were handed to Honourable Members and after completion were deposited.)

THE HONOURABLE THE PRESIDENT: The result of the election will be announced at the next meeting.

This completes our business for today.

The Council then adjourned till Eleven of the Clock on Friday, the 12th March, 1937.

COUNCIL OF STATE.

Friday, 12th March, 1937.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

MEMBER SWORN.

THE HONOURABLE MR. MEAD SLADE (Government of India : Nominated Official).

QUESTIONS AND ANSWERS.

DIFFICULTIES OF INDIAN EXPORTING HOUSES IN JAPAN.

55. THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL : (a) Are Government aware of the difficulties of Indian exporting houses in Japan to get adequate share in the cotton-piece-goods quota ?

(b) Are Government aware of the difficulties experienced by Indian cotton merchants in securing adequate freight-space for cotton on Japanese ship ?

(c) If the answers to parts (a) and (b) above be in the affirmative, will Government be pleased to state what steps do they propose to take in removing these difficulties ?

THE HONOURABLE MR. H. DOW : (a) Government have received representations to this effect.

(b) No.

(c) As to (a), the matter is under consideration ; as to (b), Government have no intention of taking any measures whatever for the encouragement of foreign shipping.

RAILWAY EXPENDITURE ON OFFICERS' SALARIES AND PENSIONS, ETC.

56. THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL : Will Government be pleased to state separately the totals of each of the following items in the Railway expenditure :—

- (i) Officers' salaries and pensions.
- (ii) Wages of other employees.
- (iii) Fuel.
- (iv) Stores and materials.

THE HONOURABLE SIR GUTHRIE RUSSELL : (i) and (ii). I would refer the Honourable Member to the paragraph relating to the cost of staff in

Chapter VI of the Report by the Railway Board on Indian Railways for 1935-36, Volume I, which contains the available information.

(iii) and (iv). The Honourable Member is referred to Appendix A of Volume II of the same Report.

Copies of these are in the Library of the House.

MEASURES TAKEN TO MITIGATE POVERTY AND UNEMPLOYMENT IN INDIA.

57. THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL: Will Government be pleased to state what steps have they taken to mitigate poverty and unemployment in India in pursuance of the Resolution moved by the Honourable Sir Phiroze Sethna and accepted by this House in September last?

THE HONOURABLE MR. R. M. MAXWELL: The various steps which have been taken or are being taken to mitigate poverty and unemployment were explained in the speeches from the Government Benches during the debate on the Resolution and I would refer the Honourable Member to that debate. I may add that copies of the debate were forwarded to the Local Governments.

CLOVE TRADE IN ZANZIBAR.

58. THE HONOURABLE MR. NARAYANDAS GIRDHARDAS: What action have Government taken or propose to take on Mr. Binder's report on the Clove Trade in Zanzibar?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: The attention of the Honourable Member is invited to my reply to part (b) of the Honourable Mr. V. V. Kalikar's question No. 11 on the 23rd February, 1937.

ACTION TAKEN ON THE RECOMMENDATIONS OF THE INDIAN DRUG INQUIRY COMMITTEE.

59. THE HONOURABLE SIR PHIROZE SETHNA: Will Government be pleased to lay on the table a statement showing the action which they have taken, or intend to take, on the various recommendations made by the Indian Drug Inquiry Committee?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: A statement will be laid on the table as soon as it is ready.

UNIFORM SYSTEM OF EXCISE DUTY ON SPIRITUOUS MEDICINAL AND TOILET PREPARATIONS.

*60. THE HONOURABLE SIR PHIROZE SETHNA: Have Government considered the desirability of enacting an All-India Drug and Pharmacy Act, with a view to levying a uniform system of excise duty on spirituous medicinal and toilet preparations?

DEVELOPMENT OF THE SPIRIT AND PHARMACEUTICAL INDUSTRY IN INDIA.

61. THE HONOURABLE SIR PHIROZE SETHNA: Will Government be pleased to state what measures, if any, they propose to take for the development of the Spirit and Pharmaceutical industry of India?

THE HONOURABLE MR. J. C. NIXON: With your permission, Sir, I will reply to questions Nos. 60 and 61 together. I would refer the Honourable

*For Answer to this Question—see Answer to Question No. 61.

Member to the statement which has been promised to be laid on the table in reply to his question No. 59. Government have invited the views of Local Governments and certain Indian States on the question of convening a Conference of Excise Commissioners to consider, *inter alia*, the removal of inter-provincial barriers to trade in the pharmaceutical and drug industry in India. A majority of the replies is still awaited.

PROBABLE DATE OF THE ESTABLISHMENT OF THE FEDERATION.

62. THE HONOURABLE SIR PHIROZE SETHNA: Will Government be pleased to state what action they have taken to expedite the establishment of the Indian Federation under the Government of India Act, 1935, and what is the probable date of the establishment of the Federation?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: Negotiations with Indian States are proceeding in connection with their entry into Federation. It is premature to forecast the probable date of the establishment of Federation, but the Government of India are taking all necessary measures to expedite it.

THE HONOURABLE MR. HOSSAIN IMAM: How long are we to wait for the coming of the Federation?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: Sir, I have already given the answer. I can say no more than what I have already stated.

THE HONOURABLE MR. HOSSAIN IMAM: I wish to draw the attention of the Honourable Leader to this fact that if it is not established immediately, can we have the scheme revised?

THE HONOURABLE THE PRESIDENT: Have you any other question to put? I do not want any arguments.

SALE OF TREES ALONGSIDE RAILWAY LINES.

63. THE HONOURABLE SIR PHIROZE SETHNA: Will Government be pleased to state whether the Railways receive any moneys by the sale of trees alongside the railway lines?

THE HONOURABLE SIR GUTHRIE RUSSELL: Yes, but only from the sale of trees which have to be felled for reasons connected with the working of the railway.

TRAVELLING RULES TO BE FOLLOWED BY GOVERNMENT OFFICIALS WHILE TRAVELLING ON DUTY.

64. THE HONOURABLE SIR PHIROZE SETHNA: Will Government be pleased to state—

(a) Whether officials can travel by motor, taxis or lorries instead of by rail at their option or are there rules according to which they are required to travel by whichever is the cheaper method when they travel at Government expense?

(b) Have there been cases where the sanctioning and auditing authorities have questioned payments and, if so, the number of such cases during the last financial year and the extra amounts involved by not travelling by the cheaper method?

THE HONOURABLE MR. J. C. NIXON: (a) A Government servant can travel by road (in any way) or by rail at his option, but in journeys between stations connected both by rail and road, he is given travelling allowance as if he travelled by rail, unless any public interest is served by his travelling by road, when he is given road mileage.

(b) No.

SPEED OF GOODS TRAINS IN INDIA AND EUROPE.

65. THE HONOURABLE SIR PHIROZE SETHNA: (a) Will Government please state the speed at which goods trains in this country travel and the speed at which such trains travel in European countries?

(b) Do the authorities propose to take steps to expedite the speed of goods trains in India?

THE HONOURABLE SIR GUTHRIE RUSSELL: (a) Figures showing the average speed of goods trains on Class I Railways in India are published in statement No. 20 in Volume II of the Railway Board's Annual Report. Similar figures for European countries are not available.

(b) The necessity for accelerating the movement of goods traffic in transit is recognised by Railway Administrations, and such measures as are practicable to speed up such movements are constantly under review.

COLD STORAGE VANS ON RAILWAYS.

66. THE HONOURABLE SIR PHIROZE SETHNA: Will Government be pleased to state:—

(a) The names of those railways which have already provided Ice-Cooled vans for the carriage of milk and/or fruit and the number of such vans on each of such railways?

(b) Will Government also state which other railways propose to introduce similar vans?

THE HONOURABLE SIR GUTHRIE RUSSELL: Information is being collected and will be laid on the table of the House in due course.

CONVEYANCE OF MILCH CATTLE OVER LONG DISTANCES BY THE RAILWAYS.

67. THE HONOURABLE SIR PHIROZE SETHNA: Will Government be pleased to state on which railways improvements have been made during the last five years in the matter of conveyance of milch cattle over long distances by goods and passenger trains and what is the nature of such improvements?

THE HONOURABLE SIR GUTHRIE RUSSELL: Livestock for carriage by rail is loaded in suitable wagons and when carried by goods train has precedence over all other goods traffic. I regret, therefore, I am unable to understand the nature of the improvements the Honourable Member has in mind.

RATES CHARGED FOR CARRYING CALVES BY THE RAILWAYS.

68. THE HONOURABLE SIR PHIROZE SETHNA: Will Government state whether calves are allowed to be carried free on the railways and if not, what are the rates charged for suckling calves in proportion to what is paid for the cows?

THE HONOURABLE SIR GUTHRIE RUSSELL: The rate for the carriage of calves is the same as that for cows, but one calf not more than 3 feet 6 inches high at the shoulder is carried free if accompanying its parent animal.

RESEARCH ON THE UTILISATION OF MOLASSES AND SUGARCANE COVERINGS.

69. THE HONOURABLE SIR PHIROZE SETHNA: Has any research been made by Government experts for the utilisation of molasses and sugarcane coverings on economic basis and if so, with what results?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: Research work with promising results has been carried out at the Harcourt Butler Technological Institute, Cawnpore, on the utilisation of molasses for (i) Manufacture of cattle feed, (ii) Road making, (iii) Preparation of Acetic Acid, and (iv) Manure. As regards bagasse (coverings of sugarcane), a scheme for research work on its utilisation for the paper and board industry has recently been sanctioned.

INVESTIGATION FOR THE UTILISATION OF JUTE AND SUGARCANE STICKS FOR THE MANUFACTURE OF PAPER PULP.

70. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY: Whether any investigation has been held for the utilisation of jute and sugarcane sticks for the manufacture of paper pulp or any other finished articles by the Agricultural Research Department of the Government of India? If so, with what result?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: The Imperial Council of Agricultural Research is not aware of any conclusive investigation in regard to the utilisation of jute for the manufacture of paper pulp or any other finished articles. The results of certain experiments at the Forest Research Institute, Dehra Dun, were not encouraging. The Council have however recently sanctioned a grant of Rs. 15,000 for carrying out research work at the Forest Research Institute, Dehra Dun, on the utilisation of sugarcane bagasse for the manufacture of paper and boards.

NATURE OF COURT FEES PRESCRIBED FOR THE ORIGINAL SIDE OF THE CALCUTTA HIGH COURT.

71. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY: Whether a system of levying initial *ad valorem* court fee stamps on litigation prevails in the Original Side of the High Court at Calcutta as in the mufassil courts in Bengal; if not, why?

THE HONOURABLE MR. R. M. MAXWELL: The Governor General in Council has no concern with the system of court fees prevailing in the mufassil courts in Bengal. As regards the system prevailing on the Original Side of the Calcutta High Court, I refer the Honourable Member to the Rules and Orders of that High Court. The Government of India have received no complaint about the latter: and will very shortly cease to have any concern with them.

REPRESENTATION OF INDIAN SHIPPING INTERESTS ON THE IMPERIAL SHIPPING COMMITTEE, LONDON.

72. THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL : Do Government propose to secure representation of Indian Shipping interests on the Imperial Shipping Committee, London ?

THE HONOURABLE MR. H. DOW : The Imperial Shipping Committee consists of official representatives of the various Empire Governments and a small number of expert members of whom only two are chosen as representatives of Shipping interests. India's official representative is the High Commissioner for India, and he has already been asked to see that any claims which an Indian non-official may have are not overlooked when the question of appointing an expert member on the Committee next arises.

THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL : When will that next opportunity arise ?

THE HONOURABLE MR. H. DOW : I am afraid it is impossible to say. As I have explained, there are only two members who are experts, and another difficulty is that the member must be resident in the United Kingdom and I think the Honourable Member will realise that that very much restricts the possibility of putting Indians on the Committee.

SHORT NOTICE QUESTIONS AND ANSWERS.

TAKING OVER OF THE ADMINISTRATION OF SUGAR AND MATCH FACTORIES IN INDIA UNDER GOVERNMENT CONTROL.

73. THE HONOURABLE SIR PHIROZE SETHNA : (a) Has the attention of Government been drawn to a telegram from Patna published in the "Civil and Military Gazette" of 5th March to the effect that Mr. P. C. King, Commissioner, Northern India Salt Revenue, is on special deputation to inquire into the feasibility of taking over the control of the administration of the sugar and match factories throughout India under the direct control of the Government of India ?

(b) Will Government be pleased to say if the statement in (a) above is correct, and if so, what exactly is contemplated ?

THE HONOURABLE MR. J. C. NIXON : (a) and (b). The statement is entirely incorrect. Mr. King's enquiry is concerned solely with the administration of Central excises and the possibility of bringing it under the direct control of the Central Government.

DATE WHEN THE REVISED EXCISE DUTY ON SUGAR TAKES EFFECT.

74. THE HONOURABLE SIR PHIROZE SETHNA : Will Government be pleased to say if the increased excise duty on sugar is made effective—

(a) immediately after the presentation of the Budget proposals on the afternoon of Saturday, 27th February, or

(b) from the morning of Sunday, 28th February, or

(c) from Monday, 1st March ?

THE HONOURABLE MR. J. C. NIXON : Under the Provisional Collection of Taxes Act a declared provision has the force of law immediately on the expiry of the day on which the Bill containing it is introduced. The increased excise duty therefore became effective from the morning of the 28th February.

THE HONOURABLE THE PRESIDENT : We will now proceed with the Resolutions, but as there are some new Members in this Council I will point out for their information that the Mover of the Resolution and the Member in charge may speak for 30 minutes each but all other Members will be entitled only to speak for 15 minutes. I wish to enforce this rule strictly today as there are six Resolutions before us and we must go through the list of business by the evening.

RESOLUTION RE CATERING ON THE BENGAL NAGPUR RAILWAY.

THE HONOURABLE MR. SITAKANTA MAHAPATRA (Orissa : Non-Muhammadan) : Sir, I beg to move :

"That this Council recommends to the Governor General in Council that a committee consisting of Railway officials and others not connected with the Railway Administration be appointed to enquire as to how far the present policy and arrangements of the Bengal Nagpur Railway Company for catering are responsible for the supply of bad food at high prices at the railway platforms and to suggest ways and means to remove these grievances."

Sir, in moving this Resolution I have reasons to claim that it is an extremely modest and innocent one. The catering policy and arrangements of the Bengal Nagpur Railway Company have been scandalously bad for many years past. The reason in short is this. The Bengal Nagpur Railway has got a catering department of its own which no other railway in India has. It gets about a lakh of rupees from letting out Indian catering contracts but the Railway department arranges for European catering where they lose nearly two lakhs. They rob Ram to pay Paul. In 1931 these arrangements in the B. N. Railway alone among all the railways in India and Burma drew the attention of the Railway Retrenchment Committee and they remarked as follows on page 64 of their report :

"We understand that the Bengal Nagpur Railway runs its catering departmentally and at an annual loss of over half a lakh for a number of years. The total cost of the establishment is about 2½ lakhs. We can see no justification for continuing this department at a loss and recommend that the question of adopting the system in force on other Railways of letting the catering to contractors should be considered immediately. We understand that the Railway also maintains two hotels at Puri and Ranchi which are working at a loss though a small profit was made in 1929-30. If these hotels continue to work at a loss, the question of closing them also must be similarly considered."

I have no information as to what steps were taken over this recommendation immediately after or during the next three years by the railway authorities. I believe no steps whatsoever were taken.

Then in 1934 Dr. Zia-ud-Din moved a Resolution in the Assembly pressing for the appointment of a committee to inquire into the catering arrangements on all State-owned railways. He raised among others five important points, namely :—

- (1) The system of giving big contracts to one man.
- (2) The system of subletting the contracts to other individuals.
- (3) The system of selling contracts.
- (4) The fixation of prices.
- (5) The supervision by a body in which non-Railway men may be associated.

[The Honourable Mr. Sitakanta Mahapatra.]

He said :

"The Railway Board or any committee under the direction of the Honourable the Railway Member might examine the opinions received from advisory committees on these specific points. The conclusions of the Board or the committee should be effectively carried out. If this is done, the purpose of my Resolution would have been served."

Sir, to this the Honourable the Railway Member replied :

"I will give this assurance that the Railway Board will see what steps are possible and what steps can appropriately be taken in order to secure the result we both want to secure, namely, the provision of good and wholesome food at reasonable rates for the travelling public. I will certainly have this done."

In pursuance of this assurance I believe the proceedings of the debate were forwarded to different railway administrations and they were asked to submit opinions and suggestions for improvement. The Bengal Nagpur Railway submitted its explanations after discussing the matter in the local advisory committees fully justifying the present arrangements and suggesting no improvements.

Now, Sir, unlike other Railways, the local advisory committees of the Bengal Nagpur Railway consists of members of whom the majority are nominated by the Agent himself. I suppose every Honourable Member of this House knows very well how nominated members of a body behave in a question in which their boss is interested and that in his presence. All the elected members in the committee fully bore out the grievances of lower class passengers as voiced in the Assembly in 1934 and all the nominated members opposed their suggestions for improvement. So, they were nowhere. One Mr. Badman, representing the Burma Shell interest, led the opposition in the Bihar and Orissa Branch Advisory Committee.

THE HONOURABLE THE PRESIDENT : We are not concerned with the proceedings of that committee.

THE HONOURABLE MR. SITAKANTA MAHAPATRA : This committee discussed the catering arrangements.

THE HONOURABLE THE PRESIDENT : They may discuss anything they like. But you only refer to it in a few words giving their decision.

THE HONOURABLE MR. SITAKANTA MAHAPATRA : I am sorry to observe that these European commercial people go against the interest of Indians as a principle even when their pockets are not touched.

THE HONOURABLE SIR DAVID DEVADOSS : Not always.

THE HONOURABLE MR. SITAKANTA MAHAPATRA : Sir, the explanations furnished by the B. N. Railway contain statements which are not only false but mischievous. They are designed not only to befool the Railway Board but also to hoodwink others as well and their purpose has been served. So, it is no surprise that these statements were taken by the Railway Board as Gospel truth and they found the arrangements in the B. N. Railway satisfactory. I challenge the Government if they dare to accept my Resolution and see the findings of the Committee. I have got certain facts and figures regarding the B. N. Railway, which I have compiled from documents that have come to my way. Let me examine the statements submitted by the B. N. Railway and see how far they are true. The statement is published

in the proceedings of the meetings of the Central Advisory Council for Railways for the 3rd and 8th October last,—Appendix A, page 2. The statement says that there are 8 contractors for Indian catering, but the fact is that there are 7 contractors only including a Muhammadan contractor for the whole line. So the number is 6 practically. Again it says that the contractors are residents in the districts, thereby meaning local men. 3,500 miles of the B. N. Railway are divided between 6 contractors. So, on an average, each has got 600 miles. How can they be local men? Of the 7 contractors, not a single one is a Oriya, although the B. N. Railway has got 800 miles in my province and exists for Puri. The fact is that all contractors are outsiders. It says that contractors are appointed for one year only, but that is not a fact. Instead of two contractors only during the previous years for the whole line, eight contractors were appointed in 1931 and they paid nearly rupees one lakh. They continued unmolested till 1934 when the rules were revised and one of them dropped, perhaps for not sufficiently pleasing the appointing authority, and 7 of them are still continuing. It says that rates at European refreshment rooms are fixed by the Catering Department on a commercial basis. This is absolutely false and mischievous. The fact is that the lakh of rupees that is obtained from licensing Indian catering contracts is credited to the accounts of the Catering Department. After spending all this money in European catering, they incur very heavy losses in the account. Let me give you the figures for the last 5 years. In 1931-32, the B. N. Railway Company obtained Rs. 38,216 from the Indian Catering licences and the loss in that Department was Rs. 93,980. In 1932-33 the income from the Indian Catering was Rs. 98,830 and the loss was Rs. 73,115. In 1933-34, Indian Catering gave Rs. 96,871 but the loss was Rs. 70,681. In 1934-35, they got Rs. 99,270 from Indian Catering and the loss was Rs. 27,612. But in 1935-36, they got Rs. 85,371 from Indian Catering and there was a profit of about Rs. 4,073. So, this is the only Railway in India, if not in the world, which makes enormous profits from selling foodstuffs to third class passengers and after spending the whole amount on English food incurs a huge loss therefor.

There are 2 or 3 hotels, one at Ranchi and one at Puri.....

THE HONOURABLE THE PRESIDENT : Your Resolution does not include anything about hotels ; you had better not refer to that matter.

THE HONOURABLE MR. SITAKANTA MAHAPATRA : I wish to say, Sir,.....

THE HONOURABLE THE PRESIDENT : Then you ought to have included it. Under the Standing Orders you must strictly confine yourself to the Resolution.

THE HONOURABLE MR. SITAKANTA MAHAPATRA : Let me explain my position. The B. N. Railway has got its own catering arrangements and they maintain these hotels.

THE HONOURABLE THE PRESIDENT : That has nothing to do with your Resolution. You have not mentioned anything about hotels in your Resolution.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern: Non-Muhammadan): May the expenditure incurred in connection with the European side of the Catering Department be referred to in support of the position taken up by the Honourable the Mover of the Resolution?

THE HONOURABLE THE PRESIDENT: May I refer you to Standing Order 62 which says:

"The discussion on a Resolution shall be strictly limited to the subject matter of the Resolution."

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: May I repeat my point?

THE HONOURABLE THE PRESIDENT: I have given my ruling.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: In presenting our case, are we entitled to refer to side arguments which go considerably to strengthen the aspect of the case which we wish to urge or not?

THE HONOURABLE THE PRESIDENT: It won't be fair to Government, because the Government would not have those figures regarding the hotels. It won't be fair to the Honourable Member in charge who has got to reply to the Resolution, and therefore the details of these hotels, whether they have prospered or whether they have failed, should not be gone into.

THE HONOURABLE SIR PHIROZE SETHNA: The Resolution says: "Catering by the Bengal Nagpur Railway".

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA: "On the railway platforms".

THE HONOURABLE SIR PHIROZE SETHNA: My contention is that the Railway also runs those hotels.

THE HONOURABLE THE PRESIDENT: I have already given my ruling.

THE HONOURABLE MR. HOSSAIN IMAM: Would it not be better if the Honourable the Chief Commissioner were to say whether he understood the Resolution to include hotels or not?

(An Honourable Member: "The thing is plain".)

THE HONOURABLE SIR GUTHRIE RUSSELL: I have no objection to include hotels.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Whenever this question has been discussed, the question of European hotels has come up, so that if my Honourable friend now mentions it, he is not springing a surprise.

THE HONOURABLE THE PRESIDENT: It has not been discussed in this House. As Sir Guthrie Russell does not object, I will allow reference to hotels.

THE HONOURABLE MR. SITAKANTA MAHAPATRA: There are two or three hotels, one at Ranchi, one at Puri and perhaps a third one at Gopalpur maintained by the Catering Department. Railway officials can stay in these hotels at very low rates. They generally spend their week-ends there in gaiety and merriment. So these hotels pay losses. It says: "At all important stations Indian catering rooms are provided". But between Kharagpur and Puri there is an Indian dining room at Khurda Road only and none even at Cuttack and Puri. It says: "All aerated waters are obtained from one manufacturer". But since 1935 the B. N. Railway are themselves manufacturing aerated waters in contravention of the terms of their contract and are competing with private enterprise. It says again: "Contractors were originally appointed through the medium of advertisement". This is all bluff. No outsiders saw the advertisement except the 8 contractors who were appointed. There was no open sale. There was no advertisement in the newspapers or other public agencies. The advertisement perhaps did not leave the table of the Catering Superintendent. It again says:

"Three catering inspectors and others inspect the quality of food; one of these is an Anglo-Indian, another a Muhammadan and a third a Telegu".

For religious and other grounds they are incapable of tasting all varieties of food. Further, they have no special qualifications for inspecting foodstuffs. They and others might be going out for filling up both their bellies and pockets. The statement says that contractors are not charged any rents for buildings they occupy. In 1934 in the advertisement for contracts the following passage occurs:

"Rent will be paid by contractors quarterly in advance for living quarters and accommodation in sweetmeat factories adjacent in the nature of cookhouses at rates to be assessed by the Railway, which will be estimated prior to execution of the agreement."

It says also: "the license fees are reasonable". But from the figures that I have given just now you and other Honourable Members here will form their own honest opinion. Will the Honourable Chief Commissioner please state how much license fees are realised from Indian catering contracts from other Indian Railways?

Now let me examine how far the B. N. Railway Catering Department observes the 5 points raised by Dr. Zia-ud-din in 1934 and for which the then Railway Member assured a remedy. No. (1)—The system of giving big contracts to one member. You have heard that each contractor has on an average 600 miles. I will leave it to you to judge if this is big. (2)—The system of sub-letting contracts. I know all of these 7 contractors let out stations to sub-contractors and make enormous profits. A member of the Advisory Committee actually brought to the notice of the railway a case Gopi Saur vs. Sushil Kumar Sarkar, 1st class Magistrate at Dhanbad, judgment delivered on 29th September 1934, in which *inter alia* it transpired there was sub-letting of a contract over which there was a dispute. The railway took on action against the contractor concerned. The big contractors simply go round at intervals to collect money. (3)—The system of selling contracts. Although Government have assured repeatedly that catering contracts would not be sold, thereby imposing a tax on foodstuffs supplied to passengers, the B. N. Railway is getting a lakh of rupees from these heads. (4)—Fixation of prices. Sir, in 1931 the prices fixed by the B. N. Railway for Indian sweets was more than double the Calcutta city prices; but in 1932 these prices were enhanced by 2 annas per seer. Simultaneously with this the license fees were enhanced by Rs. 60,000, and these 1932 rates are still in force. This is how prices are

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fixed. (5)—Supervision by a body in which non-railway men may be associated. This has never been attempted by the B. N. Railway. Sir, the Indian catering contractors pay heavy license fees, but as there is no open sale they pay much more in other shapes. Then they sub-let station to station and make enormous profits. These sub-contractors, besides paying the contractors, have got to satisfy the inspecting officers also. The poor third-class passengers pay all these and none else. But besides these things there are many other things for which there are no documentary evidence with me. If a committee is appointed, certainly these things will be made known.

I will now tell you another thing of much greater importance. Clause 75 of the contract between the Secretary of State and the B. N. Railway says :

"The Company shall not during the continuance of this contract without the sanction of the Secretary of State in writing first obtained engage in or carry on any business other than the business provided by this contract to be carried on by the Company."

I do not know if the B. N. Railway have obtained in writing sanction by the Secretary of State. The Honourable Chief Commissioner will enlighten us on that point.

THE HONOURABLE THE PRESIDENT: Your contention is that neither food nor water should be supplied to passengers?

THE HONOURABLE MR. SITAKANTA MAHAPATRA: They are not supplied to passengers only but to outsiders as well. Nevertheless they are engaging themselves in side business in a vast scale and are competing with private enterprise and killing some of them. They have established an aerated water factory at Kharagpur. Aerated waters from this factory as well as ice are carried without any freight paid by the B. N. Railway and sold everywhere cheaply. They have got two hotels, one at Puri and one at Ranchi, side by side with other hotels and compete with them. I have recently understood they have opened another hotel at Gopalpur. The Catering Department provide the public in general with a comprehensive range of wines, spirits, beer, provisions, medicines and miscellaneous goods. They sell these goods on credit to railway officials and employees as also to recognised district officers. In their departmental catalogue it is stated "Orders will be executed at competitive rates". Is it meant for passengers? The Bengal National Chamber of Commerce have repeatedly raised this question with the Railway Board as well as with the Honourable Member in charge; but they have taken no action, not even a reply has been sent. With these telling facts, is there any doubt that the catering policy and arrangements in the Bengal Nagpur Railway are scandalous and mysterious? Sir, I commend my Resolution for acceptance of the Government as well as of the House.

THE HONOURABLE SIR GUTHRIE RUSSELL (Chief Commissioner of Railways): Sir, besides a general condemnation of the whole catering system on the Bengal Nagpur Railway, the Honourable Mover has suggested that some of the staff are not honest, and that the contractors also are not honest. He has also suggested that the upper class catering (hotels and refreshment rooms), is subsidised through the third class passengers. Now, Sir, it may help the Council if I gave a short account of how the present Bengal Nagpur Railway catering system came into force and what its activities are. Up till 1914, catering—dining cars, refreshment rooms and all other catering—was done by

contractors. About that time complaints from the public became so serious that the Bengal Nagpur Railway Administration had to think of some other scheme. They started off by having a refreshment room at Adra directly under the District Traffic Superintendent. This was a great success and other refreshment rooms on the small lines were opened. These experiments were so successful that there was a demand from the public and the Railway staff that the railway should have its own catering department. That catering department was started 22 years ago, and it has three main activities. It runs dining cars. These are absolutely essential if you have got to move traffic quickly. It is quite impossible now-a-days to arrange for meals at stations *en route* by the more important trains. The Bengal Nagpur Railway run dining cars on the Bombay-Howrah Mail and the Howrah-Madras Mail. These dining cars have earned actually in 1935-36 a net profit of Rs. 16,000. I do not think there is any Honourable Member of this House who travels on the Bengal Nagpur Railway but will admit that probably their dining cars are the best in India. Another activity are the hotels at Ranchi and Puri. Each of these hotels in 1935-36 made a profit. Now, apart altogether from the profits from hotels, the provision of these hotels encourages traffic. In fact it is an activity which every up-to-date Railway in the world encourages. We all know the great hotels in Great Britain run by British Railways. The main object is to get people to travel; people are given cheap fares so long as they travel to the Railway Hotels. The Bengal Nagpur Railway is more up-to-date than any other Indian Railway in this respect. Another activity is refreshment rooms. Here again contractors failed and there were complaints from the public. Another reason why it was necessary to have good refreshment rooms under the B. N. Railway Administration was for the sake of the staff. The Bengal Nagpur Railway, as we all know, runs through a sparsely populated part of the country. It is not like many of the other Railways which run through large industrial centres where there are large shops for the staff to obtain provisions, and with the exception of a very few settlements, the only places where the staff can obtain provisions are the railway refreshment rooms. Further, if you are to restrict the staff from obtaining provisions there, it would affect the general travelling public, because at these wayside stations it is quite impossible for the refreshment room merely on the few meals that would be served to run the business satisfactorily and the general public would suffer. So in that respect we may say that the staff subsidises the general public. The actual profit made by these refreshment rooms on the Bengal Nagpur Railway during the past year was Rs. 12,000. So I can assure the House that there is no justification for the claim that the upper class passengers, hotels and refreshment rooms have been subsidised at the expense of the third class passengers.

We come then to the question of vending contracts and the arrangements for third class passengers. The Railway actually is divided for this purpose into 12 sections, I believe, and there are 7 catering contractors. It may be correct, as the Honourable Mover said, that all these contracts are not in the hands of local men, but so far as possible the Bengal Nagpur Railway attempt to get local men. In the Howrah Division, presumably the contractor is a Calcutta man. He does not live in Howrah, but in Calcutta. Presumably you can call him a local man. Now, the Honourable Member said that it was untrue for the Bengal Nagpur Railway to say that the contracts were for a year only. The contracts are actually for a year only. But if the contractor has done his work well and has been a success, the contract is renewed. The Honourable Member also raised the question of the licensing fees. Actually in 1936 the license fees from the 7 licensees were Rs. 86,000. Commencing from this

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financial year the Bengal Nagpur Railway propose to give these contractors a rebate of 10 per cent. on their fees so long as they receive no complaints from the public. The Honourable Mover further referred to the high price of the things sold by these vending contractors. I have not got a schedule of prices before me, but what I understand happens is this. The tariff of charges is compiled by the various contractors and submitted to the Catering Superintendent and it is only when he approves that the tariff becomes authorised. But I am quite prepared to find out from the Bengal Nagpur Railway if the statement of the Honourable Mover that the prices charged by the Bengal Nagpur Railway are twice the market rates is correct.

Now, as regards the supervision of the vendors' stalls, there are 3 Catering Inspectors who, I know personally, are constantly on the move inspecting the stalls. There is a Superintendent of Catering and an Assistant Superintendent of Catering. They are constantly making surprise checks. There is the Medical Department and here I know from my own personal knowledge that there is very strict supervision by that Department. The Honourable Mover referred to Dr. Zia-ud-din Ahmed's Resolution in the Assembly. As a result of that Resolution and the undertaking given by the Honourable Sir Joseph Bhore, Railways were asked :

- (i) to prepare a memorandum showing what their arrangements were for the sale of refreshments, appointment of vendors, etc. ;
- (ii) to place this memorandum before their Local Advisory Committees ;
- (iii) for their views on the question generally.

The Bengal Nagpur Railway did what they were asked to do, and placed the whole matter before their three Local Advisory Committees, one in Calcutta, one for Bihar and Orissa, and the third in Nagpur. At the meetings of these Committees the matter was considered, and having read through the proceedings, I can see no reason to believe that generally the Advisory Committees were not satisfied with the arrangements made. Actually the Calcutta Committee suggested that the Bengal Nagpur Railway Administration should take over the Indian catering themselves. From that it would appear they were fairly satisfied with the arrangements already made in other respects. The Bihar and Orissa Committee suggested that the prices were too high but they agreed that otherwise the catering arrangements might be said to be satisfactory. Now, as regards the Nagpur Committee, of which I understand you, Sir, were a member at that time, I understand that on your recommendation a Resolution was passed that the existing catering arrangements and services were satisfactory. Now, Sir, it appears to me that as this is one of the subjects which may be discussed by local advisory committees, if the Honourable Member is not satisfied with the arrangements on the Bengal Nagpur Railway, he should get one of the members of the committee to have the question re-discussed. And actually that was more or less the recommendation of the Central Advisory Council when the matter was discussed by them in October last year in Simla. The following is a paragraph from the recorded proceedings of the Central Advisory Council :

"It was also agreed that the system of auctioning contracts for the sale of articles other than necessities at railway stations, such as is in operation on the Moradabad Division of the East Indian Railway, might be left for regulation by the Railway Administrations, who would regulate the system with reference to local conditions operating on the different sections on the system. It would be open to the Local Advisory Committees to bring to the notice of the Railway Administration concerned any matters in this connection which would require consideration."

Generally the Central Advisory Council recommended that these were matters for discussion with the Local Advisory Committee and I suggest that if the Honourable Member has any grievances to ventilate, they should be ventilated through those Committees.

The Honourable Member raised one other question—about the manufacture of soda water by the Bengal Nagpur Railway. Well, I may tell him now that that matter has been under investigation with the Bengal Nagpur Railway for some time. As he said, it was raised by the Bengal National Chamber of Commerce and I think within a very short time a final decision will be arrived at.

Now, Sir, I am afraid the Honourable Member started off by saying this is a very modest Resolution. It may be—it is a matter of opinion—but as the railways are provided with machinery for going into these grievances, I cannot agree that a committee as suggested by him should be appointed and I must, therefore, oppose the Resolution.

THE HONOURABLE MR. RAMADAS PANTULU (Madras : Non-Muhammadan) : Sir, I wish to say a few words, because I am not satisfied with the defence which the Honourable the Chief Commissioner of Railways has put up on behalf of the B. N. Railway. Sir, the two main charges levelled against the Railway's catering system are, firstly, that the food is unduly costly and unwholesome for third class passengers and, secondly, that out of the profits made by catering food for third class passengers, upper class passengers are subsidised. I have heard a categorical denial of the second charge by the Honourable Member in charge ; but no figures or convincing reasons are furnished to satisfy this House that the accusation made by Mr. Mahapatra has not been proved. I think his figures are so telling and so convincing with regard to the amount of profit made by the Company by vending food to third class passengers and the loss sustained on catering to the European and upper class passengers, as to be practically conclusive. As the defence is very weak and very unsatisfactory, I think there is a case for inquiry. All that the Resolution asks for is the appointment of a committee to inquire into the conditions of catering in the B. N. Railway. A *prima facie* case in my opinion has been made out that the third class passengers are charged unduly high rates, that they are given very bad food and unconscionable profits are made from this system and the profits are diverted to recouping the loss sustained in catering food to the European and upper class passengers. These are sufficiently grave charges, and materials for making out a *prima facie* case have also been placed before the House and the request of the Honourable Mover of the Resolution is for the appointment of a committee. I think Government ought not to oppose a Resolution of this nature, because the burking of an inquiry for which a sufficient case has been made out by the Member who moved this Resolution will, I think, lead to a strong suspicion that the Government is unwilling to face the inquiry. The very fact that they oppose the Resolution after sufficient material has been placed before them for an inquiry will lead to the inference that the Government is unjustifiably defending the Railway Company. Therefore it is in the interests not only of the third class passenger but also of the Government and of the Railway Company that this inquiry should be held, and I hope that the Government will not oppose the Resolution but will agree to the appointment of a committee as requested by the Honourable Mr. Mahapatra. I think he has put his case exceedingly well—briefly and tellingly.

THE HONOURABLE MR. V. V. KALIKAR (Central Provinces : General) : Sir, I have heard the defence of the Government on behalf of the Bengal Nagpur Railway. I believe, Sir, the Government ought to have taken a detached view of this case. My Honourable friend Mr. Mahapatra has made out a case and a very strong case so far as the supply of food to third class passengers is concerned. I think the Government should have conceded on the point of making an inquiry into the grievances and the complaints that have been put forward before this House by the Honourable Member. So far as the catering of the English food is concerned, I have nothing to say, but from my own experience, Sir, I can state before this House that the arrangements regarding the catering of the Indian food are very unsatisfactory on the B. N. Railway. I do not want to enter into the legal position propounded by the Honourable Mr. Mahapatra about the letting and subletting of contracts, but the real need of third class passengers is that they must get good food at a reasonable cost which they do not at present. I thought that the Government would not take sides on behalf of the B. N. Railway when they have come to know the complaints on the subject and instead of advising the Honourable Member to refer his complaints to the Advisory Committee they should have accepted his Resolution so that if the case of the Bengal Nagpur Railway is correct, the position they take that they are making good arrangements for supplying food to the third class passengers is true, then the B. N. Railway would have been freed from this charge. But, Sir, I find that the Government are taking sides which certainly, Sir, I cannot support. It is really a matter of regret, if the information that has been given before this House by the Honourable Mover is correct, that to a certain extent the English catering is being subsidised. If that is so, Sir, then there is a real grievance and it deserves a thorough inquiry on the part of a committee. If the Government do not accept the Resolution in its present form they should at least have taken up the stand that they would appoint their own members together with some non-official members to the committee and they should not have had any objection to the Resolution. Sir, I find that the attitude taken up by the Government cannot be supported and therefore I desire to support the Resolution.

THE HONOURABLE SIR PHIROZE SETHNA (Bombay : Non-Muhammadan) : Mr. President, the two main points in the 12 NOON. Resolution are (1) that the B. N. Railway supplies bad food and (2) such bad food at high prices, on the railway platforms. There is no mention of Indian Restaurant Cars. That is because I gather from a summary of the proceedings of the Central Advisory Council for Railways that the B. N. Railway does not consider that the running of Indian Restaurant Cars on the B. N. Railway is justified. Such Restaurant Cars for Indians are run on other lines and I do not suppose there are any complaints there. While the Honourable Mr. Mahapatra has given figures to show that the prices charged are heavy—in fact more than double of what they are in Calcutta—I do not think that in the course of his remarks he has been able to prove that the food supplied is bad. He might have enlightened us on that point. The explanation given by the Honourable Sir Guthrie Russell meets him to a very great extent. And what is more, he has offered to find out whether the charge about high prices is correct or not, and if it is correct, I am sure he will ask the Railway Administration concerned to take proper steps to see that such prices are charged as are in keeping with other Railways and particularly to see that they are not higher than what is the case in Calcutta. The other charge made by the Honourable Mr. Mahapatra and supported by the Honourable Mr. Pantulu is that the profits made on the catering for third class passengers is diverted for the benefit of the higher class passengers on the B. N. Railway.

I am afraid I cannot agree with my Honourable friends in that view. The Honourable Sir Guthrie Russell has explained that it is the business of a Railway Administration to see that its traffic increases, and if the Railway concerned has opened two hotels and is likely to open a third as pointed out by one of the speakers, it is all to the good. It will improve the traffic of the Railway and bring in more money.

Then the Honourable Mr. Mahapatra was able to show from the figures which he gave that the running of these hotels *plus* the running of the Restaurant Cars has resulted in a loss. But I gather from what the Honourable Sir Guthrie Russell said that although they did incur a loss in the past, they do not do so now and that they are now running at a profit. I did not exactly catch the figures Sir Guthrie Russell gave. If that is so.....

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : On each side of the account or taking both the accounts together ?

THE HONOURABLE SIR GUTHRIE RUSSELL : On each side of the account.

THE HONOURABLE SIR PHIROZE SETHNA : The Honourable Sir Guthrie Russell says, "On each side of the account". That alters the case. If that is so, then I do not think we have much reason to complain. After the assurance the Honourable Sir Guthrie Russell has given that he will look into the case of the higher price, I will advise my Honourable friend Mr. Mahapatra to withdraw his Resolution. I do not think it will be fair to the Advisory Committees of the B. N. Railway if we go past it and institute inquiries by means of another Committee as has been suggested in this Resolution. The proper course would be for the Advisory Committee to take the initiative and if the Advisory Committee fails in its purpose, then it will be right and proper for any Honourable Member to approach the Legislature.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern : Non-Muhammadan) : Sir, may I request the Honourable the Chief Commissioner to throw a little more light than he has done so far on the income accruing from the arrangements made for the catering of superior class passengers and the licence fees obtained from contractors for the supply of food to third class passengers. I gather from the figures that are available to us in official reports that a great deal of the money obtained from the contractors is spent on making adequate catering arrangements for superior class passengers. It appears that if the Railway had not made themselves responsible for providing refreshment rooms and hotels for first and second class passengers, they would have made a much greater profit than they have done in the year 1935-36. It is true that taking the catering arrangements for all classes of passengers together, the B. N. Railway have made a small profit amounting to between Rs. 4,000 and Rs. 5,000. But from the figures before me it appears that if the Railway concerned themselves merely with the supply of food to third class passengers they would make a profit not of Rs. 4,000 or Rs. 5,000 but of between Rs. 80,000 and Rs. 90,000. If the Honourable the Chief Commissioner can show that the arrangements made for superior class passengers are paying and require no subsidy from the B. N. Railway, he will certainly have made out his case. But if all that he has shown so far means that the money taken from the third class passengers is spent on the needs and comforts of the superior class passengers, then his contention falls to the

[Pandit Hirday Nath Kunzru.]

ground and it will be the duty of this House to support the Resolution placed before it by my Honourable friend Mr. Mahapatra.

I draw the attention of the Chief Commissioner pointedly to this because the catering arrangements on the B. N. Railway have given rise to serious complaints in the Central Legislature during the last 5 or 6 years. The particular matter which my Honourable friend Mr. Mahapatra has brought to the notice of this Council was discussed by the Railway Retrenchment Sub-Committee. It also recommended that if the catering arrangements for higher class passengers could not be carried on at a profit, they should be put an end to. Notwithstanding this so far as one can judge from the papers placed by Government before the Central Advisory Council for Railways, nothing has been done by Government to remedy this evil. I tried to listen as carefully as possible to the Honourable the Chief Commissioner, but it is not easy to follow him. At any rate, he did not speak loudly enough for me. I was not therefore able to hear all that he said. But I gather that all that he said in opposition to Mr. Mahapatra's Resolution and in defence of the B. N. Railway was that the Railway, taking the catering arrangements for both third class and superior class passengers together, have made a small profit. This certainly is no reply to the question raised by my Honourable friend. We have repeatedly discussed in the Central Legislature the question of attracting more traffic to Indian railways by making railway travelling more comfortable for third class passengers and by devising ways and means of meeting the competition of lorries. One would think that under the present circumstances Government would consider it their bounden duty to do everything in their power to make it easier for the poorer class passengers to travel on railways, that no unnecessary prices would be charged to third class passengers and that the profits derived from them would be used for providing additional facilities and conveniences for them and not for richer and more privileged people. Here, however, if the facts mentioned by my Honourable friend Mr. Mahapatra are correct, Government, instead of devising ways and means of providing additional facilities for third class passengers, are using a good bit of the money wrung out of them for the comforts of those who can well afford to spend much more on their requirements than they do at present.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR (Madras: Muhammadan): Sir, I have no objection to the B. N. Railway catering for the needs of the higher class passengers. On the other hand, as has been observed by my Honourable friend Sir Phiroze Sethna, I think it is the duty of every commercial concern, as the railway is, to try and increase its business. It is, I feel, in the interests both of the travelling public and of the railways that amenities should be increased and every attempt should be made to draw the travelling public to the railways. But this is no excuse for the railway to disregard the interests of the lower class passengers. From what has been stated by the Honourable mover it is obvious that year after year the catering for the lower class passengers has resulted systematically in big profits, and all those profits have been eaten up by losses that occurred in the catering for higher class passengers. I ask whether it is fair that the railway company should rob the poor Indian passenger of his money and prevent him getting his money's worth in food in order to cater for the higher class passengers. From the figures that have been quoted by my Honourable friend Mr. Mahapatra it is quite plain that there is a lot of profiteering done at the expense of the Indian passenger in respect of foodstuffs supplied to

him on the B. N. Railway. He has proved his case to the hilt and has shown that it is not only the original 5 or 6 contractors who have to make their money out of the Indian catering, but a host of sub-contractors also have to make their margin of profit. So, between the Railway and the chief and sub-contractors, the lot of the Indian passenger is pitiable. The chief contractors have to pay license fees to the tune of Rs. 60,000 to Rs. 80,000 to the Railway Company, and they have to charge their margin of profit to the sub-contractors, and these last in turn have to charge their margin of profit to the lower class passenger. The result is that the poor Indian passenger does not get his money's worth in respect of his food. Sir, it is unfair that the third class passenger, who is denied a lot of other comforts and is put to a lot of inconveniences in the way of insanitary surroundings, insufficient accommodation, etc., should be subjected also to a double charge on the food he eats, which again is bad food. I feel that *prima facie* at least a case has been made out by the Honourable mover and it is necessary that an inquiry should be made into this matter. Whether a separate committee should go into this particular matter or whether the whole question of the supply of Indian food on all the railways in the country should be inquired into is a matter for decision by the Government. But so far as the existence of the evil is concerned, it has been proved to the hilt, otherwise this matter could not have been inquired into by the Retrenchment Committee in 1931. We feel that from the way in which the matter has come before the Central Legislature from time to time there is a genuine grievance in this matter and it requires to be thoroughly investigated.

THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL (Bombay: Non-Muhammadan): Sir, it is not merely a question of accounts of one side of catering or the other which, important as it is, is not as important as another aspect of the inquiry asked for. The other one is that all those in touch with the persons who make use of the food supplied to third-class passengers know that the quality of food is such that there is a great complaint about it, and this complaint persists. The matter has been discussed and ventilated in the legislatures of the country and with all that the complaint persists. It is all the more necessary therefore that Government should ascertain what substance there is in the complaint. If there is an inquiry, it will help the Government to find out how far the complaint is substantial and what methods can be adopted in mitigating this evil. I would therefore ask the House and Government Members to give their best consideration to this aspect of the question and have an inquiry, so that the feeling may not be left in the minds of any of us that inquiry is being burked. If an inquiry is held then the Railway Company, apart from the information which they have from their own staff, which I do not say is deliberately false, may be able to find out the reasons for the complaint from other sources. Therefore it would help the Railway Administration to have an inquiry and not burke it.

THE HONOURABLE MR. SITAKANTA MAHAPATRA: Sir, the reply of the Honourable Chief Commissioner of Railways has taken my breath away. I never expected such an unsympathetic reply. It is my life's surprise. I did not propose to place the Government in any difficult or delicate position by my Resolution. I made it as modest as possible. As elected representatives of the people, it is our duty to lay before Government through this House public grievances. If Government unnecessarily turn a deaf ear we are helpless. Why then this farce of an august House of Elders in India? As the constitution stands, the Government can always command a majority in this

[Mr. Sitakanta Mahapatra.]

House. If they make it a point to oppose every suggestion by elected Members howsoever reasonable it may be, what is the good of our adorning this House? In the other House Government is more reasonable as otherwise they know they will be defeated. But here Government is power-drunk and has no sober judgment. Much was expected from the first non-official Railway Member, but he seems to be helpless. He cannot give effect to the assurances of his predecessor in office. It is a mystery to me why the Railway Board is so much afraid of the Bengal Nagpur Railway Company. In the Board of Directors there are many *ex-high* officials from India. My impression is that all is not good so far as catering in State-managed Railways is concerned, and so the Honourable the Chief Commissioner is afraid that if a committee is accepted for the Bengal Nagpur Railway people will clamour for committees for State-managed Railways and he will be in an unenviable position. As I have said before, the Bengal Nagpur Railway have misled the Railway Board by their faulty figures. The catering department of the Bengal Nagpur Railway have made some profits last year. The figure is only Rs. 4,073 in total. Rs. 86,000 from Indian catering were put in there. If these Rs. 86,000 are taken out, there will be a loss of Rs. 82,000. The Honourable the Chief Commissioner said that the hotels made a profit of Rs. 16,000—I am subject to correction—in 1935-36; but this is not a fact. They sustained a loss of Rs. 8,209. These figures are from the latest Administration Report. The Honourable the Chief Commissioner said that the members of the Local Advisory Committees are for taking over the Indian catering by the Department. I too agree with that; thereby catering for third class passengers will certainly improve. The Honourable Sir Guthrie Russell has not spoken anything about Indian catering. He has praised European catering arrangements in the Bengal Nagpur Railway. I too praise the same. I say it is best in India, because a lakh of rupees from Indian catering is put there. I have proved that the Local Advisory Committees in the Bengal Nagpur Railway are impotent. The majority of them are nominated by the Agent. What purpose will be served by bringing the question before such a committee? But if the Honourable Chief Commissioner assures me that he will himself take up the question, I shall be glad to withdraw my Resolution. But the way that he has suggested for the amelioration of the grievances that I have raised is absolutely hopeless. That will bring me no remedy. The elected members in the Local Advisory Committees who are in a minority will always be outvoted. So, after hearing from the Honourable Sir Guthrie Russell if he will be good enough to take up the question himself, I shall decide my course. As for the Honourable Sir Phiroze Sethna's question, I can only request him to taste and test the foodstuffs supplied to third class passengers in the platforms. I say they are absolutely bad and unwholesome, but it is a matter of opinion. I request him to experience the foodstuffs. Sir, I wait for the Honourable the Chief Commissioner's reply.

THE HONOURABLE SIR GUTHRIE RUSSELL (Chief Commissioner of Railways): Sir, before I actually reply to the points, I shall give some figures which I think will disabuse the mind of my Honourable friend Mr. Kunzru.

THE HONOURABLE THE PRESIDENT: You are entitled to reply to the whole debate.

THE HONOURABLE SIR GUTHRIE RUSSELL: I would like to give these figures. That is about all I have to say. The actual profit from dining cars

in 1935-36 was Rs. 16,000, from refreshment rooms under the catering department Rs. 12,000, from Puri Hotel about Rs. 7,000 and from Ranchi Hotel about Rs. 2,000. That is entirely separate and has nothing to do with third class passengers. These are the figures we have received from the Bengal Nagpur Railway. So the accusation that the upper class passengers and the stores for the staff were being subsidised at the expense of third class passengers is not correct.

THE HONOURABLE MR. SITAKANTA MAHAPATRA: May I put a question? What became of the Rs. 86,000 obtained from third class Indian catering?

THE HONOURABLE SIR GUTHRIE RUSSELL: That went into the revenues of the Administration presumably and a certain portion will be spent on providing additional facilities for third class passengers as far as I know, but certainly it will not be used for upper class passengers.

Now, there is just one other remark I have got to make as regards the figures supplied by the Honourable mover. He started off his speech by stating that the loss was Rs. 2 lakhs a year. Then he quoted from the Retrenchment Committee Report, which said it was half a lakh. This makes one rather sceptical of the accuracy of other figures he has quoted. He has made an offer that if I enquire into this matter myself, he will withdraw his Resolution. Well, I can assure the Honourable Member, if he so wishes, that I am quite prepared to send a copy of this debate to the Agent of the Bengal Nagpur Railway and ask him for his opinions on any suggestions which have been made to improve matters.

THE HONOURABLE MR. HOSSAIN IMAM: He wants you to inquire into the matter.

THE HONOURABLE SIR GUTHRIE RUSSELL: If I send a copy of this debate to the Agent and ask him for his report to me, it is tantamount to my inquiring into the matter myself.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Will the report be placed before the House?

THE HONOURABLE SIR GUTHRIE RUSSELL: When the report is received I will consider that matter.

THE HONOURABLE THE PRESIDENT: Do you wish to press the Resolution?

THE HONOURABLE MR. SITAKANTA MAHAPATRA: I ask permission of the House to withdraw the Resolution.

The Resolution was, by leave of the Council, withdrawn.

RESOLUTION *RE* SUPPLY OF FUNDS TO AGENCIES TO HELP AGRICULTURAL CREDIT.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Sir, I rise to move the following Resolution:

"This Council recommends to the Governor General in Council that in order to provide credit to poor agriculturists necessary arrangements be made for the supply of funds to approved agencies on their furnishing security and on their agreeing to lend money to poor agriculturists at a certain fixed and agreed percentage of interest and at a certain fixed percentage margin of profit."

[Rai Bahadur Lala Ram Saran Das.]

Sir, the Resolution I have the honour to move touches one of the most vital problems of national economy and I seek the indulgence of the Honourable House in describing the situation as faces us today. I am glad that this opportunity for discussion has occurred as the views of this Honourable House may prove of the utmost value to those who are about to form ministries under the new Government of India Act and who will have to devote a great deal of their attention to the problem referred to in my Resolution.

Sir, the total debt of agriculturists of British India was estimated in 1929 at Rs. 900 crores. It has surely risen to 1,400 crores by this time. And if we take into consideration fall in prices, the weight of the debt in terms of value of produce may be said to have become 2,800 crores.

However, taking the debt at 1,400 crores, we must see how far the existing credit agencies can meet the situation. Of the 1,400 crores 900 crores represent old hereditary debts and the rest is incurred for the cost of cultivation and for maintenance of cultivators. In other words, 900 crores represents long term debt and 500 crores short term debt.

It is not possible for Joint Stock Commercial banks working on the basis of short term deposits to deal with long term loans, while such banks will not deal with short term agricultural loans because it is difficult to estimate value of agricultural land which can be the only security. Moreover, in provinces like the Punjab, Central Provinces and Bundelkhand, agricultural land cannot be attached in satisfaction of debts, while crops, live stocks and the like cannot be a good security for short term loans on account of fear of floods, failure of rains, disease or pests.

It may be said that Co-operative Credit Societies are there to meet the needs of the agriculturists. It is true that the Societies are performing a useful role within their limited sphere, but they have not yet touched the fringe of the problem. 93 per cent. of the population of India is still outside the pale of these societies. The uninitiated may say: "The remedy lies in multiplying these Societies", I believe, Sir, there are very real dangers in a too rapid expansion of the Co-operative movement. Generally speaking, even today, owing to lack of experience and character in the management of the Societies, recoveries of outstanding debts are not properly made and capital of the Societies has become locked in loans granted without proper consideration.

Sir, I have shown that joint stock commercial banks do not meet the needs. In 2,500 towns of this country there are only 400 which possess any branch of such banks. The Co-operative Societies do not cover more than 7 per cent. of India's rural population. Which machinery then holds the field? It is the money-lender or the indigenous banker.

It is this class which can render the best and the most effective service to the rural population of India provided conditions mutually beneficial are enforced. I am sure that the House appreciates the force of the argument that no solution is possible without embracing the class of money-lender who is now the backbone of the rural credit.

Sir, my Resolution proposes that necessary arrangements be made for the supply of funds to approved agencies to help agricultural credit. Which really means that the money-lender be converted into a banker and should be trusted as such. To make the scheme workable and secure we must insist that the money-lender keeps proper accounts, charges interest within prescribed limits, gets his accounts audited annually by recognized auditors and

gives up all business other than banking. If these conditions are fulfilled the banker should be put on the approved list of the Agricultural Credit Department of the Reserve Bank and should be provided with rediscount facilities.

I am encouraged in my hopes by the Report of the Agricultural Credit Department of the Reserve Bank recently published. That Report shows that the authorities of the Bank have realized that generally speaking relations between money-lenders and the debtors are cordial; that the agriculturist money-lender is not more considerate than the non-agriculturist money-lender. Sir, as regard the agricultural money-lender I might cite the experience of the Punjab as given by Mr. Darling in his book "The Punjab Peasant" on page 208, Note (5). He says:—

"The inquiries referred to above were made by the Co-operative Department in 1926-27 and 1927-28 and embraced 23 per cent. of the villages in the province. Of the 4,340 agriculturist money-lenders discovered 49 per cent. were Hindus. 45 per cent. Sikhs, and 6 per cent. Muhammadans. Agriculturists advancing only on mortgage were excluded from the enquiry. Were they included, the number of agriculturist money-lenders would probably greatly exceed 19,000, for 75 per cent. or more of the land mortgaged in the past 25 years has been mortgaged to agricultural tribes."

In the same book Sir, on the same page, the writer says:

"A retired soldier told the writer that during eighteen years' service he saved only Rs. 600, but that by lending it out he doubled the amount in four years."

My Resolution suggests the method by which the hopes of the Government may be realized. It is better that Government faces the facts squarely and acknowledges that the Co-operative movement is not the main nor the final solution of the problem. After all these generations of efforts Co-operative Societies had a total working capital of only Rs. 30,46,26,000 on 30th June, 1930, while their share capital was only Rs. 8,14,55,000. These figures are hardly a drop in the ocean of rural credit which the money-lender furnishes.

The danger, however, arises from the fact that the money-lender is slowly drifting to towns, is investing his capital in other forms of investment and, if steps are not taken to curb this movement the Government may find the credit machinery of the rural areas shaken beyond repair. This is, to my mind, the psychological hour to create confidence and set up a machinery which will help the agriculturist and also find profitable channels for the savings of the nation. Otherwise the agriculturist money-lender will absorb the poorer peasants and reduce them to serfs. That this class of money-lender is already growing is acknowledged in the book of Mr. Darling. Mr. Darling also shows, Sir, that the agriculturists do not like the agriculturist money-lender.

Sir, if I may sum up the position as I see it, I would say that the problem of rural credit or of rural indebtedness will never be solved unless the various agencies are mobilised in a healthy spirit. The village money-lender and the co-operative societies must work arm in arm instead of in antagonism as at present and the Reserve Bank must give both these arms the full vigour of life by making them the channels for circulating the savings of the nation. Today the agriculturist is in terrible distress because he has been made to raise his standard of living without compensating increase in his income; today the money-lender is in distress because he can find no profitable channels for investment; today there is glut of cheap money in the market because there is no profitable investment. And yet in the face of all this cheap money stark poverty and misery is the lot of the people. Is it not up to this Honour-

[Rai Bahadur Lala Ram Saran Das.]

able House to suggest to Government that the remedy lies in so remodelling our financial and banking system as to rope in the money-lender and make him the agent of credit on terms which will ensure him honourable career and to the peasant cheap credit. Should any change in law be considered necessary I trust the Government will not hesitate to undertake it.

In commending my Resolution to the acceptance of the House I would wish my Honourable Colleagues to remember that it is not that the debt of rural India is larger than in any other country. In this connection Sir, I might say that in Prussia in 1902, 6,28,000 proprietors carried a debt of £377 millions and in 1910 the farmers of the United States owed £475 millions. India is no worse off than many other countries, but that the economic conditions of the masses cannot be improved unless a financial system is devised which is equitable and really liquid. It is true Provincial Governments have made some efforts but these are not enough and the real lead must come from the Central Government who can enforce uniform conditions and can bring into the picture the machinery of the central banking institution of the country.

Sir, the report of the Reserve Bank of India, Agricultural Credit Department, suggests some changes in the legislation. They say :

"The Reserve Bank is required under section 55 of the Reserve Bank Act to 'make to the Governor General in Council a report, with proposals, if it thinks fit, for legislation on the following matters, namely :—

- (a) the extension of the provisions of the Act relating to scheduled banks to persons and firms, not being scheduled banks, engaged in British India in the business of banking ; and
- (b) the improvement of the machinery for dealing with agricultural finance and methods for effecting a closer connection between agricultural enterprise and the operations of the Bank'."

I won't detain the House long. I will read a few more extracts from this valuable report. On page 5, when referring to the Land Alienation Act, they say :

"The Act fostered the growth of the agriculturist money-lender, and borrowing soon became as easy as ever. This would have been an advantage had the agriculturist money-lender allowed himself to be influenced by any fellow feeling for his debtor, but in this respect there is little to choose between him and his professional rival....."

THE HONOURABLE MR. J. C. NIXON : Sir, might I point out that that is not, I think, a statement of the Reserve Bank. Is not that a quotation ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : I will read what is here in the report :

"For a time the rapid increase in debt was kept in partial check by the Land Alienation Act ; but, with the tendency of all protective legislation, the Act fostered, etc."

So, it is their opinion.

THE HONOURABLE MR. J. C. NIXON : I still think that it is a quotation from Mr. Darling.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : It is a quotation from Mr. Darling's book but it has the support of the Committee of the Reserve Bank.

On page 17 they say :

"At the same time, apex banks, if their directorate is competent to exercise effective control, can provide a useful check over the amount of credit which may be devoted to a particular crop over a particular area, and, if properly organized, should form a useful channel through which the Reserve Bank could let capital flow to the cultivator and the small dealer."

THE HONOURABLE THE PRESIDENT : You will find many such useful extracts. Is it necessary to quote them ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Yes, Sir, there are useful extracts, but the question is whether they will be adopted and followed by the Government. Reports do come in, and they are simply filed if they do not suit the views of the Government. As this question involves a very serious matter regarding the credit facilities for the rural population for whom the Government of India and the Provincial Governments always proclaim to have great sympathy and concern, now is the time to prove how they translate their sympathy into action. Sir, the poor agriculturist, who has no security to offer, is practically unable to raise money. It is the duty of the Government to help him to raise money for his urgent needs, e.g., in case of sickness in his family or in other urgent necessities. I know that the Co-operative Banks refuse him money. The Joint Stock Banks do not do business of this sort. When the Reserve Bank of India have put in this Report, the Government must devise some means for credit facilities for the rural people who are the backbone of the Government and who deserve their full support.

With these words, Sir, I commend my Resolution for the favourable acceptance of the House.

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras : Non-Muhammadan) : Sir, I beg to move :

"That for the words 'approved agencies' the following be substituted, namely :—
'indigenous bankers approved by the Reserve Bank of India and Co-operative Land Mortgage Banks approved by the Local Government of the Provinces in which they are situated'."

Shall I speak on the amendment only or also on the Resolution ?

THE HONOURABLE THE PRESIDENT : You speak on both.

THE HONOURABLE MR. V. RAMADAS PANTULU : While I heartily support the Resolution moved by my Honourable friend, I seek to clarify the somewhat general expression "approved agencies" by specifying two particular agencies. I thought this might enable us to focus the discussion on certain suitable credit agencies. The Reserve Bank of India Act has made provision for bringing certain classes of indigenous bankers into the banking system of the country and has entrusted the Reserve Bank with the duty of investigating the problem and making a report. The preliminary report of the Bank has been published and it is a very useful document and it is well documented by quotations from eminent authorities who have first hand knowledge of the subject, specially Mr. Darling who has devoted a great deal of his time and life in India to the problem of the Indian agriculturist. The problem of how to link up the indigenous bankers with the banking system of the country received considerable attention at the hands of the Indian Central Banking Enquiry Committee also. They thought that indigenous bankers, who differed from money-lenders in two or three essential features—

[Mr. V. Ramadas Pantulu.]

indigenous bankers do not depend only on their own resources but they also receive deposits from the public; they also deal in Hundi business and they do money-lending—these indigenous bankers perform a very useful function even now in many provinces. In my own province, the Chetty community and the Multanese discharge a very useful function in regard to financing of agriculturists; but they do not finance them for the purpose of carrying on their occupation as agriculturists, but they finance them more for movement of crops and marketing. In other words, they finance the agriculturists on the marketing side and for the movement of crops more than on the occupational side. They do not lend him money for his seasonal expenditure. I have purposely qualified the word “indigenous bankers” by the addition of “approved by the Reserve Bank of India”. It has been pointed out by the Indian Banking Enquiry Committee that many indigenous bankers, in addition to acting as money-lenders, also engage themselves in trade and other business which is often of a speculative character. And therefore all indigenous bankers may not be eligible to obtain credit facilities from the Reserve Bank of India, because if they engage themselves in speculative business which may end in loss it will be very inexpedient for the Reserve Bank to accommodate that class of bankers. Therefore if indigenous bankers shed business of a speculative character and comply with the regulations of the Reserve Bank and are put on the approved list of the Reserve Bank, it will be much easier for Government and the Reserve Bank to provide them with financial resources to be lent to agriculturists. Therefore I have merely amplified the agencies which my friend has in his mind by limiting those agencies to indigenous bankers approved by the Reserve Bank of India. In fact I find that the report of the Reserve Bank in one place says that the Bank will collect information about this class of bankers and supply a list to the Government and others concerned. At page 25 of the report there is the passage in which the Reserve Bank say that they are willing to prepare a list of such bankers and to supply it to those whom it may concern.

The second part of my amendment, Sir, speaks of another agency, namely, the Co-operative Land Mortgage Banks. The indigenous bankers by the very nature of their business cannot give long-term loans. They can only deal in short-term loans which are made for a season and recovered out of the harvest. Therefore the indigenous bankers do not touch long-term business. Therefore I have included, in my specification of the approved agencies, Co-operative Land Mortgage Banks, which are I think proper agencies to supply the agriculturists with long-term needs. The agriculturist cannot always repay a loan given to him for his agricultural occupation in a year from the harvest, and sometimes not even in two or three years. For such loans a long period is required and the Co-operative Land Mortgage Banks are the proper agencies. In order to safeguard the interests of the tax-payer, of the Government and the Reserve Bank, who find funds for these land mortgage banks, I have mentioned that such land mortgage banks must be those approved by the Local Government of the province in which they are situated. I think with these safeguards the agencies mentioned by me will be suitable agencies to be trusted with funds for financing the agriculturist.

I entirely agree with my Honourable friend Mr. Ram Saran Das that the class of money-lenders to whom the agriculturist now goes are a great source of danger. I think the uncontrolled money-lender is the greatest bane of Indian rural economy today and the sooner he is eliminated from our rural economy the better for all concerned. The agricultural money-lender,

who sometimes was thought to be more humane than the ordinary money-lender has proved to be a greater shark. In fact the ordinary money-lender is more anxious to recover his money and interest than buy up land; but the agricultural money-lender is anxious to extend his holdings and to swallow the debtors' land itself. He wants to augment his land at the expense of the poor neighbour to whom he lends money, and in practice in all provinces he has proved a source of greater danger to the poor agriculturist than the ordinary money-lender.

As for the co-operative banks, Sir, with which I am more intimate and of which I can speak with personal knowledge, I agree that, owing to several causes, such as want of education, lack of good management, bad business habits and so on, they have not done as well as they ought to have done, and the expectations raised of the benefits of the co-operative movement have largely not been realised. Nevertheless co-operative banks do perform a very useful function. Our deposits today in the whole of India stand at about 50 crores of rupees, and that is not an insignificant sum when we remember that the deposits in all the commercial banks in India amount to about Rs. 200 crores—70 crores in the Imperial Bank of India, another 70 crores in the foreign exchange banks and another 70 crores in the joint stock banks. Therefore the combined resources of these three great banking agencies, the Imperial Bank, the joint stock banks and the foreign exchange banks, is about 200 crores; and they have been working in this country for nearly a century, while we came into the field only in 1912, because the Co-operative Societies Act of 1904 provided only for primary credit societies and our central banks were started only in 1912. And in these 25 years we have built up a working capital of over 50 crores, excluding the investments of one society in another society. Therefore I think we have done well and though we have only touched the fringe of the problem the potentialities are very great. But I must tell this House that, do what we will, the scope for expansion of the co-operative credit societies is not unlimited. There are very serious limitations on the expansion of co-operative rural credit. Today our trouble is not lack of money, because every bank is surplusing, every province has more money than we know what to do with. In fact at the Registrars' Conference held in December last under the presidency of the Honourable Leader of the House, one of the problems raised was how to restrict the inflow of money into co-operative societies and not how to find outlets for it. The fact of the matter is that the bulk of the agriculturists in this country are not eligible for credit. Agriculture is not a remunerative occupation. The margin of profits is so low that he cannot really repay a loan. So if you apply the ordinary banking standards to co-operative banking, there are not many cultivators in this country who can be financed on sound business banking lines. That is the trouble. Of course there are still a large number of people who can be financed whom we have not yet touched. Many more societies may be formed, and probably instead of 7 per cent., say, 15 to 20 per cent. of the population can be enrolled as members. But a large majority of the agriculturists cannot be touched, because they are not credit-worthy in the sense in which a bank would use that term. Nevertheless we have been stretching a point in their favour too, and instead of always asking for tangible security, wherever character is assured, wherever we believe that punctual repayment will be forthcoming, we have been financing them also on liberal lines.

In Madras the Government have done something for us. They have guaranteed the principal and interest on debentures, to the extent of 125 lakhs, floated by the land mortgage banks, to raise funds to be doled out to agriculturists; and out of this 125 lakhs we have actually utilised 100 lakhs

[Mr. V. Ramadas Pantulu.]

and given it out as loans charging only 5 per cent. to the ultimate borrower. We began with a higher figure, but we have brought it down to 5 per cent., and I am glad to say we are getting back our loans without default and with punctuality. The money has been lent to agriculturists for 20 years and the benefits are appreciated. Recently our Government have amended the Agricultural Loans Act and provided for 20 lakhs each year to be distributed by revenue officers to small agriculturists, whose transactions owing to their small size would not be a paying proposition to the land mortgage banks. Land mortgage banks cannot deal with very small loans because the transactions involve a lot of preliminary expenditure. Therefore the Government have provided the staff. And our revenue officers are now advancing loans to agriculturists under the Agricultural Loans Act, preferably to those who are able to conciliate their debts with their creditors. A man who owes, say, three or four thousand to his creditors, may be able to induce his creditors to accept a lump sum of Rs. 2,000; and the Government in such cases lends Rs. 2,000 in entire discharge of his debts. And I am glad to say the Government is satisfied with a less stringent standard of security than the land mortgage banks naturally require, and in that way the scheme is working beneficially. It has now been linked up with the debt conciliation scheme for which a special Act has been passed. Therefore, Sir, when the Provincial Governments become autonomous, if these two agencies, the indigenous bankers placed on the approved list of the Reserve Bank, and co-operative land mortgage banks which are certified by a Local Government to be properly run and managed, if these two agencies are harnessed to any scheme for redemption of rural indebtedness and for financing the agriculturist, I think considerable benefit can be conferred upon the agriculturist.

I do not wish to take up the time of this House with any further details regarding these two agencies. But I wish to point out that in addition to finding credit, the Government must also implement some of the recommendations of the Royal Commission on Agriculture and the Indian Central Banking Enquiry Committee in regard to relief of agriculturists. You must restrict the money-lenders' operations by stringent enactments to control his money-lending and provide facilities for agriculturists to get their debts compulsorily settled and conciliated through official or unofficial agencies. And also eliminate the uncontrolled money-lender as far as possible. Wherever you can, compel him to register himself under a statutory system of licensing. At present money-lenders are an unlicensed lot and there is no way really to regulate them, because we do not know who the money-lenders are. The Royal Commission on Agriculture, though it does not make a specific recommendation, has said a great deal in favour of a system of licensing money-lenders and bringing them under strict control and also compelling them to maintain regular accounts and providing for their periodical inspection by officers; besides investing the courts with very wide powers of relieving debtors from hard bargains with their creditors. Some of these measures are recommended by various other committees as well. I hope these measures when coupled with any scheme of helping the agriculturist to liquidate his prior indebtedness and to find money for his current needs are bound to prove beneficial. Our aim must be restricting the unhealthy activities of money-lenders, ultimately with a view to replace them by or absorbing them into the regular banking organisation of the country. This alone will prove a right solution of the problem. I therefore commend my

1 P.M.

amendment and I hope Government will accept the Resolution of my Honourable friend Lala Ram Saran Das with my amendment.

STANDING COMMITTEE FOR ROADS.

THE HONOURABLE THE PRESIDENT: Honourable Members, it is usual, when the House is sitting on Fridays, to accommodate the Muslim Members and I therefore propose to adjourn the House at this stage. But before I do so, I would like to communicate to you the result of the election which took place the other day.

I have to inform the Council that as a result of the election held on the 9th March, 1937, the following three Members have been elected to serve for the remainder of the current financial year on the Standing Committee for Roads:—

1. The Honourable Mr. R. H. Parker.
2. The Honourable Rao Bahadur K. Govindachari.
3. The Honourable Haji Syed Mohamed Hussain.

The Council then adjourned for Lunch till Twenty Minutes Past Two of the Clock.

The Council re-assembled after Lunch at Twenty Minutes Past Two of the Clock, the Honourable the President in the Chair.

RESOLUTION *RE* SUPPLY OF FUNDS TO AGENCIES TO HELP AGRICULTURAL CREDIT—*contd.*

THE HONOURABLE THE PRESIDENT: Before the debate is resumed, I wish to point out to Honourable Members that I propose to stop the proceedings at a quarter to five this evening as there is a very important meeting of the Empire Parliamentary Association at which many of our Members will have to be present and at which I have to preside.

The debate will now be resumed.

THE HONOURABLE MR. V. RAMADAS PANTULU: Sir, if you will permit, I would like to make a very short statement on one or two points which may facilitate the understanding the scope of my amendment. First of all, Sir, with regard to land mortgage banks, I do not mean to say that where there are no land mortgage banks something should not be done to provide long-term loans to agriculturists. It depends on the conditions of each province and I mentioned land mortgage banks because in my own province they worked well. Where conditions are different and there are no land mortgage banks, I am not against other agencies to provide long-term credit. Secondly, Sir, my whole object is, not to do harm to the money-lenders but to bring them under regulation and bring them into the banking system of the country. I do not want any credit agencies to operate in any areas which are outside the regular banking system. Uncontrolled money-lending is a great evil. Therefore, the object of my amendment is to bring all money-lenders into a regulated banking system by every means possible.

THE HONOURABLE SIB PHIROZE SETHNA (Bombay: Non-Muhammadan): Mr. President, it is generally acknowledged that India is one of the largest agricultural countries and it is also considered very necessary that our agriculturists should be helped as best possible. Efforts are being made in that direction and it is very gratifying that His Excellency the present Viceroy is taking a very keen interest in this question. The Resolution, therefore, which my Honourable friend, Lala Ram Saran Das, has brought forward is certainly to be welcomed, but the question is whether the Government is in a position to help to the extent that my Honourable friend desires. He has told us that the agricultural indebtedness of the country in 1929 was 900 crores which by now has risen to 1,400 crores. To finance that amount of indebtedness is beyond the possibility of the Reserve Bank or the Government of India or anybody else. However, attempts should be made to afford relief to as great an extent as may be possible.

Sir, I am afraid my Honourable friend's Resolution has been very loosely worded. It has however been corrected to an extent by the amendment of my friend on my left who instead of the words "approved agencies" has suggested "indigenous bankers approved by the Reserve Bank of India and Co-operative Land Mortgage Banks approved by the Local Government of the Provinces in which they are situated". The Honourable Lala Ram Saran Das in moving his Resolution observed that by indigenous bankers he meant those who did banking and no other business. In fact, he would require that as a qualification. (*The Honourable Rai Bahadur Lala Ram Saran Das*: "Not necessarily.") I am glad that the Honourable Member says: "Not necessarily." Because almost every indigenous banker does other business besides. Now, Sir, there is the system of co-operative credit banks. They cannot help. Nor can the ordinary business man for any length of time. And the main object of this Resolution is that funds may be given as loans to last for a considerable number of years. That certainly is a very great difficulty and we should like to know what the Honourable Member representing the Government in replying on behalf of Government will be able to say with regard to this proposal.

Again, Sir, another point to which I take objection in the Resolution as worded are the last few words. It asks that money might be lent to agriculturists "at a certain fixed and agreed percentage of interest and at a certain fixed percentage margin of profit". These two do not go together. At any rate, they do not appear to be consistent. If he drops out the last few words and simply says "at a certain fixed and agreed percentage of interest", that, I understand from Mr. Ramadas Pantulu, would be covered by his amendment inasmuch as he says indigenous bankers who are to be approved by the Reserve Bank of India and he infers therefrom that the Reserve Bank will lay down rules with regard to the rates of interest and also in regard to the margin of profit. That agricultural money-lenders earn a very considerable amount of interest was proved by the instance which the Honourable Mover himself quoted, where an agriculturist who had been able to lay by Rs. 600 during 18 years' service was able to double the amount in four years by lending it out. Now, Sir, that means that he obtained interest at the rate of 17½ per cent., for there is the rough and ready formula that if you divide 71 by the rate of interest you get the number of years within which any amount doubles itself at that rate of compound interest with yearly rests. 17½ per cent. is of course, a very usurious rate and if Government can help in the matter by providing loans for agriculturists at a reasonable rate, say 6 per cent. at a maximum, that I suppose would relieve the situation to a very great extent. As I said

at the start, it will not be possible even for the Reserve Bank to afford help by lending out as much as 1,400 crores of rupees, but at the same time if the Government take up the matter seriously it can make a beginning and that will help as time goes on. For example, Mr. Ramadas Pantulu gave an instance of the Madras Government who gave permission to issue debentures to the extent of a crore and a quarter at 3½ per cent. and the rate has been since reduced to 3 per cent. That has afforded much relief and other Governments might do likewise, which if they do it will certainly relieve the position to a very great extent. I therefore support the Resolution.

THE HONOURABLE MR. J. C. NIXON (Finance Secretary): Sir, when I was studying the Resolution of my Honourable friend, Mr. Ram Saran Das, previous to this debate, I thought I have to some extent understood what was in his mind. After listening to him this morning, I am not so sure about it. I had hoped that the Honourable Mr. Ramadas Pantulu when speaking on the subject would help to clear up for me what the Honourable Rai Bahadur Lala Ram Saran Das was getting at. But even he failed to give me that necessary help. I understand comparatively clearly what the Honourable Sir Phiroze Sethna was getting at, but I very much doubt whether he was actually getting the point which is in the mind of the Honourable Rai Bahadur Lala Ram Saran Das.

After all, the agricultural classes require loans for various purposes. They may require loans for genuine agricultural purposes. These agricultural needs are of two kinds:—(1) for permanent improvements and (2) for ordinary marketing purposes. The agricultural classes also require loans in order to redeem previously incurred debts and it was that aspect of the subject which the Honourable Sir Phiroze Sethna was obviously fastening on. But the agricultural classes, the same as other classes, require money for other purposes than these. They require money in order to meet what I would describe as unproductive expenditure. The Honourable Rai Bahadur Lal Ram Saran Das instanced one circumstance in which he considered these people ought to be able to raise funds, namely, sickness, and there are, as every one knows, various ceremonial and social obligations that all these classes have to meet. I still feel, after what I have heard today, that in the mind of my Honourable friend the Mover of this Resolution is the thought that there ought to be an agency in existence for granting the poorer agricultural classes credit for these last purposes—purposes unconnected with agricultural pursuits and unconnected with the matter of their past indebtedness. In the matter of accommodation required for genuine agricultural purposes, as all Honourable Members know, there are various Taccavi Acts in India. The Provincial Governments every year give out a certain amount in the form of taccavi loans and I have a statement before me showing what has been done in recent years by the different provinces. But this statement shows me one thing, and it is that when a particular circumstance arises the provinces respond almost immediately, and meet it, if it can be met in that way, by the issue of additional taccavi loans. I do not think there is any reason to believe that provinces in the matter of giving taccavi loans in the circumstances where taccavi loans may be given are lagging behind the necessities of the situation. The Punjab Government, I believe, is granting taccavi loans at the moment at 4 per cent., and nobody can claim that that is an unreasonable rate of interest. Nor, so far as I know, is there any difficulty in the small agriculturist financing himself in the marketing of his produce. At any rate, I am almost certain that that is not the problem that is in the mind of the Honourable the Mover of this Resolution.

It is a little hard. In the other House Government are asked what they propose to do in order to reduce the existing indebtedness of the rural classes.

[Mr. J. C. Nixon.]

In the last session of this House I had to meet several Resolutions asking what Government proposed to do in order to increase their indebtedness, and I feel that really what is in the mind of the Honourable the mover of this Resolution is something which falls into that latter class. He is not asking how we propose to relieve the previous indebtedness of the rural classes, but what means it is proposed to put at their disposal for increasing their indebtedness.

As we know, the former supplier of this type of credit was the money-lender. I cannot help feeling that though a lot of hard things have been said about the money-lender and though a lot of these hard things which have been said are justified, all the things that are said about him are not so justified. It is true he charges what, from the point of view of some of us town people, seems a high rate of interest. He may be charging 18½ per cent. or 36 per cent. interest. But, after all, one has to remember the risks he is taking, and on the whole, despite the single example which the Honourable Mover put before this House, I for one am not prepared to believe that taking all things together the money-lender in charging these rates of interest is charging more than the necessities of the situation require. I would like in that respect to refer to a remark of the Reserve Bank. On page 32 they say :

"The rates of interest charged by the village money-lender are not so fantastically high as they sometimes appear to be, in view of the risk against which he must insure himself".

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : I may say that there is really no page 32 in the copy which has been supplied to me.

THE HONOURABLE MR. J. C. NIXON : I will give my Honourable friend a copy which is a facsimile of mine. His copy must be differently paged. The money-lender who is undertaking this sort of business has got to face up to the inevitable fact.....

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Nobody has got this pamphlet with page 32 in it. There are only 29 pages in our copy.

THE HONOURABLE DIWAN BAHADUR SIR K. RAMUNNI MENON :
THE HONOURABLE SIR DAVID DEVADOSS : } We have not got it.

AN HONOURABLE MEMBER : Perhaps you did not ask for it.

THE HONOURABLE MR. J. C. NIXON : I will rectify this in due course. What I quoted was in paragraph 38.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : That is better.

THE HONOURABLE MR. J. C. NIXON : I will speak in terms of paragraphs, Sir. As I was saying, one has got to remember that the agency which undertakes this type of business amongst the rural classes has got to face up to not getting its capital returned at all in a fair proportion of cases, and that is one of the reasons why it has to charge such a high rate of interest to the people who pay at all. After all, the money-lender has been, at any rate in the past, an eminently suitable type of person for this particular purpose. I would like again to read what the Reserve Bank in paragraph 43 say about that. They say :

"Being on the spot they (i. e., the money-lenders) are able to advance promptly, to take risks and to make up for the lack of tangible security by personal knowledge."

Now, Sir, I do not think there is any evidence to prove that the money-lender has not, even at the moment, got the funds with which he could, if he wished, continue to undertake this business. In fact, as I understand it, he is even at present attempting to find means of employing his funds in the town areas. Nor, Sir, do I believe that any approved agencies, even agencies such as, in the words of the Honourable Mr. Pantulu, indigenous bankers, approved by the Reserve Bank of India, on their furnishing security—I would ask you to observe these words—would have any difficulty at the present moment in going to an ordinary banking institution or such like and raising considerable funds at a reasonable rate of interest. But I am quite sure that any of these agencies will use their resources, their credit, their money, in a line of business which is the more remunerative to them and in a line of business which has an element of safety in it. Government are not in a position to force private agencies to undertake a particular type of work. One can take a horse to water but one cannot make him drink. What would undoubtedly happen in these circumstances would be that the agency would make its own terms with Government, and I feel certain that one of the terms which it would make would be that all the risky part of the business should be borne by Government. In such circumstances I can hardly see the necessity to pay a middleman a margin for undertaking the safe work. To my mind the proposition as put before us by the Honourable Lala Ram Saran Das is not a business proposition. The middleman will serve no purpose at all, and his proposition really boils down to Government itself undertaking this sort of business.

Let me criticise it from another point of view. But before I do so, I would like to turn to something which my friend the Honourable Mr. Ramadas Pantulu said. And that again is where I come up against a difficulty, because I cannot really see how his amendment has any bearing at all on the original Resolution. In fact, in some respects it seems to me to be a complete negative of it. He suggests that institutions approved by the Reserve Bank should come into the picture, and surely the logical consequence of that would be that the institutions should be financed by the Reserve Bank. Instead of which, these institutions which are to be on the books of the Reserve Bank—and which by the way has a lot of funds which it would like to invest—are to be financed directly by Government. I think in that respect the Resolution and the amendment are hitting against one another. The Honourable Sir Phiroze Sethna also pointed out another weakness in the Resolution as put before the House, and that is with reference to the last two or three lines of it. The suggestion is that the money should be lent to these approved agencies or what not at a certain fixed percentage margin of profit. Now it is perfectly evident that in this sort of business no fixed margin of profit could be laid down for the whole of India. The fixed margin of profit would have to vary, at any rate from year to year and in accordance with the conditions of the agriculturist. It would probably have to vary indeed from season to season, and if the matter were conducted on proper business lines I have no doubt that it would have to vary from individual to individual. And indeed, even if the business were taken up by provinces in their own local areas, I feel certain that it would result in a multiplicity of margins for different purposes and a variation in those margins from time to time. Again, I must criticise the Resolution as put before the House as being quite unworkable in its including a condition such as that.

I do not wish, nor have I any reason, to criticise the debt legislation that has been undertaken in the provinces. It has achieved extremely useful results at a very difficult time. But I have to say that it has had one inevitable result, which is that certain of the sources of credit formerly open to the rural classes

[Mr. J. C. Nixon.]

has to a very large extent dried up. It is true that the poor agriculturist cannot at the present time raise money as freely as he did formerly. It is a well known fact that the agricultural classes, not only of this country but of many countries of the world, are as a body an improvident class. Nobody denies that the agricultural classes of this country in many places in many circumstances had got themselves into an impossible state of debt, and I do not think there would be many in this House who would deny that that condition of extreme indebtedness has been on the whole brought about not by debt incurred in agricultural pursuits but by reason of debt incurred for non-productive purposes. In the experience of every one of us here, I am sure there must have come to light instances where has been brought home to us the awful plight into which the poorer classes can get owing to their extravagant unproductive expenditure. And I suggest, Sir, to this Honourable House that there is something to be said for the view that what is required in the present circumstances is not an extension of the credit facilities open to the agricultural classes but that restrictions should be placed on the facility with which they formerly were able to get into debt. I would not describe it quite as a blessing is disguise, but I do honestly believe that there are certain not undesirable features about the present dearth of credit arrangements in the rural areas. The Reserve Bank again in this report of theirs have had some shrewd observations to make on this aspect of the question. In paragraph 14, a paragraph which is headed "Measures for restricting unproductive credit in future" they say:

"The ideal we have in view is to see the credit of the agriculturist so restricted as to make it difficult for him to incur debt except for *bona fide* agricultural requirements".

And again, over the page—

"In certain provinces recent legislation is apparently having the effect of inducing the money-lender to draw in his loans and to discontinue further advances. This may be a salutary interim stage for the agriculturist to pass through."

And yet again, in paragraph 46, where the Reserve Bank is rather coming to the end of its report and summing up, it says:

"No real amelioration is possible unless, when once the previous debt of the agriculturist has been brought within his capacity to liquidate, his future borrowings are restricted to what is required for productive purposes."

In fact, the history of this sort of thing in every country has clearly shown that easy credit conditions loosely administered constitute the very worst thing in the world for the poor person who is associated with land.

The credit of the agricultural classes consists of the lands and their crops. Agricultural classes in all parts of the world require from time to time to borrow money for genuine agricultural purposes, and I am quite sure that nobody wants to see these few bases of credit, their land and their crops, frittered away by being used as security for unproductive expenditure. The Government of India have to agree that the situation at the moment is one of extreme difficulty for the agricultural classes. They are not able, it is true, to raise money as easily as they formerly did, but the Government of India do believe that this state of things has not entirely undesirable aspects today.

In any event, I suggest, Sir, that this is a problem which cannot be tackled on an all-India scale, especially in view of the fact of the varied land tenure systems in India. For in the very final instance of course the credit for any borrowing of this sort must be the land. I have no reason to believe that

provinces are unaware of this problem. If in fact that have not taken any particular measures to meet it, it may be that they are moved by some of the considerations which I have already put before this Honourable House. As my friend, the Honourable Mr. Ramadas Pantulu has pointed out, the co-operative credit movement, though perhaps not on a scale sufficient to meet all the necessities of the situation, has gone to some extent to meet it and has in the past provided a certain amount of credit for the purposes in view. And I would like to remind the House while on this point that the Government of India have made a grant of Rs. 14 lakhs to the provinces in the hope that that money will be usefully spent on the reorganisation of co-operative credit societies.

Honourable Members will be at any rate partially acquainted with this Report of the Reserve Bank of India. If they study it carefully they will notice that most of the positive suggestions made by the Reserve Bank for action in this admittedly difficult field are for action which can only be taken by the Provincial Governments and by the Provincial Legislatures. The field for action in the Government of India is, if this Report stands for anything, extremely limited.

Therefore, Sir, I have, I am afraid, formally at any rate, to oppose the Resolution and at the same time I shall have to oppose the amendment. And I oppose it on three grounds. In the first place, as I have already said, I regard it as impractical and as not a business proposition. I oppose it too for the reason that although the present situation is an admittedly difficult one it is one not without desirable features in it. And I oppose it for a third reason, namely, that in my opinion this is a problem which has got to be solved by the provinces and I do not believe that the provinces are without the means of being able to tackle it.

I suggest that the Honourable Mover of the Resolution, together with the Honourable Mover of the amendment, might consider whether, instead of pressing these motions to a division, it would not, at the stage at which we have got, equally serve their purpose if I promised to send the printed reports of this debate to the various Provincial Governments.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Mr. President, the Resolution which my Leader has moved and to which the Honourable Mr. Nixon has replied raises various questions on each aspect of which one can say many things. Now, our friend the Finance Secretary has very cleverly tried to burke the issue by bringing before us two enormous difficulties. Firstly, he suggested that the huge amount of 1,400 crores of past agricultural indebtedness is in itself an impediment to proceeding any further. Secondly, Sir, he brought forward a very sound argument that expenses on non-agricultural purposes like ceremonials are not conducive to the well being of the agriculturist and therefore restriction of credit is to the advantage of agriculturists themselves. We agree with him on this issue. We can also concede that as far as repayment of past debts are concerned, it is a very big problem and a problem which requires consideration from all sections and all sides of not only this House but of entire India. If a subject of importance like this is allowed to take care of itself, it will end in chaos, and bring communism nearer to India than anything else can do. Sir, I should have liked to deal with this aspect of the question, but I would defer that for some other occasion. Here I am concerned with two other aspects of the question which the Honourable Mr. Nixon himself raised, but about which he did not say anything to us. The first is the long-term credit for agricultural improvement. That is an item on which we can

[Mr. Hossain Imam.]

only embark at the time of depression. It is a well known maxim that depressions are sometimes caused by disparity between expenditure on capital goods and current consumption goods and there is no time more suitable than a time of depression for increasing your production, because things being cheaper you can expand on a smaller capital cost than you could do in times of boom. There is absolutely no machinery in India to advance money to the agriculturist even for productive purposes of land improvement. If an industrial concern wants to expand its production it can always go to the bankers and get facilities. But out in the rural areas even the most solvent zemindar cannot get facilities. I can give instances of zemindars having a net income of more than 10 lakhs being unable to get credit, except from Darbhanga. No bank would advance him a single penny. Now, Sir, what I was going to say was that it is easy to face us with difficulties, to tell us that the thing is too big, the thing is too complicated—but has the Government any place in the picture? What is the function of the Government of India? Is it here only just to collect funds, pay the army and its own officials and tell us that it has no responsibility? Has it any responsibility to do good to the country? Can it show any justification for its existence on the basic issue of public service? This is the question for the Government of India. I know these questions are transferred to the provinces. So is agriculture. But we have a Central Council for Agricultural Research to co-ordinate the work. So is Education, but you have a Board of Education here too. Why not do something even on those lines to relieve indebtedness of agriculturists, to give facilities to agriculturists to find money for good purposes? I am in agreement with him that no advance should be made to be squandered; but I wonder if he would like to have the same restrictions put on his own unremunerative borrowings. If there is a deficit year, would he like that there should be no place available for him to fill up his gap?

THE HONOURABLE THE PRESIDENT: I am afraid you have misunderstood his argument. What he said was that the machinery which you suggest will increase his indebtedness rather than decrease it.

THE HONOURABLE MR. HOSSAIN IMAM: We are prepared to give in as soon as we find that the Government is anxious to come to our rescue. We are not wedded to means, but we do demand that there should be some concrete action on behalf of the Government to better our condition. They should cease to regard themselves as a machine made to keep India in subjugation and nothing else. The primary duty of the Government of India should be the betterment of 80 per cent. of the population and every effort made in that direction will bring the Government of India into closer touch and will keep the doomsday farther and farther away. Now, Sir, the Honourable Member has rightly stressed one point, that there are many parts of the question which can be better tackled by the provincial Government than by the Central. But the provinces can tackle it and I hope, Sir, that when the party to which the Honourable Mr. Ramadas Pantulu belongs comes into power in the provinces their first action will be to serve the masses in this direction. But, Sir, there is a necessity that the different debt legislation passed by the provinces should be co-ordinated. The experience of one province should be available to others and in that direction the only body which can help is the Centre. By means of some Board or other agency the Government of India should be prepared to give facilities and help to the provinces if they want to do something in the way of debt legislation. In the end, Sir, I would ask the Government not to think only of the difficulties

but to think that those who are under the burden also have a claim on the Government. It does not matter what they do. As long as they agree to the end in view, the means do not matter to me.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, it has pained me to find the indifference of Government on this very important matter. They have been proclaiming always that they have at heart the betterment of the agriculturist and of the peasants in general. Sir, after what my Honourable colleagues who have supported me on this point have reduced my task I must say that this indifference of Government will create a great discontent among those agriculturists who are the roots and the support of the Empire. The Honourable Mr. Nixon says that I want to add to their indebtedness. I have explained in my opening speech that that is not my intention. But, Sir, in case the crops fail and the cultivator cannot make both ends meet and the calamity of hail storms or other reasons come in his way, will you not finance him? Will you let him die of starvation? It is an imperative need that the poor cultivator, who has suffered losses not on his own account but on account of providence, should be helped by Government. To refuse help to a needy person is nothing short of what I call high-handedness on the part of Government.

Sir, when various legislations were passed in various provinces to relieve indebtedness and to regulate the accounts, they were all meant to ameliorate the condition of the agricultural masses. But, Sir, what do we find in practice? The Land Alienation Act was passed with a very noble motive behind it and when we see that Act in force for the last 25 or 30 years we find that that Act has done nothing to ameliorate the condition of the masses. It has affected them reversely. The agriculturist moneylenders have enormously increased and they have mortgaged 75 per cent. of the lands which were mortgaged in the Punjab. The other provinces must have fared similarly. That shows that the objective underlying the Land Alienation Act has not been fulfilled. The bigger fishes have devoured the smaller fishes and the condition of the people has gone from bad to worse. In the Punjab masses had all their capital generally in silver and the disastrous exchange ratio policy of the Government of India made them lose 50 per cent. of their holdings in silver. I consider that owing to the manipulation of their exchange policy, the Government has forced the poor man to a loss of practically half his savings.

Then, Sir, various other legislations which have been passed have gone on to make that poor cultivator go to the wall. That is a fact which cannot be denied. We see that the pockets of these villagers are empty.

THE HONOURABLE MR. BIJAY KUMAR BASU: They have no pockets.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Well, of course, people like the Honourable Mr. Basu do not require pockets but big bags. I must say, Sir, that we find that a paltry sum of a few lakhs has been remitted in a few provinces, but where is the active interest the Government have shown? They have practically not remitted the revenue at all.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: Oh yes, in the United Provinces by over a crore.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: What is still the condition of the tenants there?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : I must, with due deference to the Leader of the House, say that that remission of a crore of rupees is only a fraction of what the poor zemindar has actually suffered. It is only what we call an eyewash that the Government has done. Instead of reducing the revenue proportionately to the fall of prices and appreciation of the rupee the Government have been facing the high revenues and thus adding to the poverty of the poor cultivator.

Sir, restrictions on sales of land have been a cause of much suffering and the report of the Reserve Bank of India, to which the Honourable the Finance Secretary has made many references, has certain paragraphs on the point to which I would draw attention. For instance, paragraph 38, which he himself quoted. Of course, he read us a few lines which were of interest to him and left out certain other lines which perhaps did not suit him. So, Sir, I will quote those lines which he has presumably omitted to read :

"In so far as the inability of the cultivator to meet promptly all his obligations arises out of the failure of crops, it is certainly not possible to prevent his falling into arrears."

The Reserve Bank Committee themselves admit that when such like conditions occur, the poor cultivator is bound to go into arrears. Then, Sir, . . .

THE HONOURABLE THE PRESIDENT : Please remember that you have only got 15 minutes.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : I shall try to be as brief as possible, Sir, but I want to meet the points. Well, Sir, as far as the amendment of my friend Mr. Ramadas Pantulu is concerned, I accept the amendment but I was under the impression that the language of my Resolution covered what he meant. However, as Mr. Nixon says my proposition is rather vague and Mr. Pantulu's amendment clears it, I accept his amendment.

Now, Sir, I see that in paragraph 15 the Reserve Bank Report says :

"Restriction on the transfer of rights in land makes debt conciliation as well as long-term credit difficult and it is therefore desirable that Governments should give assistance to creditors who have voluntarily accepted reductions in debt under Government auspices and to recognised lending institutions, such as mortgage corporations, by amending the law, where necessary, to allow land to be mortgaged or leased for a period sufficient to secure repayment of instalments settled by debt conciliation, or long-term loans advanced by mortgage institutions and by simplifying the procedure for recovery."

Then Sir, I draw his attention to paragraph 17. Here also, with regard to Land Mortgage Corporations which the Honourable Mr. Ramadas Pantulu has said have proved very useful, they say :

"It is open to question whether a land mortgage system which is co-operative from top to bottom is the best for this country."

The Government has been instrumental in allowing the provinces to pass a legislation which has restricted the credit to the zemindars. They have practically kicked out the main credit agency from the rural areas and they have not replaced that agency by any other agency. I think it is the paramount duty of the Government to see that these poor agriculturists are not deprived of the agency for their credit.

The Honourable Mr. Nixon said, and the Honourable Sir Phiroze Sethna also observed, that my Resolution was not very clear in the end. What I

meant was that the Government or the Reserve Bank of India may find it difficult to advance money to a number of people without their agreeing to a certain percentage of profit and to a certain maximum rate of interest. If the Honourable Mr. Nixon considers that my Resolution needs some amendment, he may kindly suggest the amendment, and if it is suitable, that may be accepted by the House. But, Sir, without suggesting any amendment whatsoever, he simply brushes away the Resolution as a whole which, I think, is most unfair and most cruel. I do not want to take up much of the time of the Council. I must state that the sad plight to which the Honourable Mr. Nixon referred has been caused by the Government. I must also say that productive expenditure sometimes later on becomes unproductive. Supposing a cultivator adds some area to his cultivation in order to make it pay and by hail storms or for some other reason the crops are destroyed. Then, even that productive investment will become unproductive. It is for such like unproductive expenses, which are productive to start with, that the poor cultivator wants help from some credit agency. The Honourable Mr. Nixon observed that I want the Government to take the risk. I do not want either the Government or the Reserve Bank to take any risk. I say, let that Bank advance money on the security to certain agencies, which the Honourable Mr. Ramadas Pantulu has now defined as approved indigenous bankers or land mortgage banks or co-operative societies. The Reserve Bank will have enough of security on which they run no risk. The risk will be run by the agencies, who will advance the money to the poor. A middleman is required because Government, as the Honourable the Finance Secretary says, is not prepared to take risk. Let somebody else take the risk at a certain agreed margin of profit and let the poor cultivator be thus helped. If Government refuse to agree to even this modest proposal in the interests of the masses who form 73·7 per cent. of the Indian population, Government would be doing the most unfair thing. It will be the cause of the gravest discontent for which Government themselves will be responsible. I hope, Sir, that Government will accept this Resolution, and in case they cannot accept it in the form I have put it, I hope they will suggest a reasonable amendment which will prove that they are really honest as far as their dealings with the poor cultivators are concerned.

THE HONOURABLE MR. J. C. NIXON : Sir, there is very little indeed that I wish to say at this stage. I may clear up one difficulty which presented itself when I was quoting from my edition of the Reserve Bank Report. I have got a copy of the original published by the Bank from which the copy supplied to Honourable Members was a reprint. They are identical in their phraseology.

From the speech of the Honourable Rai Bahadur Lala Ram Saran Das it is quite clear now that he is definitely out for increasing the indebtedness of the agricultural classes. And I must express a certain amount of regret that he did not refer at all in his speech to what I consider to be the central point of mine. I suggested that there were certain aspects from which one could look upon the situation arising from the reduction in the sources of credit open to the agriculturist as having some merits. He entirely failed to refer to this. I must consequently conclude that he entirely disagrees with my views on that matter. He did not enter very much into practicalities, but he did refer to two sets of circumstances. One was when the agriculturist discovers himself in disastrous circumstances—when his crop is going wrong. I am not very familiar with the Acts on the subject, but so far as I know, those are exactly the circumstances in which Provincial Governments grant

[Mr. J. C. Nixon.]

taccavi loans, and as I say, I have no reason to believe that in granting taccavi loans, the provinces in past years have been at all stinting. (*The Honourable Rai Bahadur Lala Ram Saran Das* : "Question!") (*An Honourable Member* : "They have been.") I have got the figures, Sir. (*The Honourable Mr. Hossain Imam* : "Will you please quote them?") He referred again to certain disastrous results of the existence on the provincial Statute-Books of Land Alienation Acts. But I would like to point out that those Acts stand on the Statute-Books of provinces. I can only come back to the original statement which I made, namely, that a study of this Report will prove to Honourable Members that 9/10ths at any rate of the action that can be taken to deal with this subject lies in the provincial field. From the 1st April next the provinces will come into direct relationship with the Reserve Bank. The Reserve Bank will be their immediate bankers in the same way as they are now the immediate bankers of the Government of India; and I think, seeing that the new relationship has to come about so soon, that the most suitable action that could be taken in the present circumstances in the matter of this debate is for copies to be passed on to Provincial Governments.

THE HONOURABLE THE PRESIDENT : I will first take the sense of the House on Mr. Ramadas Pantulu's amendment.

Amendment moved :

"That for the words 'approved agencies' the following be substituted, namely:— 'indigenous bankers approved by the Reserve Bank of India and Co-operative Land Mortgage Banks approved by the Local Government of the Provinces in which they are situated'."

The Question is :

"That that amendment be adopted."

The Motion was adopted.

THE HONOURABLE THE PRESIDENT : Then the Resolution, as amended, stands as follows :

"This Council recommends to the Governor General in Council that in order to provide credit to poor agriculturists necessary arrangements be made for the supply of funds to indigenous bankers approved by the Reserve Bank of India and Co-operative Land Mortgage Banks approved by the Local Government of the Provinces in which they are situated on their furnishing sufficient security and on their agreeing to lend money to poor agriculturists at a certain fixed and agreed percentage of interest and at a certain fixed percentage margin of profit."

The Question is :

"That the Resolution as amended be adopted."

The Council divided.

AYES—14.

Buta Singh, The Honourable Sardar.
Chettiyar, The Honourable Mr. M.
Chidambaram.
Govindachari, The Honourable Rao
Bahadur K.
Hossain Imam, The Honourable Mr.
Kalikar, The Honourable Mr. V. V.
Kunzru, The Honourable Pandit
Hirday Nath.
Mahapatra, The Honourable Mr. Sitakanta.
Mahtha, The Honourable Rai Bahadur
Sri Narain.

Motilal, The Honourable Mr. Govindlal
Shivlal.
Muhammad Husain, The Honourable
Haji Syed.
Pantulu, The Honourable Mr. V.
Ramadas.
Ram Saran Das, The Honourable Rai
Bahadur Lala.
Sapru, The Honourable Mr. P. N.
Sethna, The Honourable Sir Phiroze.

NOES—23.

Akram Husain Bahadur, The Honourable
Prince Afsar-ul-Mulk Mirza Muham-
mad.
Basu, The Honourable Mr. Bijay
Kumar.
Charanjit Singh, The Honourable Raja.
Clow, The Honourable Mr. A. G.
Dow, The Honourable Mr. H.
Ghosal, The Honourable Sir Josna.
Hissam-ud-din, The Honourable Lt.-
Col. Sir.
Intisham Hyder Chaudhury, The Honour-
able Syed.
Jagdish Prasad, The Honourable Kunwar
Sir.
Kay, The Honourable Mr. J. R.
Khurshid Ali Khan, The Honourable
Nawabzada.

Kirke Smith, The Honourable Mr. A.
Maxwell, The Honourable Mr. R. M.
Menon, The Honourable Diwan Bahadur
Sir Ramunni.
Nihal Singh, The Honourable Sirdar.
Nixon, The Honourable Mr. J. C.
Parker, The Honourable Mr. R. H.
Ray, The Honourable Maharaja Jaga-
dish Nath, of Dinajpur.
Russell, The Honourable Sir Guthrie.
Siddiqi, The Honourable Khan Bahadur
Shaikh Muhammad Bashir.
Slade, The Honourable Mr. M.
Todd, The Honourable Mr. A. H. A.
Williams, The Honourable Mr. A. deC.

The Motion was negatived.

RESOLUTION RE RESIGNATION OF SIR OSBORNE SMITH.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern Non-Muhammadan) : Mr. President, I beg to move the following Resolution :

"This Council recommends to the Governor General in Council that he may be pleased to lay on the table a full statement on the causes leading up to the resignation of Sir Osborne Smith, lately Governor of the Reserve Bank of India."

Sir, the Reserve Bank was established by an Act of the Indian Legislature in 1934. It was laid down as a condition precedent to the establishment of Federation and responsibility at the Centre that a Reserve Bank free from political influence should be established and working successfully. Now, Sir, at the Round Table Conference and at the Joint Select Committee the British Delegates stood out for a policy of non-intervention with the Reserve Bank. That is why Government, when the Bill came before the Legislature, preferred a Shareholders' Bank. The insistence throughout the Conferences was that the Reserve Bank should be free from political influences. Of course Mr. Attlee and the Labour Group took the view that the Bank should not be free from political influence. Personally I agree with Mr. Attlee and the Labour Group in this matter, but that was at any rate the British viewpoint, the British Conservative and Liberal viewpoint throughout the Conferences. The first Governor of the Bank was Sir Osborne Smith. He had been Governor of the Imperial Bank of India. He had had long experience of the Indian currency and banking world and he had the respect and confidence of the business community as also of the banking community. Suddenly, Sir, on the 30th October the announcement was made that Sir Osborne Smith had tendered his resignation of the high office of Governor of the Reserve Bank to the Governor General in Council and that the Governor General in Council had accepted that resignation with great regret. Now, Sir, Sir Osborne Smith had served over one year; he had I believe 2½ years more to run. The question therefore is, why did he retire prematurely? There has been much speculation about his retirement. Questions were put in the other House and I believe certain questions were put in this House also about his retirement and the reasons for his retirement. Now, the difficulty that we find is that Government have given no straight answer to these questions. The answer which Government have given has left the position much where it was. We find that in the other House the Finance Member said.....

THE HONOURABLE THE PRESIDENT: Please do not read what the Finance Member said.

THE HONOURABLE MR. P. N. SAPRU: I am going to read what.

THE HONOURABLE THE PRESIDENT: It does not matter. Please say what he said.

THE HONOURABLE MR. P. N. SAPRU: What the Finance Member said in the other House was that there had been no difference of opinion between the Government of India and the Bank on major questions of policy. The natural question therefore to ask is, has there been any difference of opinion between Sir Osborne Smith and the Government of India on minor questions of policy? The Finance Member said that there has been no difference of opinion between Sir Osborne Smith and the Government of India on major questions. Has there been any difference of opinion between the Government of India or the Finance Member and Sir Osborne Smith on minor questions? Another question that we might legitimately ask is, what is a major question and what is a minor question? We on this side of the House look upon, for example, the ratio question as a major question. I do not know whether the Honourable the Finance Secretary would look upon it as a major question at all. We on this side of the House look upon the question of a tax on gold export as a major question. I do not know whether the Honourable the Finance Secretary would look upon this question as a major question at all. Then, Sir, there has been much speculation, as I said, about the resignation of Sir Osborne Smith and one story is that he resigned because there was some difference between him and the Government of India in regard to the question of the rate of interest. The Bank's rate of interest was going to be reduced from $3\frac{1}{4}$ per cent. to 3 per cent. There was some difference of opinion between the Government of India and Sir Osborne Smith. Is that a major question or is that a minor question? And had Sir Osborne Smith the support of his colleagues in the view he was taking or had he not the support of his colleagues in the view that he was taking? Then, Sir, the question is, why should any differences have arisen between Sir Osborne Smith and the Government of India? The basic principle underlying the Reserve Bank is that it shall be a bank free from political influence. Well, what is the meaning of these words "free from political influence"? Is influence exerted by the Finance Member not political influence? Does political influence mean political influence only exerted by opposition parties in India? Are we not in a position to exercise political influence? Has the Finance Member to be in a position to exercise political influence? You cannot have it both ways. If you want a Reserve Bank free from political influence, then you must make the Reserve Bank absolutely an autonomous body. Do not interfere then with the internal working of the Reserve Bank. If you interfere with the internal working of the Reserve Bank, then you are not carrying out the policy of the Act which is that the Reserve Bank shall be free from political influence. We object to the influence of the city; we object to all kinds of political influence. If you want to have a Reserve Bank free from political influence, then let it be an absolutely autonomous body, and if it is an autonomous body and if you want it to be an autonomous body, then I do not see how any question of difference of opinion, major or minor, can arise. If Sir Osborne Smith has resigned for personal reasons, reasons of health, why cannot you make a plain statement to that effect? The answer in that case should have been, "Well, Sir Osborne Smith has resigned because of certain personal reasons"; but that is not the answer which was given in the other place by

the Finance Member. The answer rather suggests that there were certain differences of opinion between him and the Government of India: and if that is the case, then we are certainly entitled to take this line, that you are not carrying out, you are not implementing, the policy of the Reserve Bank Act, which is no interference with the working of the Reserve Bank by the Government. This, then, Sir, is the position in regard to Sir Osborne Smith and I would say therefore that a frank and full statement is necessary in the interests of Government itself. There has been much speculation, as I said, about this resignation. One view, of course, is that Sir Osborne Smith resigned because he was backing Indian opinion in regard to certain wider issues. That may or may not be correct. We are not in a position to say what the reasons for his resignation were. But what I would say is that the answers have made the position even more mysterious than it was. There should have been, Sir, a frank and full statement and what my Resolution does is to ask Government to make that frank and full statement. I want, Sir, to give the Government the opportunity of clearing the position in regard to this mysterious resignation which has affected the credit of the country, and which has affected the business community also of this country. Because, Sir, the business community had confidence in Sir Osborne Smith. That Sir Osborne Smith was a successful administrator is evident from the fact that on his retirement a K. C. S. I. was given to him. That he did not resign on grounds of health is evident from the fact that health was not put forward as the reason by the Government itself. Therefore, Sir, there is something mysterious about his resignation and we desire to find out what the real facts are.

Sir, the relations between the Government and the Reserve Bank are regulated by the Reserve Bank Act so that there can be no question that the relations between the Reserve Bank and the Government of India are confidential. The Finance Member said that he cannot go into these matters because the relations between the Government of India and the Reserve Bank are confidential. Well, I do not understand that, Sir. Here is the Act and we find that the Act has given the general superintendence and direction of the affairs and business of the Bank to a Central Board of Directors. We do not find that beyond appointing the Governor and the Deputy Governor and certain Directors, the Government has any control over the Bank. Therefore, Sir, what is the meaning of these words—"confidential relationship"? (*An Honourable Member*: "It means political relationship.") That is what I was going to say, Sir. It means therefore "political relationship". In itself this political relationship we do not object to. Indian opinion wanted a State Bank because we were for political influence. But we were given a shareholders' bank and we were told that a shareholders' bank was necessary because it was desirable, having regard to the recommendations of certain international conferences, that the Reserve Bank should be free from political influence. (*An Honourable Member*: "Politics has no morals".) Sir, I believe that politics has morals. I have an attitude to life of my own. But we do find that in the actual world politicians behave as if there was no morality for them. The idealistic view is that our political relationship should be based on ethics. The real facts are that our political relationships are based on self-interest.

Well, Sir, I will not go into questions of high finance. I do not think it is necessary for me to go into those questions at all. It is a very simple Resolution and I want to put it as simply as I can. And all that I would say is that a full and frank statement ought to be made. That full and frank statement would be in the interests of the Government themselves. With these words, Sir, I commend this Resolution to the acceptance of the House.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Mr. President, the subject matter of the Resolution is so full of possibilities and it has given rise to such high feelings in the press and in the other place that I congratulate my friend Mr. Sapru on the mild tone in which he moved it and the very modest demand which he has put before the House.

Sir, the Resolution may be regarded by some people as a censure on the Finance Department and the Finance Member. It is nothing of the sort. It is a helpful suggestion in the interests of the Finance Department itself and I think they would be ill-advised to reject it.

(At this stage the Honourable the President vacated the Chair, which was taken by the Honourable Sir Phiroze Sethna.)

Sir, let us analyse the position. A person who was imported into India especially by a Finance Member (the late Sir Basil Blackett) to be appointed eventually the Governor of the Central Bank comes here, remains here, acquires experience of Indian banking as the Governor of the Imperial Bank. Although an imported article, yet he becomes indigenous enough in his outlook and he gets great prestige in banking circles. He is liked by the commercial communities and he has won the confidence of many people in India. And what is more, he proves himself too independent for the liking of the Finance Department. The story goes about, Sir, that even the predecessor of the present Finance Member was not very friendly with Sir Osborne Smith. To put it mildly, we all knew that Sir George Schuster had a nominee of his own in view and if he had consented to come out to India, Sir Osborne Smith would not have been appointed, but because of the fact that that nominee did not like to come to India or perhaps would not consent to it eventually, we find that Sir Osborne Smith was appointed. (An Honourable Member : "An I. C. S. would have been appointed".) Well, Sir, I did not like to refer to the matter because in the Select Committee we had taken a strong attitude to a certain class of persons whom we did not wish to come into the Reserve Bank as first Governor. In the first place, Sir, the appointment of the Governor ought to have been in the usual course for five years. We find which way the wind was blowing from the very beginning—he was appointed for 3½ years. Were the Deputy Governors also appointed for the same or longer periods? Why was this difference made?

Now, Sir, even before his resignation there were rumours in financial circles that all was not well in the relationship between the Finance Department and the Reserve Bank. When Sir Osborne Smith had gone to England we thought that if he had not resigned before, he would resign from there. But when we heard that he was coming back, we thought that the differences had been composed. It turned out that it had not. There is one question which the Finance Department have to answer. Is it a fact or not that there are items in which the Reserve Bank must have full autonomy? There are items in which I am prepared to concede that the Government have every right to interfere with the decisions of the Reserve Bank. Personally I would rather be inclined to agree with the Reserve Bank and not with the Government, but I do not deny the right of the Government to interfere in certain cases. I will just give you an instance. If the Reserve Bank wants to buy gold to add to its Issue Department Assets, it has to get the active support and help of the Government in the shape of the difference between the book value and the market value. That gives the Government a perfect right to refuse to agree to it, because they will have to foot the bill. I for one would want the Reserve Bank to buy gold and I would support the Reserve Bank. But I do concede the right of the Government to intervene there. As it is,

Sir, the Reserve Bank Act itself gives more than 3 dozen powers to the Governor General. The Governor General has been mentioned in about 40 places in that one Act.

There should be a demarcation between the actions in which the Government has a right to interfere and those in which the Government has not got that right. It may be asked why this demarcation was not provided in the Reserve Bank Act itself, and why it was kept loose. The reply to that is that Statutes are notoriously rigid and it is not possible that the relationship between the Reserve Bank and Government should be too rigid. One of the great financiers of Europe has remarked that it is only in day to day administration and in the ordinary course of business that a Reserve Bank has its independence of action, and whenever a major difficulty comes up, whenever any big questions come up, you cannot separate the Government and the Reserve Bank because their actions are so intimate. Therefore, Sir, it was not possible to provide for all eventualities in which it will be justifiable for the Government to interfere and those spheres in which Government should not interfere. But it is necessary that a healthy convention should be established from the very beginning that the Government can interfere only thus far and no further. If the Government is not prepared to accede to this position in clear terms, we would be forced to the conclusion that it is suffering from a guilty conscience; it knows that it has erred and therefore it is afraid of criticism. The presumption is that the issue which led to Sir Osborne Smith's resignation was of a major kind, that it was difficult for Sir Osborne Smith to choose to remain in office and be untrue to himself; he had to resign and keep his self-respect. A mere statement that there is no difference between the Reserve Bank and the Finance Department at the time when the Honourable the Finance Member gave this answer does not in any way remove the possibility of the existence in the past of major differences. Sir, there are questions on which we want that the initiative of the Reserve Bank should remain in tact. One of these questions was referred to by the Honourable Mover,—the fixation of the bank rate. As it is, our bank rate is not low enough. It is an unheard of thing that normally Government's long-term borrowing rate should be less than the bank rate. Private banks are now advancing money on Government securities at the bank rate or even below it. That is a state of affair which does show the unscientific nature of the high level at which the bank rate has been pitched.

(At this stage the Honourable the President resumed the Chair.)

THE HONOURABLE THE PRESIDENT : Two minutes more.

THE HONOURABLE MR. HOSSAIN IMAM : I shall finish my speech in time, Sir. On the 30th October the Government Communiqué in 4 lines stated that Sir Osborne Smith has tendered his resignation. May I read the words of that Communiqué, Sir?

THE HONOURABLE THE PRESIDENT : No objection.

THE HONOURABLE MR. HOSSAIN IMAM :

"The Governor General in Council has received Sir Osborne Smith's application to resign from the Governorship of the Reserve Bank of India. He has accepted it with great regret at the loss of an officer who has rendered invaluable service to India both generally and in the establishment and conduct of affairs of the Bank."

The Government regrets. Then why part with him? As my Honourable friend Mr. Sapru pointed out, there was no reason of health. I hope, Sir,

[Mr. Hossain Imam.]

the Government do not wish to insult our intelligence by suggesting that we are so foolish as to think that there was no major issue involved. There was no reason of health and yet a man resigned for no earthly reason. Things like that happen in melodrama but they do not exist in this practical world of ours where we live. The Governor resigns; the Board passes a resolution; the Governor General accepts the resignation, and yet the man is paid some sort of compensation. How are these things compatible? If you force a man to resign, then and then only can you pay him compensation. The resignation was manœuvred and therefore he is being paid compensation.

THE HONOURABLE THE PRESIDENT: Where do you get that information?

THE HONOURABLE MR. HOSSAIN IMAM: We hear that the Reserve Bank is paying him something, compensation or gratuity, call it whatever you like, but he is being paid something. Would the Honourable the Finance Secretary say that he is not receiving anything?

THE HONOURABLE SIR DAVID DEVADOSS (Nominated Indian Christian): How much does he get?

THE HONOURABLE MR. HOSSAIN IMAM: I have no definite figure.

THE HONOURABLE THE PRESIDENT: That is mere rumour.

THE HONOURABLE MR. HOSSAIN IMAM: I should be very much obliged if the Honourable the Finance Secretary will refute this rumour and say that he has not been paid anything.

THE HONOURABLE THE PRESIDENT: Did he not say something in reply to a question?

THE HONOURABLE MR. HOSSAIN IMAM: No, Sir, we have not received any categorical reply from Government whether he is receiving anything or not. You may not call it compensation. I am calling it compensation. They may give it another name. But call it by whatever name, the name does not matter, the thing remains. Sir, in former times we heard that diplomacy could not thrive without secrecy. In the post-war

4 P.M. period that secrecy has been abolished. Similarly, in the case of finance, people do not think that financial matters can be ventilated. They think that they will suffer if exposed to the light of day. But the time is coming when this reticence and conservatism of the Financial Departments all over the world will disappear. Taking the representatives of the people into your confidence does no harm. Secretiveness creates suspicion, and if the Government wishes to clarify the situation and remove doubts, their best method is to state frankly the reasons leading up to this resignation. Therefore I appeal to the Government not to be sentimental but to be reasonable, to accept the Resolution and make a statement. Acceptance involves no more than making a frank statement on the case. That is the only operative part of the Resolution, which I support.

THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL (Bombay : Non-Muhammadan): I rise to support the Resolution of my friend the Honourable Mr. Sapru. Sir, the Reserve Bank plays a very important roll in

the economy of this country. It is a banker's bank, a central bank; it controls remittance operations and the exchange ratio and also the credit system of this country, and it will gradually increase in its power and usefulness. When this Bank was established, a person of vast experience and ability like Sir Osborne Smith, who had acquired vast knowledge of Indian conditions of men and affairs, was appointed its Governor. After some time he resigned, and he resigned as is now evident because of some differences with the Government of India. What those differences are it is for the Legislature to enquire. Whatever may be said about the Bank being free from political influence, that is all moonshine. No Bank of this character in any part of the world is really free from political influence or Government influence. But somehow or other it has been said that the Bank should be free from political influence. If it has been said, more clearly and candidly, that it should be free from nationalist influence, that would have been much more intelligible. As it is, if the Government is to influence and control this Reserve Bank, then this Legislature which has the function of influencing the Government is entitled to know the reasons which resulted in the resignation of the Governor of the Reserve Bank. How otherwise can we influence the Government? If we know those reasons we will be in a position to judge whether Government's view was right or not, and either approve the action or indicate the steps which Government ought to have taken.

For these reasons, Sir, I support the Resolution and hold that Government should place before us what the reasons were. I am prepared to accept their statement that the differences were not on major issues; but after all whether an issue is major or minor is for each man to determine for himself. Therefore, whether the issues were major or minor, the Government should state their reasons and take the Legislature into their confidence.

THE HONOURABLE MR. V. V. KALIKAR (Central Provinces : General): I think the Government ought to be thankful to my Honourable friend Mr. Sapru for bringing this Resolution before this House. It involves a very important issue about the resignation of Sir Osborne Smith. Various rumours are afloat that Sir Osborne Smith resigned on account of difference, not as stated by the Government in the other House on minor issues, but on major issues with the Government of India. Sir, when this legislation was introduced we were told that the Bank ought to be free from political influences in this country. We held then a different view and we still hold a different view. We desire that the Bank should be influenced by political parties. But then it was decided and therefore a shareholders' bank instead of a State Bank was established in this country. Now, the rumours are that the political influence of the Government of India is responsible to a very great extent for the resignation of Sir Osborne Smith. People say that he was forced to resign on account of his differences with the Government of India over the question of the rupee ratio; they say that he resigned on account of his views on the policy of rural credit; and now we have heard today that his resignation has been manœuvred and the gentleman got compensation. I think I cannot make up my mind about the real cause of his resignation without hearing an authoritative statement from the Government on that question. I give my support to this Resolution in the belief that we should be in a position to know whether the Government of India really interfered with the internal working of the Reserve Bank. Sir, the Government ought to congratulate my friend, because he has given them an opportunity of stating facts before this House, and if the Government will state the facts—I hope they will state the facts clearly—regarding the cause of the resignation, my friend will really withdraw his

[Mr. V. V. Kalikar.]

Resolution. But then if the Government brushes aside the position taken up by my friend in bringing forward his Resolution, we, who have not been able to gauge the real situation, will think, and the country will think, that the Government did really interfere in the internal working of the Reserve Bank and therefore Sir Osborne Smith had to resign. I therefore submit, Sir, that it is the duty of the Government to come forward with a statement stating all the facts in connection with the resignation of Sir Osborne Smith.

THE HONOURABLE MR. J. C. NIXON (Finance Secretary): Sir, I propose to make my reply a very brief one.

On the 30th of October last the Government of India, in announcing their acceptance of the resignation of Sir Osborne Smith, published the resolution passed by the Central Board of the Reserve Bank on the subject. As was stated to the shareholders at the last Annual General Meeting of the Bank (and reported in the newspapers), Sir Osborne Smith resigned for personal reasons.

Practically all of the matters which fall to be discussed between the authorities of the Bank on the one hand and the Government on the other are of a highly important and confidential nature. They are such that the completest frankness on both sides is essential—a frankness which would be impossible were there a danger of disclosure of the discussions in any manner, either during a debate in the Legislature or otherwise. Just as is the position between the British Treasury and the Bank of England, or between the Government of any country and its Central Bank, the Government of India must hold that communications between them and the Reserve Bank are confidential. Any other attitude would be seriously detrimental to the conduct of public business. This is a general rule and Government propose to follow it in the present case. They therefore are unable to lay anything on the table.

But I repeat what the Finance Member stated in another place. There have been no differences of opinion between Government and the Reserve Bank on any major question of policy, and the Government of India have never at any time interfered with the Bank in the exercise of the Bank's statutory functions.

THE HONOURABLE MR. HOSSAIN IMAM: On a point of information; will the Honourable Member enlighten the House on the question of the bank rate, whether that is a statutory function of the Reserve Bank and whether the Government interfered in it or not? It is a straight issue.

THE HONOURABLE THE PRESIDENT (to the Honourable Mr. J. C. Nixon): You need not answer the question if you do not wish to.

THE HONOURABLE MR. J. C. NIXON: I have nothing more to say, Sir.

THE HONOURABLE MR. P. N. SAPRU: Sir, I am sorry for the attitude taken up by the Honourable Mr. Nixon. I wanted to raise a constitutional issue—the relation of the Reserve Bank to the Government, particularly having regard to the policy of the Act that there should be no political pressure on the Reserve Bank. I wanted the Honourable Mr. Nixon to give us an assurance that no political pressure of any kind was exerted on the Reserve Bank. That was the issue that I raised. What I said was that there was an apprehension in the public mind that the Government had interfered with the working of the Reserve Bank in those spheres in which the Reserve Bank ought to have

complete autonomy. Now, the Honourable Mr. Nixon has not given us any assurance that Government has not interfered with the working of the Reserve Bank in those spheres in which the Reserve Bank ought to have, and is intended to have, complete autonomy. If Mr. Nixon will tell us that there has been no interference with the Reserve Bank in those spheres, we on this side will be glad to withdraw this Resolution, because we are not interested in personal issues. What we are interested in is the public issue which the resignation of Sir Osborne Smith has raised and that public issue is—Has there been any interference with the autonomy of the Reserve Bank, with the freedom of the Reserve Bank in those spheres in which the Act intends that it shall act as an autonomous body?

Now, Sir, reference was made by the Honourable Mr. Nixon to the relationship that exists between the Treasury and the Bank of England. I cannot speak with authority about that relationship myself, but I think that is begging the issue. The issue was this. The Governor of the Reserve Bank, a man who had held a very high position in the banking world, whose appointment was welcomed by all classes of Indian opinion, resigned and the statement which was made on behalf of the Government was that he had resigned on an issue which was not of a major character. If the resignation was of a personal character, then there was no difficulty in saying that the resignation of Sir Osborne Smith was due to personal causes. But that has not been stated by the Honourable Mr. Nixon today. He has tried to evade that question. He will not commit himself to the position that the resignation was due to personal reasons.

THE HONOURABLE MR. J. C. NIXON: May I repeat what I actually did say in the matter?

"As was stated to the shareholders at the last Annual General Meeting of the Bank (and reported in the newspapers), Sir Osborne Smith resigned for personal reasons."

THE HONOURABLE MR. HOSSAIN IMAM: It is not the statement of the Government, Sir.

THE HONOURABLE THE PRESIDENT: I want to know from you if, as you put forward, he resigned for some important difference of opinion, would not the Board of Directors know of it? Even the Governor cannot introduce any fiscal policy without the consent of the Governing Board.

THE HONOURABLE MR. P. N. SAPRU: Quite so, Sir. I think you are quite right there. May I just ask this question. Would the Honourable Mr. Nixon say that the Board was right when it stated that he had resigned for personal reasons?

THE HONOURABLE THE PRESIDENT: I would have expected the Board to resign after him in that case.

THE HONOURABLE MR. P. N. SAPRU: There might have been some difference between the Board and him, or the Board might have thought that though his policy was right it was not proper for it to go to the extent of resigning itself.

THE HONOURABLE THE PRESIDENT: What was there for the Board to hide anything?

THE HONOURABLE MR. P. N. SAPRU: I do not know, Sir.

THE HONOURABLE MR. HOSSAIN IMAM: The first resolution of the Board to which the Honourable Mr. Nixon referred has no statement that he resigned on personal reasons. It was an afterthought and the case was made up.

THE HONOURABLE MR. P. N. SAPRU: And the Board might have liked to keep the thing private.

THE HONOURABLE THE PRESIDENT: It could not have been an afterthought if it was said to the shareholders.

THE HONOURABLE MR. HOSSAIN IMAM: Three months after the resignation.

THE HONOURABLE MR. P. N. SAPRU: The question that we would like to be enlightened upon is this. Do the Government also take the line that he resigned for personal reasons? If Government take the line or if the Government say that he resigned for personal reasons, then there is nothing to be said and we on this side of the House would not press this Resolution at all, because after all if he resigned for personal reasons—for reasons of health, there may be hundred and one personal reasons—we are not interested in those personal reasons. But if the resignation was not due to personal reasons, if the resignation was due to political reasons or was due to differences, then we are entitled to know what the nature of those differences was. We do not want the Government to place on the table all the confidential documents but certainly in a broad general way a reassuring statement can be made and we would like the Government to make that broad reassuring statement. The reassuring statement that we would expect from Government is that there has been no interference with the internal working of the Reserve Bank. My friend, Mr. Hossain Imam, said that the issue on which he resigned—of course we do not know—we can only speculate—was the bank rate. He wanted the bank rate to be reduced from 3½ per cent. to less than 3 per cent. Well, the bank rate is a matter within the exclusive purview of the Reserve Bank and if that was the issue, then we would certainly say that Government was wrong in interfering with the Reserve Bank. The powers of interference by Government are limited. There are only a few sections in the Reserve Bank and if one reads those sections one can have a clear idea as to the measure of control which it was intended that Government should have over the Reserve Bank. And what we want to know is whether that measure of control has been exceeded by Government, whether Government has kept within the limits prescribed by the Act. We are interested in seeing that the Reserve Bank is administered in accordance with certain principles which were enunciated by British statesmen themselves. They were very eager, very keen that this Reserve Bank should be free from political influence. We never objected to political influences. As a matter of fact, we would have been glad if the Reserve Bank could have been open to political influence. But the policy having been laid down by the British Government, we say that that policy ought to be faithfully, straightforwardly and honestly followed. And I am bound to say that the statement which the Honourable Mr. Nixon has made has not made the position clear in regard to the issue which I raised.

Now, Sir, of course, I do not wish to take up more time. But there is just one thing I would like to say. My friend Mr. Hossain Imam says that I must say it and he referred to it himself. Of course, I had not heard of it myself before I came here, so I did not say anything about it in my first speech. It appears, Sir, that some payment has been made by way of compensation to

Sir Osborne Smith. Well, you compensate generally a man whom you are forcing to resign. If he has received any compensation then the inference is that he was unwilling to resign and he was forced to resign.

THE HONOURABLE THE PRESIDENT: Not necessarily. You make compensatory payment often as a reward for good service, and in my time when I was a Governor of the Imperial Bank I can tell you that in half a dozen cases we paid them large sums of money as a way of expressing our gratitude for services rendered—after the full term had been served.

THE HONOURABLE MR. P. N. SAPRU: Well, the Governor of the Reserve Bank gets Rs. 10,000 a month and there are very few men who do not care for a salary of Rs. 10,000, and therefore it would not be an unreasonable presumption that Sir Osborne Smith was not over-keen to resign. People do not throw up their jobs in a huff—they have some reason. (*An Honourable Member*: "It might be he has a better one in expectation.") It might be, but that we shall have to wait and see. Nothing has transpired so far. Of course, we know that Sir Basil Blackett after he retired from the Government of India got a very much better job. So did Sir George Schuster. And we shall be glad if Sir Osborne Smith is equally lucky. But that we shall wait and see. But, Sir, what was stated by the Honourable Mr. Hossain Imam, and it has not been contradicted and therefore we must assume it to be correct, is that compensation has been given to Sir Osborne Smith. Now, why has compensation been given to him? Presumably because he was forced to resign. And therefore, Sir, the position after discussion remains as mysterious as ever. The discussion has not helped to clarify the position. The position is, if anything, more mysterious than it was before the discussion began. This is all I have to say in support of this Resolution.

THE HONOURABLE THE PRESIDENT: Do you wish to say anything more, Mr. Nixon?

THE HONOURABLE MR. J. C. NIXON: No, Sir.

THE HONOURABLE THE PRESIDENT (to the Honourable Mr. P. N. Sapru): Do you wish to press the Resolution?

THE HONOURABLE MR. P. N. SAPRU: Yes, Sir.

THE HONOURABLE THE PRESIDENT: Resolution moved:

"That this Council recommends to the Governor General in Council that he may be pleased to lay on the table a full statement on the causes leading up to the resignation of Sir Osborne Smith, lately Governor of the Reserve Bank of India."

The Question is:

"That that Resolution be adopted."

The Council divided.

AYES—16.

Abdus Sattar, The Honourable Mr. Abdur Razzak Hajee.	Motilal, The Honourable Mr. Govindlal Shivalal.
Chettiyar, The Honourable Mr. M. Chidambaram.	Muhammad Husain, The Honourable Haji Syed.
Govindachari, The Honourable Rao Bahadur K.	Padshah Sahib Bahadur, The Honourable Saiyed Mohamed.
Hossain Imam, The Honourable Mr. Kalikar, The Honourable Mr. V. V. Kunzru, The Honourable Pandit Hriday Nath.	Pantulu, The Honourable Mr. V. Ramadas.
Melapatra, The Honourable Mr. Sitakanta.	Ram Saran Das, The Honourable Rai Bahadur Lala.
Mabtha, The Honourable Rai Bahadur Sri Narain.	Ray Chaudhury, The Honourable Mr. Kumarsankar.
	Sapru, The Honourable Mr. P. N. Sethna, The Honourable Sir Phiroze.

NOES—28.

Akram Husain Bahadur, The Honourable Prince Afsar-ul-Mulk Mirza Muhammad.
 Ataulah Khan, The Honourable Chaudhri.
 Basu, The Honourable Mr. Bijay Kumar.
 Buta Singh, The Honourable Sardar Charanjit Singh, The Honourable Raja.
 Clow, The Honourable Mr. A. G. Devadoss, The Honourable Sir David.
 Dow, The Honourable Mr. H.
 Ghosal, The Honourable Sir Josna.
 Glancy, The Honourable Sir Bertrand.
 Hissam-ud-din, The Honourable Lt.-Col. Sir.
 Ihtisham Hyder Chaudhury, The Honourable Syed.
 Jazdish Prasad, The Honourable Kunwar Sir.

Kay, The Honourable Mr. J. R.
 Khurshid Ali Khan, The Honourable Nawabzada.
 Kirke Smith, the Honourable Mr. A.
 Maxwell, The Honourable Mr. R. M.
 Menon, The Honourable Diwan Bahadur Sir Ramunni.
 Mitha, The Honourable Sir Suleman Cassum Haji.
 Nihal Singh, The Honourable Sirdar.
 Nixon, The Honourable Mr. J. C.
 Parker, The Honourable Mr. R. H.
 Ray, The Honourable Maharaja Jagadish Nath, of Dinajpur.
 Russell, The Honourable Sir Guthrie.
 Siddiqi, The Honourable Khan Bahadur Shaikh Muhammad Bashir.
 Slade, The Honourable Mr. M.
 Todd, The Honourable Mr. A. H. A.
 Williams, The Honourable Mr. A. deC.

The Motion was negatived.

RESOLUTION *RE*: INDIANISATION OF THE GOVERNMENT OF INDIA SECRETARIAT.

THE HONOURABLE THE PRESIDENT: Honourable Mr. Kunzru, I do not think we can make much progress with your Resolution in the ten minutes that are at our disposal. But, in order that you may not lose your priority, I will ask you to read your Resolution to the Council. The debate will take place on the next non-official day.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern: Non-Muhammadan): I am much obliged to you, Sir.

Sir, I beg to move:

"That this Council recommends to the Governor General in Council to take immediate steps to increase the number of Indians occupying the higher posts in every department of the Secretariat of the Government of India so that the increase may be commensurate with the new constitutional status of India."

As suggested by you, Sir, I will reserve my speech for the next non-official day.

The Council then adjourned till Eleven of the Clock on Monday, the 15th March, 1937.

COUNCIL OF STATE.

Monday, 15th March, 1937.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

MEMBER SWORN.

The Honourable Sir Rahimtoola Chinoy (Bombay: Nominated Non-Official).

RESOLUTION *RE* INDIANISATION OF THE GOVERNMENT OF INDIA SECRETARIAT—*contd.*

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern: Non-Muhammadan): Mr. President, I had barely time before the House rose last Friday to move the Resolution that stood in my name. Perhaps the House would like me to repeat the terms of the Resolution. It runs as follows:

"This Council recommends to the Governor General in Council to take immediate steps to increase the number of Indians occupying the higher posts in every department of the Secretariat of the Government of India so that the increase may be commensurate with the new constitutional status of India."

I shall endeavour today to explain to the House the scope of my Resolution and the reasons that have impelled me to bring it up again. I say "again", for the question with which the Resolution deals is not new to this House. It has come before it more than once during the last 15 or 16 years. It was discussed in 1921 and again in 1923 and I believe that it was discussed last in 1934. If I may say so, Sir, you took a prominent part in the discussions of 1921 and 1923 and it was with your valuable support that the Resolution of Mr. Sastri asking for the appointment of at least one Indian as Secretary, Joint Secretary or Deputy Secretary in every department was carried in 1923. I wish, Sir, that I could today enjoy the advantage which Mr. Sastri did in 1923 and have the valuable support that you accorded to his Resolution.

Sir, all these Resolutions to which I have drawn the attention of the House just now related to the higher personnel of the Secretariat, that is, the Secretaries, Joint Secretaries and Deputy Secretaries. It is to these, the officers of and above the rank of Deputy Secretary, that my Resolution refers today.

Now, Sir, the Resolution refers to the new constitutional status of India. I am not one of the admirers of the new constitution. I am one of those who think that the present constitution is a lesser evil than the one that will unfortunately soon be imposed on us. But we have been told on high authority that the view that we take of the constitution at the Centre is absolutely mistaken. We have been asked to believe more than once that it takes us a long way on the road to self-government, and that, if properly worked, it will enable us to realize our highest ambitions. If those who ask us to believe

[Pandit Hirday Nath Kunzru.]

that the new constitution is designed to place real power in the hands of India are sincere in what they say, it is incumbent on them to see that the constitutional status which they say India has gained by the new Act is reflected in the higher personnel of the Secretariat. If you transfer political control into Indian hands it is anomalous that executive and administrative control should continue as before in non-Indian hands. I suppose it follows from the change of political control that those who are concerned with the supervision and direction of policies throughout India, who will be the right hands of the future Ministers should belong to this country and should be in a position to enjoy the confidence of our people. That is why I ask those who lay stress on the reality of the new constitution to prove their claim at least partially by taking steps to alter the composition of the Secretariat, so that Indians might have a larger share in the preparation of the material which will enable future Ministers to lay down policies. Sir, the importance of the higher posts in the Secretariat requires no emphasis at my hands today. It is well known that the increasing means of communication which have made it possible for the higher authorities to centralise all control of policies and administration has enabled the Central Secretariat to acquire considerable power and in a real sense to hold the destinies of India in their hands. I well remember, Sir, that in the discussion that took place in 1921 Sir James Crerar said that the occupants of the higher Secretariat posts were in a special degree responsible for the highest interests of the public and the State. Nothing more is needed to justify the insistence that we have placed from time to time on the importance of making over the higher Secretariat posts to Indians. Now, Sir, in view of the importance of the matter which my Resolution deals with it is necessary for us to see how far our position in the Secretariat has advanced during the last few years. It is not my purpose today to take up every higher post and to say whether it is occupied by an Indian or by a non-Indian. But I shall deal with the broad features of the composition of the Secretariat today, so that the House might see to what extent its desire that the Secretariat should be speedily Indianised has been carried out, say, during the last 10 or 12 years.

I shall take up first the Home Department. The Home Department, Sir, is one of the most important Departments of the Government of India. It virtually controls the All-India services; it supervises the maintenance of law and order throughout the country and since the days of the Risley Circular up to the present time it has been responsible for laying down political policies which have been binding on all Local Governments. Now, if it is true, as it is contended, that in future Indian Ministers themselves will be responsible for the maintenance of law and order, it is necessary above all that the Home Department should be so organised as to be placed under the control of Indians. But hitherto no Indian has held the post of Secretary or Joint Secretary in this Department. Some time ago there was a Joint Secretary in the Department, but I believe that at the present time the Secretary, Joint Secretary and Deputy Secretary are all Europeans. I know that it has been stated in this House more than once that the Government of India choose for their Secretariat men who have had experience of the provincial Secretariats and who are of a certain standing in their services. Now, Sir, what is the experience that the Government would expect of a holder of the post of Secretary of the Home Department? I take it that it would be expected that he should have dealt with service questions and questions of law and order in the provinces. I do not know what the situation so far has been in other provinces, but in the United Provinces, to which I belong, there have been two Indians who have

held the post of Chief Secretary and who therefore will be admitted to have possessed in a full degree the qualifications required of a Home Secretary of the Government of India. Those Indians, I am glad to say, have risen to high positions. One of them we are glad to see here today as the Leader of this House. But it was open to the Government of India if it really desired to place Indians in a key Department to choose one of these officers before they were appointed to the Memberships of the Executive Council of the Viceroy to act as Home Secretary. Nothing of the kind however was done, and even today, as I have said, not even the post of Deputy Secretary is held by an Indian in this Department. Now, Sir, take the Defence Department. When the question of appointing Indians to the Defence Secretariat was considered in 1921, it was pointed out that till recently the superior Secretariat posts had been held by military men and that if the new experiment of appointing civilians was continued there was no doubt that Indians would be eligible just as much as Englishmen and in time would rise to these posts. So far I do not think that a single Indian has been appointed to any of the posts which my Resolution deals with. At present the Secretary and Deputy Secretary are both Europeans. Indeed I think it would be correct to say of the Defence Department that, except for an officiating appointment of Under Secretary held once by an Indian, no Indian has occupied any post in its Secretariat. When I say any post I mean posts of the rank of Under Secretary and the higher posts. We see thus that, notwithstanding the importance attached by this House to the question of the Indianisation of the Secretariat, the position in the Home and Defence Departments is today exactly what it was in 1923. Now, Sir, take the Foreign and Political Department. I have had some difficulty in obtaining information with regard to this Department. I asked, Sir, the Secretary of the Political Department to be good enough to supply me with the *communiqué* issued by the Government of India in 1921 in accordance with the promise given by Sir Tej Bahadur Sapru in the Legislative Assembly that steps would soon be taken to appoint Indians in substantial numbers to the Foreign and Political Department. To my surprise, Sir, the Political Secretary, who first said that he had not got the *communiqué*, asked me to make a request in writing for what I wanted. I endeavoured to explain that my request was a perfectly simple one, yet he insisted that I should write. What the cause of the insistence was I do not know, but I must confess, Sir, that it produced a painful impression on my mind. I should have thought, Sir, that with your example and that of the Leader of the House before them, the officials would vie with one another in being courteous and helpful to Honourable Members. Yet, it is a matter of great regret to me to have to say that in the particular case which I have brought to the notice of the House, the Secretary concerned has fallen far short of the standards which you and the Leader of the House have set in your dealings with the Members of this House. I hope, however, Sir, that no Member of this House will have any unpleasant experience of this kind again in future.

THE HONOURABLE THE PRESIDENT: But is not there a rule that all applications for information should be made in writing to the Department?

THE HONOURABLE SIR BERTRAND GLANCY: On a point of explanation, Sir, may I say that when Mr. Kunzru wrote to me explaining that he would like a copy of the *communiqué*, a copy of the *communiqué* was sent to him.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Yes, Sir, but I only got it yesterday. Had the Resolution been debated on Friday,

[Pandit Hirday Nath Kunzru.]

I would have been without the *communiqué* that the Honourable Member has now sent. He has not endeavoured to deal with the point I made, namely, his insistence on request in writing.

THE HONOURABLE THE PRESIDENT: You are quite right, but it would take some time to search for a *communiqué* 15 years old in the Department.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: I would have been perfectly satisfied if he had said he would try to send it. My complaint is that he should have declined to do anything at all till he had a written request from me. I have certainly had no such experience at the hands of any other Secretary. I hope that this will prove exceptional.

Sir, I was dealing with the Foreign and Political Department. Now, I have already told the House that Sir Tej Bahadur Sapru promised in 1921 that steps would be taken by the Government of India to introduce a substantial Indian element into this Department. A *communiqué* was subsequently issued which fixed no proportions but which simply laid down that Indians would be recruited to this Department in substantial numbers. It appears, Sir, from the debate that took place in 1921 that the Government of India provided not merely for the admission of Indians to the Foreign and Political Department but also for appointing them to a proportion of the superior posts in the Political Department including two appointments, one of Secretary and one of Deputy Secretary. This information, Sir, was given to the House by the Home Secretary who at present holds the portfolio of the Home Department. In the *communiqué* that I have received from the Political Secretary nothing is said about the provision relating to the appointment of Indians to a Secretaryship and a Deputy Secretaryship. Now, let us see, Sir, to what extent in this Department, to admission into which Indian opinion attaches considerable importance, the appointment of Indians has been facilitated. According to the figures that I have been able to compile, Sir, the Foreign Secretary, the Political Secretary, the Additional Political Secretary, two Deputy Secretaries and a temporary Joint Secretary, are Britishers. There are two posts held by Indians. There is a Joint Secretary for Federation and there is an Additional Deputy Secretary. Now, I understand that both these posts are temporary. So it appears at any rate, Sir, from the classified list of officers in the Foreign and Political Department. I take it, Sir, that these men will soon disappear and the Secretariat of the Foreign and Political Department will in its higher ranks be without any Indian. We thus see, Sir, that in the Foreign and Political Department the position is today practically the same as in the Home and Defence Departments. I could take up the other Departments similarly one by one and point out how unsatisfactory the position of Indians was in regard to all of them. But I will not deal with them individually. I will merely point out that in the Commerce Department there is just one Indian Deputy Secretary, while the Secretary and Joint Secretary are Europeans. In the Industries and Labour Department there is an Indian Joint Secretary. It is in the Education Department alone that we have an Indian Secretary and an Indian Joint Secretary.

If we were, Sir, now to sum up the position, I think it would be seen that in regard to several Departments the position is practically what it was 10 or 12 years ago. Three of these Departments are practically without any Indian occupying any higher posts in the Secretariat and in the rest of the Secretariat, with the exception of the Education Secretariat, Indians occupy the lowest posts that could be given to them.

Perhaps, Sir, I might, before I pass on to other points, deal with the Finance Department, which I have so far omitted to refer to. This Department too is one of the most important Departments of the Government of India. If Indians are to be masters in their own house, they must assuredly be able to control finance. Yet, what is the situation in regard to this important Department? The Secretary, Additional Secretary and Joint Secretary are all Britishers. The Deputy Secretary, who is also the Budget Officer, is an Indian. My Honourable friend Mr. Sapru says that he will soon be replaced by an Englishman. If this is so, if he is replaced either wholly or in part by a Britisher, the Indianisation of the Secretariat will, I daresay, have proceeded a step further in the opinion of the Government of India.

So far, I have dealt with what I might call the Secretariat proper. If I were to deal with certain other Departments which form part of the Secretariat, the story would be exactly of the same kind as that which I have related in regard to the main Departments of the Secretariat. Take, for instance, the Railway Board, which forms part of the Commerce Secretariat. Honourable Members are well aware of the insistence of both the Assembly and this House on the appointment of Indians to this Board. I remember, Sir, that Sir Basil Blackett said 10 years ago that when appointments came to be made in the future, the scales would be weighed in favour of competent Indians. Yet, only twice have Indians been appointed to the Railway Board so far and after the termination of the period of office of the present Financial Commissioner, not a single Indian will be left on the Board. This is how Government have responded to our desire for the appointment of Indians to the Railway Board. There are some responsible posts under the Board and some of these are held by Indians. For instance, the Director of Establishment and, I believe, the Director of Traffic are Indians. But the fear is that they will on the expiry of their term of office be replaced by Europeans. (*The Honourable Mr. P. N. Sapru*: "Certainty.") My Honourable friend Mr. Sapru says that that is a certainty. I am not in the secrets of the Government of India and I do not know what they propose to do. But if the apprehensions of my Honourable friend prove true

THE HONOURABLE THE PRESIDENT: The Honourable Mr. Sapru is not in the secrets of the Government of India either.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Not at all, Sir. He is in the same unfortunate position as myself. I say, Sir, if his apprehensions prove true, I for one would not be surprised. Then, take the Central Board of Revenue, which is under the Finance Department. Here, both the Members are Britishers, while both the Secretaries are Indians. Indians have from time to time held officiating charge of the post of Members, but no Indian has so far been permanently appointed as a Member. Take now, Sir, the Financial Adviser of the Army. It was understood some time ago, when the Assembly asked Government to control military expenditure strictly, that the officer appointed to this post would belong to the Finance Department and would be a civilian. But today we find that this post is held by a Major-General, who, as far as one can judge from questions put about him last year in the Assembly, has not shown himself particularly competent in the handling of financial matters, and it has been held by him for nearly a year. The Finance Department could find no competent Indian in the Audit and Accounts Service to hold this post even temporarily. They found it necessary to appoint to this responsible post an officer who had no experience of accounts work and who is under the direct control of the military authorities. This is one more example

[Pandit Hirday Nath Kunzru.]

of the way in which the Government of India have tried to conciliate public opinion by appointing Indians to responsible posts in the Secretariat. Now, take the Imperial Council of Agricultural Research which is under the Education Department. Till recently, the posts of Vice-President and Secretary were filled by Indians and judging from the praise which these officers received I am justified in concluding that they proved thoroughly efficient in the discharge of their duties. Yet, when the term of office of the Vice-President expired, a non-Indian was appointed in his place.

Let me take another post under the Education Department. We have a right to expect that Indian views will prevail here more than in any other Department. I refer, Sir, to the post of Director General of Medical Services. A senior Indian has been passed over in favour of a Britisher. I have seen no justification put forward in favour of this supersession. I trust that the Honourable the Leader of the House will at any rate today take us into his confidence and let us know the reasons which led the Government of India to supersede a senior and meritorious officer and prefer a man who was junior to him.

Take again the post of Educational Commissioner. I do not know whether there is anything in the rules to compel the Government of India to choose the occupant of this post from amongst service men. I understood some time ago that there was no such compulsion. A Central Board of Education has been recently established. Its object is to help Provincial Governments to keep in touch with new developments in education and to co-ordinate as far as possible the policies that might be pursued in different provinces with regard to the improvement and diffusion of education.

THE HONOURABLE THE PRESIDENT: May I draw your attention to the fact that you have already spoken for 35 minutes?

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Very well, Sir, I will soon come to a close. It was necessary therefore that in the Educational Commissioner we should have a man who would be able to sympathise with Indian aspirations, who would be a man of wide vision and who would be able to command the confidence of the Indian Ministers of the future. But, notwithstanding the change of times, notwithstanding the political awakening that has taken place, notwithstanding the professed desire of the Government of India to take the people of the country along with them, in this post again a Britisher has been appointed, and so far as I know no attempt was made to select a competent Indian.

And there is just one more post under this Department which I should like to draw attention to before I deal with the one or two points that remain yet to be dealt with. We all know that the Agricultural Institute, which was formerly at Pusa, has been recently transferred to Delhi. The permanent Director of the Institute has not yet been appointed but I understand that it is proposed to appoint a European to this place. Indeed, so far has the eagerness for appointing European officers gone, that I understand that in the Commerce Department, while an Indian will be retained as Director General of Commercial Intelligence, an Economic Adviser, who will be a Britisher, is to be appointed to interpret the information and statistics compiled by the Director General of Commercial Intelligence.

Sir, it is evident from the rapid review of the figures relating to the composition of the higher personnel of the Secretariat that I have just made that not only is the position of Indians virtually what it was, say in 1927, but that

there is no indication that the policy that has been followed hitherto will undergo any radical change in future.

THE HONOURABLE THE PRESIDENT: Will you please bring your remarks to a close.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: I have only one point more to deal with before I bring my remarks to a close. I said earlier that whenever discussions with regard to the appointment of Indians to higher posts in the Secretariat had taken place, the Government of India had always put forward the excuse that they could select men only from among those who had experience of Secretariat work in the provinces. Well, during the last 12 or 13 years I am sure that the number of Indians with the requisite experience has increased considerably. I do not wish to give names, otherwise I could have mentioned the names of a good many Indians capable of holding any post that the Government of India might have decided to appoint them to. I cannot therefore accept at its face value the contention that Indians cannot be appointed in larger numbers to the Secretariat because men possessing the requisite experience in the provinces are small in number. Apart from this, Sir, the method of recruiting the staff needed for the Secretariat might not in future be what it is at present. A Committee known as the Wheeler Committee was appointed to consider this question. Its report has not been published, but while it was sitting various alternative methods of filling up the Secretariat posts were considered. It may be that the British model of appointing men permanently to the Secretariat posts will be adopted, or it may be that the Government of India will have a pool of higher officers here from which they might distribute officers from time to time among the various Departments. If any of these methods is adopted, the argument that has so far been used by the Government of India will lose further in force. I hope, Sir, that the facts and the arguments that I have placed before the House will be sufficient to convince it that no appreciable progress has been made in regard to the Indianisation of the Secretariat so far and that it is necessary that this subject should be pressed once more on the attention of the Government of India, so that justice might be done to our claims. But, more than all administrative reasons, Sir, is the ground of policy which requires that a change should be made in the existing practice. The Lee Commission said that, while formerly the question often asked with regard to appointment to the higher services was to what extent Indians should be appointed to them, the question at the time that it sat was, what should be the minimum proportion of Britishers to be appointed.

THE HONOURABLE THE PRESIDENT: I would advise you not to go into a new point.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: I am not raising any new point, Sir. Today the question has gone even beyond that and we have to ask ourselves whether in the new order of things which you claim to be a great improvement on the present situation it is at all desirable that the control of large departments of administration and policy should be in the hands of those who may not always be in sympathy with the aspirations of the country and the views of the Ministers. For these reasons I press my Resolution on the attention of the House and I shall consider myself more than fortunate if it receives the support that Mr. Sastri's Resolution did in 1923.

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras: Non-Muhammadan): Sir, I beg to move:

"That all the words after the words 'Government of India' be omitted".

[Mr. V. Ramadas Pantulu.]

The words to be omitted are—"so that the increase may be commensurate with the new constitutional status of India".

I shall now proceed to state as briefly as I can my reasons in support of the amendment. I feel that the main demand made by my Honourable friend, namely, the rapid substitution of Indian element for the European element in the Central Secretariat, will be greatly watered down, if not made wholly illusory, by his further request to make the pace or measure of the increase commensurate with the new constitutional status of India. I feel that his demand if coupled with that further request will be met by the plain and simple answer that no new constitutional status is conferred on India, either in relation to England or in relation to other countries. India now is and will continue to be a dependency of Great Britain under the Government of India Act. And I for one am unable to perceive any new constitutional status that is conferred on India upon which to base a demand for the rapid Indianisation of the Central Services. I do not think that the most profound constitutional lawyer can find any evidence in the new Government of India Act to prove that a new constitutional status has been conferred upon India by the Reforms Act. I am aware, Sir, that a former Secretary of State for India speaking in the House of Commons once said that India which demanded Dominion Status had in practice actually enjoyed that status, because she was an Original Member of the League of Nations. Of course it was a huge joke for if he were speaking today he could have similarly said that Abyssinia enjoyed complete independence because she still continues to be a Member of the League of Nations. But the question is not what constitutional status India had enjoyed hitherto. What is relevant for the purpose of the Resolution is, what new constitutional status she has acquired now so as to enable us to demand greater Indianisation of the Central Services. From my reading of the Government of India Act, I find that the only constitutional change in regard to the services is this. Now the Provincial Services as well as the Central Services and the services of the Secretary of State for India are all essentially Crown Services. In other words, Provincial Governments, that is to say, Provincial Governors as representatives of the Crown, derive their power now to recruit and regulate the conditions of service not from the Government of India as before but directly from the Crown, that is to say, from the same source from which the Secretary of State for India receives his power to recruit and regulate the conditions of service. That change in the constitutional position of the authorities for recruiting men to public services does not imply any change whatever in the constitutional status of India. Therefore I am unable to find any connection whatever between our demand for the Indianisation of the Services and the constitutional status of India either under the old régime or under the new Government of India Act.

My second objection to these words which I seek to delete by my amendment is this. Whether my Honourable friend did intend or not, those words carried the clear implication that the existing Indian element in the Secretariat, though it might be commensurate with India's present political or constitutional status, would not be commensurate with the new status which she acquired under the Government of India Act. I am unable to subscribe to a proposition of that sort. Again, assuming that India has acquired a new political status or constitutional status under the Government of India Act, is there any indication in that Act to show what the measure of Indianisation should be so as to make it commensurate with the new status? I find no indication in the Act. But there are certain significant passages in the Report of the Joint Parliamentary Committee which throw considerable light upon

this aspect of the question, which is very relevant to my Honourable friend's Resolution. It is enough to quote one sentence from that Report. The Joint Parliamentary Committee Report says:

"The system of responsible Government to be successful in practical working requires the existence of a competent and independent Civil Service staffed by persons capable of giving successive ministries advice based on long administrative experience"

and they proceed to say—

"We are convinced that India for a long time to come...."

—mark the words "for a long time to come"—

"....will not be able to dispense with a strong British element in the services."

This passage is certainly not in favour of the view that the new constitutional status of India under the Government of India Act contemplates any rapid Indianisation of the services. On the other hand, not only the implication, but the express language of the recommendation is the other way round. For a long time to come the strength of the British element should be kept unimpaired to give advice to successive ministries. This recommendation of the Joint Parliamentary Committee has been very carefully implemented by able draftsmen by means of the provisions, which are now contained in the Government of India Act. The chapter on Civil Services is one of the most carefully drafted chapters and that chapter deals with the future recruitment of the services and regulation of the conditions of those services. According to the new Government of India Act the powers of the Secretary of State are made paramount and he can assume many powers that the Governor General now exercises in regard to recruitment to services and the regulation of the conditions of those services. I will content myself with referring to only one section of that chapter, namely, section 244, which will give some idea as to the nature of the changes that the new Government of India Act has made in the constitutional position with regard to appointment to the various services. Section 244 says:

"As from the commencement of Part III of this Act...."

—that is, the Provincial Chapter—

"....appointments to the civil services known as the Indian Civil Service, the Indian Medical Service (Civil) and the Indian Police Service (which last-mentioned service shall thereafter be known as 'the Indian Police') shall, until Parliament otherwise determines, be made by the Secretary of State.

Until Parliament otherwise determines, the Secretary of State may also make appointments to any service or services which at any time after the said date he may deem it necessary to establish for the purpose of securing the recruitment of suitable persons to fill civil posts in connection with the discharge of any functions of the Governor General which the Governor General is by or under this Act required to exercise in his discretion.

The respective strengths of the said services shall be such as the Secretary of State may from time to time prescribe, and the Secretary of State shall in each year cause to be laid before each House of Parliament a statement of the appointments made thereto and the vacancies therein."

Lastly it says—

"It shall be the duty of the Governor General to keep the Secretary of State informed as to the operation of this section, and he may after the expiration of such period as he thinks fit make recommendations for the modification thereof.

In discharging his functions under this sub-section, the Governor General shall act in his discretion."

These words "in his discretion" mean "under the direction of the Secretary of State for India".

[Mr. V. Ramadas Pantulu.]

Sir, this provision read along with the other sections of the chapter on Civil Services in the Act will clearly indicate that the intention of the framers of the new constitution is to strengthen and increase the control of the Secretary of State over the services and also to maintain the British element undiminished. In fact, the whole aim of the chapter is two-fold, namely, to make the conditions of the services such as to attract and hold able Britishers to the services in India and to ensure that the powers of Parliament are maintained in full vigour to see that no Britisher is deterred from entering Indian services by any apprehension with regard to his prospects or his career in this country; and one of the apprehensions entertained by the framers of the Act and the Joint Parliamentary Committee is undoubtedly an apprehension of the kind which is embodied in the Resolution moved by my Honourable friend. A demand from a Member of even the Council of State for the immediate Indianisation is one of the apprehensions which apparently the framers of the Act had in their mind when they drafted those sections with regard to civil services. Therefore I think it is futile, it is a folly, to base our claim for Indianisation on any provisions contained in the Government of India Act or any supposed new constitutional status which is conferred on India by that Act. In fact none is conferred. The truth of the matter is that our demand

12 NOON. for the Indianisation of the Services must rest and can only rest upon the right of India to govern herself with the aid of the sons of the soil and without a single foreigner in her Services. India is capable of governing herself and if her aim of self-government is to be achieved it must be not by an appeal to the new constitution but by constant efforts to get rid of this constitution which perpetuates the political slavery of India and makes her more and more abjectly dependent on Great Britain. Therefore, I was really sorry when I found that my Honourable friend based his demand for the Indianisation of the Services on a constitution which takes us back miles away even from the present position and when the authors of the constitution made it clear that it was not their intention to Indianise the key Services but to perpetuate the British element in those Services. Sir, with these words I commend my amendment to the acceptance of this House.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That all the words after the words 'Government of India' be omitted."

The debate will now proceed simultaneously on the original Resolution and the amendment.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern Non-Muhammadan): Mr. President, I desire to give my support to the Resolution which has been moved so ably by the Honourable Mr. Kunzru. I think, Sir, there is in fact no difference between the Honourable Mr. Kunzru and the Honourable Mr. Ramadas Pantulu in regard to the nature of the new constitution. The Honourable Mr. Kunzru was President of the Liberal Federation at the Poona session and the verdict of the Liberal Party in regard to the new constitution at Poona was clear and unmistakable. Liberal opinion in regard to the new constitution is just as firm as it was when we met at Poona. There has been no change, no modification in our attitude towards the constitution. We said then that the new constitution was entirely unacceptable, that we in fact preferred the present position to the position which is visualised by the new constitution. We stick by that decision absolutely. The reason why Mr. Kunzru preferred to put the Resolution in

the way in which he has done it is that he wanted to give a chance to the Government to show that they meant what they said, namely, that there was a new constitutional status being conferred upon India. That was the reason why Mr. Kunzru put his Resolution in the form in which we find it. Therefore, there is no difference between him and Mr. Pantulu in regard to the main point and we have, if that will please Mr. Pantulu, no objection to accepting his amendment.

Then, Sir, so far as the question of Indianisation of the Secretariat is concerned, Mr. Kunzru has given us certain facts and figures. During the last 15 years there has been hardly any progress in the Indianisation of the Secretariat. He has pointed out, Sir, that in the Home Department, which is a key Department, which is from our point of view perhaps the most important Department excepting the Defence Department, there is no Indian today. There was an Indian Joint Secretary in the Home Department at one time. Even he has disappeared from the Home Department. Why is there no Indian in the Home Department?

THE HONOURABLE MR. R. M. MAXWELL (Home Secretary): Sir, may I explain that there is an Under Secretary in the Home Department who is an Indian?

THE HONOURABLE MR. P. N. SAPRU: Sir, Under Secretaries and Assistant Secretaries you can always have, but so far as Joint Secretaries and Secretaries are concerned, those posts must be reserved for Britishers. This, Sir, is the policy of the Britisher. I refuse to believe that in the Indian Civil Service among Indians you cannot find persons fit and competent to hold the position of Joint Secretaries and Secretaries.

Then, so far as the Defence Department is concerned, the policy of the Defence Department is well known. They do not want Indianisation at all there and it is not therefore surprising that there is no Indian in the Defence Department. We have no Indian Secretary we have no Indian Deputy Secretary in the Defence Department which is one of the most vital departments from our point of view. No, not a single Indian is to be found in it.

Sir, so far as the Foreign and Political Department is concerned, it is again a very important department from our point of view. It is a Department which has relations with our foreign neighbours, with Afghanistan and the frontier tribes. It is a Department which has relations with Indian States and yet we find that in this Department there is no Indian Secretary or Deputy Secretary. I believe there are two Indians in this Department and one of them is a very able man, an Indian Additional Deputy Secretary.

Then, Sir, there is the Commerce Department. That again is a very important Department from our point of view. It is presided over by a very distinguished Indian but it is a matter for great regret and a matter for comment that even that great and distinguished Indian has not been able to get more Indians admitted into this Department. There is only one Indian Deputy Secretary in the Commerce Department.

Then, Sir, we have the Industries and Labour Department. There is one Indian Joint Secretary in the Industries and Labour Department. Of course, the Education Department is better in this respect and I think a good deal of credit for that goes to the late Sir Fazl-i-Husain who was a very keen advocate of Indianisation.

Sir, so far as the Finance Department is concerned, there again we have the same tale. The Secretary is an Englishman. The Additional Secretary

[Mr. P. N. Saprū.]

is an Englishman. The Deputy Secretary is an Englishman. There is an Indian Budget Officer but he too is to be replaced by an Englishman if the press reports are to be believed. Then, Sir, take again the Medical Department. The new Surgeon General is an Englishman. I have got nothing to say against him. I have no doubt that he is a very competent Englishman—probably a very distinguished doctor. But we know that the claims of a very distinguished Indian Surgeon General were overlooked when the appointment was made. I am referring to Surgeon General Goil. I do not reflect upon the present incumbent of that high office when I say that we are not convinced that Surgeon General Goil should have been superseded as he was superseded.

Then, Sir, we come to the Railway Board. And here I think, Sir, that some plain speaking is necessary. There was an assurance given to us in 1924 that one of the Members of the Railway Board shall be an Indian. Well, we have at present a very distinguished Indian, Sir Raghavendra Rau, on the Railway Board. He has held that office with great distinction. He will be going away shortly and his place will be taken by a European Civil Service Officer, I believe a Mr. Staig. I have no doubt that Mr. Staig is a very efficient man. I have no doubt that he deserves his promotion. But the question is—was there no competent Indian available? Could you not get a competent Indian to fill the post? After all, India is for the Indians. It is our land. We do not want to be unfair to our British friends but we want fairness for our people and for our Indian servants also. Therefore, Sir, the question has got to be looked at not from the point of view of the British vested service interests. It has got to be looked at from the point of view of India and the Indians. The Financial Adviser, Sir, to the Army is a Britisher. We are very much interested in these Army questions. We should have thought that that was a post which should have been given to an Indian but we find that the Financial Adviser to the Army is a Britisher.

Then, Sir, there is going to be (so we hear) a new post to be created—the post of Economic Adviser to the Government of India, and that post is going to an Englishman. Well, Sir, we know that on these economic questions we have our own point of view and if there is one post which should have gone to an Indian, it is this post of Economic Adviser to the Government of India. Who can say after all this that there is any reality in this talk of leading India on to self-government? If your intention is to lead India on to self-government, then implement the pledges that you have given to this country in 1917. If your intention is to strengthen your power in this country, then say so, and let us be quite clear about your intentions. Let there be straightforward dealing. If you want this country really to progress towards self-government, then you must adopt a different attitude towards Indianisation. Our British friends are no doubt very competent people, but when they retire from this country they go back to their homes and all the experience that they gain during the 30 or 35 years of their official life in this country is lost to the country. We therefore want a type of Indian to grow up who knows the difficulties of administration in this country. We cannot get that type of Indian unless the Indian is given a chance of serving in these key positions. These Secretariat appointments are selection appointments. They do not go by seniority, and therefore, it is very necessary for us to insist that in these key positions there should be Indians. We want Indians to acquire experience of administrative affairs. We want these Indians to be able to contribute that administrative experience after their retirement to their country. If we have Europeans in the Secretariat, the difficulty is that these gentlemen

retire and go back to England and all the experience that they gain is lost to the country.

There is another point of view from which we must approach this question. There must be some harmony between the legislative and executive organs of Government. You are going to have shortly some sort of what you call responsible Government at the Centre. It is clear that that responsible Government at the Centre must have power to have men whom it can trust. You have today European Members and European Secretaries. If the Member and Secretary are Europeans, then, so far as that Department is concerned, it goes without Indian opinion being placed before it in the formative stages of a policy. An Indian, under the present position, has no chance of contributing anything substantially towards the formulation of policies. If you have Indians in larger numbers in the Secretariat, it will be possible for Indians to have some share in the formulation of policies. That is the main ground for Indianisation of the Secretariat. We know, Sir, that under any system of responsible Government, the permanent services play a very great part. Even in England, which is a highly democratic country, the Services play a very important part. They are very often invisible—the real men behind the scenes. Therefore, this question of Service Indianisation is a very important question from our point of view and we must press for a larger Indianisation of the Secretariat of the Government of India. It is a matter of great regret that hardly any progress has been made during the last 15 or 16 years. We would therefore request the Government of India to take early steps to rectify the mistakes of the past and Indianise the Secretariat as early as possible. With these words, Sir, I desire to give my general support to the Resolution of the Honourable Mr. Kunzru and also to the amendment of the Honourable Mr. Ramadas Pantulu.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Mr. President, the Resolution which our Honourable Colleague Pandit Kunzru has moved is the inevitable development and natural sequence of what the Government of India and the British Government have been doing during the last 15 or 20 years. Time was when it was thought that only Britishers could discharge the responsible duties which befell to the lot of the I. C. S. and the higher offices. But the revolutionary changes which took place during the war period changed the angle of vision of the British Government and the people of India. We ceased to regard ourselves as unfit to discharge higher and greater responsibilities. We have proved amply that Indians are capable of holding the highest post under the Crown in India and with credit, whether they belong to the Services or are men from public life. We have both types of Indians in the Governor General's Council, and I challenge any one to prove that they have not proved themselves as capable and fit to hold their positions as the European and Service men. In all these higher Services, Indianisation has been accepted as the settled policy. Even in the I. C. S., a 50—50 position has been accepted as the principle on which Government will work. The difference between the Government and the people of India is as to whether the pace should not be accelerated. Even Government have not so far suggested that the pace should be retarded and that Indianisation has proved a failure. If you admit that it is not a failure, if you admit that the country belongs to India and that Indians have a right to govern themselves, and govern through their own men, then the present method of keeping out Indians from the key positions is most unfortunate. It may be that the present position has arisen quite unintentionally—if I am wrong, the Government Member will correct me—I believe that there is no intention on

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behalf of Government to keep out Indians. The only matter at issue is whether the policy has been followed fully or there has been a bit of what I may call vacillation about the pace. There is nothing wrong with the Government except that they are not in the same hurry in which we want them to be. Now, there are a few matters on which I wish to say something. The Honourable Pandit Kunzru has given such details of each and every department that it would be a waste of time for me to recapitulate them. Suffice it to say that he has brought forward a definite indictment against the Government, that they are neither keeping to the spirit which ought to be there in following the announcements of Governments nor are they moving with the spirit of the time. The fact that the Honourable Mr. Pantulu wants to delete all references to the future constitution is nothing unusual. We all know the opinion of the Congress, and if we did not know, today's paper in bold headlines gives us the opinion in what I think will not be parliamentary for me to repeat, *consigning the constitution to an un-namable place*. Knowing that and knowing also that people in India almost universally agree that the future constitution is not very rosy, to put it very mildly, I say, why make it worse? If you do not increase the pace of Indianisation even when the new constitution is coming, you are yourself condemning the future constitution as something not more than moonshine, with nothing in it, a mere continuation of the present order at best, and that it will change nothing in the new order of things. (*An Honourable Member*: "It has been made worse.") Well, Sir, we personally all hold the view that it is a retrograde constitution, in the Centre at least; the House has heard our verdict on that.

Sir, the methods of Indianisation are there, but the Government have been going outside the usual run of the services to get their men. Sometimes they import men from British countries, sometimes they take men who do not usually go into that line of services, for instance, men are taken from the Army. Similarly, I have been advocating in this House that nowhere except in the Government Secretariat do we find that the system of listed posts has been a dead letter. All the provinces have practically completed their quota of 20 per cent. of the higher posts as listed with the single exception of the Government of India Secretariat. Here, it is only in the Law Department, which is under the control of an Indian Member, that so far two men have been appointed to a listed post who did not belong to the I. C. S. from the Provincial Service, and the rest of the posts are held by I. C. S. men. I have urged before that posts under the Government of India should also go to the Provincial Service men, and the only way in which you can bring them in is first of all to appoint them to the post of Under Secretary, and when they gain experience you can put them in the higher posts. Because the position is that the listed post holder can only come in after he has got his post in the province to which he belongs, and there they are not confirmed in the listed post until they are about to retire. So that before that they do not get any experience of Secretariat work and therefore they never qualify. You first stop them from coming up, then place before us the poser that there is no qualified man. Secondly, Sir, the present position of Indians in the Provincial Services is such—I mean they have now come to nearly 40 per cent. of the whole—that there is no dearth of officers if you want to get them. We know that I. C. S. officers are regarded and are sometimes found to be fit to hold any post, whether they have experience of the department or not. If this golden rule is fit enough for European members, I hope it will prove equally good

enough for the Indian members of the service. The question is whether you have the desire to have Indians or not. If there is a desire I do not think that there is any dearth of officers and I refuse to believe that Indian I. C. S. officers are not fit enough to hold a post which falls under the Government of India. Personally I believe that the Government would do well to accept this Resolution, and if they find that any word in it would force them to take too precipitate action we might be prepared to change that word and make it more acceptable to Government. My desire is that the Government should go as far as possible to meet the wishes of the non-officials and non-co-operation should not start from the Treasury Benches. It is fit enough to be started by the Honourable Mr. Pantulu's Party. I do not wish the Government to copy the Congress in this respect at least. Sir, I support.

THE HONOURABLE MR. R. M. MAXWELL (Home Secretary): Sir, I should like to begin by saying that I do not approach the discussion of this Resolution in any unsympathetic spirit. There is much in the idea underlying it which must commend itself both to the Government and to every Member of this House. The Honourable Mover at the beginning of his speech alluded to the discussion of Mr. Shastri's Resolution in 1923. That Resolution led directly to the following order, which is incorporated in the present Secretariat Instructions. The order runs:

"In filling vacancies in the posts of Secretary, Joint Secretary and Deputy Secretary the possibility of obtaining suitable and competent Indian officers from the Provincial Secretariats should be definitely considered."

I am going to maintain, Sir, that Government have been and are taking all possible steps to carry out the orders that were passed on that Resolution. That Resolution still represents the policy of the Government. But before I go on I think it would be advisable to clear our minds as to what exactly we are talking about. In the first place, the Honourable Mover of the Resolution has brought into the discussion a variety of officers and offices, many of which are not properly classified as Secretariat appointments. The Resolution itself in terms says:

"to increase the number of Indians occupying the higher posts in every department of the Secretariat of the Government of India".

Such posts as Director-General, Indian Medical Service, or the Educational Commissioner with the Government of India, are not properly ranked as Secretariat appointments. If the Honourable Mover had wished to discuss generally the Indianisation of all posts at the headquarters of the Government of India, he should have framed his Resolution differently. But as the Resolution stands before the House I am afraid I must hold him to its terms in that respect and discuss the appointments in the Government of India Secretariat, including certain posts which are ranked as posts of an equivalent status. Another point on which I should like to correct the Honourable Mover is his allusion to the position of the Home Department, my own Department, under the future constitution. He represented that the Home Department was a key department, so also did the Honourable Mr. Sapru, largely on the ground that the Minister in charge of the Home Department under the Federation would be responsible for law and order. That, however, is a misapprehension. Under the new constitution law and order will be a Provincial Subject. It occurs in Item 1 of List II of Schedule VII to the Government of India Act, and the Home Department will not as such be directly concerned with the supervision of matters affecting law and order over India as a whole. I am afraid I cannot follow the Honourable Mover

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in dealing individually with the particular departments which he has mentioned. He has gone through the Defence, Foreign and Political Departments, the Railway Board and various other Departments. He alluded to all of them individually. It would take the House too long to enter in detail into the considerations which affect the choice of officers who now hold posts in those departments even if I were able to do so. But there is one point that I should like to make with reference to what the Honourable Member, Mr. Pantulu, said in moving his amendment. He quoted the Joint Parliamentary Committee's Report in which it mentioned the requirement of a strong British element in the Services for a considerable time to come and he represented that this showed that it was the intention of Government to perpetuate a system—I take it that is what he means—a system of discrimination against Indians in staffing the public services. I would like the House not to allow any such considerations to weigh with them in considering the present Resolution, because it is not the point of the Resolution. If there were any desire to make a representation about the further Indianisation of all Services under the Crown, then it should have come before this House by way of a Resolution to that effect. At the present moment we are asked to take immediate steps to increase the number of Indians in a particular set of offices and that means that we must consider this Resolution in terms of the existing composition of the Services, the existing field of choice from which these appointments could be staffed, and I hope that the House will agree with me in trying to consider the Resolution from that point of view.

Now, firstly, the proposition is that Government should take immediate steps. I hope to be able to show from the figures which I am about to give to the House that no such sweeping proposition is at all possible in a matter which depends on the utilisation of the actual cadre of the services. When it comes to making a particular appointment, the question is simply one of the material available at that moment, the moment when the appointment is to be made; and if it is desired that at this or at any particular moment a certain class of material should preponderate, this object can only be attained as the result of steps taken long before—not at the moment. There is no such thing as taking immediate steps to fill any class of appointments. The whole matter is a question of the time required to realise the results of a previously determined policy and I hope to show that the steps required to yield those results in future have already been taken and are in the normal course of fulfilment. But such steps could only be accelerated by the device of exercising deliberate discrimination in favour of Indians regardless of considerations of relative fitness among the men actually eligible by their seniority and experience for choice for a particular post. Now, I take it that the Honourable Mover would not urge this House to recommend any course so derogatory to the self-respect of Indians as to suggest that they should not be selected for the posts on their merits or in fair competition with other members of the service to which they belong. I take it really that what the Honourable Mover wishes to urge is simply that there should be no discrimination against Indians who are qualified by their position on the cadre to which they belong. If the Honourable Mover will accept that version of what he wishes to urge, then I am in sympathy with the idea underlying his Resolution, but I cannot accept its actual terms for the reason I just pointed out, namely, that immediate steps are not possible in such a case. Now, I think the principle will not be contested that all posts in the Government of India Secretariat are essentially selection appointments, that is to say, not all officers, either Europeans or Indians, are equally suitable for this very exacting type

of work. Some of them, both Europeans and Indians I repeat again, are better fitted for outdoor duties and for district work. Therefore the principle of selection must be admitted in the filling of these Secretariat appointments. But I should be the last person to say that among men of a similar standing the percentage of suitable Indians is in any way less than the percentage of suitable Europeans for Secretariat appointments. That is not what I wish to urge. Nor on the other hand should I say that the percentage of suitable Europeans is less than that of suitable Indians. In fact I propose to assume for the purpose of discussing this Resolution that among the members of the same service the percentage would probably be very much the same. Well, Sir, if that general proposition is granted, it must follow that in the absence of special discrimination, which I take it this House does not wish to urge, in the absence of that in filling any given class of Secretariat appointments, the number of Europeans or Indians will be in fairly close proportion to the actual number of each sort on the cadre within the limits of seniority applicable to the particular post. And so we must therefore examine the cadre of Indian Civil Service, which is the main source of recruitment to the Secretariat posts which we are talking about, in order to test whether there has been any discrimination or not and form an opinion about the possible speed of Indianisation in the absence of such discrimination. These things depend on facts and figures. They cannot be argued by means of generalisations and I shall have to, I am afraid, trouble this House with a certain number of figures relating to the constitution of the Indian Civil Service before I come back to the Secretariat generally. As the House knows, there have been several changes in the method of recruitment to the Indian Civil Service during the last 17 years. The first big change was as a result of the Montagu-Chelmsford Report and it was applied with effect from 1920 onwards. That is to say, it would affect officers who entered the Indian Civil Service in the year 1921 onwards because those who were selected in 1920 would not come out till 1921. Therefore, the officers now in the Indian Civil Service who entered as a result of that first big change in the method of recruitment will be officers already available for posts of Under Secretary in the Secretariat, but they will only just be coming into the field of selection for the post of Deputy Secretary in the Secretariat. Now, the House will begin to understand what I meant when I said that immediate steps are not possible and that anything that can be done at this moment must depend on things that happened a considerable time ago. Now, after the Montagu-Chelmsford Report the next advance was in the Lee Commission's Report, the recommendations of which took effect from 1925 onwards, that is to say, only 12 years ago. That Report established the present ratio of 50—50 in the recruitment of Indians and Europeans and that ratio of recruitment was to continue until the whole service was staffed by half Indians and half Europeans. The Commission, I understand, expected that this result would be complete about the year 1939.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: May I interrupt the Honourable Member for a second? Does the ratio 50—50 include recruitment from the Provincial Services or is this ratio only as between directly recruited candidates?

THE HONOURABLE MR. R. M. MAXWELL: It excludes the recruitment from the Provincial Services. There is a proportion of recruitment for the listed posts from the Provincial Services and the remaining posts are 50—50.

Well, this anticipation that the Indian Civil Service would be staffed by half Indians and half Europeans by about 1939 seems to me likely to be

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fulfilled. I can give the House one or two figures. In fact, I gave the Honourable Mover a few figures the other day. In 1925, which was the year in which the Report of the Lee Commission took effect, the percentage of Indians in the Indian Civil Service was 20·3. By the 1st of January 1937 the percentage had risen to 45·5—very nearly half. But we may expect that the attainment of that remaining 5 per cent. will be a comparatively rapid matter as will appear from certain figures that were laid on the table of the Assembly—I think it was during the present Session—in answer to some question showing the number of Europeans and of Indians respectively who have been appointed to the Indian Civil Service and have retired from the Indian Civil Service during the last five years. That was for 1931-35, I see. Well, these five years give rather remarkable results and I should like the House to pay attention to them. The number of Europeans who were appointed during those five years in the Provinces was 91. The number of Europeans who retired during the same five years was 194. During the same period, the number of Indians appointed was 150, and the number of Indians who retired was 11. If the House will weigh these figures they will see that they illustrate very strikingly the fact that beyond any manner of doubt the Indian Civil Service will soon be Indianised up to the stage contemplated by the Lee Commission Report; and the proposals of the Report were accepted both by the Indian Statutory Commission and by a majority of the Services Sub-Committee of the Round Table Conference.

Well, Sir, assuming that by 1939 the proportions of half and half will be duly attained, we must again go back to 1921 for the purposes of this Resolution. That was the year in which recruitment of Indians into the I. C. S. very largely increased and assuming that a Secretary to the Government of India would not be selected from men with below about 25 years service, it will be 1946 before the Indianisation of the Indian Civil Service is distributed equally over the cadre up to the probable stage of selection for the appointment of Secretary to the Government of India. That is an important point that I wish the House to observe, that Indianisation is not at once complete through all ranks of the Service. We may have figures to show that the proportion in the Services from the first to the 35th year is half and half. But still until that extra recruitment of Indians during the more recent 12 or 17 years has worked its way to all ranks, you don't get it equally distributed over the whole cadre and therefore when you have to select for an appointment in a particular place in the cadre you have not necessarily got that 50—50 to select from. I shall be able to illustrate that point, Sir, from actual figures. A statement was prepared in October 1935—I think it was prepared for the Wheeler Committee as a matter of fact—which shows the numbers of Europeans and Indians in each year of their service on that date. It is rather remarkable to look at a progressive statement of that kind because it shows that up to the year 1921 the number of Indians in the various years were generally 2, 3, 1, 5, 7, figures of that sort, and after that they go into 20's and 30's at once. In other words, the Indian proportion of the cadre was definitely within the first 13 or 14 years of the cadre as it then stood. Whereas the European element extended into the years beyond the 15th year and up to the 35th year—because they were recruited during the time before the Lee Commission's recommendations and the Montagu-Chelmsford recommendations were implemented. Now the effect of these various changes in recruitment on the cadre as it stood in October 1935 was this, that officers up to their 14th year of service then numbered 297 Europeans and 356 Indians; that is to say, there was considerably more than 50 per cent. of Indians in

those 14 years. After the 14th year, that is, from the 15th to the 30th year of service, the opposite position obtained. In 1935, the number of officers between their 15th and 30th year of service was 369 Europeans and only 53 Indians. That illustrates the point of the unequal distribution of Indianisation due to the fact that the changes have not taken full effect. I can give the House more specific illustrations of the difficulty of applying immediate Indianisation to all stages in the Secretariat from the figures of the same year. Supposing in 1935 it had been desired to recruit a Secretary between his 26th and his 30th year of service. The number of officers in the I. C. S. available for selection at that moment would have been 93 Europeans and only 12 Indians. Again, supposing in that year it had been intended to appoint a Joint Secretary to the Government of India. The number of officers available would have been 155 Europeans and only 11 Indians. Again, supposing we had been trying in 1935 to select a Deputy Secretary of, say, 12 to 17 years of service; the officers available for selection would have been 143 Europeans and 88 Indians. As the House will observe, Indians are only just at that stage entering the full field of selection for posts of Deputy Secretary. If we go to more junior officers,—those who would have been eligible for selection as Under Secretaries—we find that the officers between their 6th and 10th year of service would have been 117 Europeans and 109 Indians; that is to say, the field of selection from Indians and Europeans would have been approximately equal. Let us go still lower and take those between the 1st and 5th year of service. Although those officers would not yet have been fit to be selected for Government of India appointments, there would have been 110 Europeans and 159 Indians. Let us take those figures. Those were the number of officers between their 1st and 5th year of service in 1935. Those would, 20 years hence, represent the numbers available for selection for the post of Secretary. That is what I want the House to observe, that whereas in 1935, to appoint a Secretary of 25 to 30 years of service there would have been available only 93 Europeans and 12 Indians, 20 years hence, 110 Europeans and 159 Indians would represent the proportion available for selection for the appointment of a Secretary. From those figures we see that the percentage of Indians available for a post of Secretary in 1935 would have been 11, whereas the actual percentage of Secretaries' appointments and posts of equivalent status which were held by Indians in 1937 is 19—19 against 11. Similarly, in the case of Joint Secretaries, the percentage of Indians available for selection in 1935 would have been 7, but actually 30 per cent. of Joint Secretaries' appointments and posts of equivalent status were held in 1937 by Indians. As regards Deputy Secretaries, the percentage of Indians available for selection would have been 38 according to the actual position of the cadre, but the percentage of Deputy Secretaries' appointments and posts of equivalent status held in the Government of India Secretariat in 1937 was 44. Coming to posts of Under Secretary or posts of equivalent status, the percentage of Indians available would have been 48 according to the cadre, but the actual percentage of appointments held by Indians was 64. In other words, according to the strict state of the cadre of the Indian Civil Service, in every case the percentage of Indians holding Government of India Secretariat appointments is in actual advance of the Indianisation of the cadre—slightly in advance.

The natural consequence of the gradual effect of Indianisation of the cadre, as I said before, is that it will first become apparent in the lower grades and will spread upwards, and that is actually what we find to be the position at the present moment; that is to say, the percentage of Indian Under Secretaries is 64, of Deputy Secretaries 44, of Joint Secretaries 30, and of Secretaries 18, including posts of equal status. That is to say, you can see

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Indianisation creeping up the ranks, from rank to rank, from Under Secretary onwards, and there is no reason whatever to suppose that when these Under Secretaries, who are now serving the Government of India, reach the stage of seniority in which they will be eligible for selection to the post of Joint Secretary or Secretary, they will not actually be selected. But I will ask the House to note one thing, and that is, that if we disregard all notions of discrimination, there is not very much more room for advance in the total of Indianisation of the Government of India Secretariat, because as I said, supposing your cadre is 50—50, and supposing the number of officers suitable for Secretariat appointments is approximately the same for both Europeans and Indians, then it must naturally be supposed that the Indianisation of all Secretariat posts will itself be 50—50 unless you have exercised discrimination. But there is no reason to suppose that the process of Indianisation will not proceed quite normally in the future in accordance with the undertaking so often given by Government. All I wish to urge is that a Resolution which demands an immediate increase commensurate with the new status, a dimension which it is difficult very easily to identify, and which the Honourable Mr. Ramadas Pantulu has moved to omit in his amendment—any such immediate and indefinite increase it is impossible to accept as a general proposition. I may say that the method of recruitment to posts in the Government of India Secretariat is at the present moment under very careful consideration. The Honourable Member has alluded to the Wheeler Committee's Report, and as has been said before in this House, that Report is under the consideration of Government. I do not propose to make any announcement regarding it at this moment. It has dealt with subjects of that character and I hope that one of the results of the discussions which are going on will be that it will be possible to devise more suitable ways of exploring the field of recruitment, and this will make it easier to ensure the object of Government, namely, that Indians who are well qualified for Secretariat work will not be overlooked. Nobody wishes more than the Government of India to

I P.M. find out the men who are going to be suitable for Secretariat work and any improvement in the machinery which will enable us to make sure of getting them will be very welcome.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: When will the Report of the Wheeler Committee be published?

THE HONOURABLE MR. R. M. MAXWELL: When these various details arising out of it have been properly worked out. As I said just now, these matters have been under very close consideration ever since the Wheeler Committee report was received, but they require detailed examination. Anything in the nature of a scheme of recruitment or method of obtaining officers for Secretariat appointments needs very careful discussion, and until we are able to say what general lines will be followed it is useless to put the report on the table and possibly provoke a large amount of speculation and discussion which would not materially advance the consideration of the subject.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: So the Report will be published after Government have arrived at a decision?

THE HONOURABLE MR. R. M. MAXWELL: That has been stated repeatedly in answer to questions both in this House and in the other House.

The only other thing about which I would like to assure this House is that there is not one word in the Wheeler Committee Report or in subsequent discussions of it which is in any way designed or calculated to frustrate

the declared policy of Government in regard to recruitment of Indians into the Secretariat; and I hope therefore that the Honourable Mover after these explanations will find it possible to withdraw his Resolution; because he must see and the House must see that there is nothing in the nature of immediate drastic steps which is possible, and everything possible is already being done.

THE HONOURABLE MR. HOSSAIN IMAM: Will the Secretary tell us what is the total number of posts of Secretary, Joint Secretary, Deputy Secretary and Under Secretary, and how many are Indians?

THE HONOURABLE MR. R. M. MAXWELL: Excluding the posts of Assistant Secretary in which I think the House is not interested, in 1937 the total Secretariat posts, including posts of equivalent status, was 65. The number held by Indians was 26, that is 40 per cent.

THE HONOURABLE SIR PHIROZE SETHNA (Bombay: Non-Muhammadan): The Honourable Mover of this Resolution has put forward his case in a very able, clear and forcible speech, and we are obliged to him for having brought forward this matter for the consideration of this House once again after a number of years. If I rise to say a few words it is because I feel it necessary to do so after the speech made by the Honourable Home Secretary.

(At this stage the Honourable the President vacated the Chair which was taken by the Honourable Sir David Devadoss.)

In the first place, we are obliged to the Honourable Mr. Maxwell for the very sympathetic reply that he has given. According to him very considerable progress has been made since the reply given by the Honourable Mr. Crerar in this House in 1923. This does not however appear to be so to judge from the figures which the Honourable Mr. Kunzru read out. (An Honourable Member: "Which have not been contested".) As however those figures have not been contested by the Government Member, we on this side cannot but assume that Mr. Kunzru's figures are quite correct. Having to follow Mr. Maxwell immediately after he sat down, it is hardly possible for me to comment upon the wealth of figures he has given, either favourably or adversely. I know that his figures will be published in our debates, but if I may be allowed to make a suggestion to Government I would much rather that they issue a communiqué giving all the details which Mr. Maxwell has presented to the House this morning. If he does so I am sure all those who criticise Government, if they find that they are in the wrong, will be prepared to admit that Government is doing something tangible. I trust therefore that my suggestion will be duly considered and that in the interest of Government themselves.

Referring again to Mr. Maxwell's remarks, he found fault with Mr. Kunzru for referring to some of the appointments which he said cannot be called Secretariat appointments, as for example the Director Generalship of Medical Services and the Educational Commissioner. I am glad however that Mr. Maxwell admitted that these officers were equivalent in status to the high positions held by several in the Secretariat. Mr. Kunzru referred to them in passing to show that in those cases the claims of Indians were ignored.

Again, the Honourable Mr. Maxwell referred to the fact that there is no discrimination against Indians. Well, so far one can judge, one does not know what exactly is the case. I quite admit that length of service is a necessary qualification in the case of a Civil Servant appointed to the position of Secretary, Joint or Deputy Secretary, and Mr. Maxwell has explained the

[Sir Phiroze Sethna.]

number of years service required for the incumbents of those posts. If that be so, and as Mr. Maxwell said that the percentage of Indians and Europeans in the Civil Service so far as ability is concerned is almost equal, may I ask why there should be so few Indian Deputy Secretaries in the Secretariat as compared with British members of the I. C. S. holding these appointments? But all that could be cleared up if the facts are given to us in a manner which can be appreciated not only by the legislators but by the public at large.

The Honourable Mr. Ramadas Pantulu referred to a passage in the Joint Parliamentary Committee's report in which they say that for a long time to come the British element is bound to continue in the services. Mr. Maxwell criticised this statement. May I point out that the manner in which the appointments are filled up today lends support to the theory which Mr. Pantulu explained, namely, that Government are determined to keep out Indians from the higher positions for as long a time as they can though it is bound to come in the end; but the attitude of Government is to put off the evil day as long as possible. In confirmation of what I say, let me refer to one instance, namely, that of nominated members of the Indian Civil Service during the last few years. Because British youths do not like to come forward to compete in the open examination, Government resort to the method of nominating them, which goes back to the old Haileybury days. I do not say that nominated members will not come up to the scratch and some of them prove as efficient as the others, but it cannot be denied that in all probability, not having passed through the same test, most of them will not do as well. I for one have always held that if the British Civil Service is the best paid civil service in the world, it is perhaps the most efficient by reason of the fact that it goes through a very crucial test. These nominated members do not go through that crucial test. Why then admit them when there are not dozens but hundreds of Indians who are quite prepared to go through the test and appear for the examination? That, I say, gives colour to and helps to support the argument advanced by Mr. Pantulu, and that is one of the things that Government should take care to see that they do away with nominated members in the Indian Civil Service at the earliest possible opportunity.

Again, Sir, there is the question of seniority. I quite admit that if an Indian is junior and if a European is senior and if they are both equal in merit, surely the European cannot be passed over. I am glad that the Honourable Mr. Maxwell thinks that as a rule Indians are not incompetent. I hold with one of the speakers who preceded me that an Indian is competent for any position in which you place him. I know my Honourable friend His Excellency the Commander-in-Chief and the Military Department will not agree with me so far as increase in the number of Indian military officers is concerned. We are however just now talking of civilian appointments. May I refer to the appointments which the Government of India have made during the last few years of Indians in the higher posts and ask whether such Indians have discharged their duties to the satisfaction of Government or not? Reference was made to the Department of Education, Health and Lands. That is the only Department of Government in which at one time there were all Indians and today the great majority of them are Indians, and I am sure that no officer of Government will say that the Department of Education, Health and Lands is inferior to any other Department of the Government of India.

One other argument in favour of having an Indian, at least one Indian, in the superior appointments as Secretary, Joint Secretary or Deputy Secretary, in each one of the Departments, is the one which I referred to on a previous

occasion when speaking on the Resolution of the Right Honourable Srinivasa Sastri in 1923. It is this. The head of the department, I mean the Honourable Member, may be an Indian or a European. If all the members, the Secretary, Joint Secretary and the Deputy Secretary, are Europeans and they are asked to express their opinions on questions which come up before the Honourable Member—they are expected to write their Minutes—if all of them are Europeans, the view they will take will be from the European point of view, and if the Honourable Member is a European, he will simply endorse the same and the Indian viewpoint will not be considered. Assuming that the Honourable Member in charge is an Indian and he has all European members under him, namely, Secretary, Joint Secretary and Deputy Secretary, then if all the three, because they are Europeans, hold identically the same opinion, it stands to reason that the Honourable Member, who is an Indian, however strong and efficient he may be, may turn down their proposals once, he may turn them down twice, but he will not always do so, and consequently Indian opinion will not be before the Honourable Member. These are reasons why at least one of the three in each Department of the Government must surely be an Indian and I do trust that in making future appointments the Government of India will take this into consideration.

THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL (Bombay. Non-Muhammadan): Sir, I rise to support the amendment of my Honourable friend Mr. Ramadas Pantulu. There is not much difference between the viewpoints which some Members on this side of the House and the Mover of the Resolution have put before the House. Because Government claim that an advance has been made, therefore, it is admitted for the sake of argument only by the Mover of the Resolution that the advance in Indianisation should be commensurate with the new constitutional status of India. In the course of the debate it has, however, been made clear that so far as the new constitutional status of India is concerned, there is hardly much difference in all material respects. Therefore I am glad that the contrary is not insisted upon and the view taken by the mover of the amendment is more or less accepted. Sir, for a long time, even prior to 1921 or 1923, Indian opinion has insisted that the services should be Indianised and rapidly Indianised. Propositions were moved in the Indian Legislatures by the representatives of the people. In 1921 and in 1923 the question was discussed in this House. Some policy was laid down by Government from time to time with regard to Indianisation. Judging by results, we say that this policy has failed. For a number of years since 1921 or 1923, some proposal was accepted and a policy laid down in pursuance of that, but if we judge by results today, what do we find? So far as the Secretariat is concerned, there are very few Indians who hold the higher posts. Therefore it should not be said that this policy was laid down and according to that policy the number of Indians in a particular year will be so many and therefore there is no discrimination. As a matter of fact the discrimination is at the bottom of it. If there are Indians who are capable of holding the positions creditably and they are not taken in the service of the country but someone is imported from thousands of miles—this is where the discrimination begins and that discrimination we want to be discontinued. If this discrimination is discontinued, whatever the policy may have been in the past, the policy must now change, so that there is rapid Indianisation. Why should it be confined to merely 50 per cent. of the recruitment of new posts and then wait until you get to the seniority post and until it is reached the number of Indians must necessarily be low? This policy of gradual and slow Indianisation, judging from the results, we say has failed. Therefore there must be now the policy of immediate Indianisation of the higher services.

[Mr. Govindlal Shival Motilal.]

Unless that is done—the reasons have been examined, I will not go into every one of them—but unless that is done the country will not feel satisfied, the country will feel—the experience of these years clearly proves—that the viewpoint of the Indian is different from the viewpoint of the European in the services. One who is born here, lives and dies here, in this country, his viewpoint is bound to be different from one who comes here only to serve and then retire from India. His associations, his ideas, are not the same as those of Indians. Therefore it is all the more essential that the Indianisation should be rapid, particularly for the reason that the Indian Ministers administering the Departments should not feel that they have not got in the non-Indian element that responsive, that sympathetic feeling, that grasp of India's needs and requirements necessary for the purpose. Therefore the policy of judicial replacement which has been laid down some years ago will not now satisfy. It does not satisfy India. What India wants is an immediate adoption of another policy of Indianisation, much quicker and much more rapid, so that it may not be said that even after two or four years of the working of the present policy, only one or two posts could go to Indians and therefore you can have no complaint. We attack this policy; we are dissatisfied with this policy and therefore we support the Resolution with the amendment.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Mr. President, I listened with great attention to my Honourable friend Mr. Maxwell and took due note of the sympathy which he expressed with the object of the Resolution before the House. I wish that his sympathy had taken some tangible shape but unfortunately immediately after sympathising with our aims and aspirations he dealt with the whole question in such a way as to make us see that we cannot expect any large alteration in the composition of the Secretariat for the next 20 or 25 years. He asked us to consider two questions on which the selection of men for the Secretariat of the Government of India had to be based—(1) that of seniority, and (2) that of fitness. Speaking of the question of seniority, he elaborately analysed the figures relating to the seniority of Indian and European members of the Indian Civil Service and said to us: "If you will only wait 20 or 25 years things will right themselves. Why are you impatient? Indians are being recruited in larger numbers. For a century and a quarter nearly you had no representation in the Indian Civil Service. What is time for you who believe in eternity? And if you will only wait about half a century more you will get your due share of the higher appointments that you claim now". Now, Sir, that was not an alluring prospect that could satisfy Members on this side of the House. Indeed, if anything, it was calculated to enhance their keenness in pressing this Resolution and bringing pressure to bear on the Government of India to move much faster in the direction in which we would desire it to go.

Another observation made by my Honourable friend related to the seniority of Indians appointed since the introduction of the Montagu-Chelmsford Reforms. He said: "Well, they are only of 15 years' standing and they are just fit to be chosen as Deputy Secretaries. If therefore you find Indians practically only as Deputy Secretaries in the Secretariat you have no reason to complain. That is all that their seniority in the Service entitles them to". Now, the Honourable Member appealed to our sense of justice and asked us to say whether we would like the senior men who were British to be superseded for no fault of their own merely in order that Indians might be appointed in their place. Is the long service of European Members to count for nothing? Is their fitness for high positions in the Secretariat to be

disregarded? I appeal to the sense of fairness of my Honourable friend and those who sit behind him and ask him to take a historical view of this question. Why is it that the composition of the Indian Civil Service is of the particular character which it bears today? Who decreed that the examination for the Indian Civil Service should for a long time be held in England? Who decreed that only a certain proportion of Indians should be admitted into the Service annually? Who has laid down that if British youths are not willing to enter the Indian Civil Service by competition they should be got in by means of nomination? Were all these steps taken in utter disregard of political considerations and simply in order to choose the fittest men for the posts included in the cadre of the Indian Civil Service? It would be idle to contend—and I am sure my Honourable friend Mr. Maxwell will not contend—that all these steps were taken merely on grounds of justice and fairness and had nothing to do with political or—to speak bluntly—with racial considerations. Well, then, if you have followed racial considerations in determining the present character of the Indian Civil Service, it does not lie in your mouth to say: "We want only to be just and to avoid any unfairness to the senior European members of the Service". The question is at bottom a political one and it is not our fault that it is a political one. It is you who have made it a political question. And it is up to you to deal with the question on grounds which are not purely departmental and which take into account the situation created by you and the awakening that has taken place in the country of the issues the solution of which will be determined by the relations that prevail in future between Indians and Englishmen.

Sir, my Honourable friend speaks of justice and fairness. I ask him to lay his hand on his heart and tell me whether it is entirely on grounds of fitness and justice that no Indian has been appointed as Finance Secretary or Commerce Secretary or Army Secretary. You have twitted us for a long time with being fit for nothing but following the legal profession. Have you had a single Indian as Secretary in the Legislative Department? One would have thought that in this Department of all others an Indian would have been chosen long ago to serve as Secretary. Indians have been Judges of High Courts. They have held other responsible legal positions but not one of them has been found fit by the Government of India yet to hold charge of the post of Secretary in the Legislative Department. (*An Honourable Member*: "Or of Joint Secretary".) Yes, it is perfectly correct to say that there has been no permanent Joint Secretary even in the Legislative Department.

Take another illustration. Take the Foreign and Political Department. There was a communiqué issued by the Government of India on the subject to which I referred in my opening speech. Some time later came the Lee Commission recommending that 25 per cent. of the annual recruits should be chosen from Indians. And what is the actual state of things? From 1924 to 1930 (I gather this from the classified list of the Foreign and Political Department) about 47 men were admitted to this Department and of these only 5 were Indians. And since 1931 I do not find from this list that a single Indian has been admitted. Where are justice and fairness here? Is it entirely on grounds of justice and fairness that you have not implemented the promises made in the communiqué of 1921, and not carried out the recommendations of the Lee Commission which you accepted?

Take another thing—it was stated in the communiqué of 1921 that Indians chosen for the Political Department would be selected from the Indian Civil Service, the Indian Army and the Provincial Service. There are 12 Indians

[Pandit Hirday Nath Kunzru.]

in this Department but of them only one belongs to the Indian Civil Service. Is this a proper method of selection? Yet, if the number of Indians is low in a Department or some of them are not found fit for the discharge of the responsibilities entrusted to them, you say that you are not responsible for it and that you are compelled because of the situation that exists to give preference to Europeans over Indians. I say, the responsibility is yours and that the present situation is entirely due to the policy followed by you in the past, to the policy that continues to inspire your conduct even now. You should therefore not ask us to be patient and indulge in formulas and shibboleths which have ceased to have any practical meaning for us....

THE HONOURABLE THE CHAIRMAN (The Honourable Sir David Devadoss): Will the Honourable Member be much longer?

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: I cannot speak much longer, Sir. I have got only 15 minutes.

THE HONOURABLE THE CHAIRMAN: It is already 1-30 P.M.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: I shall speak only for five minutes more, Sir. I put a question with regard to certain specific posts. My Honourable friend the Leader of the House has cleverly evaded the reply that was due to me by asking the Home Secretary to say that the post of Director-General of the Indian Medical Service is not a Secretariat post. When his ingenuity discovered that this post was not included among the Secretariat posts, I do not know. But this will not remove from the Education Department the blot that justifiably rests on it owing to the supersession of a senior and meritorious Indian by a comparatively junior Englishman.

Sir, my Honourable friend Mr. Maxwell implied, though he did not say so expressly, that if we wanted to be logical and have a large Indian element in the higher Secretariat posts, we should have asked for the Indianisation of the Civil Service, which issue has not been raised by this Resolution. I know, Sir, that that would have been the most logical thing to do. But had I brought forward a Resolution for the more rapid Indianisation of the Indian Civil Service, the Government of India would have said, "That question has just been decided, it has been ruled by the higher authorities that the Lee proportion shall continue for the present. If you like we shall forward this debate to them, but we can do nothing". That is why I have not raised the larger question today and have contented myself with bringing up the smaller question with which the Government of India are perfectly competent to deal. The spirit of the new Act is certainly that pointed out by my Honourable friend Mr. Ramadas Pantulu. Hitherto it was possible for the executive authorities to lay down any proportion for the recruitment of Indians to the Indian Civil Service. Hereafter, owing to this Act which, forsooth, advances our constitutional status, there can be no progress in this matter except with the consent of Parliament, that is, of both Houses of Parliament, including the House of Lords. In other words, British policy in India is to be regulated, in the matter of admission into the Indian Civil Service, not in accordance with the views of the British electorate, but in accordance with the views of one party, the British Conservative Party.

Sir, I have already explained the ground on which I gave my Resolution in the form in which it stands. My object in wording it as it is was to say to the Government of India, "We take you for the moment at your word;

you have an opportunity of justifying your claim in one important department of the administration. Let us therefore see whether you are prepared to increase the Indian element here and then we may have some grounds for believing that the new Act is really meant to give us greater opportunities of managing our own affairs and of widening our liberties". I personally think that that is for the moment a stronger ground to take than the ground which my Honourable friend Mr. Ramadas Pantulu would like us to take. But there is no difference at all between his point of view and mine. Whether we take the Act or the Public Services, our points of view are, I venture to think, identically the same. I leave it to him, therefore, to decide whether he would insist on his amendment or whether he would accept my language, because of the tactical advantage that it gives us. If he insists on his own amendment, I shall have no objection in accepting it.

One word more, and I have done.

THE HONOURABLE THE CHAIRMAN (The Honourable Sir David Devadoss): You have already exceeded your time limit.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: My Honourable friend Mr. Maxwell said that the Government of India would be prepared to review the situation, in view of the dissatisfaction with the present state of things, and explore—I think that was the word he used—further opportunities of admitting Indians into the Secretariat. If that is so, if he and we mean the same thing, if the Government of India are prepared to display the spirit that we would like them to be inspired with, there is no reason whatsoever why my Honourable friend should oppose my Resolution. I know that a large increase in the Indian element will take some time to be effected. I do not want that every European officer should forthwith be superseded and Indians should be appointed to their places. What I do want is that the Government of India should set their faces in the right direction, take determined and quick steps to achieve the result which we all of us would like to attain, and which we have a right to attain. In the new constitution the appointment of Indian Secretaries would be more essential than it has been in the past. I do not know whether what I have said will have any weight with my Honourable friend. If he is actually prepared to adopt the same point of view as we have adopted, if we mean the same thing, Government should have no difficulty in accepting my Resolution.....

THE HONOURABLE THE CHAIRMAN (The Honourable Sir David Devadoss): I think the Honourable Member has considerably exceeded his time limit.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: If he is unable to accept my Resolution, then I am afraid I shall have no option but to insist on a division.

THE HONOURABLE MR. R. M. MAXWELL: Sir, I won't detain the House long as it is getting late. I am afraid I did not succeed in conveying my meaning fully to the Honourable Mover if he quotes me as having said that we must wait for 20 or 25 years before any progress in Indianisation can be seen. I actually pointed out to the House—I did my best to prove it—that by 1946 the Indianisation already determined by the rules and regulations would spread throughout the ranks of the Indian Civil Service, and that yearly as we approach that date the proportion of Indians available for the higher appointments will be larger and larger. There is no question of

[Mr. R. M. Maxwell.]

waiting for 20 or 25 years. The longest any one would have to wait for complete equalisation for consideration for the post of Secretary to the Government of India would be until 1946, and even before that Joint and Deputy Secretaries would be 50 per cent. Indians. I hope the House has followed my arguments in that respect and will not be misled by this idea that nothing is going to happen during the next 20 or 25 years.

Sir, I do not wish to add much to what I have said. I had attempted to put the case to this House not as a matter involving what I might call racial or political discrimination but as one of hard fact, the practical possibilities of the existing cadres and the normal means by which the measures now in progress must inevitably lead up to the object which the Honourable Members have in view. So far as the recruitment of the I. C. S. is concerned, that is the proportion of 50—50, that is not the subject before the House at the moment and I am afraid that we cannot allow it to influence our view of the Resolution. All that I have attempted to show is that immediate steps mean nothing in this connection unless the Honourable Member is prepared to press for racial discrimination in the making of these appointments, and I think that I have the whole House behind me when I say that it is not the feeling of Indians that discrimination should be introduced into the filling of these appointments.

There is one point on which the Honourable gentleman misquoted me. He said that I had said the Government of India would review the situation in order to get more Indianisation or words to that effect. That was not exactly what I said. What I said was that the whole system of recruitment and measures to systematise it were under consideration so that Indians suitable for Secretariat work would never be overlooked, and this would normally lead to their full representation up to the extent of their representation on the cadre. Actually as they preponderate in the lower ranks we may expect they will preponderate in a very short time in the lower ranks of the Secretariat in consequence of such measures. At any rate there is no reason to suppose that any Indian who is fit for this work will not have his claim fully considered. But there is no use in being impatient for these results. We must give these younger Indians time to grow up and not attempt to pitchfork them into the posts of Secretary and Joint Secretary. Let them get their experience and show their fitness and I have no doubt the Government of India or any other Government will be extremely glad to have their services.

I hope that in view of what I have explained the Honourable Member will decide not to press this Resolution to a division.

THE HONOURABLE THE CHAIRMAN (The Honourable Sir David Devadoss): To the original Resolution an amendment has been moved, namely:

"That all the words after the words 'Government of India' be omitted".

The Question is:

"That that amendment be made".

The Motion was adopted.

THE HONOURABLE THE CHAIRMAN: The amended Resolution now reads:

"This Council recommends to the Governor General in Council to take immediate steps to increase the number of Indians occupying the higher posts in every department of the Secretariat of the Government of India".

The Question is:

"That that Resolution be adopted".

The Council divided.

AYES—18.

Abdus Sattar, The Honourable Mr. Abdur Razzak Hajee.
Ataullah Khan, The Honourable Chaudhri.
Chettiyar, The Honourable Mr. M. Chidambaram.
Govindachari, The Honourable Rao Bahadur K.
Hossain Imam, The Honourable Mr. Kalikar, The Honourable Mr. V. V. Kunzru, The Honourable Pandit Hirday Nath.
Mahapatra, The Honourable Mr. Sitakanta.
Mahtha, The Honourable Rai Bahadur Sri Narain.

Mitha, The Honourable Sir Suleman Cassum Haji.
Motilal, The Honourable Mr. Govindlal Shrivlal.
Muhammad Hussain, The Honourable Khan Bahadur Mian Ali Baksh.
Pantulu, The Honourable Mr. V. Ramadas.
Ram Saran Das, The Honourable Rai Bahadur Lala.
Ray Chaudhury, The Honourable Mr. Kumarsankar.
Sapru, The Honourable Mr. P. N. Sethna, The Honourable Sir Phiroze.
Yuveraj Datta Singh, The Honourable Raja.

NOES—26.

Akram Husain Bahadur, The Honourable Prince Afsar-ul-Mulk Mirza Muhammad.
Basu, The Honourable Mr. Bijay Kumar.
Charanjit Singh, The Honourable Raja. Chitoy, The Honourable Sir Rahimtoolah.
Clow, The Honourable Mr. A. G. Commander-in-Chief, His Excellency the.
Dow, The Honourable Mr. H.
Ghesal, The Honourable Sir Josna.
Glancy, The Honourable Sir Bertrand.
Haidar, The Honourable Khan Bahadur Shams-ud-Din.
Ihtisham Hyder Chaudhury, The Honourable Syed.
Jagdish Prasad, The Honourable Kunwar Sir.

Kay, The Honourable Mr. J. R.
Khurshid Ali Khan, The Honourable Mr.
Kirke Smith, The Honourable Mr. A. Maxwell, The Honourable Mr. R. M.
Menon, The Honourable Diwan Bahadur Sir Ramunni.
Nihal Singh, The Honourable Sirdar.
Nixon, The Honourable Mr. J. C.
Parker, The Honourable Mr. R. H.
Ray of Dinajpur, The Honourable Maharaja Jagadish Nath.
Russell, The Honourable Sir Guthrie.
Siddiqi, The Honourable Khan Bahadur Shaikh Muhammad Bashir.
Singh, The Honourable Raja Devaki Nandan Prasad.
Todd, The Honourable Mr. A. H. A.
Williams, The Honourable Mr. A. deC.

The Motion was negatived.

The Council then adjourned for Lunch till a Quarter Past Three of the Clock.

The Council re-assembled after Lunch at a Quarter Past Three of Clock.

RESOLUTION RE RELEASE OF POLITICAL PRISONERS AND DETENUS ON THE OCCASION OF HIS MAJESTY'S CORONATION.

*THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY (East Bengal: Non-Muhammadan): Sir, I beg to move the Resolution which stands in my name and which runs as follows:

"This Council recommends to the Governor General in Council to submit to His Majesty the King Emperor of India the most earnest and humble prayer of this House that His Majesty should be graciously pleased to direct the release of all political prisoners and those detained without any trial on the happy occasion of His Coronation."

The object of this Resolution, as is quite apparent, is to inaugurate the reign of the new Sovereign which is synchronising with the inauguration of the Reforms in as happy circumstances as possible in this country. However sham and unsubstantial it may be, we are getting some vestige of democratic and responsible Government in the country now and no country which has

*Speech not corrected by the Honourable Member.

[Mr. Kumarsankar Ray Chaudhury.]

such a form of Government, far less one that is just being initiated into it, can tolerate for a moment the existence of such repressive measures as are now found to be prevalent in this country and the indefinite and prolonged detention of people beginning from an Indian Prince like the *Ex-Maharaja* of Nabha down to the humblest individual without any trial whatsoever merely on the strength of untested and unchallenged testimony of the police, bringing in its trail breakdown in health, untimely death, suicide and ruin of many families. The verdict of the people on the point has been clearly expressed during the last general election by the return in overwhelming numbers of candidates standing under the Congress banner and it is time that the officials of the Government should take note of the fact and put their house in order so as not to bring about an early collapse in the successful working of the reforms.

The bureaucracy in India has so long been irresponsible, unresponsive and coercive and have flouted public opinion with impunity, but that state of things will no longer continue and for their very existence it is necessary that they should change their angle of vision and feel and realise that they are no longer the masters of the people of India but their servants, however much their position may be sought to be safeguarded by the niggardly granted Reforms.

The Honourable the Home Member in the other House reminded us the other day that the 1st of April is fast approaching, but he carefully avoided mentioning what would happen thereafter with the bureaucracy in India. Knowing his views and attitude towards public opinion as ventilated in the Legislatures, I presume what he would have said was, "After me the deluge" but that will not be the case with other British bureaucrats who have yet some lease of life in this country, and I may remind them that it is repressive measures and indefinite detention without trial and such other terroristic measures adopted by Czars and Dictators in the name of law and order that have been responsible for the introduction and continuance of terrorism in their countries and it was the introduction of similar measures in India for the suppression of public feeling ever since the partition of Bengal in the name of law and order that has been responsible for a similar situation arising in this country and no substantial results can be expected to be achieved until that policy is reversed and a policy of real conciliation is adopted. Democracy when and wherever fully established has other and well recognised methods of maintaining law and order and public opinion and ameliorating measures which have not been allowed to have free scope in this country until quite recently but tardily by the Government of Bengal will assert themselves for its maintenance.

With these few words I commend my Resolution for the acceptance of this House and I hope, now that the situation, as admitted by the Home Member in the other House, is much improved, the official block with which this House is so heavily weighted will set an example to the provincial officials of their changed angle of vision by not standing in the way between His Majesty and his subjects in India and blocking his way from winning their hearts.

THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL (Bombay : Non-Muhammadan): Sir, I rise to support this proposition. The terms of the proposition, if I had my way, would have been different. But the Honourable Mover, coming as he does from Bengal, naturally wants that these political prisoners should be released and has framed his Resolution in such phraseology as may appeal to the Members of the Government. There have been a number of people who have been detained indefinitely without trial and

the tale of their suffering, as told in the other House, has been told by others from time to time, and it is not necessary for me to go into great detail with regard to that. Some persons who have been under detention, if they fall sick, cannot get adequate medical treatment. The members of their family are stranded. There is no one to support them. But the very detention of persons without trial is really abominable. It denies them the liberty a subject enjoys under every civilised Government. If a person is alleged to be guilty of any conduct, he should be brought up for trial, and if he is prosecuted for it the court must judge whether the executive or the prosecution has proved its case. If the prosecution is unable to prove its case it is its fault. I believe, Sir, that in most cases, if not in all, if a man does something which is really reprehensible and renders him liable to prosecution under the provisions of any of the criminal laws, then there will be evidence enough and when he is brought before the courts, the courts convict him. Occasionally it may happen that evidence is not sufficient or the judges may not take the same view as the prosecution takes, but it is not only in one section of cases alone such as political cases but there have been as we know cases of other types where the man has escaped conviction. But such cases are few and far between. We cannot therefore accept the principle that because in every case conviction does not result therefore even without trial the men must be detained. He must not be detained if you cannot get them convicted. Apart from that, there are a number of persons who have been convicted under the special laws such as the Criminal Law Amendment Act for political offences. Although it may be asked, what are political offences? It is very well known what political offences are. It is time that those who have been convicted of those offences should be released. The civil disobedience movement has been at any rate suspended, and once there is a suspension of that movement, those who were convicted of offences concerned with that movement should be released.

I am wondering whether Government Members will rise and say that the Party to which I belong has now been elected in a majority to the various Provincial Legislatures and it would be for that Party to consider the matter, and, if they take such a view, it would be open to them to release these political prisoners. No doubt, if the Congress takes office, it will have to consider very seriously whether the political prisoners should be released. But our fear is that it would also be open to the Government, as the constitution stands, to come in the way of the Congress. I would therefore, in supporting the Resolution, ask the Government Benches to consider and give a sympathetic reply and indicate that if the Congress takes the responsibility of the administration, it will realise that it has got to maintain law and order consistently with its object of achieving Swaraj, and still if the Congress decides to release the prisoners it would be open to them to do so, and Government will not stand in the way.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern : Non-Muhammadan): Mr. President, I desire to support this Resolution, and in doing so I should like to say a few words about the detenus whom it mainly affects. Most of the other prisoners have been released and this Resolution mostly affects the detenus of Bengal. There is no one on this side of the House who is in sympathy with terrorism or murder. We all detest terrorism, anarchism and murder. But the question that we have got to ask ourselves is, "How long are these men going to remain in prison without any trial?" These men have now been in prison for several years. You cannot indefinitely

[Mr. P. N. Saprū.]

keep them in jail. You must either bring them to trial or release them. Some of us have got a very uneasy feeling in regard to this matter. When the Criminal Law Amendment Bill was before the House, we on this side of the House opposed it mainly on the ground that it dispensed with judicial procedure and that it was not in our opinion going to provide any permanent or lasting remedy for the problem of terrorism. Sir, it is a reflection on your administration that you can maintain order only by methods which one can regard as un-British. We have our concentration camps in India and most of these concentration camps are in Bengal. Some of these detenus have even committed suicide. How long do you propose to keep them? When do you think conditions will improve? Do you think conditions will improve if you maintain your present policy? What is your constructive policy in regard to terrorism? Certainly maintain order by all means, but you cannot cure the disease by maintaining order only. You have to evolve a constructive policy, a policy which will give to the youth of this country the vision of freedom within their lifetime. The problem of terrorism is partly political and partly economic and if you tackle this political and economic problem with courage and vision, I think you will have no terrorism in this country, because I have no doubt that terrorism is against the genius of the Indian people, against the better instincts of the Indian people. There is a belief that we can achieve moral ends by immoral methods, and terrorism stands for immoral methods. Therefore, while we on this side of the House have no sympathy with terrorism, we cannot also approve of methods which we cannot regard as moral methods. You can certainly maintain order, but maintain order by methods which public opinion can recognise as just and humane. If you keep a man in jail for an indefinite period, then you alienate large sections of public opinion also. You make the position of officers who have to administer a law like the Criminal Law Amendment Act difficult. I think some of them are most excellent men. They become targets of attack by assassins and murderers. Revise your present policy in the light of these considerations and release these men and give them a fresh chance. If you think you cannot release them, then bring them to trial. There are among the detenus some very distinguished men. There is Mr. Subash Bose, who is one of the detenus. I do not know all the facts in regard to Mr. Subash Bose, but I think one is entitled to assume that if there was any case against him, he would have been brought to trial by this time. He has not been tried by any court of law, and therefore one is entitled to assume that the evidence against him is of such a character that no court of law would act on it. He has been in detention for a fairly long time—I think for about 6 years. The Honourable Mr. Pantulu will be able to correct me if I am wrong.

THE HONOURABLE MR. V. RAMADAS PANTULU: Six years.

THE HONOURABLE MR. P. N. SAPRŪ: That is a long enough period for any man to be in prison. How long do you propose to keep him in prison? Do you propose to keep him indefinitely? Even a dacoit is sentenced only to 5, 6, 7 or 8 years. There is a limit to the punishment which a dacoit receives. There is a limit to the punishment which a murderer receives. It may be transportation for life, it may be death, but there is some limit to the punishment which a man who undergoes a normal trial receives. There is no limit to the punishment which these men are receiving and these men have had no chance given to them of clearing their conduct. No court of law has examined their cases. I know that you have a system of having their cases examined by

Sessions Judges. But after all these Judges, who act as advisers to the Executive Government, have to depend upon evidence which is not tested by cross examination, evidence which has not stood the test of certain tests which are recognised by our system of jurisprudence. We must remember that conditions appear to have improved. They appear to have improved in Bengal where there has been no terrorist crime for a long time and fortunately there has been no terrorist crime in any other part of the country. I think therefore that this is a suitable time for you to take action. My Honourable friend Mr. Ray Chaudhury would like these men—political prisoners and detenus—to be released on the happy occasion of His Majesty's Coronation. It would be a very suitable time indeed to release these men. I am sure the clemency of Government will not be misappreciated. It will have a salutary effect upon the political and economic situation in the country. With these words, Sir, I would give my strong support to the Resolution which has been moved by my Honourable friend Mr. Kumarsankar Ray Chaudhury.

THE HONOURABLE MR. V. V. KALIKAR (Central Provinces : General): I have great pleasure in supporting the Resolution moved by my Honourable friend Mr. Ray Chaudhury. I am extremely glad to find that the Resolution comes from a quarter from which we would least expect it to come in this particular form. That shows that even the Congress-Party here in this House does want to make some constructive suggestions to Government. They have practically I may say stretched their hand of co-operation, and it is now for the Government to respond. If the Government fail to accept the hand of co-operation, I submit we will think that the Government is not acting in the interests of the country. My Honourable friend has suggested the release of political prisoners on the happy occasion of His Majesty's Coronation, and he said in his speech that it would be a good augury for the Reforms. He further stated that the Government should take this occasion of gaining public confidence so that the Reforms may not collapse. If I understood him aright, I understood him to mean that the release of political prisoners will to some extent help the working of the Reforms. If that is the position, I think it is the duty of the Government to think seriously over this matter and release all detenus and political prisoners if there are any. We on this side of the House have stated at various times in unequivocal terms that we cannot under any circumstances appreciate terrorism. When we discussed the various Criminal Law Amendment Bills in this House we stated our position clearly and I remember once saying that terrorism was a thing foreign to India. But at the same time we cannot and we do not appreciate the attitude of the Government in passing emergency legislation which substitutes the power of the executive for the judiciary which deprives the accused the elementary right of getting a fair trial in open court. We have heard from high authorities, especially from the Honourable Home Member recently, that the position in Bengal has improved. We submit that if the position has improved there is no case for detaining the political detenus in Bengal or in any other province. I may cite the case of Mr. Sarat Chandra Bose who was detained for a long time and after he was released we find him taking an active part in political life and no danger has come upon the British Government in Bengal or in India. His Excellency the Governor of Bengal has to some extent analysed the position in Bengal in this connection and has come to the conclusion that terrorism would be stamped out if these detenus are given employment. Sir, on former occasions I submitted in this House that it was the duty of the Government to give employment to these misguided youths. The Government failed in their duty and to my mind it appears that one can accuse the Government to some extent for creating terrorism in Bengal. Then, we

[Mr. V. V. Kalikar.]

understand that the emergency laws that have been passed during the last 5 years have been applied in that unfortunate part of India with such great oppression that people say that terrorism has increased on account of the oppressive ways in applying those laws. Whatever it may be, the position now is that terrorism has completely disappeared in Bengal and the position has improved. If that is the case I submit it is the duty of Government to release all those detenues who are kept in detention without trial and help them to get employment and act as good citizens of India. Sir, I support this Resolution, because I feel that unless a criminal is brought into court and is given the opportunity of having an open trial, injustice is done to him, and therefore I support the Resolution with a view that Government at least on this occasion would reconsider their former decision and release detenues.

THE HONOURABLE MR. R. M. MAXWELL (Home Secretary): Sir, I am afraid I could not entirely follow the Honourable Mover while he was reading his speech and I am not aware whether any valuable argument has escaped me. But I should like once more to draw the attention of the House to the scope of this Resolution. It is to submit to His Majesty the prayer to be pleased to direct the release of all political prisoners and those detained without any trial on the happy occasion of his Coronation. I notice that speeches from the benches opposite have dealt mainly with the question of prisoners detained without any trial, and particularly of the Bengal detenues. I propose to come back to that subject later; but all I would point out here in regard to that is that it is not now a question of the principle of detention without trial. That is not what the Resolution says. It does not do to argue, as the Honourable Mr. Sapru did, that such detention without trial is a reflection on the administration and that such prisoners should be brought to trial and should not be detained unless they are convicted in a court. That is not what we have to consider now. What the Resolution proposes is that apart from the merits of such cases, apart from any question of whether detention without trial is a justifiable way of dealing with the situation, His Majesty's Coronation should be made the occasion for their release. That is the gist of the Resolution and I take it that the whole question of whether detention of prisoners without trial is justifiable or not is not strictly germane to the matter before the House. However, I will return to that point after a few minutes. I will begin with the first part of the Resolution which applies its recommendation to persons called political prisoners. These at any rate will satisfy the requirement mentioned by the Honourable Member opposite, that they have been convicted in court, they have been convicted in impartial courts on evidence placed before those courts. There should be no question that we can consider here as to whether those convictions were justified or not. We have to assume that the evidence was such as to satisfy the courts that these persons were guilty of offences under the Indian Penal Code and other Acts. But given that we have a certain number of persons now undergoing sentences for offences for which they have been convicted by courts in the ordinary course of law, we still have no known definition of a "political convict," and I should like to know a little more about this and I think the House should know what the Resolution means. For instance, are persons convicted of murder or dacoity in pursuance of terrorist conspiracy, are they political convicts? We are aware that in 1919 a certain number of persons were convicted and sentenced for murder during the political riots in Ahmedabad and in other places. Or again, are persons convicted of attempted assassination to be called political? Or criminal conspiracy: is that to be called a political offence? Or offences against the Arms Act, or the possession of bombs and explosives? Are these persons

to be called political convicts? I would like to ask the Honourable Member who moved the Resolution whether bribery at the elections could be called a political offence. Undoubtedly it is in pursuance of a political object. Or take rioting during elections. It would be interesting to know whether all persons who take part in riots during elections are to be called political offenders. In fact the question is whether anyone who pretends to be taking part in a political movement is to have liberty to commit criminal intimidation or mischief or defamation of his neighbour or wrongful restraint or criminal force or assault. I should like to know that. I regret to say that all these and many other offences have been committed in the name of politics in recent years and if they are to be regarded as justified by that, I think we are going to proceed a long way from the basis of the Indian Penal Code. I trust the House by now will see how dangerous it is to try and set up a distinction of this kind between political and non-political offenders, and I should like to know, supposing we wish to set up such a distinction, who would interpret it. Would it be open to any convict to claim the benefit of a Resolution such as this on his own certificate that the motive which inspired him was political, that he was actuated solely by the laudable desire to overthrow the Government? What sort of a blank cheque are we going to give to the jails or to the convicts themselves on a Resolution like this? I would submit to this House that this is a Resolution recommending certain action to the Government. When action is recommended the nature of the action should at least be specified precisely in the terms of the Resolution. Yet we have at least this part of the Resolution entirely vague. How are Government to know what interpretation they are to place on the term "political prisoners"? I suggest that it would help discussion if we dropped this meaningless term "political prisoners" altogether and tried, perhaps, if we do drop it, to understand what is really in the Honourable Mover's mind. Perhaps the theory underlying this Resolution is that anyone who commits an offence against the State, whatever its form or its likely consequences, is to be regarded as in a class by himself. That seems to me to be the theory underlying this Resolution. Well, are we to assume that no other prisoners are to get the benefit of the Coronation, however small their offence may be? Is a person who has been convicted of the possession of explosives with the intention of taking life for what he calls a political object, is he to have preference over a poor man who has stolen a handful of rice because he was hungry? Well, this is the kind of preference we are asked to give to political prisoners. These specially privileged prisoners, whose only claim to consideration is that they have tried to overthrow the State, are to be released, I take it, in order that they may participate in the Coronation celebrations. It seems to me that these are the last persons whom this House would wish to be released on the particular occasion of the Coronation. I cannot imagine them joyously participating in these festivities.

Now, Sir, let us consider the nature of some of these offences against the State which are regarded as specially privileged. Because it is important when we are considering a Resolution of this kind to have some definite fact in our mind. One of these offences against the State is:

"Whoever conspires to deprive the King of the sovereignty of British India or of any part thereof, or conspires to overawe by means of criminal force or the show of criminal force the Government of India or any Local Government, shall be punished, etc." That is the offence described in section 121A.

Now, let us turn to section 124A.

"Whoever by words either spoken or written, etc., brings or attempts to bring into hatred or contempt or excites or attempts to excite disaffection against His Majesty or the Government established by law in British India shall be punished, etc."

[Mr. R. M. Maxwell.]

And the Explanation says:

"The expression 'disaffection' includes disloyalty and all feelings of enmity".

I should like the House to think of the possible consequences if success were attained by a person convicted of such an offence. Let the House think of what the consequences might be if a person succeeded in exciting hatred against the Government established by law or overawing by means of criminal force or show of criminal force the Government established by law in India. Nothing but widespread disaster could arise from the success of such an attempt and therefore these offences are regarded as serious by the framers of the Indian Penal Code and are awarded a long term of imprisonment. It is amazing to me that a Resolution should be put forward asking that persons proved in the courts to be guilty of offences of the nature which I have just read out should be given the special benefit of the Coronation of the King.

Now, Sir, in order to pursue the logic of the Resolution, let us turn to another section of the Indian Penal Code, persons convicted under which would not get the benefit of this Resolution. I refer to section 153A.

"Whoever by words either spoken or written promotes or attempts to promote feelings of enmity or hatred between different classes of His Majesty's subjects shall be punished"

and so forth.

Now, Sir, it is rather extraordinary to me that a person convicted under section 153A, who would probably not be classed as a "political" offender, should remain in jail on the occasion of the Coronation although as between classes of His Majesty's subjects he has tried to do the same thing which Section 124A makes punishable as against the State.

Let us again compare offences against religion. Many offences punishable under the Indian Penal Code have at one time or another been committed in the name of religion. I would ask this

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House: Is not religion a higher motive than mere hatred of Government? If motive is to be the criterion as to whether a person should be placed in a special class by himself, surely those who commit crimes in the name of religion should be given preference over those who commit crimes in the name of a political movement. Yet the measure does not propose that persons convicted under section 295A should receive any amnesty. Has the Honourable Mover forgotten this class of cases? The fact is, it is very easy to be generous when you yourself are not the injured party, or perhaps when you even sympathise with the offender. It occurs to me to wonder what the Honourable Mover would say if any of his own party has been beaten by their political opponents at the elections. For the persons convicted of such political offences would he pray that His Majesty should release them, or are we now probing to the roots of the matter and coming to the conclusion that the real meaning of this Resolution is that there should be one law for the Congress and another for all other political parties and the public?

I leave now, Sir, the question of the meaning of "political prisoners" whose cause we are asked to take up today and go back, as I said I would, to the question of persons detained without trial. I have already pointed out that the Resolution does not rightly raise the question whether that detention is justified or not. What it raises is whether the Coronation should be made the occasion of their release apart from all other considerations. Now, Sir, whatever might be said for an amnesty for convicted prisoners, that is, for some

kind of relaxation of purely punitive action, I can see far less to be said for the abandonment of action the whole purpose of which is to prevent the commission of very terrible crimes. We may conceivably forgive a man who is already undergoing a sentence, but when the whole object of shutting a man up is to prevent him from taking life or from committing other wicked crimes, surely the whole purpose would be frustrated by releasing a man unless we are perfectly sure that there is a change of heart on his part. Not a change of heart on the part of the Government but of those who are detained. And I would remind this House that on two previous occasions in Bengal a relaxation of these admittedly very unpleasant measures has been followed by a fresh outbreak of serious crime, and that it is only since the measures were taken that these terrorist crimes have been reduced to reasonable proportions during the last few years. I should like to remind the House, because memories are short, of how this terrorist movement has been reduced in Bengal since the last outbreak in 1930. In 1930, Sir, 11 officials were killed and 12 injured in terrorist crimes; 10 non-officials were also killed and 14 injured. In 1931, 5 officials were killed and 13 injured; 4 non-officials were killed and 3 injured. In 1932, 6 officials were killed and 10 injured; and 6 non-officials were killed and 27 injured. In 1933, one official was killed and one injured; and no non-officials were either killed or injured. In 1934, no officials or non-officials were killed or injured. In 1935, one official was killed and 2 non-officials were killed and no non-officials injured. And in 1936 no officials or non-officials have been either killed or injured. (*An Honourable Member*: "So the position has improved?") That is my point, Sir, and it is as a result of the measures that the Government has taken. And it has been twice proved before that when these measures were relaxed before the improvement had become permanent, similar outbreaks occurred. The 1930 outbreak which resulted in this loss of life of so many officials and non-officials was definitely the result of the release of prisoners detained in previous years. Perhaps it would tire the House too much if I gave figures of attempted murders, attempted dacoities, attempted robberies, bomb throwing, armed raids and so forth. I have all these figures here. But in the face of these figures it is perfectly useless for this House to talk as though Government were doing anything that was unnecessary in taking the most stringent measures to cope with a movement that produces such very dangerous results. The Honourable Mr. Kalikar said that terrorism had completely disappeared in Bengal. But that is not entirely the case. During 1936, there was one dacoity and two robberies committed by terrorists, 5 cases of revolvers and pistols being found, 9 cases of possession of revolver ammunition, 2 cases of possession of guns, 15 cases of possession of gun ammunition, 2 cases of possession of bombs, 2 cases of possession of bomb materials and 2 cases of possession of daggers. So, it is not entirely correct to say that this movement has completely disappeared or reached the stage at which these measures can be thrown overboard without reckoning the consequences. I maintain, Sir, that the action that has been taken of detaining a certain number of these people is in any case better than allowing murder and violence to flourish unchecked. The measures we have taken are justified by their results. We may hope—I am sure the House will join with me in hoping—that the success which these measures have attained will be permanent and that it will be possible to accelerate the rate of release of these unfortunate persons. But the matter is too serious to embark lightly upon a general policy of release, without reference to the merits of the situation. What I would submit to the House is that this matter must be left to the Local Government which is in touch with all these manifestations of violence and knows at what stage in the light of past experience it is possible to accelerate the release and let these people go. At any rate, I hope I have

[Mr. R. M. Maxwell.]

established sufficiently to the satisfaction of the House that to use the Coronation as the particular occasion for letting these people go regardless of the situation in the provinces is entirely inappropriate. That, Sir, is all that I have to say about this Resolution, except that in regard to amnesties generally. There have been one or two amnesties in the past but not since our jail regulations were so altered that the cases of prisoners are reviewed regularly by a committee and those who are fit for release from time to time are released long before the expiry of their sentences. There is something not altogether just about an amnesty which takes place at a particular moment. All it means is that those in jail at that moment get the benefit of it. Those who have served their jail sentences and perhaps been released the day before get no benefit; those who are convicted and sent to jail the day after for similar offences also get no benefit. Where is the fairness in this? What particular point is there in associating a measure of this sort with the Coronation? I think that the House will agree with me that no case has been made out for the release of detenues on the occasion of the Coronation, and that so far as the Resolution applies to persons called political prisoners, no definite meaning or only a very dangerous meaning can be attached to it. (Applause).

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA (Bihar Non-Muhammadan): May I know from the Honourable Mr. Maxwell, before he sits down, whether any political prisoners are now in jail who were detained under the Ordinance?

THE HONOURABLE MR. R. M. MAXWELL: No, Sir, none at all.

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras: Non-Muhammadan): Sir, I regret to find, in this House, the development of a supertechnical mind by the Government Members. They begin to construe Resolutions moved by the non-official Members as if they were statutes. Everybody in the House knows exactly the scope of a Resolution of this kind and what it is intended for and I think like the Honourable Mover of the Resolution the Honourable Mr. Maxwell also knows exactly the scope of the demand contained in the Resolution. But he subjects it to very skilful legal anatomy and dissects it in such a way as to expose the Resolution to some amount of ridicule from a purely technical point of view. That, I submit, is not the spirit in which Resolutions moved from this side of the House ought to be dealt with by the members of Government. The net impression left upon me after very carefully listening to the very legal and erudite speech of the Honourable Mr. Maxwell is that he has not answered the demand made by the Honourable mover. Of course he quoted profusely, from his memory, several dozens of sections of the Indian Penal Code, convictions under which might be legally classed as convictions for political offences, and asked us, "Does the Honourable Member intend that all the people convicted for such offences should be released? If all those sections are really intended to cover political offences, there are many thousands of people in the Indian jails who were convicted for what may be called political offences". So, the question asked by the Honourable Mr. Maxwell is, "Is it your intention that all these thousands of people should be released?" Surely, he ought to have known that that was not, and could not be, the intention. Sir, the release of political prisoners is not a new demand. The expression "political offence" itself is not a new one. It has very often been used. I know that politicians and statesmen like Mr. Montagu have used it on several occasions and I daresay they knew what they were talking about. I know constitutional lawyers

like the Right Honourable Sir Tej Bahadur Sapru have also used that expression. I cannot really believe that the Honourable Mr. Maxwell does not know the import or the scope of a Resolution like this or the meaning of the expression "political offences". He asks us to define what a political offence is. Surely, he has heard this expression several times and by now he ought to know what it means. We, Sir, made it very clear that we did not associate the demand with cases which are connected with acts of violence. Offences which are connected with violence have not been included in our demand at any time. Therefore, if my Honourable friend wants a definition of political offences, I say that they are that class of offences which did not involve any moral turpitude, but in which the gravamen of the charge is the excessive patriotism of the person convicted. National aspirations have been sought to be suppressed by such prosecutions under the name of law and orders. The Honourable the Home Secretary has laid great stress upon the fact that an offence against the Government established by law in this country is a grave offence. Of course offence against the State is a political offence no doubt. But there are grades of political offences. Offences in which people are convicted for waging war do not stand on the same footing as a conviction under section 124A for a speech which is mainly directed against the Government's policies. These are all matters of common sense and to try to raise legal quibbles and say that the Resolution is so vague and ununderstandable to the intellect of the House is, to say the least, playing the role of a petty fogging lawyer and not to answer points straightly and in the spirit in which they have been urged. Sir, the implications of the Resolution are far-reaching. There is a feeling in the country, a very wide-spread feeling, that the civil liberties of the people have been trampled under foot by these political prosecutions. The Government may have been established by law, but in order to command the affections of the people it must not only be established by law, but also establish its own moral right to govern the people. It must earn the esteem and confidence of the people. The real basis of many of these political prosecutions is either a suspicion of the people or the fear that if they were allowed full play for their civil liberties, then the foundations of the British Government would be somewhat shaken. That kind of suspicion or fear leads to these political prosecutions in most cases. And if we take statistics of the number of convictions for political offences from time to time, we find that the largest number of these prosecutions follow or precede some measure of political reform. The dual policy, as they call it, of giving some reform with one hand and tightening the hold of Imperialism over India with the other hand, is so implemented that every measure of reform is preceded or succeeded by a crop of political prosecutions. If statistics are collected of the prosecutions launched and convictions secured in these cases, with reference to time they will prove that such prosecutions and convictions are most prolific at times when constitutional reforms are or are about to be inaugurated. It was so in 1920-21; it has been so in the last few years. Therefore it is no use pretending that the Home Secretary does not know what exactly we mean on this side by a political offence. Everybody knows it; it has been used both by statesmen and lawyers on more occasions than one. I might in my turn ask him what kind of prisoners he is prepared to release. If he cannot release all political prisoners, will he tell us what kind of political prisoners he is prepared to release. Of course I understand there is some substance in his objection that the term political offence may be vague but let him tell this side of the House what class of offences he is prepared to class as political offences for the purpose of exercising this particular clemency. Are there any cases at all in India which are proposed to be dealt with under the prerogative of the Viceroy to be exercised on an occasion like this? That is the question.

[Mr. V. Ramadas Pantulu.]

one would have liked him to throw some light upon, and not merely content himself with saying "your wording is so wide I do not know what you mean". Analyse it if you like, but tell us how many cases you will include among those which can be dealt with under your clemency powers. If you tell us that you are prepared to go to some extent and if we are satisfied with that, for our part we may not proceed with this Resolution. But your answer is a blank negative. "No, we are not prepared to consider any case in this class of offences except through the machinery we have set up to revise the sentences in these cases from time to time". That is with reference to actual convictions for political offences.

So far as arrest and detention without trial are concerned, the less said the better. The Home Secretary has not made out any case for keeping these people in jail indefinitely for years without bringing them to trial. The first principles of criminal jurisprudence of every civilised country are opposed to such action—and England has a very civilised jurisprudence, and in that country nobody would have tolerated anybody being kept in jail without trial indefinitely for a number of years. My province has been presented by the Government of India with a Princely internee who has been lodged in Kodaikanal for the last 9 years. He was sent there in February 1928 and he is still there, the Maharaja of Nabha. He was not prosecuted; no case was launched against him nor are we told why he has been made a present of to the province of Madras and lodged in the cool heights of Kodaikanal. There is the case of Subhas Chandra Bose and hundreds of others. We are entitled to know why the Government is keeping them in jail for indefinite periods. My Honourable friend the Home Secretary claims that it is the repressive policy of the Government of India that has been responsible for the improvement of the conditions in Bengal and for the suppression of terrorism. I doubt it very seriously. I do not think the Honourable Mr. Maxwell can quote the example of any country which has been able to suppress terrorism by counter terrorism. The repression of the Government of India is only organized and legalised suppression of civil liberties, and in every country where it has been tried crime of that kind has increased instead of decreasing. I claim that the decrease in terrorism and violent crimes is due to the gradual leavening of the moral influences of the Indian National Congress and the policy of non-violence of Mahatma Gandhi. I think in course of time this great moral influence and the preachings of the Congress and of its chief apostle of non-violence will produce the desired effect, and no amount of counter terrorism by Government is likely to lead to good results.

Sir, I am sadly disappointed with the very stiff attitude of the Honourable Home Secretary in this matter. My friend Mr. Ray Chaudhury might have put his demand merely on the right of the people of this country to demand that suppression of political thought by prosecutions and convictions was unjustified, and that prisoners convicted for offences which did not involve any moral turpitude but are only technically political offences under the Penal Code ought to be released as a matter of right and not of clemency. However, he thought that if the executive of this country had done something wrong, they might take the opportunity of the coming Coronation for undoing the wrong they have done. But they have failed to take advantage of it and failed to appreciate the gesture. The Honourable Mr. Maxwell asked, is it the intention of the mover that the people released from the jails should participate in the Coronation of His Majesty the King Emperor? Well, whether the people who are released participate or not, I know that

such a gesture will appeal to the goodwill of the people of India and many more of the people of this country will participate in the Coronation, whether the ex-prisoners do it or not. We for the present are not interested in the Coronation, but the Government of India can enthuse the people of this country over the Coronation of His Majesty by proving their moral right to govern the people of this country not by methods of repression but by methods of goodwill and conciliation. I find a total absence of any such spirit in the Honourable Home Secretary's reply to the Resolution, and I can only express my sincere regret at the attitude of the spokesman of the Government of India in this debate. I hope, Sir, that in spite of all that he has said, he will consider in his calmer moments whether there is a case for releasing many people who are convicted for sedition and such offences not involving any moral turpitude or violence, whose only fault was probably their patriotism and their love of their country.

With these words I support the Resolution and I hope that the Government will not take a merely technical view of the matter but take the spirit of the Resolution and do something to satisfy the legitimate claims of the people of this country.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern: Non-Muhammadan): My Honourable friend Mr. Maxwell used great ingenuity in twisting the Resolution from its natural meaning. He asked us what the word "political" meant. He dealt with a number of crimes of violence, dacoity and murder and so on. He asked us whether we wanted men who had committed such offences, who should be regarded as enemies of society, to be treated as political offenders deserving of clemency. He suggested that there were at present under detention only men who had been guilty of serious offences of the kind I have mentioned. Nobody doubts that in the jails of Government there are a good many people who must be regarded as wicked and whom it is the duty of the State to shut up. But the mere fact that there are men who have committed crimes of the kind mentioned by my Honourable friend Mr. Maxwell does not prove that all the men who have been detained without trial or who have been sent to jail during the last 4 or 5 years have been guilty of such crimes. He ought to have stated how many prisoners came at present under the category of men who had been guilty of serious crimes and whose release ought not to be asked for and what was the number of men of the other kind, men who had been guilty of such offences as sedition, guilty of inciting people against the State, who had been convicted of doing something which can be called rash in the furtherance of the political interests of the country. I am sure that my Honourable friend himself as a private individual often uses the word "political" and attaches a definite meaning to it. Why should it be impossible for him then as an official to understand the significance of the word "political"? Why should he then argue that by asking for the release of political prisoners we are putting a premium on crimes of all sorts? The fact that he is an official ought not to prevent him from being a man.

Now, my Honourable friend argued as if no meaning could be attached to the word "political", that it was a word which was exclusively used by Indian agitators and which had no place in official parlance. Well, my Honourable friend himself admitted that a general amnesty had been given to prisoners on two previous occasions. I remember, Sir, that on the eve of the introduction of the Montagu-Chelmsford Reforms, Mr. Montagu in order

[Pandit Hirday Nath Kunzru.]

to create a moral atmosphere in this country favourable to the reception of the Reforms advised His Majesty to release all those people who had been guilty of political crimes. I do not remember now the exact phraseology of the Proclamation that was issued at that time, but it is enough for our purpose to know that action of the kind now suggested was taken in the year 1920 or 1921. Now, I have yet to learn that the action taken by Mr. Montagu was followed by any undesirable consequences. So far as I know India was quiet for a number of years afterwards. There was recrudescence of crime only when serious political discontent once more began to spread in the country. The action of Mr. Montagu ought to suggest to the officials of the present day what are the lines on which they can usefully take action in the best interests of Government and the country at the present time.

Sir, my Honourable friend gave some statistics with regard to the diminution of terrorist crime in Bengal and triumphantly asserted that the decrease in crime conclusively showed that the action taken by Government had been effective. Was it reasonable to ask to advise Government to abandon their policy just when it had proved most effective? Let us see what is the reply that not a non-official agitator like me but a responsible administrator like the Governor of Bengal gives by implication to the question put by my Honourable friend over there. The Governor of Bengal has not taken the line that the time has not come for the release of any detenues. He of all people ought to know what the effect of the policy of detention without trial has been. Yet, recognising the causes that are at work, seeing that one of the main causes of the present discontent is economic depression, he is taking steps to give such training to the young men under detention as will enable them after their release to earn their livelihood. A number of young men have been already released in Bengal and the authorities issued a statement the other day, I believe, indicating the policy which the Government propose to follow in regard to the further release of prisoners who were still under detention. It is obvious, Sir, from the action that the Governor of Bengal has taken, that he does not think that, whatever the original justification for the policy of detention might have been, it can be adhered to indefinitely.

Now my Honourable friend may say this is all very good. It is true that the detenues in Bengal were released some time ago. It is also true that political prisoners were released before the introduction of the Montagu-Chelmsford Reforms. But is not there a great difference between the situation that prevailed in 1920 and the situation that prevails now? There was some prospect of political peace then. Have we any political peace now? Well, it was problematic in 1920 whether the action taken by Government would succeed in reconciling the people. As a matter of fact it did not, yet nobody has yet asserted—I have not heard any official say in public or in private—that the action taken by Mr. Montagu in any way jeopardised the maintenance of law and order in this country. Besides, as I have said, the Governor of Bengal is at the present time releasing detenues knowing full well what the situation in the country is. With these examples before them, I cannot understand the hesitation of the Government of India in taking generous action on the lines suggested by the Honourable Mover. Nobody suggests that men guilty of crimes of violence should be released. Nobody says that those who have been guilty of throwing bombs and committing dacoities should be shown any leniency. But there are other men who misled by the highest motives adopted wrong courses of action. At the present time, Sir, crime is not supposed to be due to the inherent viciousness of any man. It is largely supposed to be due to the circumstances in which a man lives. In India such

political offences as we have witnessed during the last few years are due part to political and partly to economic causes. Now, you may succeed in stamping it out by policies of the right kind, by making my countrymen feel that they are in a fair way of realising their aspirations and making young men see that Government are prepared to help them in following useful career. If the policy of release is coupled with a recognition of these facts I have no doubt, Sir, that the acceptance of the Resolution moved by my Honourable friend to my left will have the effect of producing tranquillity and gratitude in the country. I therefore give my support to the Resolution of my Honourable friend in the sense which I have attributed to it and in which I am sure he wishes it to be taken.

THE HONOURABLE MR. KUMARSANKER RAY CHAUDHURY: Sir, I do not want to add much after what the Honourable Mr. Ramadas Pantulu and other speakers have stated on the subject of my Resolution. I will simply add that the Honourable the Home Secretary showed some solicitude for those who commit communal offences or offences in the name of religion. I hope it is not due to the fact that these offences are incited by people for whom he might have some sympathy. He then dealt with those who have been detained without trial and wanted to know if they are to be released irrespective of the merits of their case. Our contention is that their cases should have been decided on merits in court and it is for a long time that they have been denied this right by the Government. Then he says amnesty granted on previous occasions have failed. This proves our contention that mere counter-terrorism will not succeed and what is wanted is a removal of the grievances in a generous mood but not in a tardy manner as has been adopted heretofore.

THE HONOURABLE MR. R. M. MAXWELL: Sir, I am glad to hear the Honourable Mr. Pantulu's definition of a political offender. I must say that if we attempted to apply that definition as stated by him to the Indian Penal Code we might find ourselves in considerable difficulties. One of the parts of the definition is moral turpitude. I am wondering at this moment whether the offence of libel would involve moral turpitude or not. I am afraid I am unable to answer that question. Also I am unable for the reasons given in my former speech to accept patriotism as the particular differentia of political offences. It seems to me that, if you allowed any person to defend himself on the ground that any offence he liked to commit was due to the motive of patriotism, you would get back very soon to the position which I described in which any convict convicted by a court would be at liberty to give himself a certificate stating that his motives were excellent. Now, Sir, the Honourable Mr. Pantulu remarked that the improvement in the situation in Bengal was largely due to the association of those formerly professing the terrorist movement with the Congress. I should like therefore to point out certain instances which indicate that this kind of association has not been altogether so desirable. In 1924—this was during the lull which followed the last release of detenues and preceded the further outbreak of terrorist crime which began in 1923—24—in 1924 the Bengal Provincial Congress passed their famous Gopi Mohan Saha Resolution eulogising the man who was executed for assassinating Mr. Day in Calcutta in mistake for Sir Charles Teggart. Later in 1930, again during the lull which preceded the next outbreak, the terrorists in Bengal succeeded in penetrating the Congress in the province and in many places controlling the local Congress Committees. In April 1930 a further outbreak of terrorism was launched by the commission of the Chittagong Armoury Raid.

[Mr. R. M. Maxwell.]

and this raid was organised and led by a gentleman named Surja Sen, the Secretary, and 5 members of the Chittagong District Congress Committee. That, I think, should be enough to dispose of the suggestion that association with the Congress has been wholly beneficial to the terrorist movement in Bengal.

Now, Sir, I turn to the remarks of my Honourable friend, Mr. Kunzru. He referred to an amnesty of some kind which he says took place on the introduction of the Montagu-Chelmsford Reforms in 1919. The only amnesty that I have been able to trace about that date was an amnesty in 1919 but the occasion for it was the signature of the Peace Treaty. If, however, there was any release of which I am not aware—the Honourable Member can correct me if I am wrong—if there was any release about that time which was definitely associated with the introduction of the new constitution in 1920, I should like to ask the House to what extent those releases succeeded in pre-disposing the persons affected by them to co-operative work in the new constitution. At any rate, so far as the detenus were concerned, the releases of 1919 were due to the expiry of the Bengal Criminal Law Amendment Act and they were followed after an interval by one of the fresh outbreaks which I referred to in my earlier speech. That was one of my arguments—that the release at that time of these persons was not followed by a complete disappearance of terrorism and as far as I can make out from the arguments on the other side it should have been followed by that very desirable result.

THE HONOURABLE MR. P. N. SAPRU: The effect of those releases was undone by O'Dwyerism.

THE HONOURABLE MR. R. M. MAXWELL: There is very little more to say, Sir. My Honourable friend Mr. Kunzru also spoke in terms of praise of the action of the Governor of Bengal, and I am glad to see that the Honourable Member appreciates so much the steps which have been taken in Bengal to relieve the lot of these detenus and to use their detention as an occasion for training them to be useful citizens. But if he quotes that against me and says that what I said was that no releases were possible, he has misunderstood what I said. All I said was that the matter must be left to the Local Government, that releases must not be made in an indiscriminate manner merely because there was a Coronation on that date. I am quite confident that if the further handling of the matter is left to the Bengal Government with its very sympathetic Governor, who understands the requirements and is not merely concerned to exercise repression on civil liberties, as one Honourable Member said, but wishes at the same time to improve the lot of these men and make them fit to earn their own living, the House may be satisfied that the matter will be properly dealt with by the local authorities.

THE HONOURABLE THE CHAIRMAN (The Honourable Sir Phiroze Sethna): Resolution moved:

"This Council recommends to the Governor General in Council to submit to His Majesty the King Emperor of India the most earnest and humble prayer of this House that His Majesty should be graciously pleased to direct the release of all political prisoners and those detained without any trial on the happy occasion of His Coronation."

The Question is:

"That that Resolution be adopted".

The Council divided.

AYES—11.

Girdhardas, The Honourable Mr. Narayandas.
Hossain Imam, The Honourable Mr. Kalikar, The Honourable Mr. V. V. Kunzru, The Honourable Pandit Hir-day Nath.
Mahapatra, The Honourable Mr. Sitakanta.
Mahtha, The Honourable Rai Bahadur Sri Narain.

Motilal, The Honourable Mr. Govindlal Shivilal.
Pantulu, The Honourable Mr. V. Ramadas.
Ray Chaudhury, The Honourable Mr. Kumarsankar.
Sapru, The Honourable Mr. P. N. Yuveraj Datta Singh, The Honourable Raja.

NOES—28.

Akram Husain Bahadur, The Honourable Prince Afsar-ul-Mulk Mirza Muhammad.
Basu, The Honourable Mr. Bijay Kumar.
Buta Singh, The Honourable Sardar.
Charanjit Singh, The Honourable Raja.
Chinoy, The Honourable Sir Rahimtoola.
Clow, The Honourable Mr. A. G.
Commander-in-Chief, His Excellency the Devadoss, The Honourable Sir David.
Dow, The Honourable Mr. H.
Ghosal, The Honourable Sir Josna.
Haidar, The Honourable Khan Bahadur Shams-ud-Din.
Hissam-ud-din Bahadur, The Honourable Lt.-Col. Sir S.
Ihtisham Hyder Chaudhury, The Honourable Syed.
Jagdish Prasad, The Honourable Kunwar Sir.

Kay, The Honourable Mr. J. R.
Khurshid Ali Khan, The Honourable Mr. Kirke Smith, The Honourable Mr. A. Maxwell, The Honourable Mr. R. M. Menon, The Honourable Diwan Bahadur Sir Ramunni.
Nihal Singh, the Honourable Sirdar.
Nixon, The Honourable Mr. J. C.
Parker, The Honourable Mr. R. H.
Ray of Dinajpur, The Honourable Maharaja Jagadish Nath.
Russell, The Honourable Sir Guthrie.
Siddiqi, The Honourable Khan Bahadur Shaikh Muhammad Bashir.
Singh, The Honourable Raja Devaki Nandan.
Todd, The Honourable Mr. A. H. A.
Williams, The Honourable Mr. A. deC.

The Motion was negatived.

RESOLUTION RE TAKING OVER OF THE BENGAL NAGPUR RAILWAY UNDER STATE MANAGEMENT.

THE HONOURABLE MR. SITAKANTA MAHAPATRA (Orissa: Non-Muhammadan): Sir, I beg to move:

"That this Council recommends to the Governor General in Council that steps be taken as early as possible to bring the Bengal Nagpur Railway under State management".

Sir, the Secretary of State entered into a contract with the Bengal Nagpur Railway Co. incorporated in England for the first time on the 9th March 1887. In this original contract there was a clause, clause No. 89, which was of more importance than any other clause in the whole contract. Under this clause the Secretary of State had ample powers to take over the administration of the Bengal Nagpur Railway from the Company under State management whenever he considered this step desirable. Clause 89 read like this:

"The Secretary of State may, if this contract shall not have been previously terminated, terminate the same either on the 31st day of December 1913 or on the 31st day of December of any succeeding tenth year by giving to the Company in England not less than 12 calendar months' previous notice in writing of the termination of this contract. The Secretary of State may also, if default be made by the Company in duly paying any sum or sums payable by the Company under the 36th or 38th section of this contract or

[Mr. Sitakanta Mahapatra.]

in the construction and completion in conformity with this contract of any part of the undertaking or any of the stations or other works therein or in the due equipment pursuant to this contract of the undertaking or any part thereof of the rolling stock, machinery or plant, or in case there shall be any breach on the part of the Company, whether by act of volition or default of any of the stipulations or provisions of this contract, or in case the undertaking or any part thereof shall at any time in the opinion of the Secretary of State be in course of gross mismanagement or being or be worked at a loss as shown by the revenue account and have been so worked for not less than 3½ years continuously down to the time at which the Secretary of State shall give to the Company the stipulated termination notice under this present power to terminate this contract by giving to the Company in England 6 calendar months' previous notice in writing of the termination of this contract".

According to this clause the contract would have in the ordinary course terminated on the 31st December 1913 unless renewed on good grounds. Also the Secretary of State had wide powers under the clause to terminate the contract by giving 6 months' notice only. The Bengal Nagpur Railway is working at a huge loss for many years past but the Secretary of State is absolutely powerless at present to take any drastic step. The catering department of the Bengal Nagpur Railway is being hopelessly mismanaged, but the Government can only depend on the goodwill of the Company. Why? Because although according to this clause the contract would have terminated on the 31st December 1913, on the 5th November 1912 the then Secretary of State was pleased to hastily revise the terms of the contract, and this most valuable clause was replaced by a clause of the most mischievous character. The new clause 89 which replaced the old clause reads like this :

"The Secretary of State may terminate this contract on the 31st day of December 1915 or on the 31st day of December of any succeeding 5th year by giving to the Company in England not less than 12 calendar months' previous notice in writing of the termination of this contract".

So the Secretary of State waived all his rights under clause 89 of his own free will. He waived his rights to mend the B. N. Railway administration if the administration indulged in extravagance and placed the Indian exchequer in heavy losses year after year as is the case at present. He is now powerless if the B. N. Railway goes beyond the contract.

Sir, certain facts which came to my knowledge while trying to investigate the facts of this strange action on the part of the Government were a revelation to me. In 1912 the President of the Railway Board in India was a public servant of great eminence, Sir Trevellyn Rashleigh Wynne. He was President of the Railway Board in India from 1908 to 1914, that is for 6 years he acted in as high a position as the Honourable Sir Guthrie Russell occupies today. He retired from Government service in 1915 and immediately after was appointed the Managing Director of the Bengal Nagpur Railway Company. He is still the Managing Director of the Company and also the Chairman of the Board of Directors. Although Sir Trevellyn was perhaps as President of the Railway Board in India in 1912 mainly responsible for the cancellation of the old clause 89 and the substitution of the new clause and although he was on retirement taken in as the Managing Director of the B. N. Railway Company, I do not cast any aspersions on him. I believe he did it on honest motives. I can go further and say that he might have arranged some monetary gain for the Government of India. But what I say is this. Such a thing as this does not look nice. Outsiders, laymen and many people like me who have no experience of big administration might put 2 and 2 together and make 4, I mean 5. Sir, another public servant by name Sir Ernest Bell, who was also a Member of the Railway Board in India, is a Director of the B. N. Railway Company today. Sir George

Godfrey was a very well known figure in the business circles of Calcutta. He too served as a Member of the Railway Board in India for some time. He is also a Director of the Company now. An ex-Governor of the Central Provinces who served as a member of the Indian Council for 5 years is a Director today. Sir Charles Stewart Wilson, who was Director General of Posts and Telegraphs in the Government of India in 1912, the year the clause was changed, is a Director now. Sir, I could get hold of a copy of the latest B. N. Railway time tables only where the names of the present Directors of the Company are given. I believe during the past 50 years many high European officials in India must have found places in the Board of Directors of the B. N. Railway Company. This may be true to the fullest extent in the case of other Railway Companies working in India. Is the reason why the persistent demand of the people of India that the railways in India shall be nationalised and the recommendations of the Acworth Committee in favour of it are turned down by the Government very difficult to find out? I know the Government of India is powerless today to take over the B. N. Railway under State management, but they can tell the House today that there has been no departure from the policy under which the East Indian Railway and the G. I. P. Railway were taken over under State management and assure the House that the earliest opportunity to take over the B. N. Railway under State management will be availed of.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern : Non-Muhammadan) : Mr. President, I do not think at this hour I shall be justified in making a long speech on the question which has been raised by the Honourable Mr. Mahapatra, but, Sir, I desire to just say one or two things in regard to the management of the Bengal Nagpur Railway and it is those things which determine my attitude towards the Resolution of the Honourable Mr. Mahapatra. I desire to refer to the recent strike on the Bengal Nagpur Railway and the way in which that strike was handled by that Railway Administration. It took that Railway Administration 60 days to have the strike settled and after the strike was settled recognition from the Union was withdrawn. The Administration had no objection to negotiating with the Union while the strike was going on. It negotiated with Mr. Giri while the strike was going on. Mr. Giri is a most moderate man and I have full confidence in Mr. Giri, but the point remains that Mr. Jarrad, the Agent of this Railway, had no objection to negotiating with Mr. Giri while the strike was going on. He approached it with certain terms and after those terms had been arrived at, after the strike was over, after the men had resumed their work, he withdrew recognition from the Union. Well, Sir, I say—and I say deliberately—that this is not playing the game. I say, Sir, that an administration which can treat its workers in that fashion does not deserve the confidence of the public or of this House. The administration of the Bengal Nagpur Railway, from all that one hears, is run in the interests of exploiting interests; it is not done in the interests of the tax-payers or of the workers of this country. Sir, I know—and I have been supplied with—a number of facts. I would not like to weary the House with a recital of these facts, but I can supply these facts to the Honourable the Chief Commissioner after the Council sitting. Workers who took part in the strike are being victimised. They were told that there would be no victimisation after the strike was over. Why cannot the pledges be kept? Why did you make promises when you had no intention of fulfilling those promises. That is not the way in which the Administration of a big Railway ought to behave towards its workers. Sir, these are reasons which determine my attitude towards the Bengal Nagpur Railway. Now, Sir, I have, as I said, a long list of grievances. I find that leave is not granted

[Mr. P. N. Saprú.]

to the staff in time in even urgent cases. There have been cases when a man's father has died or when a man's mother has died and when he wanted leave the leave was not granted because he happened to be what the Agent considered a rebel. He was a Trade Union official. What is the policy of this company towards their unions? Do they want to encourage collective bargaining or not? I think the policy which the Railway Administration should follow towards unions was laid down by the Whitley Commission and I should have thought that this Administration would follow those recommendations, but the spirit of the Whitley Commission's recommendations are being violated by this Administration. Also, Sir, as far as I know this Administration has taken no steps to implement the Washington Convention in regard to hours of work. Workers on this Railway cannot get leave on occasions of marriages. I am told that at one particular station there was no holiday given to the workers on the occasion of the Shivrathri. Shivrathri festival is a very important festival. It is one of the most holy days among the Hindus and that is how the Administration is behaving towards workers. This Railway has no confidence so far as the Indian public is concerned. Our men in Northern India suffered very heavily on account of the strike. Cawnpore merchants were all the time grumbling at the way in which the strike situation was being handled. The sooner the Administration is taken over by the State the better for all concerned. I wish therefore to give my very strong support to this Resolution. Contract or no contract, period or no period, we want this Administration to be brought under the control of the Government of India and if the Government of India are wise, and if they care for Indian opinion at all, they will take it over immediately. Sir, with these words, I give my strong support to the Resolution.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan): Mr. President, I do not wish to prolong the discussion. The only matter which emerged from the debate is the question as to the real basis on which the contract was changed in 1912. It may seem, Sir, very late in the day to ask in 1937 what had happened in 1912. But the reason why we have brought this Resolution is that a contract can be entered into between the Secretary of State and the Railway Companies even before the date of the termination of the original contract. It is always within his purview to enter into a contract and being responsible to nobody in India, he sells our birth-right without even informing us that such and such thing is happening and the reasons thereof. If this thing happened in 1912, there is nothing which can prevent him from doing a similar thing in 1937. We want an assurance from the Government that no contract will be entered into giving further lease to the Bengal Nagpur Railway until this House and the other place has had an opportunity of discussing the contract that might be proposed. This is our first demand. Our second demand is that in the matter of administration and amenities for passengers as well as in the fixation of rates, the Railway Board and through them the Legislature should have some voice in this company-managed Railway. On a Railway on which crores and crores of Indian money are at charge, we have no voice. The company has contributed scarcely even one-tenth of the capital that is lent by the State; now, a person who has contributed less than a tenth part cannot say to the 9/10ths holder that you can have no say in the matter. If it is not possible to do so under the present contract, it is always open to the Secretary of State to negotiate with the company to get some control, because whenever companies are in trouble the Secretary of State is very obliging and will accommodate the companies. The question is whether the Secretary of State is going to be as obliging to the

Indian public or not. If the Honourable the Chief Commissioner will tell us that it is impossible, we will know that our fears were right; but the Secretary of State can never be moved in the interests of India and that will give some handle at least to the Party to which my Honourable friend Mr. Pantulu belongs. Mr. Saprú has brought forward some points about labour. They also want some assurance from the Chief Commissioner that things like that will not happen in the future. With these words I support the Resolution.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan): Sir, I rise to support the Resolution. My object in supporting the Resolution is that now as we are having a new constitution and as the Railways will not be under the control of either of these two Houses, I think it is our duty to impress upon the Government that every company-managed railway ought to be purchased by them because money is very cheap now and the cheapness of money in England in particular is unprecedented.

Sir, we want the country to develop and Railways should not be treated as purely money-making machines. The object of the railways is to develop the country agriculturally as well as industrially and when all the railways will be owned by the State, it will be very easy for Government, in case they do really mean to develop the country in the interests of India, to have railway freights under their own control. As far as the question of premature purchases is concerned, I am not a lawyer and so cannot throw any light on the subject, but in case there is any flaw in the agreement you should buy it at once. It is a great pity that the Government for reasons best known to them have not seen their way to acquire the B. & N.W. Railway and the R.K. Railway and the Southern Marhatta Railway, for which Government of India will soon repent.

THE HONOURABLE SIR GUTHRIE RUSSELL (Chief Commissioner of Railways): Sir, after hearing the Honourable Mover's speech I felt rather mystified why he had moved the Resolution because he stated right away that the Secretary of State was powerless to terminate the contract. Actually the contract cannot be terminated till 1950, and well, we can do nothing. Then he started off by asking for the reasons why in 1913 the contract was altered and extended to 1950. That happened 25 years ago and I do not know the reasons but I have no reason to disbelieve that it was done for what were considered good and sufficient reasons at that time.

Then again I wondered why this Resolution had been moved. For a moment I thought it was to cast aspersion on Sir Trevedyan Wynn, who was Chairman of the Railway Board at the time and who is now Managing Director of the Bengal Nagpur Railway. But again the Mover said—no, he quite believed that at the time the contract was altered by Sir Trevedyan Wynn for quite honest reasons. Then he talked of Sir George Godfrey. To the best of my knowledge Sir George Godfrey was never a Member of the Railway Board. (*An Honourable Member*: "He was for a time—in 1919".) Then he talked of Sir Benjamin Robertson. Presumably the point he wished to make was that retired government officials could not run a railway. Now, as to the policy of Government. I think it was Mr. Hossain Imam who said, before any extension of this contract was given this House and the other House should have an opportunity of discussing the policy. Well, I am afraid it is quite impossible for me to commit Government 13 years ahead. But as the House knows, the policy of Government is, when a contract is about to fall in, to go into the pros and cons and decide whether it would be advantageous from the financial point of view, the administrative point of view and other

[Sir Guthrie Russell.]

points of view to take it over and place the railway under State management. This was done in the case of the M. and S. M. Railway. We gave the M. and S. M. an extension of 8 years and for that 8 years we get about 20 lakhs more than at present. We also considered the contract for the Bengal and North Western and the R. and K. Railway. We failed to get any better terms and we decided that it was advantageous to let them carry on for another 5 years.

Then Mr. Sapru made an attack on Mr. Jarrad and the administration of the Bengal Nagpur during the recent strike. I may tell the House that I have had complaints myself that the terms agreed upon have not been implemented and I am waiting for certain information and I can assure the House that if there is any conclusive proof that the terms have not been implemented, that will be taken up with the Agent of the B. N. Railway to see if things can be put right.

Now, Sir, I do not think I need say very much more. As I have already said and as the Mover has himself explained, we can do nothing. We cannot take over the Railway unless by private negotiations and as far as I can see I do not think we could get any terms which would pay Government. Therefore, I am afraid I must oppose the Resolution.

THE HONOURABLE MR. SITAKANTA MAHAPATRA: Sir, I have very carefully listened to the speech of the Honourable the Chief Commissioner for Railways. It seems the speech was given to Sir Guthrie Russell to conceal his thoughts. The other day.....

THE HONOURABLE SIR GUTHRIE RUSSELL: Sir, the other day the Honourable Mover said he was not going to move this Resolution.

THE HONOURABLE MR. SITAKANTA MAHAPATRA: The other day I had the privilege of hearing the Honourable Mr. Nixon in his reply to the Resolution moved by my esteemed friend the Honourable Mr. Sapru. I thought that that speech would be a record for a reply containing airy nothing. But another distinguished Member of this House from the Treasury Benches has successfully challenged the record within three days. I sincerely congratulate him.

Sir, this time I am not surprised at the reply of the Honourable the Chief Commissioner. He could not possibly have told us anything else or anything more. The Railway Board or for the matter of that the Government of India are mighty afraid of the very powerful Directors of the Bengal Nagpur Railway. It is possible that some of them might be personal friends of the Right Honourable Lord Zetland. I fully realise the position of the Honourable the Chief Commissioner.

Sir, as for Mr. Sapru's question. I think from personal knowledge Mr. Jarrad is a good but very weak man. He has two very bad advisers in Mr. Gahan, the Commercial Traffic Manager, and his Secretary, Mr. Upsdell. I am sure Mr. Jarrad would never have had recourse to victimisation had he his own way but he is always overwhelmed by these two persons.

Sir, I do not wish to press my Resolution as I do not expect anything from the Honourable the Chief Commissioner. With your permission, therefore, I would beg leave of the House to withdraw my Resolution.

The Resolution was, by leave of the Council, withdrawn.

RESOLUTION RE INDIANISATION OF THE ROYAL INDIAN NAVY.

THE HONOURABLE THE CHAIRMAN (The Honourable Sir Phiroze Sethna): I may inform Honourable Members that it is already 1½ hours more than the regular time for which we sit, which is 4 O'clock. Honourable Members have other engagements. In the first place, the elected members have to meet and elect two out of their number to serve on the Court of the Delhi University. That has to be done immediately after this meeting. Again, Honourable Members have two other engagements, one this afternoon and another early in the evening. I think therefore that perhaps this will be the appropriate time to close our proceedings. But before doing so, I will call upon the Honourable Mr. Kalikar to read the Resolution which stands in his name, No. 4 on today's agenda paper, so that if he moves it today, he will be able to speak on it at the next meeting of the Council.

THE HONOURABLE MR. V. V. KALIKAR (Central Provinces : General): Sir, the Resolution that stands in my name runs thus :

"This Council recommends to the Governor General in Council to take necessary steps to accelerate the pace of Indianisation of the Royal Indian Navy."

The Council then adjourned till Eleven of the Clock on Wednesday, the 17th March, 1937.

COUNCIL OF STATE.

Wednesday, 17th March, 1937.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

QUESTIONS AND ANSWERS.

STEPS TAKEN BY THE GOVERNMENT OF INDIA AND PROVINCIAL GOVERNMENTS
IN TACKLING THE QUESTION OF EDUCATED UNEMPLOYMENT.

75. THE HONOURABLE RAJA YUVERAJ DATTA SINGH: (a) Will Government be pleased to state what steps have been taken by the different Provincial Governments in tackling the question of educated unemployment and with what results ?

(b) Will Government be pleased to state the steps that have been taken or are contemplated to be taken by the Government of India with regard to the tackling of the question of educated unemployment in this country and with what results ?

THE HONOURABLE MR. A. G. CLOW: (a) I regret that it is not possible for me to give, within the limits of a reply to a question, the particulars required. The inquiries made in various provinces run into bulky volumes with many recommendations, and even if the necessary particulars were available the various steps taken could not be covered in a reply. I might mention however that special Committees have been appointed from time to time in Madras, Bengal, Bombay, the Punjab, the United Provinces, Assam and Bihar and their reports have been published.

(b) The attention of the Honourable Member is invited to the reply I gave to parts (a) and (c) of the Honourable Lala Ram Saran Das's question No. 60 of the 28th September 1936.

THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL: I heard the Honourable Member say that it is not possible to give a reply to that question

THE HONOURABLE THE PRESIDENT: You are not to argue when you put your question.

THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL: Why is it not possible to give a reply ?

THE HONOURABLE MR. A. G. CLOW: I am sorry if my reply was not audible. I said it was not possible to give a reply within the limits of a reply to a question, because the information which the Honourable Member is asking for is contained in an enormous number of recommendations in various Provincial Committees' reports, and it would take a whole volume at least as large as those reports in order to give a proper reply.

THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL: Could not a summary be given?

THE HONOURABLE MR. A. G. CLOW: I do not think it is possible to summarise them within the limits of an answer to a question. If I were allowed a speech of half an hour or more I could probably endeavour to summarise them.

NUMBER OF NON-INDIAN AND INDIAN OFFICERS EMPLOYED IN THE CIVIL AVIATION DEPARTMENT.

76. THE HONOURABLE SHAIKH MUSHIR HOSAIN KIDWAI: How many non-Indian and how many Indian officers, Hindus and Muslims, are employed in the various grades in the Civil Aviation Department, and what is the pay they respectively get?

THE HONOURABLE MR. A. G. CLOW: A statement giving the information is laid on the table.

Statement of Gazetted Officers in the Civil Aviation Directorate.

Posts.	Pay.
EUROPEANS—(16).	
1 Director	Rs. 2,300+£30 O. P.
1 Deputy Director	Rs. 1,050+£30 O. P.
2 Technical Officers	One on Rs. 1,000. One on Rs. 1,200.
2 Engineer Officers	One on Rs. 1,370. One on Rs. 775+£25 O. P.
1 Chief Inspector of Aircraft	Rs. 1,944.
1 Chief Aerodrome Officer	Rs. 1,125+£30 O. P.
2 Aircraft Inspectors	One on Rs. 775+£25 O. P. One on Rs. 675+£25 O. P.
6 Assistant Aircraft Inspectors	Two on Rs. 600+£15 O. P. each. Four on Rs. 525+£15 O. P. each.
HINDUS—(21).	
1 Administrative Officer	Rs. 850.
1 Assistant Aircraft Inspector	Rs. 525.
5 Aerodrome Officers	Three on Rs. 475 each. One on Rs. 250. One on Rs. 425.
14 Assistant Aerodrome Officers	Twelve on Rs. 215 each. Two on Rs. 200 each.
MUSLIMS—(2).	
1 Aerodrome Officer	Rs. 375.
1 Assistant Aerodrome Officer	Rs. 215.
OTHERS—(4 Anglo-Indians, 2 Sikhs, 1 Parsi, 2 Indian Christians).	
1 Superintendent	Rs. 680.
1 Assistant Aircraft Inspector	Rs. 475.
2 Aerodrome Officers	One on Rs. 375. One on Rs. 250.
5 Assistant Aerodrome Officers	Rs. 215 each.

AUTHORITY COMPETENT TO TAKE COGNIZANCE OF BREACH OF SUBSIDIARY RULES TO GENERAL RULES MADE UNDER SECTION 47 OF THE INDIAN RAILWAYS ACT.

77. THE HONOURABLE SHAIKH MUSHIR HOSAIN KIDWAI: Will Government please state the authority competent to take cognizance of and inflict punishment on breach of subsidiary rules to General Rules made under section 47 of the Indian Railways Act?

THE HONOURABLE SIR GUTHRIE RUSSELL: The authority would vary according to the rule that may be infringed.

ABOLITION OF PREFERENTIAL DUTY ON INDIAN PIG-IRON ENTERING UNITED KINGDOM.

78. THE HONOURABLE MR. HIRDAY NATH KUNZRU: (a) Has the Ottawa Trade Agreement been abrogated or will it remain in force pending the negotiation of a fresh agreement between England and India?

(b) Did Indian pig-iron entering the United Kingdom enjoy a preference of 33 1/3 per cent. under the Ottawa Agreement?

(c) Has this preference been recently abolished by the British Government?

THE HONOURABLE MR. H. DOW: (a) I would invite the Honourable Member's attention to the Press Communiqué issued in this connection on the 19th October, 1936, copies of which are in the library.

(b) Indian pig-iron is entitled to entry free of duty into the United Kingdom under Article 1 of the Agreement, but there is no undertaking to grant Indian pig-iron any degree of preference.

(c) Does not arise.

THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL: Is any time limit fixed for the conclusions of the negotiations for a trade agreement?

THE HONOURABLE MR. H. DOW: On that subject the communiqué to which I have drawn the Honourable Member's attention is quite clear.

THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL: There is nothing said.....

THE HONOURABLE THE PRESIDENT: If you want to put a proper question, put it please.

THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL: Is there anything said about it?

THE HONOURABLE MR. H. DOW: I will read the relevant portion of the communiqué. It says:

"It has been agreed by the two Governments that pending the conclusion of a new agreement the 1932 agreement shall continue in force subject to termination on three months' notice by either side, unless it is replaced by a new agreement."

THE HONOURABLE MR. V. RAMADAS PANTULU : Is any time fixed for concluding the new agreement ?

THE HONOURABLE THE PRESIDENT : I think what the Honourable Member has said is quite definite enough.

We will now proceed with the Resolutions.

RESOLUTION *RE* INDIANISATION OF THE ROYAL INDIAN NAVY —contd.

THE HONOURABLE MR. V. V. KALIKAR (Central Provinces : General) : The Resolution* that I moved on Monday last is in the following terms.

THE HONOURABLE THE PRESIDENT : You need not read it again ; all the Honourable Members have it before them.

THE HONOURABLE MR. V. V. KALIKAR : Very well, Sir. With your permission I propose to give in brief the history of the Indian Royal Marine and the Indian Royal Navy which has been recently created in India. In 1812 there existed a Naval Force in India controlled and paid by the East India Company. In 1862 it was decided that the Naval Defence of India should be taken over by the Royal Navy and a non-combatant force was to take the place of the Naval Force of India. In 1884 by an Act of Parliament the Royal Indian Marine was established and that Marine was incorporated in the Royal Navy for purposes of war in the first year of the great war. After that the question was examined by the Government of India with the assistance of Lord Jellicoe and from 1922 to 1924 the question was further examined by various Naval Commanders-in-Chief. Then a pronouncement was made in this House of establishing a Royal Indian Navy by the then Viceroy while a similar pronouncement was made in the other House by the then Commander-in-Chief. After that a Departmental Committee was appointed under the Chairmanship of late Lord Rawlinson and the question of taking Indians in the Navy was decided by that Committee. The ratio decided by that Committee, which exists at present also, was 1 Indian officer to 2 British officers. Then the Government of India Act was amended by Parliament and after that a Bill was introduced in the other House in 1928 to apply the Navy Discipline Act of Great Britain to India with certain modifications. At that time, Sir, the Bill was defeated in the other House and then after that a further Bill of the same nature was introduced in 1934 and after giving some assurances the Bill passed successfully in both the Houses. That is in short the brief history of the Royal Indian Navy of India.

The Squadron consists of 5 sloops, one patrol craft vessel, one survey ship and one depot ship. There are two branches of the officer service. One is executive branch and another is engineer branch, and from the Administration Report of 1934-35 I find that the total strength of the cadre was then 118 officers. From the budget estimates I find that the officers' number has been increased and now there are 175 officers. I shall read one sentence which gives the number of officers from the budget estimates :

"The combatant strength of the force consists of 126 officers, 49 warrant officers and 1,284 ratings."

* "This Council recommends to the Governor General in Council to take necessary steps to accelerate the pace of Indianisation of the Royal Indian Navy."

The functions of this Navy are as follows :

"Training of personnel for service at sea in war.

Organization of the naval defences of Indian coasts and harbours for the protection of trade in Indian waters in time of war.

Marine survey work in Indian waters.

Sea transport work for the Government of India, i.e., all arrangements afloat for the conveyance of troops, animals and stores for Government."

Now, Sir, during the debate on the Bill which I referred to just now in 1934, Mr. Tottenham and Sir Philip Chetwode gave us assurances to the effect that if the Bill is passed the pace of Indianisation would be accelerated. When the Bill was first introduced in the other House there was opposition, but in order to tone down the opposition the Government gave an assurance that if the House passed the Bill the ratio would certainly be increased. Mr. Tottenham said in the other House at that time that if they were to reject the Bill we would not do any service to the cause of Indianisation, but we would be doing an extreme disservice to the cause of Indianisation. Sir, with your permission, I shall read one or two sentences from his speech in the other House. He said, first :

"By all means continue to press us in season and out of season for an increase in the rate of Indianisation. We will do so when we can."

He further said :

"On the other hand, I believe that the passage of this Bill will stimulate interest in the matter and will help to encourage young men in India of the class that we require to come forward for the Royal Indian Navy. It may be that the number of vacancies per annum is very small, not more than two. It is possible that we should be well advised to seek other sources of entry besides the open competition or possibly even confine recruitment to the boys from the mercantile marine training ship 'Dufferin'."

He further said :

"The point that I wish to make and the point that I am perfectly sure about myself is that the conversion of the Royal Indian Marine into the Royal Indian Navy is going to promote the cause of Indianisation and that the failure to convert the Royal Indian Marine into the Royal Indian Navy is going to damage the cause of Indianisation."

This was the assurance given on behalf of the Government in the other House. Sir, now I will read a sentence from Sir Philip Chetwode's speech, in which he said :

"The ratio of 1 to 2 has nothing sacred about it. But we are now putting it into force, and as a matter of fact Admiral Walwyn has more than once recommended that it should be increased. He considers that the Indian has already shown himself fit for an increase on that. When he says it, that will be considered and I hope brought about before very long. He is our expert."

The House will now see from the extracts that I have read just now that the position of the Government was made then clear on this point and that is that if we pass the Bill they would surely increase the pace of Indianisation in the Royal Indian Navy. We have waited for nearly 3 years. The Bill was passed in 1934, October, and we waited and waited long to see what steps the Government were going to take in this matter. But so far as my information goes and if my information is correct, I find that they have not taken any steps up till now to change the ratio or accelerate the pace of Indianisation. I find, Sir, that in 1934 there were 3 Indian officers in actual service and 11 under training. In 1934-35 I find that there were only 5 Indian officers in actual service and nearly 13 were under training. Now, Sir, the argument that is likely to be advanced for not increasing the ratio would be that they do not get suitable candidates. I think, Sir, this theory has already been

[Mr. V. V. Kalikar.]

exploded. I do not want to give, in support of my argument that there are a number of good and suitable Indian youths who desire to take to sea life provided you give them facilities, the views of Indians whom you may consider biased, but I want to give the views of an Admiral who was at the head of this Indian Marine in 1934 and I am very glad to state before this House that he has given a very good certificate to the young men of India and has stated clearly that you can find fit young men for this Service in large numbers. Vice-Admiral Sir Humphrey Walyn, who was in India till lately, said :

"I went straight to the Punjab and got some Punjabi Mussalmans, magnificent, first class fellows, but men who had never seen the 'dark water', the sea. I got them down, and with the loyalty of the officers and men got the show going again, started training schools, gunnery and engineering, and very soon they had their tails up and things took shape in a wonderful way. The women of India came forward wonderfully; they pushed the boys in. If I wanted sixty boys in a half year, I got a thousand, all first class, with the standard qualifications. Some of these Indians were over here at the recent Naval Review and made tremendous friends of the Royal Navy."

I submit, Sir, that this is not the view of an Indian who is likely to be prejudiced in the cause of India but this is the view of an officer who had to deal with these men when he was commanding the Royal Indian Navy. Then, Sir, even Lt.-Col. Lumby certified to the fitness of our young men and stated in the other House during the last debate over this Indian Navy Bill that the cadets he got from the *Dufferin* were excellent and did very well as officers of the Royal Indian Navy. If that is the position, Sir, I fail to understand why Government did not move in this matter and did not try to fulfil their promises which they had given then.

Now, Sir, it was also stated at that time and it is likely to be said on this occasion also, that a large number of boys had not appeared for the competitive examination. I find, Sir, from the Report that for two vacancies in the year 1934-35 as many as 41 boys appeared. For three vacancies in 1935-36 as many as 26 candidates appeared. So you cannot say that you do not get a sufficient number of young boys of the requisite qualification for this service. Now, I want to read a sentence from the report of the Interview and Record Board who have also given a very good certificate to our Indian youths. The House knows, I believe, that the boys who appear before this Interview and Record Board have to satisfy the Board about some qualification and this is the report :

"The general standard of the boys was good. Educationally and physically they appeared of the proper type."

With these extracts, I now submit, Sir, that the Government have practically no case to oppose our demand. You have given promises to us that you would increase the ratio. There is nothing sacred about the ratio. You said you would increase the ratio if you found a sufficient number of boys with the requisite qualification. I have proved to you from your own record that you can get a sufficient number of boys of the requisite qualification for entering into the Naval Service. I have proved to you from the certificate given to the youths of my country by your own people that boys of requisite qualification are available. Then, Sir, I submit if you have not done anything in the matter you have failed in your duty and you have not been able to fulfil the promises that you gave us in 1934. Sir, before 1934 many of the guardians of these young boys even did not know what a Royal Indian Navy was. Many of them suspected your motives. My personal experience of the Dehra Dun cadets is that many of the youths who got training and joined the University

Training Corps suspected your motives. When I moved my last two Resolutions in this House about the Dehra Dun cadets I was told by my friends in my province that the Government would not increase the ratio, no matter how much I talked in this House. I tried to create enthusiasm in them so that they should appear for the examination and so that they should enter the Military Academy at Dehra Dun. Now I give you an opportunity of fulfilling your promises and giving a lead to the youths of India to take to sea life. Before 1934, many of these young boys did not like to appear at your examination because they did not know about the existence of a Royal Indian Navy in India. They thought that the proportion was too small and that you would not take more boys even though they may incur all the expenditure and may be already even for taking your training in England. Sir, I find that the expenditure that the parent of a boy who wants to go to this service has to incur is Rs. 17,030 in 5 years. Even in spite of this, for 2 or 3 vacancies so many boys come in. That shows that the guardians of youths are taking a very keen interest in the Indian Navy and they want their boys to enter this service so that they may have an opportunity of taking training in this service and of defending their country from foreign invasion. I do not want to say any harsh things, but I want to impress on the mind of the Government that if they fail in their duty of giving a lead to the youths of my country, they will in course of time begin to lose confidence in them. Many of them have already lost confidence in you. It is now for you to fulfil your promises. It is now up to you to see that no injustice is done to the youths of this country. Sir, when I was reading a summary of important matters connected with defence which was circulated to us, I found in one of those pamphlets that they say that this is purely and mainly an Indian Service. When we find that out of 175 officers there are only 18 Indian officers, can we really call it an Indian Service? You have engaged Indians for minor works, but you will not engage Indians as officers. I will not be wrong if I say that you do not want to engage Indians because you do not trust them. You cannot take up that position when you want India to attain Dominion Status or Swaraj, whatever it is called. When Britishers wanted to form a Colonial Navy, I remember various inducements were given to the youths of the Colonies by way of creating Cadetships, allowing them to enter your Navy for training, and so on. All these facilities have up to now been denied to Indian youths. If you are true to your words, if you mean to do what you have said, then I submit that this is an important occasion when you have to make up your mind and give the youths a proper lead. I may perhaps be opposed in my demand, but I want to appeal to the House not to mar the enthusiasm of the youths of India. The House consists of elderly statesmen and the Indian youths who desire to take up the defence of their country look to the House for guidance in this matter. I therefore submit that there ought to be no political considerations in supporting or not supporting this Resolution. I do not say that unsuitable youths should be taken in the service. That is far from my intention. But I do say that if you can get a sufficient number of youths of the requisite qualifications, it is your duty to give the youths a lead in the matter and help their case. I therefore submit that the House should accept my Resolution. Sir, I move.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern : Non-Muhammadan) : Mr. President, I should like to give my strong support to the Resolution which has been moved so ably and so eloquently by the Honourable Mr. Kalikar. The request which is embodied in the Resolution is not an unreasonable one. What Mr. Kalikar wants His Excellency to do is to take necessary steps to accelerate the pace of Indianisation of the Royal Indian Navy. When the Indian Naval Bill was before this House in 1934,

[Mr. P. N. Saprū.]

some of us had objection to that Bill but we did not press our objection to that Bill because of the very definite assurance given by the then Commander-in-Chief, His Excellency Sir Philip Chetwode, that at no late date the pace of Indianisation so far as the Indian Navy is concerned would be increased. He said that there was nothing sacred about the ratio. Now, Sir, we have now, out of a total of 175 officers, only 18 Indian officers. If we go on at this rate, how long will it take for us to Indianise the Indian Navy? If India is to become self-governing, then she must be in a position to undertake her own defence; she must be able to defend her frontiers and she must be able to defend her sea frontiers also. Therefore, the question of Naval Indianisation is a very vital question from the point of view of those of us who wish to see this country free. The Honourable Mr. Kalikar has shown that you have had a good response from Indian youths so far. He has referred us to the opinion of the Naval Commander-in-Chief. He has spoken in the most excellent terms about the material from the Punjab and particularly he has referred to the excellent material which they get from the Punjab Mussulmans. Then the Honourable Mr. Kalikar has also invited our attention to the opinion of Colonel Lumby, who has certified to the fitness of our young men. We find also that for one or two vacancies that you have annually the number of young men who appear is very large and is growing larger every year. I therefore submit that it is not unreasonable to say that young men are forthcoming for this Naval career. Guardians are taking a great deal of interest in the Navy. We say it is possible for you to accelerate the pace of Indianisation so far as the Navy is concerned. At the present rate I think it will take 100 years for the Indian Navy to be Indianised. Surely you cannot expect this country to wait for self-government for 100 years. Therefore it is important that early steps should be taken to accelerate the pace of Indianisation. There was a time when India was a great maritime country. We had our ships and we had our relations with neighbouring countries. We had a greater India at one time. You can read the history of Indian maritime activity in such books as Dr. Radha Kamal Mukerjee's "History of Indian Shipping". Well, Sir, we lost our independence and when we lost our independence we lost control over our Navy also. But you have given us an assurance that you will lead us on to freedom, and what we are asking you to do is to implement the pledge which you have given to this country and to approach this vital question from the point of view of the pledges that you have given to us. I should like His Excellency to explain to us what the administrative difficulties are which make it impossible for him to accelerate the pace of Indianisation. These administrative difficulties are always trotted out. It is always said the Indian is inefficient. But when you give the Indian a chance he shows that he is not inefficient. You did not have any Indian in the Navy until 1920 and if we had asked that a single Indian should be taken into the Navy you would have said, it is no use having Indians in the Navy; they are not likely to make good Naval officers. That argument is always advanced and I say there is no reality about it, and if I may say so without meaning any offence, it is not an honest argument. The honest fact is that there is no desire to accelerate the pace. If there is such a desire, the pace can be accelerated. We therefore cannot be too strong in our insistence that the pace should be accelerated. We have Indians in the civil departments of the administration who are giving a very good account of themselves. I know, Sir, that there was a time when in the Educational Service Indians were not given a chance. Men like Dr. Ganesh Prasad in our own province had to retire as Provincial Service men, and the argument advanced was: "Well, the Indian is not educationally as good as the Britisher. He is not academically as good as the Britisher. Some initiative-

is needed and a broad perspective is needed, and these are the monopolies of our British friends". Then we had the Montagu Reforms. Education came under our control. Ministers endeavoured to Indianise the Educational Service and now in the Allahabad University I am proud to say that we have no Englishman; not that we do not like to have Britishers if we can get competent Britishers, but we have competent men in our own country and they have replaced the Britishers. Well, I think what is true of the Educational Service, and of the Civil Service and of the Engineering Service is also true of the Defence Service. It is only when you give a man a chance that you can find out whether he is competent or not. If you deny him the chance of serving his country in a Naval capacity, then he will never be able to show that he is fit to serve his country in a Naval capacity. You first deny him the chance and then you turn round and say: "Well, you won't make a Naval officer. It is no use my giving you a chance. I know all about your country and your past and you are not likely to make a good Naval officer. Why therefore should I give you a chance at all?" Well, I say that argument does not appeal to us. I am putting it very mildly. The assumption of racial superiority on which these arguments are based is one which we on this side absolutely repudiate. We are not impractical visionaries. We know the difficulties in our way, but we think, and I think rightly, that the pace can be increased, that if there is seriousness and if there is earnestness and if there is desire to increase the pace, the pace can be increased. Therefore we would ask His Excellency to approach this question from our view point, from the view point of Indian young men and Indian parents. We have the ship "Dufferin" and we find that young men who are trained by the "Dufferin" are experiencing difficulty in getting employment, and these cadets have made quite good officers. I think there is plenty of material if you will look for that material. Therefore with these words I give my very strong support to the Resolution of the Honourable Mr. Kalikar.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadian): I rise to support the Resolution and I would like His Excellency the Commander-in-Chief to kindly let us know whether the Naval officers recruited from Indian classes will have any inferiority stigma attached to them, as is the case among Army officers. Sir, it pains me to find that in the Army instead of the pace of Indianisation having been increased the facts show that reverse is the case and instead of increasing the pace of Indianisation the pace of de-Indianisation has largely increased. I proved this by quoting figures which appeared in the Blue Books of the Army Department in which as many as about 200 Indian officers were decreased instead of an increase during the last year. Sir, there is a feeling among the public that the British War Office wants to reverse this policy. Sir, if I am wrong in this respect I hope His Excellency the Commander-in-Chief will put me right, so that this wrong impression in the public mind may be set right. Sir, my Honourable friend Mr. Saprū has explained that Indian sailors are as good as any other sailors in other parts of the world. In the olden days and even in ancient times Indian sailors have been carrying on trade by boats between India and distant foreign countries and even the sea pirates of India were not less skilled than the pirates in other countries. A sea pirate can be compared with a dacoit and although his intentions may be wrong he is a man who works with courage and skill and Indian sea pirates attacking steamers and looting them shows that they are skilled in navigation and they can succeed in capturing boats and in looting their cargo and valuables. Sir, a due tribute has been paid to the Punjab province by the Admiral Commanding Indian waters and I am glad to find that one of my distant relations got into the Navy as a cadet last year standing first in order of merit. (Applause). Sir, similar has been

[Lala Ram Saran Das.]

the case in the case of "Dufferin" cadets who unfortunately are now finding difficulty to get into the British Navigation Companies, particularly in the P. and O. and British India Steam Navigation Companies. Sir, I must say that the Government are rather showing indifference in this connection as this very fact of the British Companies who have mail contracts with the Government of India refusing or restricting admission to their Navigation Companies shows that they do not freely want to take Indians. Therefore, in case the rumour to which I have referred is not right, Government should take practical steps and give assurance on the floor of this House that they really mean to increase the pace of Indianisation in the Navy as well as in the Army. With these words, I strongly support the Resolution.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, if I may say so, I consider that the Honourable Mover has made quite a reasonable case, but I hope after he had heard what I am going to say that he will agree that some of the arguments he has found it necessary to make to strengthen his case need not have been made. Well, it is hardly necessary for me to remind the House of two facts. Firstly, that the Royal Indian Navy itself has only been in existence as a Navy for a little over two years and has only been a combatant service for about 11 years. Secondly, that at present it is a very small service. The number of officers is only 123, of whom about 50 are engineers. Even if no British officers were recruited, the number of Indians required each year to replace wastage would not be more than about 5. A small service of this kind naturally cannot make a very large appeal to the youth of India at present.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Will Indianisation take a century to accomplish?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: As it is, out of 123 officers 10 are at present Indians and 12 more are under training in England. The training takes some years, especially for the engineer branch.

Now, Sir, I am quite aware, as the Mover has reminded us, that over two years ago my predecessor referred to a possible increase in the ratio of Indian to British recruitment and held out some hope that such an increase might take place before long. I agree that I owe it to the House to explain why the position remains unchanged today and why the ratio of recruitment is still 1 Indian to 2 British Officers.

The truth, Sir, is that at the time that Sir Philip Chetwode referred to this matter in September 1934 it was hoped that certain developments might soon take place which would involve some expansion of our Naval forces, combined with some addition to their existing duties. These hopes have unfortunately not yet been fulfilled, and I may say at once that the difficulties in the way have been almost entirely financial. I am afraid I cannot tell the House the whole story today, but I should like them to know that we have been in almost constant correspondence with His Majesty's Government on this subject for over two years, and I should like to give them some idea of what we have had in our minds.

In order to do so, I must explain the lines on which all Dominion Navies have developed since the war. Before the war, as the House is aware, we all depended almost entirely on the British Navy. These lines of development have been divided into several well marked stages. The first stage is, or should be, the development of a local Naval Defence organisation, by which I mean

an organisation designed to guard the sea approaches to the main ports of the country and keep a channel swept free of mines and possibly submarine attacks. The second stage is the beginning of some kind of sea-going fleet,—generally

12 Noon. small vessels, such as sloops or destroyers which can do escort work and perhaps deal with armed merchant raiders.

The subsequent stages proceed to the building up of a regular squadron containing cruisers and such larger war-ships which can co-operate with the Royal Navy in defence or attack against an enemy fleet.

Now, Sir, we need not concern ourselves for the moment with these later stages. The point I want to make today is that we in India, when we converted the Royal Indian Marine into a combatant force some 10 or 11 years ago, rather tended to pass over the initial stages—what I call the local Naval Defence stage—and to go straight into the second stage of maintaining a number of small sea-going sloops.

The result is that we have no proper organisation for the local defence of the approaches to Indian ports and what we have been trying to do for the last three years is to see how we can remedy this defect without taking any retrograde steps such as to sacrifice some of our sea-going sloops. In setting up an organisation of the kind I refer to most other countries depend largely on their mercantile marine and on volunteer Naval reserves. For instance, in England it was largely the trawlers of the fishing industry that carried out mine-sweeping in the war assisted, of course, by small numbers of trained Naval ratings from the reserves. In India at present we have no Naval reserves and our mercantile marine is still so to speak in its infancy. A local Naval Defence organisation would therefore require a considerable stiffening of active service officers and ratings and hence some increase in the regular cadre of the Royal Indian Navy. It was no doubt an increase of this kind that Sir Philip Chetwode had in mind when he referred to a possible increase in the ratio of Indian recruitment and I agree with him in thinking that if we do start a regular organisation for local Naval Defence it ought to be placed as far as possible in the hands of Indians themselves. I can say no more at the moment except that I hope developments will take place before long which will enable us to put things on a more satisfactory basis. If so, I can only assure the House that the views that have been expressed today will not be lost sight of and conclude by expressing the hope that Indians will take a fuller share in the Naval defence of their country. I entirely agree with the Honourable the Mover that we should not have any difficulty in getting the young officers we require.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, what about my question as to whether or not there will be any racial discrimination among the officers of the Royal Indian Navy?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, I have answered that question of the Honourable Members so many times. There is no question of discrimination in status. However, if he wants my assurance I give it to him here and now, that there will not be any such discrimination in the future so far as I am concerned.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA: May we know, Sir, from His Excellency the Commander-in-Chief whether he has supported the Resolution?

THE HONOURABLE THE PRESIDENT: You ought to have found out from his speech.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA: We could not, Sir.

THE HONOURABLE THE PRESIDENT: Then I am sorry.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern: Non-Muhammadan): Mr. President, I listened naturally with the greatest attention to the remarks of His Excellency the Commander-in-Chief. I was glad to hear that His Excellency concurring with his predecessor held out to us again the hope of an increase in the recruitment of Indians to the Indian Navy. But I am not quite certain that I understood the full import of his remarks. My Honourable friend Mr. Kalikar has asked for an increase in the ratio of Indian to European recruitment. Now, I do not know, when His Excellency referred to the possible expansion of the Indian Navy in future, whether he meant that the number of Indian recruits would be increased when the expansion took place or whether he meant to say that when the Navy was expanded Indians would be taken not merely in larger numbers but in a larger ratio to Europeans. I submit, Sir, that the question of admitting Indians to the Indian Navy in a higher ratio to Europeans than at present has no direct connection with any future expansion of the Navy. I will try to illustrate what I have just said. His Excellency the Commander-in-Chief pointed out to us what the cadre of the Navy was at present and said that the maximum recruitment at the present time could be only 5 officers per year. Suppose the force is expanded and 10 officers or 12 officers are required annually. It would of course be possible then without altering the present ratio to take 4 Indians and not merely 2 as at present. But that is not what my Honourable friend Mr. Kalikar wants. He has not asked merely for an increase in the number of Indians recruited annually to the Navy. What he has asked for is that more rapid steps should be taken to *Indianise* the Navy. That is, steps ought to be taken to recruit officers in adequate numbers to man what I may call the commissioned posts. At the present time, 66 per cent. of the annual recruits are British and only 33 per cent. Indians. It is this allocation between Europeans and Indians and the restriction of Indian recruitment to 33 and one-third per cent. that requires explanation. On this point His Excellency the Commander-in-Chief has been disappointingly silent.

Sir, in the debate which took place in the Legislative Assembly in 1934 the Army Secretary pointed out that even for the small number of vacancies that were being annually offered a sufficient number of recruits was not forthcoming. Some of the Members expressed great surprise at this statement and wondered why the "Dufferin" cadets who had been spoken highly of by their officers were not utilised more largely to provide officers for the Indian Navy. All that the Army Secretary said on that point was that if the "Dufferin" cadets were to be recruited to the Indian Navy in larger numbers, it would be necessary to provide them with instruction in certain subjects which were not included in the course which they were required to go through. But that does not seem to be a difficult matter. That is a trifling matter which Government could arrange for. I do not know whether all the officers needed annually for the Indian Navy are yet taken from among the "Dufferin" cadets or not. In any case, considering the quality of the cadets and the number of the cadets who are without employment, there does not seem to be any adequate reason for not immediately increasing the number of Indians to be admitted as officers in the Royal Indian Navy.

Sir, some time ago an Indian Air Force was created. Now it was possible for Government to restrict the admission of Indian officers into this Force to

a certain percentage of the total number of officers. But they did not adopt this course. The Air Force is to be an entirely Indian unit and in time to come it will be manned entirely by Indian officers. There are some British officers in the Air Force at present, for it is not possible for Indians to supply all the officers needed for the Indian unit immediately. But I understand that it has been laid down that as Indians receive promotion in their service, they will displace Europeans till a time comes when the Air Force will be commanded entirely by Indian officers. Why was it not possible to follow the same method in connection with the Indian Navy? This question too was raised in the Legislative Assembly in the debate to which the Honourable Mr. Kalikar referred. The Army Secretary, dealing with this point seemed to me to say that the Air Force was a very recent arm. While England could certainly help India to establish an Air Force, she had not got such an advantage over Indians in this respect as she had in regard to the Naval Force. England had the tradition of centuries behind her and was therefore in a far better position to train Indians to fit themselves for naval duties than in the case of the Air Force. This argument does not seem to me to have much force,—indeed to have any force at all. No one objects to the loan of European officers for the training of Indians. We would welcome such assistance as England can give in this matter. If assistance in the matter of military training were provided on a larger scale than is at present the case, if determined and vigorous efforts were made by England to prepare Indians for self-defence, I am certain that they would be warmly welcomed all over the country and would greatly improve the relations between Britishers and my country. But while in the case of the Royal Air Force, the authorities will only lend British officers to the Indian Air Force for the training of Indian officers, in the Indian Navy on the other hand, the British officers will occupy a permanent place. I do not know how long it takes an officer in the Navy to rise to positions of command. But, whatever that period may be, I am sure every one here will be quite willing that the guidance of British officers should be available till Indian officers rise by seniority to those positions in which they would be able to take command. Englishmen are certainly in a much better position than Indians in regard to naval matters. We have neither knowledge nor experience comparable to that of Englishmen. But that does not seem to me to be any ground at all for the policy that has been adopted at present. I hope that His Excellency the Commander-in-Chief will be good enough before the debate is over to throw some light on this aspect of the matter.

Just one word more, Sir, and I have done. I do not know whether Government are still experiencing any difficulty in regard to the supply of recruits of the proper quality. I have already said that in view of the quality of the "Dufferin" cadets, there does not seem to be any reason why the number of Indian officers to be recruited annually should not be immediately increased. Indeed, there seems to be no reason why all the officers required annually should not be wholly Indian. But even if there is any difficulty in the supply of recruits, that is no proof whatsoever that a naval career has not proved attractive to Indian young men. As His Excellency the Commander-in-Chief very justly observed, a Service which offers only one or two vacancies every year is definitely at a disadvantage in comparison with Services in which vacancies are larger and where the emoluments are much greater than in the Royal Indian Navy. At first the Army too had to contend with the same difficulties, although the number of vacancies offered there was much larger than is at present the case with the Navy, but those difficulties have been overcome. At least 24 Indians are sent annually to the Indian Military Academy at Dehra Dun on the result of a competitive examination. If there has been no dearth of suitable Indian candidates for supplying officers for the

[Pandit Hirday Nath Kunzru.]

Indian Army, there seems to be no reason why they should not be forthcoming in adequate numbers to supply the officers required every year for the Indian Navy. Indeed I have no reason to doubt, considering the awakening that has taken place in this country and the desire which is exhibited among young men in all quarters to prepare themselves for the defence of their motherland, that Indian youths will be deterred by any considerations of material gain only from offering themselves for positions in the Indian Navy. All that is needed is a little encouragement, the pursuit of a sympathetic policy, a greater recognition on the part of the Government that the Indian Navy should be in fact and not merely in name an Indian force. Let them announce to the people of this country that it is their intention that the Navy should from the very beginning be an Indian force. Let them then appeal to the patriotism of young men and I am confident that their appeal will meet with a ready and enthusiastic response from young Indians from all over the country.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA (Bihar : Non-Muhammadan) : Mr. President, after the very clear presentation of the case by the Honourable Mr. Kalikar and the very poor, rather irrelevant, but all the same sympathetic reply of His Excellency the Commander-in-Chief, I had no desire to participate in the debate but for the great importance of the subject. His Excellency was kind enough to remark that the case as presented was reasonable but that some of the arguments of the Mover could really have been spared. I fancy that His Excellency the Commander-in-Chief found those arguments very embarrassing and they left him no scope to make out a reply. His Excellency said that the service was rather small, that only about 5 officers retired every year. But he did not say by whom those 5 officers were being replaced. When Indians in abundant numbers are available, when for about 2 or 3 vacancies as many as 25 or 30 candidates appear for recruitment, why cannot the vacancies be filled up by Indians ? It is not the intention of the Mover or of his Resolution to discharge all non-Indians from their present posts. The Resolution only demands a quickening of the pace of Indianisation which the Government promise to do but do not do. The country is impatient and cannot wait as long as Government would expect them to. Government must implement their pledges and not try to circumvent the issues. I trust His Excellency the Commander-in-Chief will accept the Resolution.

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras : Non-Muhammadan) : Sir, when an Indian rises in his seat and asks for a few more Indians to be appointed to a particular service in India, it is with a sense of humiliation and shame he does so. But when responsible spokesmen for the Government stand up and say that you still require a long course of training before you can be fitted to assume those positions of responsibility, the humiliation becomes all the greater. I believe that it is 180 years since Britain assumed her sovereignty over India, if you take the date of the battle of Plassey as the commencement of the domination. In these 180 years the deliberate policy has been to exclude Indians from every responsible position in all services ; to man the Indian Army with British officers ; to man all the Indian Civil Services with British officers and to man the Indian Navy with British Naval officers. And now to say that there are not sufficient number of Indians to occupy those positions is to the Indian mind not a sincere answer, not even an attempt to understand our demand. It is the past policy of excluding Indians from every sphere of Government that is responsible for not finding Indians today to be put in important positions and to say that

you are now taking steps to train us in course of time to take up those appointments is adding insult to injury. When we ask for Indianisation of the Army or Navy or other services, statistics are given in abundance, but if the statistics of progress of Indianisation are carefully studied they will show that the pace does not lead to complete Indianisation even after two more centuries. That is the position. We are moving in a vicious circle. There are not enough men to be taken into these services, but the pace even of training given to them is so slow that you can never get enough number of men to take up these places. Therefore, whether it be for the Navy or the Army or other services, it resolves itself into the question whether the Government is prepared to replace the British element by the Indian element in every sphere of Government. The question is one and the same in regard to all key positions.

In regard to the scheme which His Excellency the Commander-in-Chief has given us an inkling into, namely, the starting of a local Naval Defence organisation, whose main purpose will be the policing of the coastal waters of India, that I think is on a par with the segregation of certain Indian army units for the purpose of training Indian officers. Instead of introducing Indian officers into all units of the army in India, they have segregated a few units in which Indian officers will be tried in the place of British officers, but they will not be allowed to go into all the regiments or units. I think this policy of segregation and Indianisation of a few units instead of all the units is foreshadowed by this Naval police force which is going to be introduced. His Excellency the Commander-in-Chief assures us that when this local Naval Defence organisation starts on its work of policing of coastal waters, it will be largely manned by Indians. It is a comparatively ineffective and unimportant portion of the Navy, and he concedes perhaps for that reason that steps will be taken by the Government of India to include a large number of Indians in that police force on the coastal waters of India. It is hardly necessary to tell His Excellency that that does not satisfy even the elementary aspirations of Indians in regard to Indianisation of the Indian Navy, and this kind of segregation and the tying down of Indians in a compartmental system, in unimportant spheres, is much more dangerous than excluding them altogether from the entire sphere of the army or the navy. Therefore I say that Indian opinion will strongly resent any such demarcation of Indians to the policing of the coastal waters of India. With regard to the training that is promised I do not know how long it will take. My Honourable friend Pandit Kunzru said that we did not mind getting British officers to train us. I do not see why we should go in only for British officers, if there are more efficient officers in Germany or Italy or France. If India had her own way, why should she not import officers other than British to train them. I am told that the Italians have done very well with their air force in Abyssinia. If we get them, Indians will become more efficient in bombing people than British people are. I do not see why in the sphere of training we should confine our recruitment of educators only to British officers. Unless some change of heart is really shown and the demand of Indians for Indianisation of the various services is met by a frank and straightforward answer, Indian opinion will not be satisfied. It is true that my friend Mr. Kalikar does not today ask the whole cadre of the British Navy to be sent away and to be replaced by Indians. But a time will soon come when the demand for the entire replacement of the British element by Indians will come and when that demand comes from Indians it will be irresistible. You cannot say : "We will take more time to train you." The only change I find in Government's attitude in recent years is this. Ten years ago when

[Mr. V. Ramadas Pantulu.]

I was here the answer to such demands was slightly different. In those days we were told that certain classes of Indians were not martial races, they were not fit for careers in the Army; Indians had no sea bias, therefore they were not fit for careers in the Navy. Now we find a complete change in the tone of the answers which are now given. A lip compliment is now paid to the capacity of Indians, because the self-respect of India has gone up so much that any statement that Indians are not fit for particular appointments will be greatly resented and this change in the sentiment of Indians is duly taken note of by the spokesman of the Government of India and they dare not insult us today by saying, "You are not fit", but say "You require further training." Who has deprived us of training and who has deprived us of the places in which training could be got? It is you. Therefore this kind of answer will not do.

I hope His Excellency the Commander-in-Chief will not restrict recruitment of Indians in the Indian Navy only to the local Naval Defence organisation, but he will see his way to Indianise the Royal Indian Navy—it is called Indian Navy, but it is British Navy in which Indians seek entrance in larger numbers. It is a misnomer to call it an Indian Navy without Indians and it is an irony of fate to ask that Indians should be employed in the Indian Navy. It is a contradiction in terms. Please do make it an Indian Navy if you are sincere about it. The demand for Indianisation will not go on at the same pace; the demand for it will be much more accelerated. The Government of India will do well and their spokesman will do well to take note of the change of times and not to give these stereotyped answers that as and when you become fit, in course of time, you will be recruited in larger numbers. As my friend from Bihar has put it, it is difficult to find whether His Excellency the Commander-in-Chief has accepted the Resolution or opposed it. I suppose he has done neither. The answer that in course of time, two or three centuries hence perhaps, Indians will have adequate place in the Indian Navy will not satisfy us and if he is really sincere in the assurances I ask him to accept this Resolution because it is a very modest one. It is not anything like the Resolution which the Indian National Congress would like to put forward. It is put forward from the moderate platform and even if that is not accepted, that shows that Government are not sincere in their assurance that they will Indianise the Army and Navy very soon. With these words, I whole-heartedly support the Resolution which has been moved so ably, and in such a well reasoned speech, by my friend Mr. Kalikar.

THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL (Bombay : Non-Muhammadan) : Sir, I rise to support the Resolution which has been ably moved by the Honourable Mr. Kalikar and supported by other Members of the House. Sir, I very carefully listened to the speech of His Excellency the Commander-in-Chief. Its tone, I am prepared to say, was commendable and I am inclined to assume that he is willing to accept the Resolution. Though he does not in definite terms accept or reject it, the tone of the speech was such that I am entitled to interpret it as if he is accepting the Resolution and I shall be very glad indeed to hear at the end of the debate that this Resolution is accepted. Sir, some time ago it used to be said—we were told by old Members of the House—that at one time the argument was that there were not sufficient Indians who were sufficiently equipped for discharging the duties of the officers of the Indian Navy. I am very glad that this short experience has convinced even the Naval Officers of the Government, whose opinions were read out by the Honourable the Mover of

the Resolution, that that unfavourable opinion which was held or that unfavourable imagination which was then entertained about the capacity of Indians does no longer obtain. As soon as they started taking Indians they have seen that such an argument and objection against the employment of Indians does not really hold water. Now, if more Indians were taken and if their recruitment was not restricted to one third, I am sure similar experience would result. After two or three years the very Government officials who today do not feel quite sure that Indians will make very good officers of the Indian Navy, small as it is, will say : "We took a little courage in our hands and we are able to say that Indians can be safely left in charge of it." His Excellency the Commander-in-Chief referred to some countries where the mercantile marine trains and equips the nationals of their country for naval careers. In this country also it should have been possible for Government to lay down the condition that any mercantile marine which goes round the coasts of India should train Indian officers. If Government do not do this they cannot at the same time come forward and say there is no mercantile marine to train Indian youths. India has been making efforts to have a mercantile marine of its own, to develop Indian shipping and if we take the number of Indians employed by Indian shipping and the number of non-Indians employed by non-Indian shipping, we can see that the number of Indians, so far as officers are concerned, is very small in non-Indian shipping, while the number of Indian officers in Indian shipping is much larger. What is the reason? It is always open to an employer to say : "I do not think this man will make a very good officer"; while persons in charge of Indian shipping employ Indian officers with confidence and they discharge their duties satisfactorily. Indian shipping is really being torpedoed by British interests. The Resolution as it stands is to my mind too moderate. It says : "Increase the pace of Indianisation." I am afraid at this rate of Indianisation, increasing the pace of Indianisation may be so slow that every day and year after year my friend may have to bring the same Resolution. What he should have said was that within a particular period there should be complete Indianisation. That is what should have been sought. As a businessman I know that if I want to employ an expert I employ him for a limited period—for one or two years to train others on my staff. Similarly, I expect that if Government want that the Indian Navy should be manned by Indians, all the officers should be Indians, then they should arrange that within three years they shall train all officers and when Indians have been trained during one, two or even four years, they should be appointed officers. Take sufficient time to train people but let there be real intention to train Indians and put them up in charge of the Indian Navy. But if the recruitment is to be confined to the proportion of one Indian to two Europeans, then this policy is not adequate for training Indians for the purpose. I therefore support the Resolution.

THE HONOURABLE MR. V. V. KALIKAR (Central Provinces : General) : Sir, my Honourable friend Mr. Govindlal Shivilal Motilal says that I should have worded the Resolution in such a way as to demand the Indianisation of the Navy within a particular period. Sir, it pains me to talk of Indianisation in my own land because we have never heard of employing the nationals of their country in Canada, Australia or South Africa. But situated as we are, knowing our own limitation, we have to ask for Indianisation. I quite appreciate the conciliatory tone of His Excellency the Commander-in-Chief. I can understand his difficulties and knowing that there are difficulties in His Excellency's way I put the Resolution in such a way as to enable him to come forward and accept it. I am extremely sorry, Sir, to find that he is not in a position to accept the Resolution. If I say anything, my remarks are directed

[Mr. V. V. Kalikar.]

against the British Government and not against His Excellency or the Government of India. Who forced this Navy on us? It is the British Government. Who asked us to support the Bill when it might have been defeated as in 1928? It was the British Government, and their plea at the time was that if we did not support the Bill there would be no Indianisation. The Government of India had nothing to do with it. It was the British Government who were responsible for it. If the British Government do not want to keep their promises, if the British Government do not want to keep their word, if they do not trust us even now, then I have a last word to say on the subject. Sir, no question of capability arises now. I have shown not by reading extracts from books published by my own countrymen but by reading extracts from the views given by your own Naval Commandant, your own Army men; that our youths are capable of manning their services efficiently. We see in this House, Sir, Lt.-Col. Sir Hissamuddin, our colleague, who has been a Major and has led a successful military career. So the argument that you cannot get suitable men falls to the ground.

Now, Sir, His Excellency tried to shelve the proposition and explain away the pledges of his predecessor by saying that when his predecessor made that statement he had in mind the expansion of the Navy but on account of financial stringency that proposal could not be carried out. I am sorry I cannot agree with His Excellency the Commander-in-Chief and I have to join issue with him on this point. I submit, Sir, that I clearly stated in my opening speech that you have to increase the ratio, you have to fulfil your own promises and take more Indians. If you do not want to expand the Navy, still I submit you can take more Indians by increasing the ratio. But then, Sir, His Excellency has not told us in clear terms what he is going to do in this matter. I am afraid, they think that we are here to register the decrees of the Government. The Government should give us any sort of promises with a view not to fulfil them and we should act according to their dictates. In 1934 we were told that we must pass this law, otherwise we would be doing a great disservice to the cause of Indianisation. We, Sir, acted on the promises given and now after three years we find that nothing has been done in the matter. I do not want to take pride in the past maritime history of my country. Anybody who cares to read the maritime history of my country will find that we Indians have very glorious naval traditions. I as a practical man want to deal with things which face us now. Sir, my Honourable friend Mr. Kunzru spoke of the "Dufferin" cadets. My submission is that even assuming for the sake of argument that you cannot get suitable candidates by open competition, you can draw your recruits from these "Dufferin" cadets. We hear every day the pathetic tale of these cadets that they are not being employed by the British shipping companies. In the last debate, Lt.-Col. Lumby said in the other House that the cadets that the Naval Department took from the "Dufferin" proved extraordinarily well. So, the point is whether you do really want to increase the ratio and thereby accelerate the pace of Indianisation or not. If you want to have trust in us, you have no other course except to accept this Resolution. If you do not accept this Resolution, the country will think that you do not look on us with that confidence which in season and out of season you give out about the increasing association of Indians in every department of Public Service in India. I have a most painful duty to perform even after hearing the speech of His Excellency the Commander-in-Chief, namely, to press this Resolution. I request my Honourable colleagues on behalf of the youth of India to take into consideration the implications of the wording of this Resolution and, as

I said in the beginning, no political considerations should weigh with them while giving their support to this Resolution, but they should look to the interests of the Indian youths and create a feeling in them that the elderly statesmen of this House are with them in their desire for serving their country. I therefore submit that even now His Excellency the Commander-in-Chief should reconsider his former decision and accept my Resolution.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: I have only got a few words to say, Sir. I have been listening very carefully to all that has been said. I feel that what I have already said does in fact answer most of the points raised by Honourable Members since I made my first remarks. I am really distressed to hear, however, that so many Honourable Members seem to have fears that sinister motives and intentions are hidden in my mind. I want to assure Honourable Members that I have no such motives or intentions (Hear, hear)—none. I have already tried to show clearly that the whole question is under consideration, and sympathetic consideration at that. I cannot under present circumstances therefore make any further pronouncement now. To sum up, I wish to make it clear that while I cannot accept this Resolution in the sense that I can bind Government to give effect to it forthwith, I am not unsympathetic towards it. There cannot be an immediate increase in the proportion of Indians in the present small active cadre, but if that cadre is expanded, I hope that there will be room for more Indians and I consider that the reserves we propose to set up should be predominantly Indian.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: What will be the proportion then of the Indian officers?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: That is also a question under consideration.

THE HONOURABLE THE PRESIDENT: The Resolution before this 1 P.M. Council is:

"That this Council recommends to the Governor General in Council to take necessary steps to accelerate the pace of Indianisation of the Royal Indian Navy."

The Question is:

"That that Resolution be adopted."

The Council divided:

AYES—17.

Buta Singh, The Honourable Sardar.	Motilal, The Honourable Mr. Govindlal Shivilal.
Girdhardas, The Honourable Mr. Narayandas.	Muhammad Husain, The Honourable Haji Syed.
Govindachari, The Honourable Rao Bahadur K.	Muhammad Hussain, The Honourable Khan Bahadur Mian Ali Baksh.
Hossain Imam, The Honourable Mr.	Pantulu, The Honourable Mr. V. Ramadas.
Kalikar, The Honourable Mr. V. V.	Ram Saran Das, The Honourable Rai Bahadur Lala.
Kunzru, The Honourable Pandit Hirday Nath.	Ray Chaudhury, The Honourable Mr. Kumarsankar.
Mahapatra, The Honourable Mr. Sitakanta.	Sapru, The Honourable Mr. P. N.
Mahtha, The Honourable Rai Bahadur Sri Narain.	Yuveraj Datta Singh, The Honourable Raja.
Mitha, The Honourable Sir Suleman Cassum Haji.	

NOES—28.

Akram Husain Bahadur, The Honourable Prince Afsar-ul-Mulk Mirza Muhammad.

Ataullah Khan, The Honourable Chaudhri.

Banerjee, The Honourable Mr. Jatindra Chandra.

Basu, The Honourable Mr. Bijay Kumar.

Charanjit Singh, The Honourable Raja.

Crow, The Honourable Mr. A. G.

Commander-in-Chief, His Excellency the.

Devadoss, The Honourable Sir David.

Ghosal, The Honourable Sir Josna.

Glancy, The Honourable Sir Bertrand.

Haidar, The Honourable Khan Bahadur Shams-ud-Din.

Hissam-ud-din Bahadur, The Honourable Lt.-Col. Sir S.

Ihtisham Hyder Chaudhury, The Honourable Syed.

Jagdish Prasad, The Honourable Kunwar Sir.

Kay, The Honourable Mr. J. R.

Khurshid Ali Khan, The Honourable Mr.

Kirke Smith, The Honourable Mr. A.

Maxwell, The Honourable Mr. R. M.

Menon, The Honourable Diwan Bahadur Sir Ramunni.

Nihal Singh, The Honourable Sirdar.

Nixon, The Honourable Mr. J. C.

Parker, The Honourable Mr. R. H.

Ray of Dinajpur, The Honourable Maharaja Jagadish Nath.

Russell, The Honourable Sir Guthrie.

Siddiqi, The Honourable Khan Bahadur Shaikh Muhammad Bashir.

Singh, The Honourable Raja Devaki Nandan.

Todd, The Honourable Mr. A. H. A.

Williams, The Honourable Mr. A. deC.

The Motion was negatived.

The Council then adjourned for Lunch till Twenty Minutes Past Two of the Clock.

The Council re-assembled after Lunch at Twenty Minutes Past Two of the Clock, the Honourable the President in the Chair.

RESOLUTION *RE* ENQUIRIES INTO THE WORKING OF THE BENGAL NAGPUR RAILWAY ADMINISTRATION.

THE HONOURABLE MR. SITAKANTA MAHAPATRA (Orissa : Non-Muhammadan): Sir, I beg to move:

"That this Council recommends to the Governor General in Council to appoint a Committee, as early as possible, with instructions to make detailed enquiries into the working of the Bengal Nagpur Railway Administration with a view to find out the causes of deficits year after year on that Railway and to suggest ways and means to do away with the deficits."

Sir, I have already moved on the floor of this House two Resolutions on the Bengal Nagpur Railway Administration. It seems they were ill fated. The Honourable the Chief Commissioner gave death blows to them, but I am moving this Resolution with high hopes that this will fare a better luck and I can assure you my mood is prayerful like that of the Honourable the Finance Member the other day in the other House. I believe the Honourable Sir Guthrie Russell will not treat it light-heartedly and will take every aspect of the question into his serious consideration. At least since 1924-25 the Bengal

Nagpur Railway is running at a huge loss year after year. But for 5 years from 1930-31 to 1934-35 the loss was 2.28 lakhs per year on an average. In the corresponding period the average loss per year in the strategic railways was 2.06 lakhs only, that is, 22 lakhs less. Sir, Honourable Members of both the Houses of the Central Legislature are habituated to wax much eloquence over the losses on the strategic lines, but as a strategic line can never be a paying line there is bound to be a loss, but what about this State-owned commercial line for which we have paid more loss during the last 7 years, including the current year? Sir, what we earned from either the East Indian Railway or the B., B. & C. I. Railway during the last 13 years since 1924-25 was very nearly eaten up by the Bengal Nagpur Railway. But during the last 7 years, including the current year, since 1930-31, the Bengal Nagpur Railway has not only eaten up the earnings of two of the most profitable State-managed Railways, the E. I. and the B., B. & C. I. Railways taken together, but has gone into a further deficit of more than 2 crores. Let me give you figures for losses in the Bengal Nagpur Railway since 1930-31. In 1930-31 the loss was 1.99 lakhs; in 1931-32 the loss was 2.48 lakhs, in 1932-33 the loss was 2.80 lakhs, in 1933-34 the loss was 2.27 lakhs, in 1934-35 the loss was 1.86 lakhs and in 1935-36 the loss came down to 1.38 lakhs only. But in the revised estimate for the current year the loss has again gone up to 1.80 lakhs and the budget estimate of the loss for 1937-38, that is the ensuing year, is 1.84 lakhs. So the loss is going up and up and there is no hope for the present. Is it not desirable that some steps should be taken at once to arrest this loss and bring it down if possible. Sir, the other night both yourself and His Excellency the Viceroy blessed the new constitution in India and wished it success. In the province from which I do come, after meeting the non-votable side of the provincial budget and the absolute obligations on the votable side, very little money will be left for the success of the constitution in the sense you wished it to succeed. This is a fact in spite of subvention from the Government of India. This picture is to a very large extent true in the case of other provinces as well.

THE HONOURABLE THE PRESIDENT: What has the constitution to do with your Resolution?

THE HONOURABLE MR. SITAKANTA MAHAPATRA: I am coming to it.

THE HONOURABLE SIR DAVID DEVADOSS: The Railway is going to make up.

THE HONOURABLE MR. SITAKANTA MAHAPATRA: How can the constitution succeed so long as the provincial finances do not improve? The improvement of provincial finances are solely dependent on the improvement of the railway finances according to the Niemeyer award. If the Railways are able to contribute their quota to the general revenues soon, then and then only the constitution in the provinces has some chance of success. Because in that case 50 per cent. of the net income from income-tax will be available for distribution among the provinces. If this amount is at least 6 crores, then Bengal gets 120 lakhs, Bombay 120, Madras 90, U. P. 90, Punjab 48, Bihar 60, C. P. 30, Assam 12, Sind 12, N.-W. F. P. 6, and my province gets 12 lakhs. These are not small amounts. So the success of the constitution depends on the improvement of Railway finance. Let me quote a few words from the Niemeyer Report itself:

"The position of the Railways is frankly disquieting. I believe that both the early establishment of effective co-ordination between the various modes of transport and the thorough-going overhaul of the expenditure in itself are vital elements in the whole provincial problem."

[Mr. Sitakanta Mahapatra.]

So provincial problems are entirely dependent on Railways. How can we improve the railway finances? Here is a commercial line which has got Jamshedpur to feed it, which has got innumerable coal, manganese, iron and other mines to negotiate with, which carries the forest products of almost the whole of the Eastern States Agency, which has a big harbour of its own in Vizagapatam, which has got big centres of pilgrimage like Puri to deal with, which has got a large number of cotton, rice and other mills throughout, which runs the fastest train service from Calcutta to Bombay, which has got a catering Department of its own which no railway in India has got and many other advantages and yet it is running at a loss of over two crores a year for 8 years. Is it not fair and equitable for us to see that this loss is reduced?

Sir, I believe that Honourable Members of this House, both officials and non-officials, are keen that the new constitution should succeed. I go further and say that nominated non-official Members of this House are keener in this respect. I pause for a reply from one of them, if I am right. Sir Ramunni Menon says I am quite right. I make a special appeal to them to support my Resolution. Their interest lies in their provinces and they should see that their provincial finances do improve. I may remind them at the risk of being presumptuous that in the next Council of State there will be very few nominations and if they do not support my move to improve provincial finances they may displease their respective Governments that are going to function next month.

Then, Sir, there are several Honourable Members here who represent Provincial Governments. Should they not see that their provincial finances are better? I appeal to them to ignore the whips of the Honourable Sir Josna Ghosal, if there be any, on this momentous issue and support me. If they don't support me, I shall not be surprised if some of them are replaced by some of the Provincial Governments after this session.

Sir, there are reasons why railway companies working in India can afford to be extravagant and lose money. They are in the position of saying to the Government of India, "Heads I win, tails you lose". However much they may lose on the management of the Railways entrusted to them, their interest on capital invested are guaranteed by the Government. If there is profit, it is to be divided between the Government and the company—the latter getting a very small portion only—but nobody can deprive them of their interest. So they can afford to be careless and they do not gain much by making profits. Sir, the proprietor of the famous Casino at Monte Carlo is reported to have once said: "Sometimes A loses and sometimes B loses, but I always win". So here the Government may lose money or the passengers may suffer inconvenience, but the Bengal Nagpur Railway's interests are guaranteed.

Let me give you the figures of gain and loss and the interests, etc., of the Bengal Nagpur Railway for the last three years.

In 1933-34, the net gain was Rs. 1,18,98,000, the interests, etc., were Rs. 3,45,93,000, so the loss was Rs. 2,26,95,000.

In 1934-35, the net gain was Rs. 1,49,64,000, the interests, etc., was Rs. 3,35,69,000, so the loss was Rs. 1,86,05,000.

In 1935-36, the net gain was Rs. 1,92,41,000, the interests, etc., were Rs. 3,30,80,000, so the loss was Rs. 1,38,39,000.

Sir, allow me to state another thing here. The third class rates of the Bengal Nagpur Railway are the highest in India now in spite of the fact that

the Railway passes through comparatively poorer parts of the country. It is also a fact that the rates in other classes as well are higher than the East Indian rates at least. Is this the cause why their income from passenger traffic is going lower and lower every day? We have all known that the Bengal Nagpur Railway has a catering department of its own in which they lose good money. Sir, it was after taking all these facts into due consideration that I gave notice to move my Resolution. I made the Resolution as mild as possible, so that it may be acceptable to Government. I just want a Committee to examine the working of the administration so that they will be able to suggest ways and means to do away with the deficits. I do not want to bind down the Government to a particular sort of Committee. I do not myself want to be the Chairman or a member of the Committee. I do not propose that any member of the Party here to which I have the honour to belong should be in the Committee. I will be satisfied if the Committee is composed of the Honourable Mr. B. K. Basu and the Honourable Sir Ramunni Menon. (*The Honourable Sir K. Ramunni Menon*: "No, thank you".) I mention these because I have known during the last month that Government have much confidence in them. I too have the greatest regard for their ability. The Committee may be a Departmental Committee of the Railway Board. Again, it may consist of experts from Peru or China if they like. I believe whenever a man is entrusted with the task of responsibility, he will always do his best. So, I do not bind down Government to any particular type of Committee. As I do represent the interests of a province here where I wish that the new constitution should succeed without taking recourse to further taxation, I wish that some means were found to do away with the huge deficits in the B. N. Railway. I suppose the Honourable the Chief Commissioner will try to hide himself behind the much-spoken-of Hedgwood Committee. But will it give him any shelter? This Committee was appointed to examine the working of all the different railways in India in their broader aspects and suggest means for improvement of the railway finances in a general way. It must have been impossible for them to go into the detailed working of any railway, much less a company-managed railway. What I suggest is that a Committee should go into the detailed working of the B. N. Railway in all their bearings and suggest ways and means for the improvement of their finances. The Wedgwood Committee is not expected to do that. Sir, with these words, I appeal to all sections of the House to accept my Resolution.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhammadan): Sir, I rise to support the Resolution which my Honourable friend Mr. Mahapatra has just now moved. The reason why I am anxious to have an enquiry is that the Government of India have adopted a strange system of accounting. For some purposes the Railways are regarded as definitely independent commercial concerns. They have separate books of account, separate capital at charge, separate profit and loss account, but this is not carried to its logical conclusion. The railways which are flourishing should in the usual course of business as a public utility service either reduce the rates or increase the amenities to the passengers. If we had a strict mode of accounting, the rates would have been reduced and amenities to passengers increased in the East Indian Railway. But the Railway say they have no money because the profits of one concern are transferred to meet the deficits of other concerns. In the commercial accounting system that we have in the Posts and Telegraphs Department, you find that the losses are carried from year to year, and at the end of every year, you know the amount of the losses which the Government have to shoulder. The B. N. Railway has been running at a loss. The Railway Board treat it as a company-managed railway and say

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ny cannot do anything. If it is a company-managed railway, let it shoulder own burden, and let it not ask the surplus of other Railways to shoulder it burden. They can bear all their misdeeds. But I have the strongest objection to being made to carry the burden of others. When we want to have control, we are told that we are outsiders and we have no business. The Railways have come to this position because of the step-motherly treatment which India has always received from the Secretary of State. The Secretary of State has never cared for Indian interests. A very pertinent question was asked the other day, "Why was this contract extended to 1950?" and the Honourable the Chief Commissioner had no reply. He could not trace any. The Government cannot trace, are we not to presume that it was simply ordered to help the exploitation of India for British interests that this was allowed to go on? Mr. President, it is very good and very easy for the Finance Minister to say that he is not the agent of British interests here. I know he is not. But what about his boss? What is the Secretary of State's position in India? If it is true that he is still serving under a representative and an agent of the British Government, he has no help but to serve and fulfil the orders emanating from the Secretary of State under the present constitution. It proves to the hilt the charge of the Congress that the British Government in India is run in the interests of British commerce, and this is one example which we have at the present moment.

Now, Sir, we will be told that everything is alright and that an enquiry is necessary. I would refer to a matter of some importance which occurred some time ago. An official of the Finance Department was appointed by Sir George Sayer to examine the accounts of the Government of India and to report on reductions which could be made. That officer in 1930 submitted a voluminous report—bigger than this volume I have in my hand,—to justify all the increase in expenditure. It was only the unexpectedly large deficiency in the public revenues that compelled an enquiry and retrenchment committees were appointed, with the result that in the first complete year we were able to reduce expenditure by the enormous sum of 8 crores. Similarly, Sir, if the Government of India agree to enquire into the management of this Railway, they will find ample scope. It is only—I may say—self-complacency to say that everything is wrong; everything will turn out right. When we were discussing the Industrial Protection Act we found that Tatas complained to us that the B. N. Railway had increased the rate behind their back, without intimating them that they were going to increase it, and they asked that the quantum of protection should be increased. That shows that the B. N. Railway has not been doing its concern because of its trying to help industries in India; it has done nothing of the sort. It has done everything in its power to extract its pound of flesh and the only impediment was where they had to shed blood and there they had to stop. I would commend to the attention of the House the fact that the E. I. Railway, which is a concern which is making money, charges a lower fare from Calcutta to Bombay than the B. N. Railway. The latter is not a money but it does not care whether it harms the E. I. Railway or not. The 1st class fare for the B. N. Railway is Rs. 127-12 and for E. I. Railway is Rs. 135-10. Another anomaly is that the B. N. Railway charges higher rates for 1st class than it does for the upper classes. The fare from Bombay to Kharagpur for the first class is Rs. 126-11 and to Howrah Rs. 127-12, i.e., Re. 1 more for Calcutta than for Kharagpur. But the 3rd class fare from Bombay to Kharagpur is Rs. 21-11 and to Howrah it is Rs. 19-0-9. That is, for 72 miles more, the 1st class fare for the greater distance is Re. 1 more, and for the 3rd class it is Rs. 2-11 less. This complaint was made to me by Orissa people.

I have still the honour to represent Orissa in this Council, although it has been separated from my province. This will show that all is not well with the B. N. Railway.

Then another standing complaint is that both in the case of Hindu and Muslim employees, their interests and claims in the railway services are always neglected by the B. N. Railway. We have instances where even in the officer ranks people have been imported from other provinces. The Hindus and Muslims have the same grievance, that the railway is not amenable to local influence. It does not give them employment. There are any number of complaints. It will not be very expensive to have a Committee. It will not be derogatory to the management. But if the Government stand out and say they do not want an inquiry, that will prove that they have orders from the Czar of Whitehall not to interfere. That can be the only excuse, otherwise the mere fact that this is a losing concern for years, should have served as a sufficient reason for an inquiry by the Railway Board itself. It would not have waited to be prompted by the Opposition in this place to do this necessary part of its business. Sir, I support the motion.

THE HONOURABLE SIR GUTHRIE RUSSELL (Chief Commissioner of Railways): As the Honourable Mover has pointed out, this is the third occasion within one week on which he has brought forward a Resolution criticising the administration of the B. N. Railway. I have no objection to these Resolutions, and I am quite sure the Honourable Member feels that he is doing this in the interests of that administration. But I would remind the Honourable Member that figures are dangerous things to play with and an incomplete appreciation of these is very apt to lead to quite wrong conclusions.

He has made certain comparisons. He compared the B. N. Railway as far as I recollect with the East Indian. Then he compared the B. N. Railway with the strategic lines. I shall take up that comparison first. I think what he said was that the B. N. Railway had lost more since 1930-31 than the strategic lines, that the strategic lines were lines that could not possibly pay; therefore the B. N. Railway administration was inefficient. It sounds all right, but the normal measure of efficiency is the operating ratio. I will explain a little later on that you have to be careful in using that operating ratio. But he may be interested to know that the operating ratio of the B. N. Railway last year was 67.46 per cent., while the operating ratio of the strategic lines was 145.31 per cent. Yet he alleges that the strategic lines are more efficient than the B. N. Railway. Now he compared the B. N. Railway to the East Indian and various other railways. He said that the East Indian from 1924-25 had showed a profit of 17 crores 60 lakhs, which is perfectly correct, whereas the B. N. Railway had lost 15 crores and 10 lakhs. In making such comparisons you have got to give due weight to the conditions prevailing in each of these railways. The East Indian is probably the cheapest line to operate in India. It has easy gradients; the Grand Chord is the only really long gradient it has got. The B. N. Railway on the other hand has very severe gradients, barring the G. I. P., I think it is probably the most heavily graded railway in India. That affects your working expenses. Further, the proportion of the higher rated traffic carried by the East Indian is considerably higher than the high-rated traffic carried by the B. N. Railway. That again affects the earning capacity of the railway. Now, actually the Mover put his finger on the spot. He has himself stated the reason for the losses on the B. N. Railway, but he stated it as an advantage to the B. N. Railway, that manganese mines were situated on the B. N. Railway. That is the misfortune of the B. N. Railway, its main traffic is coal, manganese, iron ore, dolomite, lime stone, all of which must be carried at the lowest possible rates. If low

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rates were not charged the traffic would be just non-movable, and I am quite sure the Honourable Mover does not wish to see the trade of his own part of the country paralysed.

Again, the B. N. Railway normally moves a heavier tonnage with a greater ton-mileage than any other railway in India except the East Indian. I think the House knows what the operating ratio means. It is a ratio between working expenses and gross earnings. Now, if for the B. N. Railway you had an investigation of the ratio of working expenses to work done you would get an entirely different result. You could probably prove by figures—though I do not say the result would be entirely correct—that the B. N. Railway was the most efficient railway in India.

The Honourable Mover also mentioned the B. B. & C. I. amongst other railways. As I have said, the normal measure of efficiency is the operating ratio. But it has to be used with caution. I shall compare the operating ratio for the B. N. Railway with other Company-managed railways. The operating ratio of the State-managed Railways, as it is worked out in the administration report, is not quite comparable, because in the State Railways we take into account the full allocation of depreciation whereas the Company-managed Railways only take into account the actual money spent on new works. On the Bengal Nagpur Railway the operating ratio for the last financial year was 67·46; on the B. B. & C. I.—55·39; on the M. & S. M.—61·29; on the South Indian—68·01. Actually the South Indian Railway is slightly worse than the Bengal Nagpur, yet in the same period under review the South Indian showed a surplus of 79 lakhs of rupees. Again I think that shows how dangerous it is to form all your arguments on the quotation of figures. The operating ratio depends on the average rate charged and it also depends on the cost of transport, the statistical figure and the average cost of moving a goods unit, that is, one ton one mile—I shall give the Council the figures for the Bengal Nagpur Railway and other railways for the last financial year—the average rate charged was 4·12 pies against on the B., B. & C. I. 7·76, on the Eastern Bengal 7·23, on the East Indian 4·09, on the G. I. P. 6·42, on the M. & S. M. 6·08 and on the South Indian 9·44. In other words the Bengal Nagpur Railway charge a lower average goods rate than any other railway in India except the East Indian. Now actually the cost of movement of a goods unit on the B. N. Railway was 2·60, against on the B., B. & C. I. 3·81, on the E. B. 4·85, on the East Indian 2·43, on the G. I. P. 3·59, on the M. & S. M. 3·39 and on the South Indian 3·83. Again, except the East Indian, the Bengal Nagpur Railway have the lowest figure for the movement of traffic in India.

Now, Sir, as I have said, the misfortune of the Bengal Nagpur Railway is that they have got to move manganese, coal, iron ore, etc., at these low rates. I feel certain that the Honourable Mover will agree that an efficient transport service for the movement of these commodities is as vital to the interests of the country as a service for higher freight paying commodities such as cotton, jute, piecegoods and grain. The trouble with the Bengal Nagpur Railway is that they cannot reduce their working expenses because they are carrying low-rated commodities. I think the Honourable Member suggested that I would hide myself behind the Wedgwood Committee. Didn't he try to do the same thing as a justification for the Committee he proposes: he quoted the Otto Niemeyer Report. The justification for the Wedgwood Committee was the paragraph in the Otto Niemeyer Report which he quoted. The Wedgwood

Committee, as the Council knows, has spent 3 months in India this cold weather and they went into the finances of the Bengal Nagpur Railway in exactly the same way as they went into the finances of other Railways. When they were in India they had the opportunity of meeting practically every Provincial Government. They had the opportunity of visiting all the principal towns: the principal Chambers of Commerce submitted memoranda stating what they thought railways could do to improve themselves and these have all been considered and we expect to get that Committee's Report about the end of next month. Surely we can hardly imagine a more inappropriate time to appoint another committee. In saying this I do not wish to cast any aspersions on the two Honourable Members whom the Honourable Mover suggested should be members of this committee. I can assure them that if a committee were appointed, I would welcome them to be members of that committee.

Now, as regards my Honourable friend Mr. Hossain Imam's remarks, he started by criticising the accounting system on railways. His argument was that because there was a deficit on the Bengal Nagpur Railway there was no reason why reduced rates should not be given on the East Indian Railway which serves his part of the country. Then he instanced the perfect accounting principles of the Posts and Telegraphs Department. Does he suggest that if the Calcutta post office did not pay and the Bombay post office did pay, that the Bombay post office should have special rates for Bombay? It seems to me exactly the same thing, after all the Railways in India are State-owned and they have got to come into the general pool. I must say he was quite honest this afternoon in the lobby. He did tell me about these different rates between Bombay and Kharagpur, and between Bombay and Calcutta and I said to him that this was a normal railway practice. There is probably some particular reason for it. There are many instances throughout the world where exactly the same thing is happening and I have promised him to find out the reason for it.

THE HONOURABLE MR. HOSSAIN IMAM: My complaint is that the rate is higher for third class and lower for the upper classes. That is the point I wish to urge.

THE HONOURABLE SIR GUTHRIE RUSSELL: I understood your complaint was that the rate was higher for the shorter distances sometimes than for longer distances. That is an entirely normal railway practice.

THE HONOURABLE MR. HOSSAIN IMAM: I have no objection to that. The rate should be lower for the lower classes and not 10 per cent. higher for the same distance for the same place than the upper class. It is a crime and extortion from the 3rd class passengers.

THE HONOURABLE SIR GUTHRIE RUSSELL: I will find out the reason for that, but I expect it is a very old history. Sir, I think you will have realised from what I said that I oppose this Resolution.

THE HONOURABLE MR. SITAKANTA MAHAPATRA: Sir, the Honourable the Chief Commissioner has not found his way to accept my Resolution. I expected as much. I have already explained to this House his helpless position. He has got to keep the Directors of the Bengal Nagpur Railway, who are very powerful ex-high officials from India, pleased. He is fully aware of the state of things in the Bengal Nagpur Railway and I have no doubt in

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my mind that he will in his heart of hearts be pleased if my Resolution is carried by a majority in this House. It will ease his situation. Honourable Members opposite may take the tip from him. The Honourable the Chief Commissioner has spoken at length about operating ratios in different railways and things which have got nothing to do at all with my contention. I find that there is a huge loss on the Bengal Nagpur Railway for several years past and I request him to find ways and means to reduce it. If the committee that I suggest agrees with him and finds that there is no help at all for it, I shall not blame the committee, but we must be satisfied that something has been done to reduce the deficits. He has not given us any facts as to whether he took any steps to see that the deficits are reduced during the last 13 years. As anticipated by me the Honourable the Chief Commissioner has taken shelter under the Wedgwood Committee. I have already explained to this House the position of that Committee. I do not know what variety of egg it is going to produce, but whatever it is it will be a great help to the Committee I have suggested and certainly not a hindrance. The Wedgwood Committee will submit their report within a month and supposing my Resolution is accepted and a committee is appointed, it is not going to report so soon, that is, before the Wedgwood Committee reports, and when it does report it will certainly have given due consideration to the recommendations of the Wedgwood Committee. The Government may also incorporate a term like that. So the report of the Wedgwood Committee will be a help instead of a hindrance to the Committee that I have suggested and it is high time that a committee such as I have suggested is appointed. We all know how the Bengal Nagpur Railway Company bungled over the recent strikes there and lakhs of rupees were lost for nothing. The Company agreed to the terms of the strikers at last but unnecessarily delayed for two full months. During this period temporary hands were brought in to carry on passenger train service at Rs. 12 a day and goods train services were discontinued. The Indian exchequer will suffer this loss for no fault of theirs because the Railway was already losing. The Company suffers nothing because their interests on capital invested is guaranteed. The attitude of the Company could be compared to that of a young widow who remarries after losing several years.

Honourable Members of this House who are nominated may bless the new constitution outwardly because the Viceroy blesses it and wishes it success. But whether they sincerely wish the constitution to succeed will be gauged from their attitude towards my Resolution. It is quite possible that they inwardly wish the constitution to fail because thereby Congress Ministries in most of the provinces will fail with it.

My idea is that it was the look-out of the chief executive officer for Railways in India three or four years ago to appoint a committee of the nature I suggest. He did not do it in time for reasons best known to him and also explained to this House by me. But today I give him a handle. It is for him to decide his course. In any case, I leave my Resolution to the discretion and judgment of the Members of the House of Elders.

THE HONOURABLE THE PRESIDENT: Resolution moved :

"That this Council recommends to the Governor General in Council to appoint a Committee, as early as possible, with instructions to make detailed enquiries into the working of the Bengal Nagpur Railway Administration with a view to find out the causes of deficits year after year on that Railway and to suggest ways and means to do away with the deficits."

The Question is :

"That that Resolution be adopted."

The Motion was negatived.

RESOLUTION RE THE REPORT OF THE INCOME-TAX COMMITTEE.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Mr. President, I rise to move :

"That this Council recommends to the Governor General in Council that an early announcement be made of the action which Government intend to take on the report of the Income-tax Committee."

Sir, as will be apparent from the wording of my Resolution, it is not in the nature of an operative Resolution. It does not ask Government to take any special action or to deviate from their policy. It is only an informative Resolution which tries to make available to the Government the opinion of this House and in this sense, Sir, I do not think my Honourable friend Mr. Nixon will be called upon to give a very long or very exhaustive reply.

Sir, the dual object of my Resolution is, firstly, to give this House an opportunity to express its opinion on this very valuable report, and secondly, Sir, I, being a bit selfish, wish to utilise this as an occasion to reiterate our demand that this House should not be relegated to the corner to which it has been confined by the Government during recent years : we demand that it should be included whenever important Bills are under consideration. The normal course of business should be reference to Joint Select Committees. The opinion of the elected Members of this House, Sir, was definitely in favour of reference of important Bills to a Joint Select Committee and I am proud to say, Sir, that even European commercial men sided with us in our demand for Joint Select Committees. Sir, the Government have been neglecting this House. The Indian Companies Act was not referred to a Joint Select Committee. And the lame excuse was that the Opposition in the other place had an objection to this course. As if the objection of the Opposition has any weight with the Government, as if the Government were ever amenable to reason or willing to submit to what the Opposition in the other place told them. But even that lame excuse did not exist this year. When the Insurance Bill was referred to a Select Committee on the 2nd February, all the Members of the Congress phalanx were away. There were only 53 members present in the Assembly, out of whom 40 were those who usually side with the Government and who sided with the Government on this occasion. So even that lame excuse did not exist. And what was the result ? The Insurance Bill was referred to a Select Committee of the Assembly, which is in no hurry. The Select Committee is to sit between the present session and the Simla session and yet this House could not be consulted. This sort of intentional neglect, and studied insult, has been heaped on the heads of this House because of the insane attitude which some of my friends have taken up who in season and out of season think that their duty as Members of the House is to say ditto to the Government. We, Sir, have the example of the Assembly. Nominated Members, ex-Officials of the Government there, who are nominated, have the courage of their conviction and when they believe that the Government is in the wrong, they vote with the Opposition. But here, in this House, I have scarcely if ever seen this.

THE HONOURABLE THE PRESIDENT: I don't think you have any right to make any reflection on the nominated Members of this House. They vote according to their conviction.

THE HONOURABLE MR. HOSSAIN IMAM: Sir, I have great respect for the nominated Members—I wish they did what you say.

THE HONOURABLE THE PRESIDENT: You do not know whether they vote according to their convictions or not. You have no means of judging.

THE HONOURABLE MR. HOSSAIN IMAM: None of us can know the heart but, Sir, we have heard them speak outside and can guess what they feel, and what they do under compulsion. On the very floor of this very House Sir Ghulam Hidayatullah told us that it was not because of his convictions but because he was a nominated Member that he sometimes voted with the Government.

THE HONOURABLE THE PRESIDENT: That was his individual opinion. He ought to have resigned his seat if he felt that way.

THE HONOURABLE MR. HOSSAIN IMAM: He had the courage of his conviction, Sir, but there is a difference between courage and daring. All right, Sir, I shall revert to this later. My second point was to give the House an opportunity of expressing its opinion on this important Report. Sir, if the Government have any conscience left, if they have any sense of decency, I think they should take lessons from the Report of this Committee. All praise is due to Mr. S. P. Chambers, a Member of the Board of Inland Revenue of the United Kingdom, who can endorse the demand of the nationalists of India, but our own Government, Sir, is so faithless that it does not see what others who are just here for the day can see....

THE HONOURABLE THE PRESIDENT: Is the Honourable Member discussing the Report of that Committee under the guise of his Resolution? If that is his object, I will stop him from doing so. His Resolution only asks the Government to make an announcement regarding the action which Government propose to take.

THE HONOURABLE MR. HOSSAIN IMAM: The announcement cannot be made until we tell them that such and such are the recommendations of the Committee—what do you intend to do about them?

THE HONOURABLE THE PRESIDENT: Quite so, but don't please discuss the report. You will probably get an opportunity of discussing that report.

THE HONOURABLE MR. HOSSAIN IMAM: Mr. President, we always get an opportunity when it is too late. I will tell you, Sir, that when I gave notice of this Resolution, I did not know that the Finance Department will be as adamant as the Law Department. We know, Sir, that the Legislative Department, at the present moment, disregards this House totally. Sir, we do not take offence, because, Sir, we know that the idiosyncrasies of the man who can malign and dishonour the entire womanhood of his motherland, nothing coming from him surprises, he can do anything. But, Sir, the Finance Member too has started taking lessons from there. On the 3rd

March of this year, in the other place, while replying to the debate on the General Budget, the Honourable the Finance Member announced what was to be the procedure in regard to this Report. There he said that he intends to refer this Bill, whenever it is prepared, to a Select Committee of the Assembly. So, my fear was not groundless, and I was correct in thinking that this House will be ignored. The next opportunity that we get, it will be too late in the day. I can quote to you instances. There was a Bill about the Lac Cess. When this Bill was in this House, I drew the attention of the Honourable the Leader of the House to the fact that the Government of Bihar and Orissa ceased to exist, and therefore the Bill should be amended. The Honourable the Leader refused to do so. But again he had to come to this House after some months and get the amendment passed. He refused to accept the amendment in the first instance, because he could not accept an amendment in this House.

THE HONOURABLE THE PRESIDENT: However, that state of things will not continue longer.

THE HONOURABLE MR. HOSSAIN IMAM: This was the state of thing and therefore I wanted to take an early opportunity of expressing some opinion and giving some sort of guidance to the Finance Department, because I have not much hopes that we will be consulted in either the framing of the Bill or in the consideration of this report. If the Honourable Member will assure me that this Bill will be referred to a Joint Select Committee of both Houses, I shall not move this Resolution.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Education, Health and Lands Member): May I refer to the Lac Cess Bill about which my Honourable friend grew very warm? That Bill came up here at the end of the session, and if an amendment had been carried, it would have had to go back to the other House. I think the intention was that the duty on lac should be increased from the 1st April. If not, there would have been considerable loss. That was the reason, not any desire to ignore this House. I hope my Honourable friend will acquit me of the charge that I would do anything which would lower the dignity of this House or that I would oppose any amendment merely because it was proposed in this House. I think the reasons for deferring action were very cogent reasons,—financial loss and the necessity for the Bill going back to the other House. I think that all arrangements had been made about the dates when the sittings of the two Houses would come to an end. These were the only reasons.

THE HONOURABLE MR. HOSSAIN IMAM: Sir, that is only one instance.

THE HONOURABLE THE PRESIDENT: I will now thank you to kindly confine yourself to the Resolution before us and you will have a much stronger case of grievance if on any future date you are not given an opportunity of discussing the contents of that report.

THE HONOURABLE MR. HOSSAIN IMAM: The main reason why I brought forward this Resolution is this....

THE HONOURABLE SIR KUNWAR JAGDISH PRASAD: May I intervene, Sir? I understand from my Honourable friend the Finance Secretary that no undertaking has been given that the Bill will only be referred to a Select Committee of the Assembly, and the question whether it should be referred

[Sir Jagdish Prasad.]

to a Select Committee of both Houses will be considered. I do not think any announcement has been made that the Bill will only be referred to a Select Committee of one House.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, may I ask a question, whether the Income-tax Committee's Report will be discussed in this House before the Finance Bill comes to us or after that?

THE HONOURABLE MR. J. C. NIXON: May I answer that question, Sir? The Report of the Income-tax experts will be discussed in this House in the form of a Bill coming before the House.

THE HONOURABLE MR. HOSSAIN IMAM: With your permission, Sir, I should like to have an opportunity of discussing the few important points in this report on subjects that I have been dealing in the House during the last few years. I do not wish to indulge in criticisms or detailed examination of the Report

THE HONOURABLE THE PRESIDENT: But it is a very big question. That Committee's report, with its full complications, is a very difficult and big question and cannot be discussed on this Resolution.

THE HONOURABLE MR. HOSSAIN IMAM: May I submit, Sir, that Government had adopted in the case of the Companies Law a different procedure. They consulted a Committee of the Assembly before they framed the Bill. Is the Honourable the Finance Secretary prepared to give an undertaking that he will form a Committee of the two Houses to consider the framing of this Bill? If so, I will be prepared to withdraw this Resolution forthwith.

THE HONOURABLE THE PRESIDENT: Bills are framed in the Department. The Select Committee only modifies it and moulds it into proper shape.

THE HONOURABLE MR. HOSSAIN IMAM: In the case of the Companies Act Amendment Bill, a Committee of the Assembly was set up to consider the report of the special officer. Similarly, there can be a Committee of the two Houses to consider the report of the experts. If the Honourable Member is prepared to do that, I have no objection to withdrawing this Resolution, because that is the main thing that I want—an opportunity of discussing that report.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: May I say, Sir, that as we have been allotted only one day for the consideration of the Finance Bill, and as this Income-tax Enquiry Report will need at least a full day in itself, I would humbly request that a separate day be allotted for the consideration of the Income-tax Enquiry Committee's Report, or otherwise, two days be allotted for the consideration of the Finance Bill?

THE HONOURABLE MR. J. C. NIXON: When I was talking about a Bill, I meant a separate Income-tax Bill, not on the occasion of the presentation of the Finance Bill.

THE HONOURABLE MR. HOSSAIN IMAM: Will the Government be prepared to give us a day for discussing this Report? That will suffice for

us and that will be the kindest thing that the Honourable the Leader of the House can do.

THE HONOURABLE THE PRESIDENT (to the Honourable Mr. Nixon): They want to know if the Government are prepared to give a day to discuss the Income-tax Committee's Report.

THE HONOURABLE MR. HOSSAIN IMAM: Without any motion.

THE HONOURABLE MR. J. C. NIXON: I am not clear whether the suggestion is that the Income-tax Enquiry Committee's Report should be discussed on its merits or whether it is the procedure of the Government for taking what action they may propose to take which will come up for discussion.

THE HONOURABLE MR. HOSSAIN IMAM: On both points.

THE HONOURABLE MR. J. C. NIXON: In any case, Sir, I am afraid I am not in a position to be able to say whether Government can give a date for that. The Honourable the Leader of the House will no doubt consider it, but I do not think he at the present moment will be prepared to give a date.

THE HONOURABLE THE PRESIDENT: It rests with the Leader of the House.

THE HONOURABLE SIR JAGDISH PRASAD: I could not say straight off. If my Honourable friend had given me some warning I could have consulted my colleagues. It is impossible for me at this stage to say anything.

THE HONOURABLE MR. HOSSAIN IMAM: We should not discuss the Government's action but only the report on its merits.

THE HONOURABLE SIR JAGDISH PRASAD: I think my Honourable friend might be allowed to continue his speech.

THE HONOURABLE THE PRESIDENT: If the Honourable Secretary has no objection I will allow him.

THE HONOURABLE MR. HOSSAIN IMAM: I am prepared to waive my priority. I will discuss it after the Resolutions tomorrow.

THE HONOURABLE SIR JAGDISH PRASAD: I think he might be allowed to continue.

THE HONOURABLE MR. HOSSAIN IMAM: I was saying, Sir, that credit was due to Mr. S. P. Chambers for his sense of equity and justice. He has proved himself to be better than the Government. And that is not my allegation. I have chapter and verse to quote in proof of this. I am merely concerned with a few subjects in this report in which I have been taking an interest for the last 5 years. I am mostly concerned with the incomes arising abroad and incomes accruing in India but being drawn abroad. Those were the two things in which I was greatly interested. I put a question on the 20th September 1932, No. 42, in which the reply of the then Finance Secretary was that the Government of India know of no statutory provision exempting

[Mr. Hossain Imam.]

sterling pensions from Indian income-tax, nor is any such provision necessary to validate the existing practice, "because the territorial limitations imposed on the powers of the Indian Legislature by section 65 of the Government of India Act render it impossible—mark the words—for the Indian Legislature to make effective provision for the recovery of Indian income-tax on pensions paid outside India to persons resident outside India".

That is what my Government says, and I will quote the opinion of the experts—

"The major consideration that pensions earned in British India should pay British Indian tax should in our opinion prevail."

Have the Government any sense of shame? Do they realise that they are here to serve Indian interests? Do they realise that such actions of theirs of always trying to serve the British exchequer, is not a paying thing? It does more harm to their masters in England than it does to anybody else.

Sir, I am very glad that in practically all the matters on which I have been agitating during recent years, I have received endorsement from this Council. I commend to the attention of the House the remarks on page 6 in section 2 (b): "We feel that income payable to non-residents arising in a primary sense from British Indian sources should be subjected to British Indian taxes".

Now, the reason why I wanted to know what the Government intend to do is not that there should be any discrimination either in favour of Indians or in favour of Europeans. The Government was quite anxious to accept one of the recommendations of this Committee, the coupling up of the income of the husband and wife. They brought forward that legislation on the report of this Committee. Now, may I ask why this discrimination in favour of Europeans in regard to those incomes which you have exempted by executive action under powers given to you under section 60 part (1)? Why should not you accept the recommendations of the Committee and rope in those incomes from the beginning of the next year? If the Government is anxious to increase its intake and does not wish to discriminate between Europeans and Indians, why this difference between their treatment of the two sets of people. Sir, the fact is that here they are concerned with the close preserve of the Secretary of State. Personally I think that the Committee have shown a way out; they have given us the lead that even the reservations made in the Government of India Act, 1935, under sections 178 and 272 are most retrograde, and, I may be pardoned for saying, that they damn the constitution. The power that we now enjoy to subject pensions to our own income-tax is being taken back, and yet we are told that Federation will bring Heaven to earth. Sir, the trouble with the Income-tax Department is two-fold. They are anxious to please the business people as well as the Secretary of State. Now, the position of business people, if I may be excused for saying so, from the report of this Committee is that they have been guilty of two things, illegal evasions and legal avoidance. Now, it is strange that the accused should be appointed the judge. We will be told that certain provisions did not meet with the approval of the business community. What would be the meaning and force of that? Either you take back your charge that there has been evasion and legal avoidance, or, if you substantiate that charge—as is amply proved in the Andrew Yule case, where we have lost 2 crores make the law more effective. Such cases make me doubt if it is the right policy of the Government to be so diffident towards the opinion of business men. May I say that it is in the interest of every honest man that he should see that taxes are not evaded or avoided. Because if a given tax does not yield the required amount of money, what will happen? The rate

of the tax will go up and the incidence will increase. The greater the evasion the greater is the weight on the honest man. Taxes are never liked and income-tax is specially hated, even by members of the Treasury Benches. But there is this difference. In other countries I know it is not regarded as moral turpitude to evade income-tax, but in India to my shame I have to admit that it is regarded as commendable. Therefore I think the Government would be well advised to so amend section 54 as to give the Governor General power not to apply this section to particular classes of people or in particular areas if he finds that there is a *prima facie* case that evasions on a large scale are being practised in that area or in that class.

Sir, the United States and Italy give full publicity to the assessments of income-tax. On the Church door in Italy the assessment is hung up that such and such persons were assessed to such and such income. If that system were to be adopted in India, you will find that the takings of the Income-tax Department would go up much higher than they are at present. The honest man would be able to get relief from the present surcharge; he might even get a reduction in the super tax. If all those who are liable to pay the tax and who ought in justice to pay, would pay their due share—and, Sir, it is the Government officials who are most burdened by these evasions because their income is known and they are taxed accordingly—then the position would be much better. The business people go merrily about, devising ways and means consulting income-tax experts, paying them huge fees and getting legal avoidance.

Sir, I came across this secrecy stunt of the Income-tax Department when the electoral roll of the Council of State could not be corrected. I know of dozens of men who were eligible to be voters but whose names did not find place in the electoral roll merely because the Income-tax Department would not furnish on demand to the Election Officer with the necessary names. The election officers wanted the Income-tax Department to give them a list of those who were subjected to requisite income-tax. There are any number of people who were ineligible to remain voters. I wanted to get their names struck off, but I could not do so because the Income-tax Department would not give us information. This secrecy stunt, as I call it, has gone too far; it has become a fetish.

Now, Sir, I would revert to Chapter I, section 4, of the Report. There they recommend that the agricultural income of an assessee should be taken into account in fixing the amount of tax payable on his other income. This is very hard. This is an indirect method of taxing agricultural income; and as agricultural income is to be a provincial subject I object to its inclusion. I give my full support to the other recommendation in this Chapter, namely, para. (d). Mortgagees, by means of tactful use of certain words, take advantage of the loose framing of the law have evaded payment of income-tax for a very long time. Its correction is a right development. That is not agricultural income in the strict sense of the word, because when we talk of agricultural income we mean income of persons who hold it either permanently or for life, where the period does not expire with the expiry of the sum lent. Usufructuary mortgages are nothing short of interest payment and capital payment. Therefore I think the Government would be perfectly justified in accepting that amendment as suggested in this Report.

Now, Sir, the Income-tax Report has taught us something, how volumes can be spoken without saying a word about it and that is what they have done in section 6 (a).

THE HONOURABLE MR. J. C. NIXON: What Chapter?

THE HONOURABLE MR. HOSSAIN IMAM : The same Chapter I—Governor General's powers of granting exemption and of revoking exemptions. These are the words of the Committee, Sir, and they speak volumes :

"Representations have been made to the effect that the power given to the Governor General under this section is inconsistent with the principles of the Government of India Act, 1935, and out of harmony with the practice in other countries in taxation matters, and should be abolished, leaving any exemption to be specifically enacted."

These are the allegations. What does the Committee say ?

"We can, of course, offer no comments upon a constitutional matter such as this but we are of opinion that, the complaints in the main arose out of the specific exemptions dealt with in the following sub-paragraphs."

And after enumerating them, this is what they say :

"The major consideration that pensions earned in British India should pay British Indian tax should in our opinion prevail."

THE HONOURABLE THE PRESIDENT : May I draw your attention to the fact that you have already exceeded your time limit.

THE HONOURABLE MR. HOSSAIN IMAM : Sir, I was interrupted for 10 minutes.

THE HONOURABLE THE PRESIDENT : I have taken that into consideration.

THE HONOURABLE MR. HOSSAIN IMAM : I will finish soon, Sir. I submit, Sir, it is not possible to deal with the whole aspect within the space of time at my disposal and I suggest that Government should consider the advisability, especially as the House is anxious to give it a more detailed consideration, of giving a day, if they have time in their hands, for a formal motion that the Report be taken into consideration, as has been done in the case of other Reports ; in order to give this House an opportunity to go in greater detail and help the Government. In this connection the angle of vision of the Opposition coincides with that of the expert committee and it is only the Government of India, about whom we are afraid that it may not go far enough and may shelve most of the recommendations of the report or they may be pressed by higher authorities not to take action ; because the report has gone as far as Indian opinion has demanded, for instance, in connection with the interest on sterling loans. The report points out that under the present Government of India Act section 315 (4) and section 178 (3) the Indian Legislature is powerless to enact. After admitting this, or bemoaning this, they recommend that :

"If in spite of these considerations, it is desired to bring such interest within the scope of British Indian Income Tax, this could only be done by amendment of that Act by the United Kingdom Legislature. In such an event, special machinery for the deduction of tax would need to be provided."

This is a broad hint to the Government of India that they should take up the matter with the Secretary of State and demand that these sections of the Government of India Act should be amended. They could not say in more explicit what their intention was. They have gone even further than this. They add :

"The view was expressed that even if non-taxability in respect of the interest on existing loans must be retained, it should be avoided in respect of any future issues by making the interest payable in India, but this is a matter of Government financial policy."

Here we have the report of the experts favouring us. You need not be anxious that the opposition would put a spoke in the wheel. The opposition will strengthen your hands if you really do intend to serve India. There is another matter to which I wish to draw the attention of the Government.

THE HONOURABLE THE PRESIDENT : Will you try and bring your remarks to a close ?

THE HONOURABLE MR. HOSSAIN IMAM : I shall conclude in two or three minutes, Sir. I would draw the attention of Government to a matter that was not brought to the notice of Government. I refer to the guaranteed interest of the railway companies. That, Sir, neither by any statutory provision, nor by executive notification, but merely on supposition is regarded as accruing outside India and subject to the usual territorial restriction. Fortunately for India, Sir, the Argus eyes of the framers of the Government of India Act did not catch this. The powers of this Legislature have not been curtailed. And I hope, Sir, that the Finance Member will rope in this fruitful source of supply. In the same category, Sir, I would ask the Government what is the position as regards Indian States portion of income from the Railways. Whether this also is to be exempted by supposition or by notification or by statute. The rest of what I have got to say, Sir, I shall reserve for the Finance Bill. Sir, I move.

THE HONOURABLE THE PRESIDENT : I may point out to the Honourable Finance Secretary that, though the Honourable Member has spoken at great length on the Report of the Income-tax Committee, unless he so wishes he is not bound to reply on that point which is outside the scope of the Resolution. And I would like Honourable Members now to confine themselves to the Resolution.

THE HONOURABLE MR. J. C. NIXON (Finance Secretary) : Sir, I am going to accept the invitation of the Honourable the Mover that in replying to this Resolution I shall be brief, and I do so the more readily because in the absence of my friend Mr. Mahapatra I shall be less in danger of being accused on that account of exhibiting a paucity of thought. The Resolution, as you have pointed out, Sir, has asked the Government of India to make an announcement in regard to the action they propose to take on this Report, and that is the aspect of the case, in the few moments that I propose to take of the time of the House, which I wish to deal with.

As the House probably knows, the Report came into the hands of Government about Christmas time. We immediately had it printed up and circulated to Local Governments, public bodies, Chambers of Commerce, etc., and asked them to let us have their views by the end of April if possible. We have already had a communication—I think it is from the Federated Chambers of Commerce—saying that that is much too short a period for them to reply in, and asking that we may permit their reply to be deferred till somewhere towards the end of July, and I rather suspect that that will be rather a common request. In any case the possibility of not having to take immediate action on this Report was not unwelcome to the Finance Department. Honourable Members will believe, I hope, that at this particular time of the year the Finance Department is pretty fully occupied with other matters. And I would say straight away that I myself am not in a position to discuss the Report on matters of merit. The Finance Department are retaining a completely open mind in regard to the proposals made by the experts. We shall take into account very seriously the comments we receive from the people

[Mr. J. C. Nixon.]

we have invited to express opinions. Some of the opinions expressed by my Honourable friend this afternoon will not be overlooked. To me they sound as if some of them had considerable sense. As I say, we are keeping a completely open mind.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: You mean to say you will give us another day for discussion in this House?

THE HONOURABLE MR. J. C. NIXON: I have already replied to that, as far as I was able, Sir, in what I said in the middle of the debate. I would point out at this stage that the recent Act which this House accepted in regard to income-tax was for the explicit purpose of preventing a very serious and rapid deterioration in our income-tax receipts. In that respect it differs from some of the other recommendations in this Report. It is quite obvious that my Honourable friend the Mover of this Resolution himself does not want Government to announce that they are going to accept the whole of this Report as it stands, lock, stock and barrel.

As the Honourable the Finance Member pointed out to the other House on a recent occasion, he hopes to be able to present his suggestions with regard to the income-tax law in India in the form of a Bill probably in about a year's time, and his intention at present is that he would then refer the matter to a Select Committee which would report in the following session.

As you know, the recommendations of the Report may be divided into two parts. There are those which definitely require modifications in the Act if they are to be carried out and there are certain other recommendations dealing with the administrative machine. Among the latter there are certain types of action which would affect the assessee without legislation. And in regard to these we shall in the Finance Department wait till we hear the various opinions on the subject. But inasmuch as certain of these recommendations suggest a tightening up of the administrative machine, getting the machine itself into order, we shall as soon as possible take those up and if practicable bring them into operation.

I gather that the real purpose of the Honourable the Mover of this Resolution, if what he said in the early part of his speech is correct, is that this House should be given an opportunity before a Bill is passed by the other House of expressing some sort of opinion and he suggested that the *modus* of a Joint Select Committee would to some extent meet his wishes. I can give no guarantee in regard to the procedure that Government will follow in this matter but I shall certainly have the matter considered and consult the Government over it.

In the way of an announcement, Sir, that is all I can say, and I think it probably is all that the Honourable Mover of the Resolution expected me to say. I am sure he would have been amongst the first to object if Government had taken this Report and decided which recommendations it proposed to accept and which it proposed to reject without waiting for the comments of public opinion, and therefore I hope he will accept what I have said as the announcement for which he explicitly asks in this Resolution.

THE HONOURABLE MR. HOSSAIN IMAM: Sir, I wish just to say a few words. The announcement which the Honourable the Finance Secretary has made, Sir, is not what I wanted.

THE HONOURABLE THE PRESIDENT: But surely you will admit that you could not have expected him to know what you were going to say under this Resolution?

THE HONOURABLE MR. HOSSAIN IMAM: Sir, I expected that he would announce what would be the exact procedure the Government would adopt.

THE HONOURABLE THE PRESIDENT: I don't think the Government know themselves.

THE HONOURABLE MR. HOSSAIN IMAM: If they do not know, Sir, then may I assume that this motion of mine will not debar us from discussing the subject again at Simla? Because, Sir, if we are debarred from making a motion on this subject again within the statutory period of one year, the result will be that the Government would do what they like without consulting us.

THE HONOURABLE THE PRESIDENT: That has nothing to do with the Government. It will be for me to decide when the Resolution comes up whether it is permissible or not.

THE HONOURABLE MR. HOSSAIN IMAM: Sir, knowing your regard and solicitude for the dignity of this House I can rest content. But, Sir, may I draw the attention of the Honourable the Finance Secretary to what I said in the beginning, that there is one procedure open to the Government that they can consult a Committee of non-officials before they formally draft the Bill—a Committee to help the Finance Department in drafting the Bill. I do not want him to assure us that this will be done because I know that he cannot give us this assurance without consulting the Honourable Member in charge, but, Sir, I simply ask him to do his best to follow the Legislative Department in the one good thing that they have done, of having set a precedent, that the House should be consulted before the Bill is passed. With these words, Sir, I resume my seat.

THE HONOURABLE THE PRESIDENT: You resume your seat but you do not say anything about withdrawing it. When you started, you said that you framed this Resolution for the purpose of asking for information. You have got the information now. Do you withdraw the Resolution?

THE HONOURABLE MR. HOSSAIN IMAM: I have no objection to withdrawing it if the House wishes it to be withdrawn.

THE HONOURABLE THE PRESIDENT: I am not asking the House. You tell me whether you wish to withdraw the Resolution or not.

THE HONOURABLE MR. HOSSAIN IMAM: I withdraw, Sir.
The Resolution was, by leave of the Council, withdrawn.

RESOLUTION *RE*. POSITION OF INDIANS IN ZANZIBAR.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern: Non-Muhammadan): Sir, I beg to move:

"This Council recommends to the Governor General in Council to take steps to investigate again on the spot the position of Indians in Zanzibar as affected by the recent anti-Indian decrees and to adopt such measures as may appear desirable in the light of the fresh investigation to secure justice to the Indian community."

[Pandit Hirday Nath Kunzru.]

Sir, we have had often to listen to the sad story of grave wrongs and humiliations imposed on my countrymen in many parts of the British Empire, but till recently Zanzibar was not one of the places whose complaints reached our ears from time to time. Happily, it was free from racial troubles of all kinds till the year 1934. It was about the middle of that year, Sir, that the Government of Zanzibar passed certain decrees which have created consternation and alarm among the Indian community and the bitterest resentment in this country. And who are those Indians of Zanzibar with whose case we have to deal today? They are men who have been settled in Zanzibar for generations. They are men whose settlement in Zanzibar was welcomed by the Sultans and was to a certain extent encouraged by the grant of preferential treatment in certain commercial matters. They are men who have enabled the British Government to build up their position in Zanzibar. It has been more than once officially acknowledged that the British Government owes its present position in Zanzibar entirely to the influence of the Indian settlers. They are men, 80 per cent. of whom have settled down in Zanzibar. They control 90 per cent., I believe, of the import and export trade and it is they who have built up the clove trade of Zanzibar. And these people, who, judging from the accounts that one has received of them, have been a source of strength both to the Protectorate and to the British Government, have been singled out for discriminatory treatment.

And what is the ground on which the Zanzibar Government have passed the legislation to which my countrymen have taken serious objection? Some time before 1934, a report, known after the names of its authors as the Bartlett-Last Report, was published in which it was alleged that probably "not less than half of the agricultural property of Zanzibar has passed to the hands of the money lending classes, and that at least a half of the remainder is encumbered to them, most of it heavily".

(At this stage the Honourable the President vacated the Chair which was taken by the Honourable Sir David Devadoss.)

It was also stated that the debts amounted to 62 per cent. of the assets. The allegations made in this report practically came to this, that the Indians were dispossessing the Arabs rapidly of their lands and converting them into a landless proletariat, that they had come to acquire control over 3/4ths of the agricultural property in Zanzibar and that unless immediate action was taken, the situation would be fraught with grave political danger. The Zanzibar Government, soon after the publication of the report, brought forward a number of decrees, only three of which it will be necessary for me to refer to this afternoon. These decrees are the Land Alienation Decree, the Clove Growers' Association Decree and the Clove Exporters Decree. Now, the Land Alienation Decree affects the position of Indians as money lenders and as men to whom land has been mortgaged by the Africans. Under it a moratorium was proclaimed for a year and it was also laid down that no land owned by an Arab or African could be alienated to an Indian except with the special permission of the Resident. The Clove Growers' Association Decree and the Clove Exporters Decree dealt not with agricultural property but with the trade in cloves. It affected the Indians as dealers in cloves—as purchasers of cloves in the internal market and as its exporters. If necessary, I shall deal with its provisions a little later. But I want just now to explain to the House the grounds on which these decrees were passed. It was alleged that Indians who were acquiring land from the Arabs and the

Africans did not make good agriculturists. They were as a rule absentee owners who did not manage their property in the best possible way. It was also alleged that they had indulged in speculation and were responsible to no small extent for the depression in the clove trade that prevailed in the Protectorate. It was further alleged that the control of the clove trade by the Indians had created a number of middlemen between the producer and the exporter who ate up most of the profits that ought legitimately to have gone into the pockets of the producer. These are the grounds on which these decrees were passed, and now I shall take just a moment to refer to the salient features of these decrees. I shall take the Clove Growers' Association Decree first. The Clove Growers' Association existed before this decree was passed. But this decree gave it a different form and different powers. It was authorised to deal generally in and export agricultural produce. Then it was given a monopoly for the export of cloves. These are the two main features of the Clove Growers' Association Decree. I might also say in passing that this decree imposed certain charges on the export of cloves but exempted the Clove Growers' Association from the payment of these charges, which the other exporters were called upon to pay. Now, take the Clove Exporters' Decree. No cloves could be exported without a licence from the licensing authority, which was the Clove Growers' Association and not the Government, and against the Clove Growers' Association one of the most important complaints of the Indian community is that its Secretary-Manager is a man who was the agent of a firm which could not hold its own in fair competition with Indians in the clove trade. The licence fee might amount to as much as Rs. 5,000 per annum under this decree. At present we gather from Mr. Binder's report, which I shall deal with a little later, that the fee is Rs. 2,000. The number of licences might be restricted by the licensing authority. In addition to this the Clove Growers' Association is entitled to inspect the accounts and books of the exporters, who can only be regarded as the rivals of the Clove Growers' Association.

When these decrees were published in Zanzibar, the Indian community naturally appealed to the Government of India to take up their cause and press His Majesty's Government to see that justice was done to them. The Government of India I am glad to say promptly responded to the appeal of the Zanzibar Indians and deputed Mr. Menon to proceed to Zanzibar to carry on investigations on the spot and to submit a full report. Honourable Members I am sure are familiar with the main features of this report, but to me its most valuable feature is that it takes account in the fullest measure of the moral responsibility which the Indians of Zanzibar owe to the Arabs and Africans settled there. Mr. Menon, as every Indian ought to acknowledge with pride, refused to make any recommendations which would have the effect of putting pressure on the Zanzibar Government to withdraw any measure required for the protection of the legitimate interests of the Arabs and Africans. In some important respects he disagreed with the Indian community. His recommendations we may thus be sure are not based on the principle "my countrymen, right or wrong", but are the outcome of an impartial, and fair consideration of all the relevant facts of the situation. After surveying the situation from as detached a standpoint as he could adopt, he came to the conclusion that the charges against the Indians were unfounded and that the Clove Growers' Association Decree and the Clove Exporters Decree would, if allowed to remain on the Statute-book, practically deprive Indians of their livelihood and compel them to leave Zanzibar, which has been their home for generations. He has stated on the basis of the investigations carried out by him that it was wrong to allege that Indians had indulged in speculation or that there was a large number of middlemen between the producer and

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the exporter and that the Indians charged high profits, thus depriving the real agriculturists of a good part of the fruit of their labours. He has pointed out that the profits charged by the Indians were very moderate and that they were much lower than the duty of 7 annas per *frasila* or 35 lbs. of cloves levied under the decrees I have referred to on all cloves exported from the Protectorate. He has expressed the opinion that the apprehensions expressed by the Indian community regarding the attitude of Mr. Bartlett, whose appointment as Secretary-Manager of the Clove Growers' Association has created great bitterness amongst Zanzibar Indians, were perfectly justified. He says that Mr. Bartlett's attitude was that he would 'feed' Indians from time to time. In other words he would tell the Indians that if they behaved well they might be allowed to retain a certain share of the clove trade. The House can easily imagine that apart from all other considerations, men who had built up the clove trade, who had for generations been an asset to Zanzibar, could not easily accept the position of being dependent on the charity of Mr. Bartlett, who was an agent of one of their former business rivals.

There is one other material fact which I should like to bring before the House before I pass on to other matters. I have referred already to the alarm created in the Zanzibar Protectorate by the report known as the Bartlett-Last report. The Government of Zanzibar appointed a commission—as the allegations in the Bartlett-Last report were challenged and as the decrees passed by the Zanzibar Government provided no permanent solution of the question with which they dealt—the Government appointed a Commission known as the Agricultural Indebtedness Commission to find out the true facts and to suggest such remedies as the situation might call for. The report of this Commission which was presided over by the Chief Justice of Zanzibar and the majority of whose members were officials is a revealing document. It completely exonerates the Indian community from the serious charges that had been brought against them. The Commission estimated that not more than 6½ per cent. of the clove trees in Zanzibar were owned by Indians and that even if the fictitious sales were included, which there was no reason to do, as Indians had shown no desire to foreclose their mortgages and prevent the Arabs from redeeming their property, even then the total property in the hands of the Indians, that is, the total property of which they could be regarded as owners, would not be more than 12½ per cent. The mortgages amounted to a further 7·5 per cent. of the total. If we take all these things together, that is, the clove trees owned by Indians, the trees mortgaged to Indians and the trees which they controlled for the time being owing to fictitious sales, they could not be said to control more than 20 per cent. of these trees. What a contrast between this and the alarming statements contained in the Bartlett-Last report, which conveyed the suggestion that nearly three-fourths of the agricultural property in the Protectorate was in one way or another in the hands of Indians. The Zanzibar Government disagreed with the estimates of its own Commission, but it has not so far taken the public into its confidence and informed it of the reasons for which it disagreed with the conclusions of the Indebtedness Commission. The estimates of the Indebtedness Commission were admittedly based to a certain extent on certain assumptions, but anybody who reads the two reports that I have just mentioned can judge for himself whose assumptions are wild and whether the conclusions of the Commission are *prima facie* supported by such evidence as was given before the Commission and such facts as came to its notice.

(At this stage the Honourable the President resumed the Chair.)

The Government of India, I am glad to say, lost no time after the receipt of Mr. Menon's Report in making strong representations to His Majesty's Government. They have kept up the fight hitherto and if they have not succeeded it is no fault of their own. The difficulty is inherent in their position. They are a subordinate branch of the British Government, as Lord Curzon once emphasised. Owing to the incessant pressure maintained on the higher authorities by the Government of India, His Majesty's Government appointed a Chartered Accountant, Mr. Binder, to examine the accounts of the Clove Growers' Association and to submit a report on its operations during the time that it had been in existence. Sir, Mr. Binder's report has been severely criticised in this country. It has been justly said that it offers no solution of the question which is troubling the Indian community. But before I deal with its recommendations, I should like to draw attention to one fact, the significance of which has been well brought out in this report. This report deals with the proportion which the licence fees paid by Indians bear to their total profits. While there were formerly 36 firms engaged in the export trade, there are only 5 firms engaged in this business today and between themselves they have paid Rs. 10,000 or £750 for obtaining licences for the export of cloves. Now, according to Mr. Binder, the total profit of the export trade at 1 per cent. of the value of the cloves would amount to about £4,750. If the whole of this trade passed through Indian hands the licence fees would amount to 16 per cent. of the profit, but the entire trade does not pass through the hands of Indians. Apart from this, the Indian exporters may well have to give up some of their profits owing to the competition they may be faced with among themselves. It would thus be nearer the mark to say that the licence fees would take away at least one-third of the profits of the firms engaged in the clove export trade.

The House would like to know, Sir, what are the principal conclusions at which Mr. Binder arrived after examining the financial position of the Clove Growers' Association and making such investigations as he could on the spot. I shall first, Sir, refer only to those recommendations which justify largely the complaint of the Zanzibar Indians against some of the steps taken under the decrees which I have briefly dealt with already. Mr. Binder recommends that export licences should in future be issued not by the Clove Growers' Association but by Government. He also recommends that the licence fees should—

“be reduced to such a sum as will be within the means of a small exporter who should be encouraged to explore for new markets and bring orders, however small, from countries outside the main market and thereby broaden the consumption.”

Another recommendation of his is that the export levy of 7 annas per *frasila* against which the Indians protested and which gave the Clove Growers' Association a very unfair advantage over them in the export trade should be abolished and the expenses of the Clove Growers' Association covered by the margin between buying and selling prices. Yet another recommendation of Mr. Binder relates to the association of growers and exporters with the Clove Growers' Association. Hitherto this name has been a misnomer. There is not a single grower, there is not a single person connected with the clove trade on the Board of the Association. Mr. Binder recommends, not that Indians should be included in the personnel of the Board, but, that an advisory committee consisting of two representatives of growers, one for Zanzibar and one for Pemba, two representatives of exporters, and a representative of the Clove Growers' Association should be established in order to confer with the Board of the Association and to discuss purchase and sale prices to be fixed from time to time. In addition to this, Sir, he has made two very important

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recommendations in regard to matters which vitally concern the Zanzibar Indians. They relate to the debt question. The moratorium which was originally decreed for a year has continued in existence for nearly three years. I understand that the debt legislation drafted by the Government of Zanzibar is now being examined by the Government of India. This gives us some hope that the moratorium would be lifted soon and that steps of a permanent nature would be taken to give redress to the indebted peasants and to do justice to the creditors also. Mr. Binder recommends that attempts be made to reduce the amount of the debts through Conciliation Boards and that in addition to this an Agricultural Credit Association be formed for the purpose of making the necessary advances to agriculturists in order to enable them to free themselves from the burden of debt. Indeed it is clear from these recommendations that in some respects Mr. Binder without saying so has supported the demands of the Indian community and justified their criticisms. He has pointed out that no permanent solution of the question is possible unless steps are taken to advance cheap money to agriculturists and to reduce the amount of their indebtedness.

There are, however, Sir, two other recommendations of a very serious nature which might nullify the good effect of the recommendations to which I have drawn attention above. Hitherto the Clove Growers' Association has enjoyed a monopoly only in the matter of the export of cloves. But Mr. Binder now recommends that "the Government should obtain legislative authority to restrict the purchase of cloves to licensed buyers", and that Government should, in the first instance, "issue a licence to buy and receive deposits of cloves to the Clove Growers' Association only". He says that purchasing agents should be chosen from experienced local dealers and that sales should be made through licensed exporters. But he also says that circumstances might arise "which would necessitate direct export by the Association". Now, Sir, the Indians have complained strongly of the monopoly enjoyed by the Clove Growers' Association and the net effect, considering the present situation in Zanzibar, of the recommendations of Mr. Binder would be to extend and strengthen this monopoly of the Clove Growers' Association which will in future have the sole right not merely to export but also to buy cloves. And one need not be surprised if in course of time circumstances do arise in which the Association might deal direct with the foreign importers. Indeed foreign importers, seeing that the Clove Growers' Association enjoys a monopoly of purchase and sale, might well discard the existing exporters and prefer to deal with the Clove Growers' Association.

This is, Sir, the situation at present. What is it now that we can do to put pressure on the higher authorities to redress the just grievances of my countrymen? I have already referred, Sir, to the incessant vigilance of the Government of India on behalf of the Zanzibar Indians. But what they have done, while of the greatest value, is not enough. They have certainly prevented the position of Indians from deteriorating further but they must with the public opinion of the country behind them go further and inform His Majesty's Government that if the means at our disposal of securing justice to Indians are exhausted we shall be left with no alternative but to prohibit the import of cloves from Zanzibar into this country. We would not like to hurt a tiny territory like Zanzibar, but we cannot forget the fact that it is His Majesty's Government who are responsible for the policy that is being followed there. In South Africa it is said we have to deal with a Self-governing Dominion, but Zanzibar is directly under the control of His Majesty's

Government. What prevents His Majesty's Government then from doing justice to Indian claims the legitimacy of which has been proved by Commissions appointed by the Zanzibar Government themselves? Sir, I was very glad to learn from a reply given by Government in another place two days ago that they would authorise their representative at the forthcoming Imperial Conference to discuss the position of Indians in the Colonies with the Secretary of State for the Colonies. I hope, Sir, that the discussion of the situation in Zanzibar with the Secretary of State for the Colonies would lead to an improvement in the situation from our point of view and that it would not be necessary for us to take any action against the trade of Zanzibar.

THE HONOURABLE THE PRESIDENT: Please bring your remarks to a close now.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: But I cannot forget the fact that the Indians all over East Africa are in a very difficult position. I am somewhat acquainted with East Africa and its problems and I think I can say on the basis of my personal knowledge that the growth of the nationalist sentiment in India seems to have led to an increase in the anti-Indian movement there. In proportion as the desire of the Indians to be masters in their own house has grown, efforts have been made by their opponents to prevent them from occupying an important position in the lives of the Colonies to which they belong and to consolidate their interests. This, Sir, is the situation that we are called upon to deal with today. It is for this reason, Sir, that I have urged on the Government of India the necessity of sending a representative of their own once more to Zanzibar to collect facts to argue with the authorities and to bring about an amicable settlement if possible. They have on two occasions up to the present time sent their representatives to Zanzibar with the utmost benefit to the Indian community,—Mr. Menon and Mr. Bozman. I am sure that if they send a representative again, it will be productive of the greatest good. I know that the Resident is new. Give him by all means some time to acquaint himself fully with the situation in the Protectorate. But keep before yourself the necessity of sending another man to Zanzibar to influence the authorities to do justice to Indian claims. But more than this, Sir, one permanent measure is needed to protect Indian interests. We have seen that the presence of Agents of the Government of India has been a source of great help to the Indian communities in South Africa, Ceylon and Malaya, and I feel, Sir, that the Indian community in East Africa is entitled to expect from the Government of India the same help as the Indians in South Africa, Ceylon and Malay have received. I hope that this matter will receive the serious consideration of the Government of India. The developments of the last three years are sufficient to convince all of the necessity of the appointment of a permanent Agent for the East African territories of the British Government.

Sir, I do not wish to take up the time of the House any more, but I would once more urge on the Government of India, with all the emphasis that I can command, not to be content with what they have done but to take every possible opportunity of pressing on the authorities the just claims of my countrymen. His Highness the Aga Khan....

THE HONOURABLE THE PRESIDENT: I have allowed you already nearly 45 minutes, because the subject is a very important one, but at the same time I hope you will not trespass too much on the time of the Council.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: I will take only five seconds more, Sir. The suggestion that I have made has had the

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support of His Highness the Aga Khan, who certainly is in a position to take full account of the difficulties of the situation. If a responsible man like him could put forward a suggestion of the kind embodied in my Resolution, I hope that it will commend itself to the Government of India.

THE HONOURABLE MR. R. H. PARKER (Bombay Chamber of Commerce): Sir, I feel sure that the Government of India will accept this Resolution if they think that any useful purpose will be served by doing so. They have shown the greatest interest in this subject and we on our part have the greatest sympathy with what the Honourable the Mover of this Resolution has said. I do not suggest that it is necessary now to go into the merits or the demerits of this case at all. I would only like to say that we dislike restrictions of this kind on principle and that we still more dislike racial discrimination. But we do realise that there have been cases in India, such as the Land Alienation Act in the Punjab, where certain legislation of this kind has been found necessary.

THE HONOURABLE MR. BIJAY KUMAR BASU: Not racial.

THE HONOURABLE MR. R. H. PARKER: No, but agricultural. They must be on those grounds, as my Honourable friend says. The necessity for action is made clear in Mr. Menon's report where he brings out in a very few words the point that the proposed legislation will reduce the Indians not from opulence to poverty, but from poverty to starvation.

THE HONOURABLE SIR RAHIMTOOLA CHINYOY (Bombay: Nominated Non-Official): Sir, I just want to suggest to my Honourable friend.....

THE HONOURABLE THE PRESIDENT: Nothing can be suggested now to him. If you wish to address the House, you can do so.

THE HONOURABLE SIR RAHIMTOOLA CHINYOY: With reference to this Resolution, my suggestion through you to the House and the Honourable Member is that the Resolution should be altered thus:

"This Council recommends to the Governor General in Council to take steps to ameliorate the position of Indians in Zanzibar as affected by the recent anti-Indian decrees and to adopt such measures as may appear desirable to secure justice to the Indian community."

THE HONOURABLE THE PRESIDENT: You wish to move an amendment to that effect?

THE HONOURABLE SIR RAHIMTOOLA CHINYOY: If my friend is prepared to accept.

THE HONOURABLE THE PRESIDENT: It is first for me to say whether I will allow the amendment. Do you propose an amendment?

THE HONOURABLE SIR RAHIMTOOLA CHINYOY: I suggest this amendment.

THE HONOURABLE THE PRESIDENT: I disallow any further amendments to this Resolution. This Resolution has been in the hands of

Honourable Members for the last two days and they could have put in an amendment before this time.

THE HONOURABLE SIR RAHIMTOOLA CHINYOY: I am very sorry the amendment has been disallowed, but I support the Resolution. I feel great concern at the position to which Indians in Zanzibar have been reduced. The question of the position of Indians in Zanzibar is the acid test of the position of Indians in all the Colonies and Dependencies. If Zanzibar is lost, the position of Indians in other parts of the Empire would be in serious danger and we simply cannot afford to let this happen, nor can we allow the Government of India to take it lying down. I am glad to say that the Government of India have been alive to the situation and very sympathetic. Indians have been settled in Zanzibar since before the 15th century. When Vasco da Gama came out to India by the Cape in 1492, it was with the assistance of an Indian pilot from Zanzibar that he found his way to India. So the Indians have been in Zanzibar from the days when nobody else from other countries had arrived. When they first went there they were well received by the Sultan of Zanzibar. When after some hundreds of years' residence there, a difference arose between the Sultan and the Indians resident there, the latter appealed to the Colonial Office to send an officer there, but the Colonial Office refused, and said "Who will meet the expense?" Then the Indians said they would pay the cost, and thus it was that Britain came into touch with Zanzibar; and today we see what the position of Indians is in Zanzibar under British control. Personally, I think that immediate action should be taken by the Government of India. We have the Menon report and the Bozman report, from both of which we know the situation exactly, and it is high time that the Government of India moved through the Colonial Office to produce a situation to the entire satisfaction of both the Government and the people of India.

THE HONOURABLE THE PRESIDENT: Please note that in future you should address the Chair from your place in the House.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern: Non-Muhammadan): The Honourable Mr. Kunzru has dealt very lucidly and very thoroughly with the Zanzibar question. Our trade relations with Zanzibar go back to several centuries and 80 per cent. of the Indians there are permanently settled. It is the Indians who have helped to build up the prosperity of Zanzibar and the clove industry. I will just read out the opinion of one who is not very friendly to this country. Mr. Winston Churchill in his "My African Journey" says this:

"It is the Indian banker who supplies perhaps the larger part of the capital yet available for business and to whom even the white settlers have not hesitated to go for financial aid. The Indian was established long before the first British officer. Is it possible for any Government with a scrap of respect of honest dealings between man and man to embark on a policy of deliberately squeezing out the native of India from regions in which he has established himself under every security of public faith?"

Also I will read out what Sir John Kirke, who was the first Consul General for East Africa, had to say before the Sanderson Committee in 1910:

"But for the Indians we would not be there now. It was entirely through..... position of these Indian merchants that we were enabled to build up the influence that eventually resulted in our possession."

[Mr. P. N. Sapru.]

Sir, until 1934, as the Honourable Mr. Kunzru has pointed out, all races lived peacefully in Zanzibar. It was in 1934 that certain decrees which have given rise to controversies were passed. The effect of those decrees has been explained by Mr. Kunzru. Now, Sir, one thing that I should like to emphasise is that Zanzibar is a Protectorate. It is under the direct control of the Colonial Office. His Majesty's Government cannot say that they cannot interfere with Zanzibar. Zanzibar is not in the same position as South Africa or Australia or Canada. The Colonial Office can interfere with the Zanzibar administration. The Sultan is a mere figure-head. The real authority in Zanzibar resides with the British Resident and the British Resident is controlled by the Colonial Office. Therefore the argument that there can be no interference with Zanzibar is not open to His Majesty's Government. In Zanzibar Indians have enjoyed so far equality of rights. There is equality of citizenship so far in Zanzibar and it is in that country that for the first time legislation of a racial character is going to be passed. It is a very important and very serious matter from the point of view of the Indians. We stand for racial equality. There can be no two classes of citizenship in the British Commonwealth of Nations, and we on this side were very glad that we had in this Resolution the support of our esteemed friend the Honourable Mr. Parker. His support will enable the British Government to realize that all sections of Indian and British opinion have very decided views as to what is proper and what is not proper, and that Indians in Zanzibar have a legitimate grievance.

So far as the Binder report is concerned, it has been subjected to criticism by Mr. Kunzru, but the question is, what is going to be our next step.

I have no doubt the Government of India has done all that it could. 5 P. M. It has been exerting the utmost pressure that it could on the British Government and on the Zanzibar Government; but their efforts have so far not succeeded. And if their efforts have not so far succeeded, what should they do next? That is the question, and the suggestion has been made by Mr. Kunzru that the time has come for them to seriously consider whether it would not now be tactically wise to prevent the import of cloves into India. I think, negotiation having failed, we should now consider whether it would not be wise for us to prevent the import of cloves into India. Let us try and grow clove in our own country; we can not allow Indians to be squeezed out. But perhaps before we take that final step, it might be better for us to send a representative of our own to Zanzibar. We sent Mr. Menon there about 2 years ago and he gave us a very able report. We should send some competent and qualified man to Zanzibar and he should inquire and let us have a picture of the conditions there. Then we should also have an Agent in East Africa. The interests involved in East Africa are very large. We have Indians settled in Kenya; we have Indians settled in Zanzibar and the condition of Indians in Kenya is not very good. Therefore it will be to the advantage of our Indian brethren in Kenya and in Zanzibar if there is an Indian Agent appointed for the Eastern Possessions of His Majesty.

Sir, it is quite true to say, as was said by the Honourable Mr. Rahimtoola Chiny, that the question of Zanzibar is a test question, and I remember reading Sir Purshotamdas Thakurdas's observations the other day. Sir Purshotamdas Thakurdas says that if Zanzibar is lost, all is lost. That is our feeling. If Zanzibar is lost, the question of Indians overseas is lost. I think that we have to take a firm line in regard to the issues that are raised by this Zanzibar question and we have no doubt, Sir, that the Honourable

the Leader of the House will acquaint His Majesty's Government with the strong feelings that all sections of the House entertain in regard to the Zanzibar question. With these words, I support the Resolution moved by the Honourable Mr. Kunzru.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, I rise to support the Resolution and as the object of the Resolution has been so well explained by the Honourable Mover and Pandit Sapru, I ought not to detain the House long. I must say that this is a very important question and I hope that the Government will accept his Resolution.

THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal : Nominated Non-Official) : Sir, I do not think there is any difference of opinion on any side of the House or in this country about the question of Indians in Zanzibar and their grievances. My friend the Honourable Pandit Kunzru has dealt with the historical aspect of the question and my friend Mr. Sapru has gone back centuries to find out when Indians first went into Zanzibar and all that. But I think, Sir, the gravamen of our charge is that there has been racial discrimination in one part of the Empire regarding the inhabitants of another part of the Empire. We are told in season and out of season that India is an equal partner with the other countries belonging to the Commonwealth known as the British Empire. Is this the treatment that one partner would expect to have from another? It is said that all the legislation that has been described as anti-Indian were merely economic ones, as has been tried to be made out by Mr. Binder in his report. But behind this economic question there is this racial question. In the Land Alienation Act it was provided that a transfer from an Arab or an African to a "non-Arab or non-African" had to get the sanction of the Resident. If that is not racial discrimination I do not know what is. The Punjab Land Alienation Act provides that a particular piece of land shall not be sold to anybody other than an agriculturist; one can understand it; but we have been receiving discriminatory treatment in that particular part of the Empire and certainly everyone of us, on all sides of the House, resents it.

Sir, I do not agree to the question raised by the Honourable Pandit Kunzru of sending a representative there. What would be the use of sending another representative except that we shall have to incur further financial obligations which we should avoid in these slender times? We have the Menon Report; we have the Binder Report, which was overseered on our behalf by Mr. Bozman. We have got a correct picture of the whole situation. We know what is being done and what steps Government should take; they have got the materials there and they can take steps. But I do not understand how we can, by a mere reprisal as suggested by Mr. Kunzru, ameliorate the condition of our brother Indians in Zanzibar. Supposing the Government of India, having done their best, cannot achieve anything in that direction and we stop import of cloves from Zanzibar into India, what benefit do Indians in Zanzibar get from that? That is another point on which I cannot see eye to eye with Pandit Kunzru. The position of Indians in Zanzibar might be worse if not politically but certainly financially. As we have seen from these reports, practically all Indians there are interested in the clove trade either as bankers or exporters or as growers. I understand that India is a big consumer of cloves from Zanzibar. Supposing we prohibit entry of Zanzibar cloves, we simply transfer our custom from Zanzibar to Madagascar. We must have cloves and the only other place that grows cloves is Madagascar. How are we ameliorating the condition of our brother

[Mr. Bijay Kumar Basu.]

Indians in Zanzibar by shutting out import of cloves I do not see. Nor do I see what benefit would we have by sending another man to give us another report. We have all the materials. As has been pointed out by both Mr. Kunzru and Mr. Sapru, practically with all their efforts Government have found themselves powerless. All we can say is that we have got to appeal through the Government of India once again to the Colonial Office and see if some redress can be had through the Colonial Office. It is no use appealing to the Zanzibar authorities. They are passing these legislations, knowing that they are racially discriminating legislations, knowing that they are anti-Indian; it is no use appealing to them. The only way that I can suggest that this question should be treated is, that the Government of India should approach the Colonial Office and put pressure on them, if possible, to remedy these grievances. But, as pointed out by Pandit Kunzru, we feel—and I think the Members of Government should feel also—that they are helpless in the matter. They have tried their best; they have not been able to do much. It should be pointed out forcibly that we are groaning under the injustice meted out to our nationals in a part of the Empire, where we are considered to be equal partners.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Education, Health and Lands Member): Mr. President, I think all sections of the House have been impressed, as I have been, with the ability, earnestness—and I should like to emphasise—the moderation with which my Honourable friend Pandit Hirday Nath Kunzru has moved this very important Resolution. We all know the great indignation, the deep resentment, that recent legislation and measures in Zanzibar have caused in India. The general feeling is that the discrimination is based on racial grounds. It is unnecessary for me to point out here to this House the sense of humiliation, the deep wound that is caused to Indians if any action is taken which implies that they are either a backward race or are inferior to the peoples of the West. For what is it that the Indians demand? They claim that there should not be discrimination merely on the ground that they are Indians. I have more than once expressed the view that we regard discrimination based on racial grounds as abhorrent to us, as the root of much disunion, of much strife, of a great deal of ill-feeling. For what is our own tradition in India? What is the tradition which our history proves? Many races, many religions, came to India and had asylum here. We treated them hospitably. Some came to seek refuge from religious persecution, others for purposes of trade and commerce. And we received them without any racial discrimination. Therefore, to a people with our past and with our mental outlook, any discrimination on racial grounds burns into our memories and such action may in the end profoundly influence the course of political history in this country. I should also like to point out that with the growing rise of nationalism in this country, with the growing sense of national solidarity, any action which is taken outside cannot remain indifferent to us. It is now impossible to deal with a section of our people abroad and to hope that the result of that action, the influence of any measures taken will be regionally confined. I should like to say that, if such action strikes the people of India as being unjust and unfair to their countrymen, it must lead to unfortunate repercussions in this country. Therefore, the point that I wish to emphasise is that colonial policy cannot ignore imperial considerations. It is impossible to confine action and to trust that its effect will not spread beyond certain geographical bounds. After all, it is a little more than 20 years when over a million of my countrymen went across the seas and were comrades in arms with many members of

the colonial Empire, with the Armies of the Empire, and we went there because we believed that the commonwealth of nations stood for freedom and justice. It would indeed be a tragedy, a great disaster for the future of the world, for the promotion of amity and goodwill amongst the peoples if the impression were to get abroad that Indians in the colonies were regarded as undesirables, that there was no place for fair dealing for them within the British Empire, for that would be a strong handle to that section of opinion—and that section exists—which believes that the British Empire has no meaning for Indians at all. That, I say, would be indeed a great disaster.

With these preliminary remarks, I now come to Zanzibar. My Honourable friend has acknowledged that the Government of India has not been remiss in their responsibilities. Telegraphic information was received in June 1934 that certain decrees were about to be passed, the time between the receipt of the information and the actual passing of the decrees was so short that it was not possible for the Government of India at this stage to intervene. Subsequently they tried to get the execution of the decrees delayed but they were unsuccessful. But, as Honourable Members will remember, these decrees were finally passed on July 5, 1934. We deputed Mr. Menon and he was in Zanzibar in August 1934. My Honourable friend has referred to Mr. Menon's report. On receipt of his report we made representations to the Colonial Office. Subsequently there was a Commission on agricultural indebtedness to which my Honourable friend has referred and on that Commission there was an Indian member. The Indians in Zanzibar did not ask for our assistance because they probably felt that they were adequately represented on that Commission. As soon as the report of that Commission was received we again represented our views to the Colonial Office. Then, Sir, there was the Binder Report and, as Honourable Members know, we sent Mr. Bozman to help the Indians there and here I should like to take this opportunity of saying how greatly we appreciate the assistance that Mr. Bozman gave in representing the Indian case in Zanzibar. Mr. Bozman has had a great deal of experience of Indians overseas. He was for two years Secretary to the Agent General in South Africa. He has recently been to Malaya and I can assure Honourable Members that we in the Education, Health and Lands Department are fortunate in having two men of the capacity and ability of Sir Girja Shankar Bajpai and Mr. Bozman to deal with overseas questions.

Now, Sir, coming to the debt legislation, we have now received the draft Bill. We have made our recommendations. We have not failed to take note of the opinion of Indians in Zanzibar, of the opinions in this country. And we have brought to bear on it all the information that is available. At this stage the House will agree that while the Bill is still in draft form, it is impossible for me to discuss its provisions, but we have an assurance that, if any amendments are made when the Bill is published, the Government of India will have another opportunity of making comments on its provisions. This is so far as debt legislation is concerned. I share the regret of my Honourable friend that it has taken so long for the Bill to materialise. We know that this moratorium has been now in existence for 3 years. Honourable Members who have had anything to do with debt legislation will recognise that it is a somewhat complex matter and occasionally delay does take place because the problems to be dealt with are so intricate. As regards the Binder Report, we have heard the criticisms of it this afternoon. We know the unfavourable impression the Report has produced in India and the severity

[Kunwar Sir Jagdish Prasad.]

with which it has been criticised. In regard to that Report also, we have sent our views to the Colonial Office.

I therefore hope that I have been able to convince the House that we have taken note of all the opinions that have been expressed, that there have been two Commissions, and that as far as the debt question is concerned, we have got to the stage when a Bill has been framed and on which our opinions have already been communicated. As regards clove legislation, we have had Mr. Binder's report and we have made our comments thereon. I do not think that at this stage any useful purpose will be served by sending another emissary to Zanzibar. But I can assure my Honourable friend that if we find that the procedure we have so far adopted requires to be supplemented at a later stage, his suggestion will be very carefully examined.

There are one or two other points to which I would make a passing reference. I think my Honourable friend suggested that the question of an Agent for East Africa should be considered. That is a matter which we are already carefully examining, and I think this will be one of the points which our representative, when he goes to England for the Imperial Conference, will take up. I hope I have been able to convince the House that we are in constant touch with Indian opinion here, that there has been no failing on our part to represent truly and faithfully Indian sentiment and that we have at no stage relaxed our endeavours to get justice and equitable treatment for our nationals abroad. I hope I have also been able to convince the House that at this stage it is unnecessary that any further investigation should be made. What we desire is that this question of indebtedness should be quickly solved and that it should be done in a manner which, while being fair to the debtors will also keep in view the legitimate claims of the creditors who happen to be Indians. And, as regards the clove trade, we hope that nothing will be done which will injure or will be unfair and unjust to our countrymen there. I can assure my Honourable friends that the interests of our countrymen abroad are our constant care, and that our stewardship will be such that it will meet with their approval. I have nothing more to say except to thank my Honourable friend Mr. Kunzru for bringing forward this important Resolution and for giving me and the Government of India an opportunity of stating our position. (Applause).

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Mr. President I have listened with great interest and pleasure to the exposition of the Indian case by the Honourable the Leader of the House. I was glad to hear from him that not only was the debt legislation drafted by the Zanzibar Government being scrutinised now by the Government of India but that they had received an assurance that their views would be considered also at the final stage. This is partially reassuring. I wish that my Honourable friend could have made an equally reassuring statement with regard to the Binder Report. There are two questions, Sir, with which this report deals, (1) the property at present owned by Indians and (2) the opportunities available to them of earning their livelihood. It is certainly necessary that no steps should be taken which would result in the confiscation of the property of Indians. But it is even more necessary that the avenues now open to Indians of taking part in the business life of the Protectorate and of earning their livelihood are not closed to them in future. If while they get back all their property they are denied opportunities in future of taking an honourable part in the economic life of the Protectorate, I for one will not be satisfied. I would

rather that the Indians lost all their property than that they were prevented from having opportunities in future of promoting their material interests. I ask my Honourable friend Kunwar Sir Jagdish Prasad to bear this aspect of the recommendations of the Binder Report prominently in mind. Whatever the concessions that the report might have made to Indian opinion it has made the Indian position more difficult. It has said to the Clove Growers' Association "You already have the monopoly of the export of cloves; you shall in future have the monopoly of purchase also." The situation thus is fraught with serious danger to the future of the Indian community. If the recommendations of the Binder Report are accepted, Indians will be exposed to greater risks in future than at the present time. If the powers of the Clove Growers' Association are extended in the manner suggested by Mr. Binder, I have no doubt whatsoever that, as Mr. Menon has said in his report, the Indian community would be squeezed out of the Protectorate and that their material interests would be completely destroyed. Imagine, Sir, the outburst of feeling that would take place if action had been taken by the Government of India on the lines of the legislation of the Zanzibar Government against Europeans in this country. If my Honourable friend will bear this in mind, he and the official Members of the House will readily understand the anxiety and alarm with which we view the particular recommendations of Mr. Binder to which I have ventured to draw the attention of the House.

My Honourable friend Mr. Basu deprecated the sending of another mission to Zanzibar. He questioned the value of such a mission. Well, if his arguments were to be accepted as valid, the Government of India need have sent no official to Zanzibar after the return of Mr. Menon. But ask the Indians of Zanzibar what they think of the deputation of Mr. Bozman. I have good reasons to believe that Mr. Bozman gave them valuable help for which he earned the gratitude of the Indian community.

THE HONOURABLE MR. BIJAY KUMAR BASU : If there was any Commission of course you have to send a representative. But my point is that we have all the facts.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : My Honourable friend wants to know what a mission to Zanzibar can now do. Well, the Government of India propose to discuss the position of Indians in the Colonies with the Secretary of State for the Colonies. Now, however, sympathetic the Secretary of State for the Colonies may be, he will have to say that he must first ascertain the views of the authorities on the spot. You have now a new Resident who may be expected to consider the questions affecting Indians with an open mind. This therefore is a suitable opportunity for taking up the matters to which I have referred with the new Resident. This was the reason why I suggested and strongly suggested that the Government of India should send another Mission to Zanzibar in order to fight for the cause of the Indians living there. I fully recognize however that the Government of India have exercised sleepless vigilance in connection with the cause of the Zanzibar Indians. I have also taken note of the assurance given by my Honourable friend the Leader of the House that should the representations now made to His Majesty's Government require to be supplemented, the Government of India would carefully consider the suggestion I have made. In view of this, Sir, I do not wish to do anything which would embarrass the Government of India or create unnecessary differences between them and ourselves. I wish that the Government and we should continue in future to look from the same point of view upon all questions of Indians abroad

[Pandit Hirday Nath Kunzru.]

as we have done in the past, and in view of their past record and the assurance given by my Honourable friend I ask the House for leave to withdraw my Resolution.

The Resolution was, by leave of the Council, withdrawn.

The Council then adjourned till Eleven of the Clock on Thursday, the 18th March, 1937.

COUNCIL OF STATE.

Thursday, 18th March, 1937.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

QUESTIONS AND ANSWERS.

PERCENTAGE FOR RECRUITMENT OF INDIANS IN THE INDIAN ARMY.

79. THE HONOURABLE RAJA YUVERAJ DATTA SINGH: Will Government be pleased to state whether there is any fixed percentage for the recruitment of Indians in the Indian Army? If so, what, and why?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: No. The Indian Army, as the Honourable Member should be aware, is composed mainly of Indians.

NUMBER OF RAJPUTS IN THE COMBATANT FORCE OF THE INDIAN ARMY IN THE VARIOUS PROVINCES.

80. THE HONOURABLE RAJA YUVERAJ DATTA SINGH: (a) Will Government be pleased to state the number of Rajputs in the combatant force of the Indian Army in the various provinces.

(b) Will Government be pleased to state whether there is any prohibition for the recruitment of Rajputs in the Indian Army in any province? If so, since when, and why?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: (a) I lay on the table a statement containing the required information.

(b) The recruitment of Rajputs of the Eastern United Provinces was discontinued in 1925 but the question of re-opening their recruitment is again under consideration.

Statement showing the number of Rajputs from various provinces serving as combatants in the Indian Army on 1st January, 1936.

Punjab	1,130
United Provinces	2,356
Central Provinces	4
Rajputana	2,376
Central India	20
Other places	81

CENTRAL ADVISORY COMMITTEE FOR THE INDIAN TERRITORIAL FORCE.

81. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: (a) Have Government appointed a Central Advisory Committee for the Indian Territorial Force?

(b) If so, who are its members?

(c) How many meetings did it hold last year and what were the questions considered by it?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: (a), (b) and (c). A Central Advisory Committee was appointed (as required by the Act) in 1929 and consisted of the Army Secretary as President with one Member of the Council of State, two Members of the Assembly and two military officers as members. It held two meetings in 1929. As the Governor General in Council has referred no matters to it since that date and there has been no demand for its revival, the Committee has become obsolete and would require to be reconstituted before it could meet again. If it is the wish of the House that this should be done, I will see that it is done.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Is it a fact that the statute requires the Government of India to appoint a Central Advisory Committee?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: That is what I have said, Sir.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: If it is a statutory duty, how is it that the Government of India have not appointed any Central Advisory Committee since the new Legislature came into existence?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: I take it that what the Honourable Member means is that he would like me to reconstitute this Committee. I have said that I will do so.

THE HONOURABLE THE PRESIDENT: His Excellency cannot answer for a period when he was not the Commander-in-Chief and say why it was not done.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: We are concerned with the Government of India and not with any individual Commander-in-Chief.

THE HONOURABLE THE PRESIDENT: Then you must give notice of the question.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: There it is. My question gives it. The Government of India know what their duty is and I am not expected to say in a question what is their duty and what is not.

THE HONOURABLE MR. P. N. SAPRU: Is the Council of State Member on the Central Advisory Committee an elected Member, Sir? Has he to be elected by the Council of State or nominated by the Government?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: I should like notice of this question, Sir.

RESOLUTION *RE* ISSUE OF TACCAVI LOANS TO RELIEVE INDEBTEDNESS.

***THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY** (East Bengal: Non-Muhammadan): Sir, I beg to move:

"That this Council recommends to the Governor General in Council to take steps to relieve the general indebtedness of the people by the issue of taccavi loans in areas most affected by the lowness of prices of agricultural produce".

*Speech not corrected by the Honourable Member.

India, Sir, is mainly an agricultural country and a large majority of its population live on agriculture as the main source of their living and as such have been severely affected by the lowness of price of agricultural products, so much so that, as Mr. Darling says, the people in the Punjab are born in debt, live in debt and die in debt. There is probably hardly a district where more than a third are free of debt and in some the percentage is less than ten. The indebtedness of the Bombay ryot, as the Famine Commission Report, as early as 1901 states, had for many years been engaging the earnest attention of the Supreme and Provincial Governments. The Report says that the indebtedness was aggravated by the agrarian system introduced by the Survey Settlement and more especially by the unrestricted right of the cultivators to transfer their holdings which the Survey Settlement recognised. Thus things were left to take their own course and the result was, as invariably happens, when an ignorant and improvident peasantry can dispose without restriction a valuable right in land the cultivators sank deeper into debt and that their property began to pass out of their hands. It should be admitted that the conditions on which under the revenue system the cultivators held their lands helped to bring this result about. The rigidity of the revenue system forced them into debt, while the valuable property which they held made it easy to borrow. So ultimately various Acts had to be passed restricting the power of the cultivators to alienate their lands in the Deccan, Sind, Chota Nagpur, the Punjab and other places. The condition of the ryots in other provinces were somewhat different due perhaps to greater fertility of the soil, intervention of less powerful landlords between the ryots and the all-powerful Government and restrictions upon the free power of alienation. But while more and more restrictions on the power of alienation had been sought to be introduced in some provinces as mentioned before, greater facilities of such transfers have been afforded to the ryots in these provinces and the result has been a general indebtedness of the peasantry throughout the length and breadth of India, and money-lenders, as the Agricultural Commission Report states at page 422, have been steadily adding to their landed possessions in most provinces. This has further been greatly aggravated by the continued lowness of the price of all agricultural products so that all attempts for redress so far adopted by way of the introduction of co-operative credit societies and a few land mortgage banks have proved unavailing and Government has been forced to adopt stringent legislation relating to indebtedness preventing the creditors from charging exorbitant interest and compelling them to obtain their dues by easy instalments stretched over long periods after ascertaining its amount by forced composition and by the introduction of simpler procedure of rural insolvency and prefers to wait to see how these laws function in practice. The Agricultural Commission point to a failure of legislative measures in relieving indebtedness. Meanwhile the condition of the ryots, I submit, is coming to such a pass that no composition of their debts and provision of easy instalments will be of any avail to them unless some money is made available to them to make these payments that fall due immediately and for the default of which their holdings will be liable to sale and pass entirely out of their hands.

Sir, when the Agriculturists Loans Act of 1884 was introduced the Member in charge of the Bill said:

"The real justification lies in the position of Government as the great landlord of the country and the direct bearing which the welfare of the cultivator has on its revenues. But a wider view may be taken of the responsibilities of the Government, and its interest in the cultivator as a citizen, no less than as a contributor to its revenues, justifies it in promoting his industry. The policy of the Taccavi Acts should not be regarded as productive merely but also as protective and it is upon the protective aspects specially that we would insist.

[Mr. Kumarsankar Ray Chaudhury.]

And dictated by such a policy this Act has been freely used in times of famine and scarcity in India and as the Agricultural Commission Report states at page 429 is a potent weapon in the hands of any Local Government called upon to deal with a sudden emergency which requires the immediate issue of capital for current needs The rate of interest charged is as low as the cost of the service permits and while there is little or no profit to the State from the difference between the rate at which it raises the funds required and that at which it lends them, unless there is a succession of bad years there is usually little loss through failure to recover loans ”.

A mere policy of wait and see adopted by the Government after the introduction of harsh and compulsory methods of reduction and avoidance of debt will not only create bad blood between the debtor and the creditor but be the harbinger of Bolshevik principles in the country. Similar measures have been adopted by several Indian princes in their States to the great relief of their subjects and I fail to see why the Government which profess to be the *ma-bap* of the poor tenants should refrain from doing the same.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Education, Health and Lands Member): Sir, my Honourable friend the Mover of the Resolution has warned Government that unless action is taken Bolshevik principles may soon invade this country. He need not fear that I as an agriculturist and having to deal with agriculturists am unaware of the hardships which the agriculturists have undergone owing to the slump in prices. But I should like the House to consider the terms of the Resolution. The Honourable Member wants that taccavi loans should be given for the purpose of relieving indebtedness. May I inform the House and the Honourable Member that three Local Governments have already modified the Taccavi Act known as the Agriculturists Loans Act of 1884. Section 4 of that Act has been modified, Sir, so as to enable Local Governments to give advances for the purpose of relieving indebtedness. It is open, therefore, to any Local Government which considers that this is the best method of dealing with this problem to amend its Act. It is entirely within the jurisdiction of the Local Government to decide whether they would or would not utilise the method of taccavi loans for the purpose of relieving indebtedness. The three Governments which have so far taken this action are the Governments of the United Provinces, Madras and Coorg. If my Honourable friend finds that in Bengal the situation is such that the Act there should be amended on the same lines as that of Madras or the United Provinces or Coorg, I suggest to him that he should bring pressure on the Ministry in Bengal and apply those methods which are most effective in bringing political pressure on Ministers responsible to the people. I do not see in what way the Government of India are to be blamed or can intervene. There is the Act. It is possible for a local Legislature to amend it in such a way as to utilise taccavi loans for the purpose of relieving indebtedness and there is nothing more to be said about it. I do not quite see why the Government of India should bear the full force of my Honourable friend's diatribes. I think the question really—I hope the House will agree—is one which should be raised in each local Legislature and it will be there for the Ministry concerned to decide what would be the most effective way of dealing with the debt problem in the particular province. It is impossible for the Government of India to accept this Resolution. All that I can do—if it will be of any use to the Honourable Member—is to forward a copy of this debate to the Provincial Government. But I suggest to him that a better method would be that the question should be raised in the Bengal Assembly. I hope in view of what I have said he will not press the Resolution to a division.

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras: Non-Muhammadian): Sir, it is perfectly true that the question of distributing taccavi loans is primarily a matter for the Provincial Governments; but there are one or two things which I would like to know from the Honourable Member for the Government. The Government of India were responsible for the appointment of an important Commission and an important Committee—I mean the Royal Commission on Agriculture, and the Indian Central Banking Enquiry Committee. Both these bodies went very carefully into the question of taccavi loans and made certain very useful recommendations. What I want to know is, whether the Government of India who were primarily responsible for the appointment of these bodies have taken any action and, if so, what action on these recommendations?

Sir, with regard to taccavi loans, evidence was put before both those bodies in respect of certain grave defects in the distribution of these loans. There was for instance a large volume of evidence about the delay in the disposal of loan applications. It has been a universal complaint from every province and pointed attention was drawn to that matter by both the bodies I referred to. The way in which the taccavi loans are administered in some areas is very curious. Those who have any personal knowledge of the way in which these loans are distributed must confess that the method is very far from being satisfactory. In my own district of Kistna of which I have personal knowledge, I know three or four years ago the Government of Madras sanctioned Rs. 5,000 for distribution to agriculturists of that district. Rs. 2,000 was allotted to the District Collector who can disburse loans up to Rs. 2,000. Rs. 2,000 was given to the Deputy Collector who can disburse loans up to Rs. 1,000. And another Rs. 1,000 was given to the tehsildar who can give loans up to Rs. 500. So Rs. 5,000 was given to these three officers and each of them received numerous applications for assistance numbering 30 or 40. And they went into them carefully, investigated the status of the applicants and looked into their pedigrees, examined all the questions of title and when the time came for taking action, the Board of Revenue passed an order saying that the Bellary district was more in need of funds and therefore they had transferred the Rs. 5,000 allotted to the Kistna district to the Bellary district. Therefore, all the investigations led to nothing, and the Rs. 5,000 was transferred to Bellary. I do not know what happened to the Rs. 5,000 after it had been transferred to Bellary. The universal complaint is that where applications are made to the officers for taccavi loans, the needs of the agriculturist are long over before the applications are dealt with. So, the system of taccavi is not serving much useful purpose. Another complaint that was made to both these Committees was that the illegal gratification paid to the officers who distribute these loans swallowed a good portion of the loan. An agriculturist cannot ordinarily get a loan without at least 25 per cent.—sometimes more—of the loan being swallowed up in the illegal gratification given to the various officers, through whose hands the loan had to percolate to the agriculturist. There has been a very loud and insistent complaint about this, and witnesses before both these Committees, some of whom were officials, were not inclined to discredit the complaint as being baseless. Then, Sir, the instalments of the loans were inconveniently fixed. The loans given for purchase of cattle, for payment of kist, and so on, can only be repaid in convenient instalments. The time for repayment in some cases was not fixed in such a way as to allow the agriculturist time to sell his produce and realise the money to repay the loan. Also, there have been no adequate suspensions and remissions in cases of hardship. When crops entirely failed, sometimes extension of time was not given for the repayment of these loans. In the case of joint bonds executed by two or three borrowers, the way in which the liability was

[Mr. V. Ramadas Pantulu.]

enforced against the sureties also led to hardship. I know the working of these two Acts of 1883 and 1884 very intimately, and there are very many complaints against the administration of these Acts. The Government of India should examine the recommendations of the Royal Commission and of the Central Banking Enquiry Committee on these matters. Both these Committees discussed the evidence tendered before them at great length and made very definite recommendations to remove the abuses, and I think it is the duty of the Government of India to examine those recommendations and give some lead to the provinces, and also to make enquiries as to what steps have been taken by the Provincial Governments to remedy the grievances that were brought to light during the examination of this question.

If some of these things are done, and the Government of India give a lead from the centre, I think things will improve. The Government of India cannot altogether disown their responsibility for some of these subjects. They are no doubt provincial essentially, but as a co-ordinating agency and as at least a guiding if not a controlling agency, the Government of India can do a great deal to alleviate the condition of the agriculturists by ensuring the proper administration of these Acts to the provinces. I would like to have from the Honourable Member some information as to what steps have been taken by the Government of India to implement the recommendations of the Royal Commission on Agriculture and the Indian Central Banking Enquiry Committee.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Mr. President, the Resolution which the Honourable Mr. Kumar-sankar Ray Chaudhury has moved refers to a subject which has been discussed in this House many times before. There is no difference between the Government of India and the public about the necessity of giving relief to the agriculturists. There is no difference between us and them, that the best authority to disburse this is the Provincial Government. But there is a great deal of difference between us and the Treasury Benches about the attitude which the Government of India should adopt. The Government of India think that this being a provincial subject, they have absolutely no responsibility in the matter, and that they have to sit tight and do nothing. We, on the other hand, wish that the Government of India, in the interests of the financial well-being of the country as well as in the interests of their own sources of revenue, should take the initiative and should be the driving force. Let us consider the conditions in the money market. There is such a glut of funds that the Honourable the Finance Secretary is able to obtain his treasury bills at less than 1 per cent. per annum. There is such a huge fund available in the business centres that he could take long-term credit at $2\frac{3}{4}$ per cent. So much money was coming to the Government of India that by successive stages they have reduced the interest on the Postal Cash Certificates from 5 per cent. to $2\frac{1}{2}$ per cent. They have similarly reduced the interest on Savings Bank deposits and the interest on Provident Fund deposits. They had so much money coming in that they did not know what to do and they started reducing the interest so that more money need not come to them. This is their condition. But what is the condition in the country? We cannot get any money. Even 18 per cent. does not help the zemindars to get money, even for productive purposes. Agriculture is a provincial subject, and the Government has very rightly, accordingly to the recommendations of the Linlithgow Commission, established an Imperial Council of Agricultural Research. Similarly, Sir, it is their duty to set up some machinery—either at the Government of India or at the Reserve Bank—to facilitate the work of agricultural credit.

THE HONOURABLE THE PRESIDENT : You mean to tell the House that now, when the provinces have got autonomy, the Government of India should still take measures?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD : I do not wish to interrupt my Honourable friend, but I would like him to confine himself to the Resolution, because, otherwise, we shall go on the whole day. This Resolution is about taccavi loans and he has to confine himself definitely to taccavi loans.

THE HONOURABLE MR. HOSSAIN IMAM : Taccavi loans technically means loans given to agriculturists when they are in need of money, and this is what I have been discussing all this time.

THE HONOURABLE THE PRESIDENT : Your Ministers can borrow money now under the new Act from the Reserve Bank and issue taccavi loans.

THE HONOURABLE MR. HOSSAIN IMAM : But, Sir, what is the position of the Government of India? Are they going to close down all those bodies which they have created to co-ordinate provincial work like agriculture? If they take up that attitude—

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD : No, no, we will not.

THE HONOURABLE MR. HOSSAIN IMAM : There you will be interfering in a provincial subject for which Ministers are responsible. Take his own Department. He has got the D. G., I. M. S. He also interferes in a transferred subject. The provinces are independent and autonomous but still he must have control over the Indian Medical Service. When the Government want to have control they can find excuse, but when we want that they should come to our rescue, and give some sort of help either by advice or by means of actual money, they are not willing to do so and they trot out before us this provincial autonomy. Even under provincial autonomy the powers of the Governor are very wide. You will remember, Sir, the important speech which His Excellency the Viceroy made at your banquet. It was reported in the papers, and in today's *Hindustan Times* it is the subject matter of a cartoon. And there His Excellency very rightly said that the interests of those who have not succeeded at the elections has also a claim on the attention of Government. The zemindars, as is well known to the Honourable Leader of the House, have not very much sympathy with the Congress. The Congress has not been able to capture many of the zemindar constituency seats.

THE HONOURABLE MR. RAMADAS PANTULU : We have in Madras.

THE HONOURABLE MR. HOSSAIN IMAM : In Madras you have made an advance, but in Bihar they did not capture those seats formerly nor have they done so in this election. So we have little hope of help from the Ministry that will function and therefore I appeal to the Honourable Leader to give effect to the words which His Excellency gave utterance to at that memorable banquet.

THE HONOURABLE MR. J. C. NIXON (Finance Secretary) : There are just a few words I would like to add to the debate if I may in reply to the last speaker. The Honourable Mr. Hossain Imam asks if the Government of India has played any part, at any rate in recent years, in helping the provinces

[Mr. J. C. Nixon.]

to give aid to the agricultural classes, and I confine myself to this subject of taccavi loans. As he knows as well as I do, most of the provinces have in the last 15 years obtained their loan requirements from the Government of India and used the Government of India's credit for that purpose, and that credit has been and is at the disposal of provinces up to 31st March of this year. I know of no occasion where a Provincial Government has asked to borrow money from the Government of India for the purpose of granting taccavi loans to its agricultural classes which has been refused by the Government of India. Certainly loans have been granted even during the current year for that purpose and one province has taken a loan from the Government of India during the present year, a short-term loan I may say, on specially favourable terms, namely, $1\frac{1}{2}$ per cent. interest. (*Honourable Mr. Hossain Imam* : "Which"?) I prefer not to name the Government at the moment. However, another Government, I think probably a Government better advised, instead of borrowing short-term money from the Government of India at a low rate of interest like that, felt disposed to go into the local market itself and borrow long-term money at as low a rate of interest as possible, and I have no doubt that a part of the money so borrowed from the market at 3 per cent. was intended for taccavi loans. The only point I want to press home is that the Government of India have for this particular purpose in the past at any rate placed their credit at the disposal of the Provincial Governments.

THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY : I have brought this Resolution before this House as indebtedness is widespread throughout India and a co-ordinated policy is necessary and as the Government have still got some minor provinces under their control they might show some example by granting such loans to those provinces so that other provinces might follow.

THE HONOURABLE THE PRESIDENT : Do you wish to press your Resolution?

THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY : No, Sir.

The Resolution was, by leave of the Council, withdrawn.

RESOLUTION RE REPLACEMENT OF BRITISH TROOPS BY INDIAN TROOPS IN THE ARMY IN INDIA.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern : Non-Muhammadan) : Mr. President, I beg to move :

"That this Council recommends to the Governor General in Council to move the higher authorities to take steps to replace British troops continuously by Indian troops in the Army in India".

Sir, the increased interest taken by Indians in questions relating to the army of their country is an inevitable result of the political awakening that has taken place in the country. Indians are no longer satisfied with reforms by slow stages. The country is not asking today for instalments of reforms. It is fighting to gain the power to manage its affairs in accordance with the best interests of its people. As self-defence is the life breath of self-government, it is inevitable that Indians should concentrate on this question and should bring forward questions relating to it repeatedly before Government.

What is, Sir, the position today so far as the composition of our army is concerned? We have an army of I think between 210 and 220 thousand soldiers. But all these soldiers are not Indian. While about 145,000 are Indians, excluding the Air Force, about 55,000 are British. Now, if to these British soldiers is added the number of officers in the British section of the Army in India, I think it would be correct to say that the British element numbers about 60,000. We have thus 60,000 British soldiers as against 145,000 Indian soldiers. It gives a ratio of 1 British to 2.5 Indian soldiers. Now, Sir, the declaration of 1917 for the first time recognized our right not merely to a series of isolated reforms but to progress towards complete self-government and the Central Legislature, which came into existence after the introduction of the Montagu-Chelmsford Reforms, immediately turned its attention to the position of Indians in the army of their own country. In March, 1921 the House passed a series of Resolutions in connection with the Report of the Esher Committee. One of them is of particular interest to us today. This Resolution asked the Government "to carry out a gradual and prudent reduction of the ratio of the British to Indian troops". It was accepted on behalf of Government by the Commander-in-Chief of the day, the late Lord Rawlinson, who took part in the debate. Lord Rawlinson explained the grounds on which the strength of the British Army had been fixed, pointed out the proportion of Indian and British soldiers in the three sections in which the army is divided, the covering troops, the field army and the internal security troops and in the end accepted the Resolution, the terms of which I have just read out. Unfortunately, Sir, although the Commander-in-Chief accepted the Resolution, it was not given effect to. We have not been told why Government did not see their way to carry out the Resolution accepted by themselves, but I think I shall be on safe ground when I say that in all probability His Majesty's Government stood in their way. We all know that the Government of India accepted the Resolution relating to the establishment of a first grade Military College in this country in 1921. But it was turned down by His Majesty's Government and the Military College that we demanded in 1921 could be established only in the year 1932. I suppose that in this case too a similar reason has prevented the fulfilment of what I may call the promise given by the Government of India in 1921.

It is obvious, Sir, that Indians could not be satisfied with the decision of His Majesty's Government. The question was discussed in London in connection with the Round Table Conference. The Defence Sub-Committee of the first Round Table Conference devoted a good deal of attention to questions relating to the improvement of the position of Indians in their own army. That Committee considered not merely the question of Indianisation, that is, of the appointment of Indians to commissioned ranks, but also of the replacement of British by Indian troops. When the latter question was raised, Mr. Thomas, who presided over the Defence Sub-Committee said, "you cannot talk of Indianisation without keeping in mind that it presupposes a reduction in British troops; that is obviously a part of it". The Defence Sub-Committee passed a Resolution asking that the question of the strength of the British troops in India should be examined by an expert committee, which should bear in mind the great importance attached to this question by Indian public opinion. The conclusions at which this Committee arrived were published three or four years ago. Unfortunately the Committee took the view that considering all things it could not recommend any reduction in the existing number of British soldiers.

Now, Sir, it is necessary for us to consider why it is that such a large British element is maintained in the Army in India, why it is that the Indian

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Army cannot do without the presence of a large British force. We have been hearing for a long time that the Indian Army owes its value as a fighting machine at the present time entirely to the lead given to Indian soldiers by their British officers. But we had not heard till a few years ago that the British soldier was also needed in order to stimulate the Indian soldier and to get the best out of him. Lord Rawlinson made such a statement in this House in 1921. I believe the statement was repeated by Sir Philip Chetwode. The army, Sir, showed a little enterprise a few years ago and carried on a little propaganda to convince the people of India that its present strength and expenditure were absolutely necessary in the best interests of the country and it brought out a pamphlet dealing with the various branches of the army. It is stated in this pamphlet that :

"actual experience in the Great War proved conclusively that gallant as was the behaviour of Indian troops on countless occasions, their value was greatly increased when fighting with British troops, and if this was the case when Indian troops were themselves led by British officers, it is no less likely to be so when they will be officered entirely by men of their own race".

Now, this statement improves on any statement ever made in this House by any Commander-in-Chief. This pamphlet says not merely that British soldiers are necessary at the present time or that they will continue to be necessary for a few years more, but that they will be even more necessary than they are now when Indian soldiers are led by men of their own race. In other words, it suggests that it will be necessary to retain the British force here permanently. I am sure that these things can be said with impunity, only because the Indian soldier is not educated and cannot resent the libels contained in such statements on his capacity and valour. If he were educated, if he could understand what was being said about him, I am sure that the statements that are now made with regard to the need of his being stimulated to do his best by the presence of British soldiers would not be made as often as they are now.

When the army authorities say that British soldiers are needed in order to enable the Indian soldiers to put forth their best, they give no facts in support of their contention. We have no means therefore of knowing whether what they say is based on reliable data or is the result entirely of their prejudices. Sir, the policy of granting Dominion Status to India having been accepted, it is too late in the day for any military officer, or for the matter of that even for His Majesty's Government, to say that for so long as they can see the retention of a large British force will be necessary in this country. If they make such an assertion, they will be following the best method of creating the strongest distrust in their own promises and making the people feel that the British Government cannot be held to its promises, except when it finds that it will be perilous to the British Empire to go back on them. I am sure, Sir, that the British authorities wish to create no such impression. The policy which they ought to follow then should be to have more trust in the people and to make honest attempts in order to create a wholly national army in this country. They are responsible for the low position that we occupy in the army of our country. The policies that they have followed during the last three-quarters of a century have emasculated the people and deprived them of those opportunities of developing their manhood and gaining military experience as officers which they formerly enjoyed. It is up to them then to undo a part of the wrong that they have done to us and instead of continually dinning into our ears that the British soldier is superior to the Indian

soldier and that the latter can act only in dependence on his British comrade, should take resolute steps to make the Indian Army really Indian in every respect.

There is another argument, Sir, that is frequently used to justify the presence of a large British force in this country. It is said that if the internal situation in this country were better than it is today, if there was no communal feeling, if the various sections of the people trusted one another, the task of the Government would be much easier than it is today. I know, Sir, that it has been pointed out several times in this House that in times of religious trouble and internal disorder, the Local Governments ask the Government of India to supply them with British troops who would be regarded as impartial by both Hindus and Mussalmans. Now, before I deal with this argument, Sir, I should like to draw the attention of this House to one very important point. I have already stated that the Army in India is divided into three sections. Lord Rawlinson explained in 1921 that in the covering troops there was 1 British soldier to 6.7 Indian soldier. In the field army the proportion was as 1 to 2.7 or more than double that in the covering troops. But it was higher still in the internal security troops. There were 4 British to 3 Indian soldiers in these troops. There is an interesting passage in Lord Rawlinson's biography on this subject. Dealing with the question of the reduction of 3 British cavalry regiments in accordance with the recommendations of the Military Requirements Committee, he wrote as follows in his diary :

"This is rather faster than I had intended to go in the first instance but I could not resist the pressure when it came to considering the fact that we had 28 British and only 21 Indian battalions allotted for internal security. It was impossible to defend this proportion which dates from the post-Mutiny days. Now that we have decided to trust the Indians and lead them to self-government, we cannot justify an army of occupation".

And what is the proportion, Sir, at the present day when the policy of Dominion Status has been accepted for this country? The Simon Commission dealing with the proportion of British to Indian soldiers in internal security troops said :

"In the troops earmarked for internal security the proportion is about 8 British to 7 Indian soldiers".

It is thus clear that even after three Round Table Conferences and the acceptance of new constitutional measures by His Majesty's Government, which are supposed to lead us to full self-government, the old policy of racial distrust and domination is being maintained and what Lord Rawlinson could not defend in 1921 continues in full force even at the present time.

Sir, I should not like to go into past history. Things have changed greatly since 1857. But since we are always asked to believe that the number of British troops in this country is based entirely on the experience actually gained in various wars, I am compelled to refer to one or two Commissions which have considered the question of the ratio of British to Indian soldiers in the past. This question, Sir, was first considered by the Peel Commission in the year 1859. Now, that Commission after taking a great deal of evidence said :

"it was of the opinion that the amount of native forces should not under present circumstances bear a greater proportion to the European in cavalry and infantry than 2 to 1 for Bengal and 3 to 1 for Madras and Bombay respectively".

It further recommended that the artillery should be kept entirely in British hands. Twenty years later, another Commission, known as the Eden

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Commission, considered this matter and referring to the recommendations of the Peel Commission it said :

" The lessons taught by the Mutiny have thus led to the maintenance of the two great principles of retaining in the country an irresistible force of British troops and of keeping the artillery in the hands of Europeans ".

Then with regard to the basis of its own recommendations it said :

" In working out the details of our proposed composition of the army, our main object has been to define the territorial formation of the Army of India with due regard to the great principle of *divide et impera* ".

We see, Sir, what two authoritative Commissions have had to say on the subject. They have told us frankly what are the reasons which lie at the bottom of the maintenance of 60,000 soldiers in this country. They are needed to overawe Indian soldiers and keep the people down.

Again, Lord Rawlinson explained to us in 1921 that when the army was organised in 1921 one consolidated ratio was adopted for the whole army and that was one British soldier to 2.5 Indian soldiers. This gave the same result as the separate ratios recommended by the Peel Commission for the three presidential armies. I might have been prepared to give some credence to the reasons given by the military authorities for having a large British Army in this country but for the glaring fact that the ratio has remained unaltered for the last 75 years. There was no such reason in 1859 as that now given by the military authorities for fixing the ratio of 1 British soldier to 2.5 Indian soldiers, in 1859. The ratio was much lower in the battles in which Indian and British soldiers had fought together till 1857. It cannot therefore be due to actual military experience that this ratio continues unaltered up to the present time although the military authorities may try to justify it on this ground. I think, Sir, that any one who considers the situation impartially will come to the conclusion that notwithstanding the grant of two instalments of constitutional reforms and several declarations of policy by His Majesty's Government, the distrust of Indians in the military sphere and the desire to keep India in subjection continue unchanged.

Sir, the situation is difficult as it is already, but it is bound to become more difficult in future. We have often been told in this House that the Local Governments ask for British troops and that it is the duty of the Government of India to act in accordance with their demands. Whatever might have been the case in the past, Local Governments in the future will be of a different complexion from those that have existed hitherto. Indians, I hope, will soon bear the responsibility of managing the affairs of their provinces. Need we think that, should any internal troubles arise in future, the Indian Ministers will as readily ask for foreign troops as Governments controlled by British elements have been prone to do so far? I think we may take it for granted that the Local Governments of the future will adopt a far different attitude from that of the present Local Governments in this respect. But there is a more serious aspect of the question to which I should like to draw the attention of this House and His Excellency the Commander-in-Chief. What is the army needed for when its help is requisitioned by the civil authorities? It is required to support the policies laid down by the Local Governments and to enable the administrators in charge of the work of day-to-day administration to assert their authority when it is challenged. Hitherto the Provincial Governments and the Imperial Services have been dominated by Britishers but this will not continue long. The character of the Local Governments will soon change

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radically. (An Honourable Member : " Question ? ") In personnel, certainly it will. As regards the Services too, the number of Indians is rising. Are we to take it that the British Government would be willing to place their soldiers at the disposal of Indian Governments and Indian administrators as readily as they have been willing to do in the past? Is it conceivable that His Majesty's Government will allow British troops to be used in furtherance of policies which they might not approve of but which are insisted on by Provincial Governments composed of Indians? I do not think, Sir, that the British Government will for long allow such a position to continue. Friction will inevitably arise between the Ministers and the Central Government. Such a problem arose in the past in the Dominions, and His Majesty's Government solved it by withdrawing their forces from the Dominions concerned and asking them to raise their own troops. Unless steps of the same kind are taken in this country also, a situation will arise which will be productive of the greatest friction and ill-feeling. It behoves the British Government to look ahead and to begin to take steps from now which will be in the ultimate interests of this country and will improve the strained relations now existing between Indians and Englishmen.

Now, Sir, I do not ask that the entire British troops should be immediately withdrawn. I have only asked that British troops should be continuously replaced by Indian troops. What does that mean? There are at present 5 British cavalry regiments in India, and the tour of service of a British cavalry regiment in this country is about 5 years. We may then say that one cavalry regiment leaves India every year. Now, take the British infantry of which there are 43 battalions in this country. About 3 battalions leave this country every year. If we just follow this process, we can thoroughly Indianise the lower personnel of the army in about 15 years. That certainly is not a short period. I am not asking that an Indian soldier should be given a less exacting training than the British soldier has received. If the British soldier is trained for 12 months, let the Indian soldier be trained for 18 months or even two years. But, for Heaven's sake, make a beginning with the process of replacing British by Indian soldiers.

THE HONOURABLE THE PRESIDENT : Your time limit has long ago expired.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Very well, Sir. I am unfortunate. I have a great deal more to say but I will bring my remarks to a close. Whenever we raise this question, we are told that the British Army has been reduced by 20,000 soldiers since 1922. This is true, but the Indian Army too has been substantially reduced since 1922, and, in any case, the net result of the reduction is that there is still 1 British to 2.5 Indian soldiers. The reduction that was made in accordance with the recommendations of the Inchcape Committee can therefore have no bearing on the question that I have raised today.

Sir, I have not gone into the question of cost, nor is it necessary for me to do so. The House knows how costly the British soldier is. He costs three times as much as an Indian soldier. We can get the finest fighting material in this country on the admission of the military authorities themselves. Nearly 900,000 combatants were recruited in connection with the Great War by the end of 1919. If then we replace British by Indian soldiers we shall not merely raise a national army in this country but give to its revenues the relief that it sadly stands in need of. We can reduce the heavy burden of military expenditure by doing justice to Indian aspirations. Apart from this, Sir, I understand from questions put in the House of Commons two days

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ago that the present system of supplying British troops to India is not working well. It appears that the Cardwell system is breaking down. It was suggested therefore that the Dominions should be asked to supply troops for service in India. I am sorry to say that His Majesty's Government stated that the question was already engaging their attention. Sir, this is a serious matter. I earnestly hope that no such step will be taken by the British authorities. The recruitment of soldiers in the Dominions for garrisoning India would be an intolerable insult to the dignity of this country. Our weakness may tempt His Majesty's Government to try this experiment, but though we are weak let them remember the famous words, "Arms remain to the plundered". Let them be wise and not goad India into further discontent. Weak though we may be, we are not prepared to tolerate the insult contemplated in the reply given by His Majesty's Government the other day in the House of Commons. Sir, the national sentiment is growing apace in this country. The situation today can be satisfactorily met only by recognizing the just demands of the people of India and taking adequate steps to enable them to see that their highest aspirations can be realized with the British Empire and within a measurable distance of time. If, however, other policies are allowed to prevail the British Government must hold themselves responsible for such consequences as may ensue. We for our part are determined to continue in the path that we have chosen for ourselves. We want to be in our country what other people are in theirs, and in order to achieve our purpose it will be our constant endeavour to compel the authorities to nationalise the Indian Army from top to bottom.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA (Bihar : Non-Muhammadan) : Mr. President, the task of the supporters of the Resolution has been rendered very much easier by the able manner in which the Honourable Mr. Kunzru has moved his Resolution. He marshalled both facts and arguments so lucidly as to leave little room for addition or improvement. But, considering the great importance of the subject, I hope the House will bear with me a few minutes while I make a few observations. I shall start by quoting a few lines from that much criticised document, the Report of the Simon Commission, to which the Government of India attach much reliance and importance. The Report says :

"A self-governing India must be in a position to provide herself with armed forces fit to undertake the task which armed forces in India have to discharge".

The necessity of providing national defence is such a basic principle of self-government and national progress that I need not have searched for an authority like the Simon Commission to state it, but for the obvious advantage of a safe assumption, from the point of view of Government, to base my arguments on. If the Government will allow me to assume, as I hope they will, that they are sincere in their desire to see India self-governed as early as possible, then they will be forced to concede the corollary that India cannot be allowed to be governed principally in the interest of England or the British Empire and that the composition of the Indian Army cannot be allowed to reflect a policy of racial supremacy or mistrust of the Indian. The Honourable Leader of the House did yesterday in very laudable and forceful terms speak out how conscious the Indian was in this respect and how much he resented any show of racial supremacy. The Honourable Mover of the Resolution has stated what a large proportion of the army is made up of the British element—1 British to 2·5 Indians, and how expensive the British soldiers are, and what a drain, wholly unproductive and unnecessary, this expenditure is

and how it affects the general morale of the nation. He has also shown that difficulties in the way of replacement of British by Indian soldiers are absolutely imaginary and hollow. In addition, I submit, that the replacement is also necessary from the point of view of more effective and more efficient defence, apart from the question of economic and the moral elevation of the people of this country. Whenever the question of the Indianisation of the military ranks is raised the arguments advanced against it are our racio-credal differences, diverse languages, British trusteeship, etc. These, please let me tell you, are so stale and so thoroughly exploded that their exponents too are now a little shy in advancing them. Lord Curzon in his book, *The Indian Corps in France*, puts the matter quite clearly and truthfully. He says :

"The Indian Army in fact has always possessed a triple function—the preservation of internal peace in India itself, the defence of Indian frontiers and the preparedness to embark at a moment's notice for imperial service in other parts of the globe. And in this third aspect India has for a long time been one of the most important units in the scheme of British Imperial defence, providing, the British Government with a striking force, always ready and of admirable efficiency and assured valour".

I venture, therefore, to say that the British contingent of the Indian Army exists not for the benefit of India but to serve imperial interests. The Indian exchequer is being exploited to serve the interests of England, to keep off all fear of endangering British domination in this country, and for the purpose of helping England to fight her imperial battles. The British contingent of the Indian Army exists in order to overawe and keep the Indians subdued at the point of the bayonet, to quell the Indian Army in the event of a rising, to watch the armies of Indian States, to keep safe British interests, to enable England to utilise India and her resources for the training of British soldiers without entailing any cost to England, and finally, to swell England's military reserve at India's cost for imperial purposes. While this is the true picture of the situation, while these are the true reasons for maintaining a large army of British troops in India, India helplessly continues to suffer both humiliation and loss. The policy of the Government clearly shows mistrust. They have also taken care to include in the Indian element of the Army in India a large number of Afridis, Waziris, Baluchis, etc., to the exclusion of Indians. Yet all this happens not because Indians are scarce or wanting in efficiency as soldiers. Meredith Townsend, who lived in India and made a life-long study of Indian conditions, in his book *Asia in Europe* says :

"The fighting people of India, whose males are as big as ours and more regardless of death than ourselves, number at least 120 millions. If the Persian conscription were applied in India we should have 2½ millions of soldiers actually in the barracks and 8 lakhs recruits coming every year".

—a force, I contend, Sir, with which not only Asia but the whole world might be subdued. The Mover of the Resolution was unduly moderate and humble in stating the comparative utility of the British and the Indian soldier. Without meaning any disparagement to the British soldier, I would make bold to say that the Indian soldier, especially in Indian conditions and climate, is far more efficient. Even today the Indian soldier, compared to the British soldier, is certainly ill-clad, ill-fed, ill-housed, ill-armed, ill-paid and ill-trained, but still the Indian soldier in actual service compares favourably with his British comrade. In scouting, in reconnaissance of patrolling work, in rifle fire and competitions, in tracking a country, in field work in the hills and mountains, in grenade work, in the use of automatic weapons, and last but not the least in hardihood and physical resistance, he stands second to none in the world. As far as health and physique go, we cannot find a more authoritative report than that of the best British medical men from England, brought

[Rai Bahadur Sri Narain Mahtha.]

to India to look after and guard the health of the British soldier in India. Surgeon-General Gordon, Principal Medical Officer of British Forces, Madras, says:

"A large portion of young lads, such as now arrive in India are physically unequal to the strain of active service and consequently while they continue so, are not only useless but receive pay for work that they do not and cannot perform".

I would invite the Honourable Members to look into some of the charts showing the incidence of diseases amongst British and Indian soldiers and they will find the percentage varying between 12 to 23 per 1,000 in the case of Indian soldiers and between 67 to 78 in the case of British soldiers. This shows the comparative military inefficiency of the British soldier. Besides, the amount of money required to maintain British soldiers in India is so prohibitively large and so clearly beyond the means of this country that if for nothing else at least on account of the financial inability of this country, we must dispense with the British troops. It is a matter of serious regret that Government should starve all the nation-building departments and persist in spending crores and crores of rupees over the maintenance of British soldiers who are not only not required for the defence of this country but really only hamper both defence and the general advance of this country.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern : Non-Muhammadan): Mr. President, the Honourable Mr. Kunzru has dealt very exhaustively with the subject-matter of this Resolution and therefore it is not necessary to say many words in support of the proposition embodied in the Resolution before the House. There are just one or two things, however, that I should like to stress. What is the total number of British troops in India today? When the question was under discussion in this House two years ago the figure given from this side was 60,000, but I believe that Sir Philip Chetwode said that the figure was in the neighbourhood of 55 and 60 thousand. We should like to know what the exact figure of British troops in the country is. Then the second question on which we should like to be enlightened is this. In 1923 on the recommendation of the Incheape Committee there was a certain reduction effected in the number of British troops in the country. Has there been any further reduction since 1923 in the number of British troops in this country? We have a period of 14 years, 1923 to 1937, and I am not wrong in saying that during this period of 14 years there has been no reduction of British troops at all. Why has there been no reduction in the number of British troops during this period of 14 years? At the Defence Sub-Committee of the Round Table Conference, it was recognised by British delegates that Indian opinion attached great importance to the question of reduction of British troops. It has also been authoritatively stated that India cannot have control over her defence until such time as there is a British element in the army. Therefore, if we want Indian freedom, if we want Indian Dominion Status, we have to press for a reduction of British troops. We cannot be free in this country until British troops are removed from this country. The Honourable Mr. Kunzru does not say that British troops should be immediately withdrawn from the country. That is not his proposition. (*An Honourable Member*: "That is what he should do".) That is what he should do and that is what we should do. But that is not what the Resolution says Government should do today. What the Resolution says is that there should be a policy of continuous reduction of British troops in this country. Your policy is progressive Indianisation; your policy is progressive realisation of responsible government. If your policy is progressive realisation of responsible government, then it follows that your policy ought

to be progressive reduction of British troops also. Therefore we should like His Excellency to indicate to us the steps which Government are taking to accelerate the pace at which India will advance towards Dominion Status. His Excellency will recognise himself that India cannot be said to be advancing towards Dominion Status if the British garrison is retained at its present high number. The present ratio was fixed in 1859 after the Mutiny or what we patriotic Indians prefer to call the Indian War of Independence. The ratio before the Mutiny of British to Indian troops was 5 to 1. After the Mutiny the ratio was fixed at 2 to 1. After the Mutiny you were suffering from the Mutiny complex, but now you say that you have no complexes at all. You say that you want India to be free, that your one desire is to help India to achieve freedom. Well, then, is it not your duty then to see that India is enabled to be free? Is it not your duty then to do all that you can to smooth the path of India's progress towards freedom and Dominion Status? Therefore the question of ratio is of fundamental importance. You cannot say that there is something sacred about this ratio. You fixed this ratio—this will be quite evident to anyone who goes through the Reports of the Peel Commission and other Commissions that were appointed about that time, in 1870 or thereabouts—and you cannot say that this ratio was fixed because of considerations of military efficiency. This ratio was fixed because you had no confidence in the Indian soldier. This ratio was fixed because you had no trust in the Indian people. The policy was based upon a mistrust of the Indian people. It was recognised in evidence before those Committees that the Indian Army was a gallant army but it was stressed in evidence before those Committees—I am referring to the Committees which were appointed in the seventies—it was pointed out that the ratio could not be reduced because the Indian soldier could not be trusted. Well, you have had experience of the Indian soldier during the last 50 or 60 years and you trusted him during the war and he gave a very good account of himself. He was sent to Mesopotamia and he did exceedingly well. He was sent to other theatres of war and he did exceedingly well. Why cannot you trust the Indian soldier, and where is the fear if your policy is responsible government? Why should you not trust the Indian soldier if you really mean India to be free? That is really the issue which is raised by this Resolution and I think, so far as that issue is concerned, there has been no answer from the Government so far. We have had this Resolution on previous occasions before this House and I do not remember to have had an answer to this question from the official Benches.

Then, Sir, we have also to approach this question from the financial point of view. The British soldier costs Rs. 850 per annum. That was the figure given to us by Sir Philip Chetwode. The Indian soldier costs Rs. 285 per annum. That is to say, the British soldier is three times more expensive than the Indian soldier, and we have to bear this cost because you won't trust us. We have to pay for our army three times as much as we should have normally paid for it because you do not trust us and because you want to retain your hold over India. Well, if you want to retain your hold over India, if you don't want to trust us, then you must bear the expenses of this garrison. Why should you make the Indian taxpayer bear the burden of this expenditure? You cannot have an Empire without paying for it and that is really what you want. You want to have an Empire but you don't want to pay for that Empire. Well, I say, Sir, that is not really playing the game. If you want to have this vast Indian Empire, then pay for this vast Indian Empire. But don't bleed us, and that is what in plain straightforward language you are doing. By maintaining the army at its present high cost you are denying to the provinces the chance of development on sound lines.

[Mr. P. N. Sapru.]

You are denying to the country certain essential social services which the country needs.

Sir, I have often said in this House before that I am a confirmed pacifist. I would altogether abolish all arms and in my Utopia there would be no place for the soldier at all. But I know, Sir, that I have to live in a very imperfect world and I am surrounded by Dictators and by countries which do not believe in my philosophy of life. And therefore as a realist I have to compromise with my ideals. But I feel, Sir, that even from the point of view of those who think that armies are necessary it is possible to effect reductions in army expenditure without impairing the efficiency of the Indian Army. It is no use your saying that the Army in India is for the purposes of India's external and internal defence. The army is here also for certain imperial purposes. If there is no imperial purpose behind the army, then why is Britain making any contribution towards the cost of the Indian Army? Why even pay Rs. 2 crores towards the cost of the Indian Army? You have by contributing Rs. 2 crores to the cost of the Indian Army admitted impliedly that there is an imperial purpose behind the Indian Army. Well, if there is an imperial purpose behind the Indian Army, why not pay for that imperial purpose yourself? Why should you make us pay for that imperial purpose?

THE HONOURABLE MR. HOSSAIN IMAM: Even that does not come from the Imperial Exchequer.

THE HONOURABLE MR. P. N. SAPRU: Well, Sir, my Honourable friend, Mr. Hossain Imam, is a great authority on finance and understands figures much better than I do—I confess I am rather like Lord Randolph Churchill and therefore I will not talk about figures at all. The point that I was making is that the present organisation of the Indian Army is determined by the Imperial Committee of Defence and the Imperial Committee of Defence looks at questions not from the Indian point of view but from the point of view of the Empire as a whole. So far as we are concerned, we have no control over our army policy, over our foreign policy. It is the British Government which is controlling our defence and our foreign policy, therefore I think, Sir, the British Government ought to pay for it.

Now, Sir, another point that I should like to emphasise is that there is no part of the Empire which pays capitation charges and we have to pay passage money for these soldiers, we have to provide pensions for these British officers and we cannot tax those pensions. There is no income-tax on these pensions. And when the British soldier leaves the country the experience that he has gained is lost to us. All this constitutes a drain on our resources. You can without reducing the strength of your army replace British soldiers by Indian soldiers. We do not ask you to reduce the strength of the army. What we are asking you to do is to replace continually, progressively, British troops by Indian troops. That, I would say with all the earnestness at my command, is not an extreme proposition, is not an unreasonable proposition. We wish to be free in our country. We wish to be in our country what South Africans are in their country, what Australians are in their country, what New Zealanders are in their country, and we have a right to expect, having regard to the pledges that you have given, that you will help us to achieve that freedom for which the youth of this country is yearning. We cannot be free unless we control our defence and foreign policy. Responsibility at the centre can never be a genuine commodity, a genuine article, without control of

the defence. You have yourself said that we cannot have complete responsibility at the centre until such time as there is a British element in the army. That was the view that the Simon Commission took, and I think that is the view which British statesmen generally accept. That is the argument which is advanced against complete responsibility at the centre. As we want complete responsibility at the centre, we attach great importance to this question of reduction of British troops, and it is for us a test question. It is for us a question by which we shall test Britain's *bona fides* in regard to Dominion Status.

With these words, Sir, I desire to give my full and wholehearted support to the Resolution so ably and so eloquently moved by my respected friend and leader, Pandit Hirday Nath Kunzru.

THE HONOURABLE THE PRESIDENT: Your Excellency, I think if you speak at this stage, it will probably shorten the debate.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, to begin with, I should like to compliment the Mover of this Resolution, if I may, on the able and moderate way in which he presented his case. He has obviously studied the literature on the subject most carefully, and, although I may not agree entirely with his presentation of the facts and figures, this in itself does not materially weaken his case or strengthen mine. In fact, I should say that, *on paper* (if I may so express it), he has made out as strong a case as could be made out. He will forgive me if I go on to say that, where he failed to convince me was with regard to the actual realities of the case; and I propose to develop this side of it in my reply. I think the two main aspects of this controversy that naturally appeal most to Honourable Members opposite are the financial and sentimental aspects—and, when I refer to sentiment, I mean sentiment in the best sense of the word, the sentiment of patriotism and national honour.

Now, Sir, so far as the financial aspect is concerned, no one can deny that the substitution of Indian for British troops in this country *would* produce a saving—indeed, a large saving. No arguments are required to convince me of that. What the exact figure would be it is difficult to say, nor do I think that it matters very much. Our own estimate, made a few years ago, is something in the neighbourhood of Rs. 8 crores—excluding the cost of pensions, which naturally must go on for many years, and also excluding the cost of the capitation payments which have been referred to. What Honourable Members are apt to forget is that the capitation payments are now more than covered by the contribution of Rs. 2 crores paid by His Majesty's Government towards the cost of Indian defence. That contribution—

(At this stage the Honourable Rai Bahadur Lala Ram Saran Das rose to interrupt.)

THE HONOURABLE THE PRESIDENT: Order, order. I would request Honourable Members not to interrupt His Excellency. He has very patiently heard all of you and never interrupted your speeches and it is only fair that you should allow him an opportunity of addressing the House.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: That contribution may not be specifically related to the cost of British troops in India, but I cannot imagine that it would be continued—at any rate, at anything like the present figure—if all British troops were removed from this country. Some Honourable Members, I know, think that the present contribution ought to be increased. All I can do today is to refer them to my speech on this subject in reply to the Honourable Mr. Kalikar's Motion last Simla session. So much

[His Excellency the Commander-in-Chief.]

for the financial aspect. I agree that British soldiers *are* comparatively expensive, but that does not alter the fact that I consider them necessary.

I shall return to that point in a moment, but first let me say a few words about what I have called the sentimental aspect of this question. I do not want to say too much, and I only wish that Honourable Members would read, or read again, what is said on this subject in Chapter VI of this pamphlet of Facts and Figures, which was supplied to them a year or two ago and of which there are copies in the Library. I think it will repay study. But let me say this at once. The Government of India—and myself—are fully conscious of the natural and laudable desire of Indians to defend their own country. We have recognised this desire, so far as we have been able to do so, by the scheme of Indianisation that is now in process of being worked out. That scheme in itself does involve the gradual substitution of a considerable number of Indian for British officers, and for a measure of substitution of Indian for British troops in such arms as the artillery, signals, and administrative services. I am, of course, aware, that, as a start, this does not amount to anything enormous, but it is a start and it does amount to something quite considerable. The point I wish to make—and I hope I shall not be misunderstood when I make it—is that even national sentiment however much we may applaud it cannot be the finally decisive factor in a vital matter of this kind. We have got to consider certain hard facts, which I now propose to deal with.

Firstly.—I am most diffident to draw attention to myself but it is a fact that I am the person who is ultimately responsible to the Government of India, and, indeed, to every single Indian in this country, for ensuring, so far as I can, the peace and tranquillity of India. It is I who will have to shoulder the blame if things go wrong, and if, when the moment comes, our defence forces are found to be unequal to the tasks imposed upon them. I beg the House to remember that, and to recognise that it is by no means a light responsibility.

Secondly.—The forces on which my predecessors and I have hitherto relied have been British soldiers led by British officers, and Indian soldiers led by British officers. That is the organisation which has successfully preserved the peace of India for many years—and that is the organisation in which I am now asked to make radical and sweeping alterations. Believe me, Sir, I have served in the Indian Army all my life, and I yield to *none* in my admiration for that army and the sepoys and Indian officers who constitute its foundations. But there is no getting away from the fact that it is an army which has been trained and led for years by British officers, and we *have* had no real experience yet of an army led and trained by Indian officers. I do not mean to say for a moment that it cannot be ever led and trained by Indian officers. I hope that one day it will. If I had not hoped so, I could not have agreed to the measure of Indianisation that is now in progress. But, Sir, it must take time. You cannot completely change the organisation of any army in the world in a day. Meanwhile, while this measure is going on and the whole international situation is so uncertain, it is not, in my opinion, the moment to make drastic reductions in the strength of the British Army in India.

After all, Sir, the present combination of British and Indian troops has given us an army of which we may well be proud, and which is, I venture to claim, the admiration of countries outside India. To my mind, this happy combination is due to the fact that there are qualities in the British and Indian soldier which are complementary to each other, and produce a standard of efficiency which it behoves us to take into very careful consideration before it is disturbed.

Apropos of this point, we have heard a great deal today about the ratio between British and Indian troops. There is evidently some misunderstanding on this point, and I should like to take this opportunity of making the situation clear once and for all. Whatever may have been the case in the past, I can assure the House that today there is no ratio laid down simply for the purpose of maintaining a mathematical proportion between the numbers of British and Indian troops in India. We have got past all that long ago. When we go to war, our brigades are made up in the proportion of three Indian units to one British unit. For internal security purposes, it is true the number of British troops, as compared with Indian troops, is higher. And the result of all this is that the ratio of British to Indian soldiers in the Army in India as a whole *happens* to work out at present at one to something between two and three. But these proportions are based on practical experience of what has been found to give the best results, and on what is considered necessary from time to time to carry out the role of the Defence Forces as a whole. They are definitely not based on any preconceived notion that the number of Indian troops must not exceed the number of British troops by any particular figure. I hope I have made the point clear.

Now, in this connection as already mentioned by others this morning I may remind the House that the number of British troops in India has been reduced by some 20,000 since the war. In addition, as I have already explained, a measure of substitution of Indian for British troops is already in progress. Apart from this, I can see no early prospect of any further substitution of Indian for British troops in India, and I should be wrong to encourage false hopes in that respect. It is, however, possible that a certain reduction in the number of British troops may result from changes of organisation which may be carried out in the future, as more modern weapons are taken into use and mechanisation increases. It is also a fact, as just explained by the Secretary of State for War in the House of Commons, that the recruiting difficulties at home are going to cause fluctuations in the strength of British units overseas, including India, which will involve temporary shortages in establishments without reducing the actual number of units.

Thirdly and lastly.—It may be suggested that I am merely giving my own personal opinions, unsupported by those of other responsible authorities in India. That is very far from being the case. For instance, if I wish to move a single company of British troops from a single station anywhere in India, I am immediately faced with the most vehement opposition from the Local Government concerned. That is a hard fact, and there is no getting away from it. Honourable Members may suggest as indeed they have that the explanation is to be found in the composition of the present Local Governments. I do not agree, but anyhow that is beside the point. In not many days from now, elected Indian ministers will assume primary responsibility for the maintenance of law and order throughout India. In discharging that responsibility they will have the full support of the army behind them, just as the present Governments have it today. I do not claim to be a prophet, Sir, but it may well be that Indian ministers of the future, to whatever political party they may belong, will be very glad to feel that they have behind them the imperishable and cheerful British soldier, on whom in the last resort they will be able to rely for assistance. At any rate, I would seriously ask this House whether it would agree to deprive the ministers of the future, in advance, of the bulwark on which the Local Governments of today place such implicit trust. Let us at least wait and see, and let us not by any vote that the House may take today spread abroad the impression that the Provincial Governments of

[His Excellency the Commander-in-Chief.]

the future are going to be weakened in any way in discharging the onerous duties that lie before them.

To conclude, Sir. From what I have said, I hope it is clear to the House that the main difference between the Honourable the Mover of the Resolution and myself lies in the words "continuous reduction", as used in the text of his Resolution. I have shown that the Government of India, since the war, have been working on a policy of "gradual and prudent reduction" as regards strengths of British troops in India. They are still working on this policy, but it must be left to them to decide the rate of progress as and when they are entirely satisfied that all circumstances are favourable. It follows, therefore, that Government cannot commit themselves to a "continuous reduction", regardless of what those circumstances may be. I regret, therefore, that I must oppose the Resolution. (Applause.)

THE HONOURABLE LIEUT.-COL. SIR HISSAM-UD-DIN BAHADUR (North-West Frontier Province: Nominated Non-Official): Sir, I think His Excellency cleared up the whole matter, but I would like to say a few words in brief.

Though I am an old soldier with experience of 32 years in the army and on deputations abroad still I am a recruit in this Honourable House. I am sure the Honourable Members will accord me their indulgence now that I am speaking on the Resolution under discussion.

Sir, I should like to assure the Honourable Members opposite that I am an Indian first and an Indian always and whatever I will say is for the good of my country. I wish from the bottom of my heart for the prosperity and betterment of every Indian soul in every walk of life. But I also think it is justifiable to say that we are grateful to the nation which has brought India to the present stage of development. We should not I suggest attempt to deny this.

Sir, in the short space of time I have sat in the House, I have noticed a tendency on the part of my Honourable friends opposite—and I say this with due respect—to lay down for Government a definite course of action as regards the army and as regards the North-West Frontier, without having sufficient knowledge of these matters which are vital to India. On these questions my 32 years' experience justifies me in speaking with some authority.

Sir, I turn now to the question of Indianisation and replacement of British troops by Indians. To take Indianisation first. As a soldier I am strongly of opinion that keeping in view efficiency and safety, the pace of Indianisation must be accelerated. We should not however attempt to run before we can walk firmly. We must remember that quality is more essential than quantity in the army. The officers coming out from the Indian Military Academy, whom I have had an opportunity of meeting are I agree mostly efficient and of the right type. It would not be out of the place, Sir, if I mention here that the present rate of pay to officers from Dehra Dun is not sufficient to maintain the same status, position, prestige and discipline in the eyes of the soldiers as is maintained by other King's commissioned officers. Some steps must urgently be taken to remedy this, because it might have dangerous effect on active service if the troops have not the same regard for them, as for officers of the King's commission. Indianisation is a question which has already been sufficiently discussed in this House. I have touched one or two important points only and I need not pursue this matter further.

Sir, now as regards the British troops. Ever since the inauguration of the Montagu-Chelmsford Reforms this has been a subject of heated discussion. Government has often been accused of feeding their own countrymen and have persistently been asked to reduce the number of British troops in India. Sir, my fundamental opinion is that British troops are the Arch of Peace in India and should not be reduced at present. I support this by the following reasons.

Firstly.—On account of the vast number of languages and religions in this country, there is always—much as we may regret it—the possibility of communal tension. An impartial force must remain in order to secure peace and tranquillity of the country until the possibility of communal tension disappears.

Secondly.—When expeditionary forces are sent to the frontier or to any other front, their ratio is fixed at 1 to 3, i.e., an infantry brigade consists of 1 British and 3 Indian battalions. This mixed force has proved very successful in the past and therefore it is desirable for the welfare of the country that Indian and the British forces should be kept together in this order. Sir, I narrate an action to which I have been an eye witness. During the Terah Expedition 1897-98 at Bazar Valley the 25th Punjab Regiment were withdrawing their piquets when they were heavily attacked by an Afridi lashkar. The heavy covering fire of the Seaforth Highlanders checked the Afridi lashkar and it was due to the firm stand of this British Regiment that the Punjabis succeeded in withdrawing without suffering heavy loss. This the Seaforths achieved in spite of the fact that they themselves suffered heavily losing two officers and many British other ranks. They did not however leave the position till the Indian unit withdrew safely.

Sir, I should like to say emphatically that there exists very friendly relations between British and the Indian troops during peace and war. Among them, both feel that the other is complementary.

Sir, taking into consideration the misery and suffering of the people during the last Mutiny—which we should remember was only in the lifetime of our fathers—I will appeal to the Honourable House not to urge the replacement of British troops by Indians at present. A great responsibility lies on India to provide for the safety of the families of domiciled Europeans, Anglo-Indians and other Christians in India who require protection. It is a responsibility which we should consider very carefully at this stage in our political development. Nothing could more completely damn us in the eyes of the world, or retard our national aspirations, than that we should fail in this task. I ask Honourable Members opposite to give proper and solemn consideration to this point. We should not dismiss this matter lightly and for these reasons I ask the House to reject this Resolution.

"Ramuz-i-Saltanat-i-khesh khusrawan danand."

THE HONOURABLE THE PRESIDENT: This will be a convenient stage to adjourn the House.

The Council then adjourned for Lunch till Half Past Two of the Clock.

The Council re-assembled after Lunch at Half Past Two of the Clock, the Honourable the President in the Chair.

THE HONOURABLE THE PRESIDENT: I may inform Honourable Members that I propose to sit only till 5 P.M. this evening and I have requested

[Mr. President.]

the Leader of the House to kindly give an extra day only for the Resolutions which will remain over today including the Resolutions which have been carried over from yesterday, and he has very kindly promised to do so.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, I support the Resolution which has been so ably and impressively moved by my Honourable friend Mr. Kunzru. He has dealt with the subject so exhaustively that he has not left much for me to say. Sir, His Excellency the Commander-in-Chief has told us today that for some time to come there is no prospect of a reduction in the British Army in India. Sir, I wish to draw the attention of His Excellency the Commander-in-Chief to his own report which was presented to us this session in which we find the reduction in the British ranks in 1937 as compared with 1936 was 1,903, because in 1936 their number was 59,230 and in 1937 their number was 57,327. Sir, if we look at the figures of Indian and other ranks for the same period, we find that in 1936 their total number was 143,715, but in 1937, it dwindled down to 140,586, which means a reduction of 3,129. Sir, as regards the Indian officers, that is, officers holding Viceroy's commissions, in 1936 their number was 4,426 as compared with 4,230 in 1937, which means a reduction of 196. Then, Sir, if we come to the British King's commissioned officers, we find that their number in 1937 was 7,192 as compared with 7,272 in 1936. Sir, these figures go to prove that there has been some reduction in the British Army in India and there has been also a reduction in the ranks and file of the Indian Army in India.

Sir, the reasons which His Excellency has put forward for the retention of the British Army in India have been heard by us with great attention. Sir, no where in the other dominions under the British Crown is any charge made for the British Army which is kept in those countries as an army of occupation. I request His Excellency to let us know what is the reason why the cost of the army of occupation in India is being exacted from India. Sir, no where in the world is such a big standing army being maintained by any country. In India we are maintaining a huge army the parallel of which we do not find anywhere in the world. Sir, the arguments put forward by His Excellency the Commander-in-Chief lead one to infer that the Indian Army has always been led by the British officers. That is a fact, since the last few years a few Indian officers were added every year but later addition of King's commissioned Indian officers ceased when the policy of racial discrimination was introduced into the recruitment of officers for the Indian Army. Sir, it pains me to say that the racial discrimination was introduced or rather enforced notwithstanding the proclamation of Queen Victoria and other Kings who ruled over India. Sir, by discrimination between the King's commissioned officers and the Indian commissioned officers a stigma of inferiority has ever been attached to Indians.

With regard to His Excellency's observations about the Indian Army being led by British officers, I might say, Sir, that the armies from India consisting of Imperial Service troops manned entirely by Indians and commanded by Indians proved a great success in the Great War and received well-merited praise in despatches from the officers in command. I might mention that even the Viceroy's commissioned officers who rose to a high position have been very successful in commanding the units which were placed under their command. I feel proud to say, Sir, that our esteemed and gallant colleague, Lt.-Col. Sir Hissam-ud-din Khan, commanded successfully for six years a unit

of the Frontier Force in India. General Vir Vikram Singh of Nahan also successfully commanded the State Artillery in the Great War and his name stands famous for the laurels which he had won. And so is the name of Major-General Maharana Partab Singh of Jodhpur and Idar. Sir, as it has now been laid down that an Indian commissioned officer, even though he may be senior to his British colleague, cannot be put in command over British officers there should be no anxiety and suspicion whatsoever in the mind of the Government that these Indian units in time of need will shirk duty. His Excellency the Commander-in-Chief has himself paid a tribute to the Indian Army and he has said that in future, in practically all the Indian arms, except in a few arms which have been so-called Indianised, the Britishers will be in command. There seems no imperative need therefore of maintaining such a big British Army. Sir, before the war, our defence expenditure did not exceed Rs. 29 crores. In 1922, it rose to Rs. 66 crores, and now it has been brought down this year to Rs. 44 crores odd. Sir, we see no reason for huge increase in the army or defence expenditure. The situation on the frontiers and the British relations with the adjoining countries have not since the war gone bad or worse. So, this doubling or trebling of the military expenditure is beyond the means of India, particularly at a time when we have grave economic trouble. Sir, I concur with the view of my Honourable and Gallant friend, Col. Sir Hissam-ud-din when he talked of communal tension. But that communal tension is unfortunately being encouraged in India by the communal award and other similar rulings of the Government. The British Government who have increased this friction and have nurtured this communal tension should be held responsible for it and in case that is one of the main reasons why the British Army is needed in India, its cost must be met by the British Exchequer. Sir, Col. Sir Hissam-ud-din has also observed that a British element is necessary whenever there is communal tension. What is the case in England and Ireland, Sir? There are tensions of a similar nature there. Are any Indians or Africans or foreigners being imported to suppress unrest there? Sir, in the present economic condition of India the expenditure for the maintenance of the British Army in case it is necessary to retain should be borne by the British Exchequer. It pains us to find that His Excellency the Commander-in-Chief says that for some time to come he does not foresee any reduction in the British Army in India except that under some reorganisation scheme there may be a little reduction in their numbers. This is very discouraging. I would urge upon the Government to bring down this expenditure by making the British Exchequer or the British War Office pay for the British army of occupation in India.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, I had no intention of intervening in this debate, but the slender hope that His Excellency has given of the possibility of reducing the personnel due to reorganisation has given me some hope that perhaps, even through this, we may be able to reduce the burden of the army expenditure. His Excellency the Commander-in-Chief knows, and none knows better than he, how our fighting machine at present is lagging behind the armament of the big powers. Our equipment, Sir, is very short. The universal development of the air force required that in India too the *Indian Air Force* which has just been created should be further strengthened, and the strengthening of the Air Force means the replacement of a goodly number of the army. At least, a good part of the army which is maintained in the Trans-Indus area could be dispensed with if the Indian Air Force had been sufficiently developed and expanded. Another item which I wish to bring to the notice of the House is the difference in the number of units as maintained in England and in India.

[Mr. Hossain Imam.]

Here, Sir, an infantry of the line has a strength of 865 men per regiment, whereas in England the number is 791 other ranks, a difference of about 100 men in the strength of each battalion. If you multiply this number by the number of units in India, you will get a reduction of 5,000 men without in any way impairing the efficiency of the army, for I do not think it will be suggested that the Army in England is maintained at a less efficient strength than in India. But there is one thing, the Army in England is better equipped. I admit that, and I suggest that we should also equip ourselves better, so that we may be able to dispense with the men. If the army is better equipped, the nature of the personnel, whether European or Indian, would not make so much difference. Secondly, I wish to draw attention to the fact that the strength of the army has to be kept at a higher limit because of certain concessions given to soldiers, like leave and other concessions, which were given during the days when we had more money to spend. The leave rules, etc., are being revised in the civil departments. We do not know whether the army is following suit or not? The reorganisation will give us good results if it is carried on in the spirit in which we want it. The reorganisation is not required simply to make a more efficient machine, but also to make it a cheaper machine. We know that in commercial concerns, both considerations are taken into account. We not only want to have a better factory in order to turn out more, but we also want that the cost should be reduced. I wish that the army would look at the question from this standpoint. We would all give our support to the army authorities in India for the better equipment, provided the cost also is *pari passu* reduced and brought to the level of our income. The arguments which the Honourable Mover brought forward in favour of it were very cogent. The constitutional development is dependent on this and the better you equip the army, the nearer will be the day when the Indian Army will be able to shoulder the burden.

With these words, Sir, I support the Motion.

THE HONOURABLE MR. V. V. KALIKAR (Central Provinces : General) : I had no mind to take part in this debate, but some of the remarks of His Excellency the Commander-in-Chief have encouraged me to state my views on this subject. His Excellency has stated frankly before this House that there are no further prospects of reducing the British troops in this country. If I take that proposition to be correct, are we to understand that the talk of Indianisation not only emanating from the public of India but encouraged by the British statesmen is over? During the Round Table Conferences we were given to understand that the defence of India ought to be the increasing concern of Indians. We do not make this demand for Indianisation of the army only on sentimental grounds. Nor do we make it only on financial grounds. But we deem it our birthright to take part in the defence of our country. We know that the Britishers after coming to India and after the great Mutiny practically emasculated the martial spirit of the people of India. But I submit we do not commit a crime if we say that we have become capable, that we are suitable and that we desire to take part in the defence of our country. The financial argument made out by my Honourable friend Mr. Kunzru is as sound and appears to be more sound to me because his argument is supported by His Excellency the Commander-in-Chief. His Excellency told us this morning that according to his calculation, if the British troops are replaced by Indian troops there would be a saving of Rs. 8 crores. That is not a small sum, but my Honourable friend in his Resolution does not suggest that the British troops should be immediately replaced. He wants a continuous process of Indianisation of the army. If it is to be a settled fact

that no further attempts should be made by us in this direction, I am sorry I cannot agree with His Excellency. We shall agitate and agitate on this point, and as we think that our claims are just, it is our duty to ask not only the Government of India but the British Government to consider the promises they have given us in the past and to deliberate over the reports which their own Committees have produced on this point, and meet our demand to some extent. In these days of depression when the Government of India cannot balance their budget, if there is some reduction in the expenditure on the army by the substitution of Indian for British personnel, that will go a great way to lessen the burden on the poor Indian taxpayer. So, I am very glad to find from the financial point of view that His Excellency agrees to the proposal made by my Honourable friend Mr. Kunzru.

Another point that has been trotted out several times in this House and was advanced again today is that the British element is necessary in this land on account of communal troubles, and it deserves serious consideration. As my Honourable Leader just now stated, communal troubles are created to some extent by the British Government in India. The communal award and communal representation in the services are the things created by the British Government. (An Honourable Member : "Why did you not come to a mutual agreement?") Well, Sir, they did not allow us to come to a mutual agreement. We do desire to come to an agreement but they do not allow us. (An Honourable Member : "You could have agreed in England".) I know we could have agreed in the Round Table Conference, but if we had done so then they would have been no where. But it goes back much further than the Round Table Conference, because long ago Lord Minto received that representation about communal representation in the Councils, etc. Sir, it is a very bitter question, but one has to solve it and one has to face the question squarely and fairly. What I was stating is, can His Excellency cite me a single instance where during these communal troubles the Indian Army was found not to be amenable to discipline under its commander? I submit that remarks of this nature are likely to create lack of discipline and bad feeling in the army itself. To my knowledge I have not been able to find a single instance where the army, that is the Indian element in the army, have disobeyed the commands of their commanders when they have had to tackle communal trouble. The duty of soldiers is to obey the orders of their commander, and nobody has challenged the fidelity and discipline of the Indian troops till now. So, according to me the bogey of communal trouble in India is not a very good argument advanced to maintain the British troops in India. Then my Honourable friend

3 P.M.

Sir Hissam-ud-din stated today that because there are British traders or Europeans resident in India therefore the British element is necessary. If I have understood him rightly, I think there is no force in his argument, because he himself having led an army, being a major for 6 years as we have just now heard, would not, and would never have entered into these obligations; these thoughts would never have entered his mind that he has to support an Indian, that is to protect the Indian and not the Britisher. Once in the army his duty is to protect everybody, whether he is an Indian or Britisher. So, Sir, I at least cannot bring myself to understand his argument which he advanced today. Sir, the question before the House is whether there is a desire on the part of the British Government to take Indians into their confidence, whether there is a real desire on the part of the British Government to allow Indians to take part in the defence of their country. If there is a desire, ways and means can be found out to bring that intention into practice. If there is no desire to take Indians into confidence, and they think that they can maintain

[Mr. V. V. Kalikar.]

peace and tranquillity in India by keeping only the British element, I think they should be disillusioned soon. During the war they required our help. We supplied a very large number of Indian troops and for the gallantry of those troops we have gained certificates from British statesmen and British commanders. So it is no use telling this House that there are no prospects for eliminating the British element and replacing it by the Indian element. If you think that the Indian element is suitable, then I think it is your duty to replace gradually the British element and substitute it by the Indian element. I know that the speech of His Excellency was very frank and I congratulate His Excellency on making a frank statement today, but we on our part cannot, and do not, desire to lessen our efforts in making a demand of this kind. I therefore very heartily support the Resolution moved by my Honourable friend.

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras : Non-Muhammadan) : Sir, if formal compliments and the usual assurances are eliminated from His Excellency's speech, the rest of it amounts to an emphatic 'No' to the demand contained in the Resolution, which is so modest in its scope. His Excellency is good enough to realise the force of the financial argument and also the force of sentiment in India used in its broadest and the best sense including feelings of national honour. But His Excellency says that all these very good considerations are to give way to what he calls the actual realities of the case and therefore says that in the immediate future we cannot expect any more Indianisation in the British soldiers numbers in the army of India. My Honourable friend Pandit Kunzru was asking for a continuous displacement of British troops by Indian troops and in his speech he stated that he expected it to be done in about 15 years' time. I was just turning over the proceedings of the Round Table Conference to see what transpired at those meetings in regard to this demand of India. I found that the British Indian Delegation made a more modest request by asking complete Indianisation of the troops in India in the course of about 25 years, that is they gave 10 years more than my Honourable friend is prepared to give here. I find that a Committee called the Joint Committee on Indianisation was set up at the Round Table Conference and that Committee going into the British Indian Delegation's Memorandum stated that this request could not possibly be conceded and no provision could be made in the constitution fixing any time-limit for Indianisation of the British troops.

The Joint Committee refer to the suggestion put forward in the British Indian Memorandum that there should be a definite programme of Indianisation with reference to a time-limit of 20 or 25 years, and that one of the primary duties of an Indian Army counsellor should be the provision and training of Indian officers for the programme of Indianisation. The Joint Committee thought that it was impossible to include in the Constitution Act or in any other statute a provision for the complete Indianisation of the army within a specified period of time.

There was thus a complete answer to a demand which was much more moderate. Therefore I do not expect Government to accept now a demand more extreme than that made at the Round Table Conference. The people of India pay for the armed forces that the Government of India maintain in this country and those forces are Indian only in one sense, that the cost thereof is borne by the people of India. Of the Rs. 80 and odd crores of tax revenue which the people of India pay to the Central Government Rs. 50 crores or somewhere near that, are spent over the army maintained by the Government

of India. If the people of India knew, if Indian tax payers knew, that 60 or 65 per cent. of the revenue paid to the Central Government by them by taxes, are utilised on the defence services of this country manned by costly British troops and if they really make a demand that the money should be spent on a really Indian army, I think that demand will become irresistible. I do not think any useful purpose will be served, as I have often said in this House, to base our claim on the promised Dominion Status that is going to come in the march of events by a progressive realisation of responsible government in this country. It will never come that way. Government know what they are doing and I do not think our arguments are unknown to them. The position seems to be that the Indian Army as maintained here is really an army of occupation. It is asked : Why should India pay for it ? The answer is simple. No country ever pays for an army of occupation maintained in the country which she has conquered, and therefore Great Britain says she has the right not only to maintain an army of occupation but also to make India pay for it as she was conquered by her. That is a simple constitutional answer to give to India. Therefore it is no use our asking such questions. And if we really want Indianisation of the army we must get a constitution which provides for it. This constitution does not provide for it and until we replace it by a constitution which provides for the Indianisation of the army in a specified time, it is impossible to achieve it, and any number of assurances given to us will be of no avail. The present policy of so-called Indianisation of the Indian Army is such that there is no evidence in it of any intention to Indianise the army at any time however distant. I have been reading a book written in 1935, in which the writer summarises the characteristics of the Indian Army and details 8 important features of it :—

- “(1) It is not controlled by Indians ; (2) it is recruited from certain parts of India only (more than half the personnel being furnished by the Punjab and the North-West Frontier Province with parts of Kashmir, and about a quarter by the hilly tracts of Garhwal, Kumaon and Nepal) ; (3) even within the areas from which the army is normally recruited there is a strict regulation of the quotas to be furnished by each district, tribe, caste or sect ; (4) not only is the Indian Army recruited from a limited number of carefully selected classes, but its whole internal organisation is based on a rigid caste system and these groups are so arranged that they retain their tribal or communal loyalties ; (5) Indians in the army lead an insulated life breeding mutual suspicion between the soldiers and the civil population ; (6) the Army in India is partly constituted of units of the British Army, and till quite recently (under the Indian Military College scheme of 1931) Indians were not employed in all its arms, making it impracticable for Indians in the army to fight a campaign by themselves ; (7) in spite of recent moves towards Indianisation, the leadership of the army is to all intents and purposes purely British ; and (8) the function of the army, as Lord Curzon pointed out long ago, is largely imperial and not merely national”.

So, Sir, the communal trouble about which so much is said in justification of maintaining the British Army here is of the Government's own making. The communal policy is implemented by the composition of the army itself. The Indian Army is so constituted as to maintain a balance between the various creeds and communities, so that they will never agree among themselves on the Indianisation question.

[Mr. V. Ramadas Pan'ulu.]

One other remark which His Excellency was pleased to make was that the Indian soldiers had their own good characteristics and traits of character and the British had their own, and he said the two were really complementary to each other. But if that is so, why not take at least 10 per cent. of Indian soldiers into the British Army in Great Britain? If a certain proportion of the British element is complementary to the Indian element in India it stands to reason that Great Britain should also take a percentage of Indian soldiers to improve their forces. I make the suggestion in all humility to the Commander-in-Chief for consideration.

And then he spoke of the ratio. That is to his mind an imperial question whereas the demand we make is a national one. It is our right to have the whole army manned by Indians. The ratio is fixed in British interests and not in Indian interests be it of £ to the Rupee or British soldiers to Indian soldiers. Therefore it is useless to talk of the ratio under the present constitution. I hope when these moderate demands come at this stage the Government will see the wisdom of accepting them. Turning them down at this stage would only lead to more extreme demands in the future than the very moderate Resolution of my Honourable friend Mr. Kunzru. I hope the Commander-in-Chief, in spite of the difficulties he has mentioned, will accept the Resolution as it does not ask for anything more than continuous replacement of British by Indian troops and the Honourable Mr. Kunzru suggested 15 years in his speech as the time-limit though he has not stated it in his Resolution. There are no words in the Resolution which commit the Commander-in-Chief to a programme which is impracticable. It is a perfectly practical suggestion and the word "continuous" is so elastic that it can be worked out in such manner as the Commander-in-Chief thinks fit to meet the necessities of the case and without jeopardising either British or Indian interests. Therefore, I have very great pleasure in supporting this Resolution.

*THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY (East Bengal : Non-Muhammadan) : Sir, His Excellency dwelt at length on the necessity of looking into the actual facts. I therefore rise to refer to some of the actual facts that happened during the last Great War. India was almost depleted of her army and her coasts were left to the mercy of Japan and the "Emden". Now that another war is impending on the horizon it is time that we should have an Indian army to defend not only our country but to be sought for by England also, for she, as recently announced, is finding it difficult to get recruits and has to appeal to the Dominions for them.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Mr. President, I have listened with no common interest to the speech of His Excellency the Commander-in-Chief. No one in this House could take exception to the tone of his observations or to a single word used by him in the course of his reply. Indeed, it was a pleasure to notice that he, a life-long soldier, has today revealed himself as an experienced Parliamentarian. It also gave us satisfaction to observe that His Excellency tried seriously to understand the Indian position and to take account of the sentiments, the powerful sentiments that inspire Indians and indeed have inspired all nations that have been able to lead a self-respecting national life.

He admitted, Sir, in full the strength of my arguments, particularly the financial argument. He acknowledged that the British forces in India were

*Speech not corrected by the Honourable Member.

a severe drain on the revenues of India and that if they were replaced by Indian troops a very large saving would ensue. I naturally therefore waited to find out whether in recognition of this fact His Excellency proposed to take any steps, however small, in furtherance of the Resolution that I have ventured to place before the House. But His Excellency instead of giving us any hope warned us that no immediate substitution of Indian for British troops could be expected at this stage. He told us that if the mechanisation of the army was increased, it might be possible to decrease the number of British soldiers. He also referred to the difficulties in the working of the Cardwell system in Great Britain and said that the British Army might from time to time be short of its authorised strength and in that way we might gain financially, but for the present, he could point out no other way in which our desire could be achieved. And what was the reason that he gave in support of the position that he took up? He told us first that it was wrong to think that the British Government had not moved a step in the direction in which we desired it to move. He said that a gradual and prudent reduction of the British forces in India was going on and that any further reduction must depend entirely on the judgment of the military authorities who alone are in a position to take account of all the relevant factors. In this connection he also seemed to refer to the programme of Indianisation, which is being worked out at the present time.

I will take both these arguments and see what substance there is in them. Let us take first the argument that British forces are being gradually and prudently reduced. I know, Sir, that the Indianisation of a division of all arms will lead to the elimination of a certain number of British soldiers. Two Indian brigades of field artillery are going to be created. I understand that this will in course of time mean the disappearance of about 1,200 British soldiers. Further, the creation of 2 signal units will, I believe, lead to the reduction of the British establishment by about 200 soldiers. When the scheme of Indianisation has been carried out, that is, when these units have been created and they get their full complement of Indian soldiers, about 1,400 British soldiers will have been replaced by a corresponding number of Indian soldiers. But what is the period in which this substitution will take place? The programme of Indianisation has already been going on for a number of years. How long it will be treated as an experiment, I do not know. We may have to wait for 5 or 6 or 10 years more. Does His Excellency seriously wish us to be satisfied with a reduction of about 1,500 British soldiers in the course of 15 or 20 years? Is this the way in which England proposes to prepare us for self-defence? His Excellency may desire to proceed cautiously, but can the rate with which he expects us to be satisfied be justified, even if excessive caution is exercised by the authorities? But, this is not the whole of my case. His Excellency was to a certain extent right, as I have shown, in saying that the British forces were going to be reduced. But the Resolution of the Assembly to which I referred in my opening speech asked for a reduction not merely in the number of British soldiers but also in the ratio of British troops to Indian troops, and so far as I can see, nothing appreciable has been done in that direction. The slow rate at which Indians are being substituted for British soldiers cannot for a long time to come effect the proportion of British to Indian soldiers in this country.

Now, Sir, let us take the programme of Indianisation to which His Excellency referred. This matter has been dealt with also by the expert committee which examined the minimum strength of British forces required in this country. I cannot see any connection between the programme of Indianisation and the demand that we have put forward today. Perhaps what His Excellency and the expert committee meant to tell us was that the programme

[Pandit Hirday Nath Kunzru.]

of Indianisation was in the nature of an experiment. The substitution of British by Indian soldiers would be a further experiment. Is it wise that two such important experiments should be carried on at one and the same time? Well, Lord Rawlinson was not a civilian. In his own time he occupied the position that His Excellency the Commander-in-Chief occupies today. But when the Assembly in 1921 put forward a demand for a reduction in the ratio of British to Indian troops, it had also put forward a demand for an increase in the recruitment of Indian officers every year. Now, the Resolution relating to the recruitment of Indian officers, which asked that 25 per cent. of the officers annually recruited should be Indian had been accepted by Lord Rawlinson, and it was after the acceptance of that Resolution that on behalf of the Government of India he accepted the other Resolution relating to the reduction in the ratio of British to Indian troops. If there was any risk involved in simultaneously proceeding with Indianisation and the substitution of Indian for British troops, Lord Rawlinson ought to have been fully aware of it. If, however, with a full realisation of his duties as Commander-in-Chief of this country, he could accept both Resolutions at one and the same time, I cannot see what prevents His Excellency the Commander-in-Chief from accepting my Resolution today.

I do not think, Sir, that the reasons that His Excellency has given for not proceeding with what I might call the Indianisation of the lower personnel of the army can be regarded as satisfactory in the least by any one here. He used one more argument in favour of the existing state of things. He said: "How are we to judge whether the present order is good or bad? We can only proceed on the basis of experience. The presence of British troops has enabled us to build up our position in this country and to maintain peace all over the land. We cannot lightly disturb this order". Now, I venture to think that this argument, the implications of which in any case cannot be accepted by us, has not as much substance in it as His Excellency thinks. Let us suppose that the arguments of those who urged in 1859 that the Indian Army should be regarded merely as an auxiliary force had prevailed. The larger part of the army in this country would then have consisted of British soldiers. Had this come about His Excellency, using the argument that he did today, might well have said to us, "I am concerned with the existing state of things. The present number of British soldiers has enabled me to maintain British authority and peace in this country. I cannot lightly make any proposal for disturbing the present arrangements". Sir, 'what is' is not necessarily a guide to 'what ought to be'. India is no more static than other countries. We in common with other countries are trying to move towards higher objectives. If His Excellency the Commander-in-Chief's opinion were to be accepted, we might bid good-bye to all constitutional progress in this country. If we have made any progress it is precisely by challenging the existing order and by insisting that it should be radically altered. I cannot certainly place concrete facts before His Excellency to demonstrate mathematically that the replacement of British by Indian soldiers would not lead to a diminution in the value of the army as a fighting machine, but I am morally certain of it. Different races have been gifted by nature with different qualities. It may be that Indian and British soldiers, as he says, are complementary to one another. Well, I suppose it can be said in the same sense that during the Great War the British and French soldiers, because of the possession of different qualities, were complementary to one another and were able to achieve results which the British or the French Army alone would have been able to achieve.

This may be an argument for international co-operation, but it is no justification for keeping a whole nation in a state of complete bondage. If there is any substance in His Excellency's argument, he may be certain that a free India would in its own interests like to take the help of British soldiers in times of danger, just as it has been ready to place its own soldiers at the service of England in the time of her need. Had His Excellency meant nothing more than this, I would have cordially agreed with him. But his argument went much further than that. It was a justification of the maintenance of the present state of things. I am therefore unable to agree with it for a moment. Notwithstanding the high authority of His Excellency the Commander-in-Chief, I venture to maintain that the substitution of Indian for British soldiers cannot be regarded as an experiment. For whatever might have been said in the past with regard to the capacity of Indians for initiative and leadership, not a word has been uttered in derogation of the valour and power of endurance of Indian soldiers. His Excellency tried to assure us that the British forces were not maintained in this country out of distrust of Indians but that for military reasons based on actual war experience. Lord Rawlinson, writing without reserve in his diary, called the British internal security troops "an army of occupation". He would not have called them an army of occupation if the British forces in this country were not maintained for political reasons. The phrase used by Lord Rawlinson shows the real purpose of keeping British troops in this country. Notwithstanding what His Excellency has said, I must frankly state that it is my belief and the firm belief of every Indian that the real reason why a large British army is kept in this country is to hold Indians down and to prevent any possibility of their rising against their foreign masters. Sir, I do not wish to take the time of the House any further. I would now only ask non-official Members, at any rate all elected Members, to give me their full support.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, I have nothing to add to what I have already said in answer to the Resolution itself. I am also satisfied that what I have said sufficiently answers all relevant points which have been raised since. I am glad to note the views of my Honourable friend Mr. Hossain Imam, but I might just remind him that the defence budget has in fact been reduced by some Rs. 10 crores since 1930.

With regard to the Honourable Mr. Kalikar's remarks, I would remind him that what I said as regards future reduction—my words actually were—"I can see no early prospect of further reduction".

There is one point, however, I would like to mention with reference to what the Honourable Mr. Kunzru said this morning regarding the possible employment of Dominion troops in India. I have since seen the reference to this matter in today's papers. All I can say is that this is the very first I have heard of the subject and there has been no correspondence whatsoever about it between ourselves and His Majesty's Government.

THE HONOURABLE THE PRESIDENT: Resolution moved:

"That this Council recommends to the Governor General in Council to move the higher authorities to take steps to replace British troops continuously by Indian troops in the Army in India."

The Question is:

"That that Resolution be adopted".

The Council divided :

AYES—10.

Govindachari, The Honourable Rao Bahadur K.
Kalikar, The Honourable Mr. V. V.
Kunzru, The Honourable Pandit Hirday Nath.
Mahapatra, The Honourable Mr. Sitakanta.
Mahtha, The Honourable Rai Bahadur Sri Narain.

Mitha, The Honourable Sir Suleman Cassum Haji.
Pantulu, The Honourable Mr. V. Ramadas.
Ram Saran Das, The Honourable Rai Bahadur Lala.
Ray Chaudhury, The Honourable Mr. Kumarsankar.
Sapru, The Honourable Mr. P. N.

NOES—30.

Akram Hussain Bahadur, The Honourable Prince Afsar-ul-Mulk Mirza Muhammad.
Ataullah Khan, The Honourable Chaudhuri.
Basu, The Honourable Mr. Bijay Kumar.
Buta Singh, The Honourable Sardar.
Charanjit Singh, The Honourable Raja.
Chinoy, The Honourable Sir Rahimtoola.
Clow, The Honourable Mr. A. G.
Commander-in-Chief, His Excellency the.
Devadoss, The Honourable Sir David.
Dow, The Honourable Mr. H.
Ghosal, The Honourable Sir Josna.
Glancy, The Honourable Sir Bertrand.
Haider, The Honourable Khan Bahadur Shams-ud-Din.
Hissam-ud-Din Bahadur, The Honourable Lt. Col. Sir.
Ihtisham Hyder Chaudhury, The Honourable Syed.
Jagdish Prasad, The Honourable Kunwar Sir.

Kay, The Honourable Mr. J. R.
Khurshid Ali Khan, The Honourable Nawabzada.
Kirke Smith, The Honourable Mr. A.
Maxwell, The Honourable Mr. R. M.
Menon, The Honourable Diwan Bahadur Sir Ramunni.
Nihal Singh, The Honourable Sirdar.
Nixon, The Honourable Mr. J. C.
Parker, The Honourable Mr. R. H.
Ray of Dinajpur, The Honourable Maharaja Jagadish Nath.
Russell, The Honourable Sir Guthrie.
Siddiqi, The Honourable Khan Bahadur Shaikh Muhammad Bashir.
Singh, The Honourable Raja Devaki Nandan.
Todd, The Honourable Mr. A. H. A.
Williams, The Honourable Mr. A. deC.

The Motion was negatived.

RESOLUTION *RE* RECRUITMENT OF ORIYAS IN NON-GAZETTED POSTS UNDER THE GOVERNMENT OF INDIA.

THE HONOURABLE MR. SITAKANTA MAHAPATRA (Orissa : Non-Muhammadian) : Sir, I beg to move :

"That this Council recommends to the Governor General in Council to treat Oriyas as a minority community and to take early steps for the recruitment of Oriyas in sufficient numbers in the non-gazetted posts under the different Departments of the Government of India, particularly, the Railways and the Customs".

Sir, the word "community" has always been a great puzzle to me. I have never been able to get at its correct meaning, I mean, in the sense it is being used by the Government. Nobody could tell me if it has been defined by the Government anywhere. Its dictionary meaning is a body of men having religion, profession, etc., in common. Government have divided us in the matter of representation in the sphere of services as the Hindu community, the Muslim community, the Christian community, etc., etc. Up to this the meaning is somewhat intelligible. But when the Christian community is again sub-divided into the Indian Christian community, the Anglo-Indian community and the European community and given separate representation, the Muslims claim that Ahmедыas are not Muslims in the true sense and representation of that class in the services should not be taken to be Muslim

representation and Jains, Parsees, Buddhists, etc., are included in the Hindu community, I am again puzzled. In the sphere of representation in the Legislatures, only 3 communities are recognised, Muhammadan, non-Muhammadian and the Sikh. But then again particular classes from the non-Muhammadians are given separate representation, such as Christians, Europeans and Anglo-Indians. I therefore conclude that the word "community" has no clear-cut meaning so far as the Government is concerned and Government can twist its meaning in any way they like. Now, minority communities are given protection and weightage. Muslims and Christians are treated as minority communities. But this is not all. Burmans are also given protection. Seats in the All-India Services are reserved for Burmans on a territorial basis because men from that province are comparatively backward and cannot find their place in the All-India competitions.

The story does not end here. In reply to a question in the Assembly in 1934, the Honourable the Home Member said "Oriyas are not recognised as a community for recruitment". If Burmans are recognised as such, the principle is there, and when Oriyas have got a province of their own now where there is no communal jealousy, do now recognise the Oriyas as a community without any distinction of caste or creed.

At page 1919 of the proceedings of the Assembly during its Delhi Session in 1934, the Honourable the Finance Member said : "We have no rules for securing proper representation of inhabitants of particular areas". This he said in spite of special arrangements for Burmans. But on the 1st of August the same year the Honourable the Home Member, in reply to a question regarding Bengal Muslims, contradicted the Finance Member and said : "I will ascertain how many Bengali Muslims are actually employed in the Government of India Secretariat".

Sir, if the Christian community can be divided into Indian Christians, Anglo-Indians and Europeans, and the Muslim community can be divided in terms of provinces, why not constitute Oriyas into a community? If the Government wants to do it they can do it without any difficulty. In the whole of the Government of India Departments, not only the Secretariats, but Railways, Customs, Archaeology, Medical, etc., etc., there is not a single Oriya anywhere. Mr. Hallett, now Sir Maurice Hallett, has got a very faithful Oriya domestic servant and when Mr. Hallett was the Home Secretary here, this servant used to come to the Secretariat sometimes and represent the Oriya community in the Secretariat. I am afraid the Honourable the present Home Secretary has withdrawn this representative even. I think, where the disparagement is so great, some steps should be taken by the Government to undo the injustice.

I wish to make myself clearly understood that I for one stand for Indian nationalism but as the Government have thought it fit to divide Indians into sub-divisions according to religious pursuits and then following up the vicious principle by still further sub-dividing men of one religious faith into groups, may I not request Government to be a little more logical and provide for the proper representation of the various provincial communities in the lower grades of the Government of India Services? I do not want that any special favour should be shown to Oriyas in competitive examinations. They are now trying to find their place there. But there are innumerable subordinate posts, thousands of them in the Railways, Customs, Agriculture, etc., etc., where appointments are made by the appointing authority at his will. Those who get good recommendations get jobs there. An officer with

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influence puts many of his relations in the Services. A strong guardian is necessary for these appointments and not much qualification. Before a man retires he manages to bring in his sons, sons-in-law and nephews. All that I want is that the Home Department will take an interest in getting employment for some Oriyas under the Government of India excluding the competitive posts. Orissa was, unfortunately for us, tagged on to the tail end of other provinces for too long a time. At long last Government have rectified their mistake and Orissa has been formed into a separate province now. It is one of the causes why Oriyas have not their proper share in the Services. One other cause is that Orissa was one of the last provinces in India to come under British rule. But the most important reason why the Government of India have neglected the Oriyas is that Oriyas have not been agitators and the Oriya young men have never been bomb-throwers. But considering the rate at which unemployment is growing in Orissa, due to the neglect of the Government of India, due to the neglect of Jamshedpur, and due to the neglect of the Bengal Nagpur Railway, it will not take long for them to become bomb-throwers. I pray Government to change their angle of vision.

Sir, Jamshedpur, which is in Orissa proper and which relies for her resources on Orissa States, neglects Oriyas in the same way as the Government of India. But my description would be incomplete if I did not speak a few words about the Bengal Nagpur Railway Company which is the only other source of employment for Oriyas in Orissa. From Howrah up to Balasore, all stations are manned by Bengalis, but from Balasore southwards all stations are staffed by Telegus. There was some agitation for the B. N. R. taking an Oriya in the superior posts. So they took in the brother of a Chief in the Eastern States Agency as a superior officer. I met the Agent, Mr. Jarrad, shortly after that when he told me of this achievement. I told him that the gentleman was never meant for service, his training was never on that line, and not sufficient. Supposing he did not prove up to the mark the Agent should not castigate the whole nation. Two months after the gentleman sent in his resignation and left suddenly. Since then the authorities are so vexed that they do not consider the case of another Oriya.

Sir, all that I want is that the Home Department of the Government of India should be aware of the injustice done to a nation which has a civilisation, culture, literature and history of its own, unrivalled in India, which once controlled an Empire extending from the shores of the Ganges to the shores of the Krishna, i.e., from the place where the Honourable Mr. Basu lives to the place where the Honourable Sir Ramunni Menon lives, and which was independent long long after most other parts of India came under the mighty Moghuls.

All that I want is that the Home Department of the Government of India be pleased to enquire why this injustice is being perpetrated on the Oriyas for such a long time and move sympathetically in the matter so that in a short time Oriya young men may find some employment in the different Departments of the Government of India—particularly Railways and Customs.

THE HONOURABLE MR. R. M. MAXWELL (Home Secretary): Sir, the Honourable Mover credits Government with a great deal of power. He apparently regards it as the function of Government to make and unmake communities, and regards Government as responsible for the existing sub-divisions among the various classes and

communities of Indians. All I can tell him in that respect is that so far as I know, when the present Government came to this country, they found these various communities and sub-divisions more or less ready made, and they have done as little as they could in the way of contributing to their number. But if it in any way rested with Government to make the Oriyas into a community, I can only assure the Honourable gentleman that they would be delighted to do so. But I do not quite see that that would help the Honourable Member's object. In the first place, we want to know whom he wants us to make into a community. He has not given us any very precise definition of what the Oriya community consists of. I understand in fact that the Hubback Committee found considerable difficulty in finding out what was meant by an Oriya community from the ethnological point of view, and my present information is that the Province of Orissa, as now constituted, consists of 53 lakhs of inhabitants of which about 51 lakhs consist of Hindus. Does the Honourable Member mean that all the Hindu Oriyas are to be regarded as a minority community? When we speak of a community in terms of 50 lakhs, it does not sound very much like a minority community. But in any case the arguments which the Honourable gentleman advanced on the subject of recognising Oriyas as a community do not seem to me to help his Resolution. He does not want us to make Oriyas into a community. He wants us to make them into a minority community and that for a particular purpose. I want to explain to the House what the policy of Government in brief has been as regards recognising minority communities for the purpose of Government appointments. As the House is aware, in their famous Resolution of July, 1934, they prescribed certain reservation of vacancies in Government services under the control of the Central Government. Altogether 33 per cent. of such vacancies were reserved for what they called the minority communities, and in a supplementary order they explained that these minority communities were Anglo-Indians, Indian Christians, Sikhs and Parsees. Also, in Bengal, I believe, Buddhists for local recruitment purposes only are recognised as a minority community. But the House will observe that in all the cases recognised as minority communities, the point is that they profess a religion different from Hinduism, which is the religion of the majority community in India. That is the test which we have applied. The principle has never been recognised by Government at any time that within the limits of the same religion, we should have majority and minority communities or that what is a majority community in one place should be made into a minority community in another place merely on territorial, tribal, linguistic or caste sub-divisions. The House will readily see how difficult it would be if Government were to enter into any such thing. Great practical difficulties would be involved. Even in the case of the limited number of communities which have been recognised for the purpose of reservation of posts in Government service, a considerable disadvantage exists in that specified percentages of posts have to be reserved for recruitment independently of one another. The free choice of Government is restricted and generally speaking the principle can only be employed as sparingly as possible for practical reasons. But supposing we went on and divided these existing main communities into minorities according to territorial and other such considerations, there would be no limit practically to the amount of sub-divisions which we might have to resort to. In a debate on this very subject in 1923, Sir Malcolm Hailey explained to the Assembly that there were 2,328 main castes and tribes and 43 races or nationalities in India, limiting the figures to those consisting of more than 10,000 persons. If we are going to proceed on the assumption that any minority community was to have separate representation in Government service, a number of very small percentages would have

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to be set aside for the various communities and territorial areas and extreme difficulty will be found even in determining these percentages mathematically. I therefore think, Sir, that from the practical point of view we must reject this Proposal entirely. I would remind the Honourable gentleman that as the Province of Orissa has been brought together in deference to a long-standing agitation, it may be hoped that with the opportunities for advancement in education which they will be able to provide for themselves now, they will be able to hold their own against other communities in ordinary competition, and I hope that they will not expect Government to do for this one community what they do not do for any other community and what I have shown would lead to such very serious practical difficulties in recruitment for Government services. I hope, therefore, that the Honourable gentleman would see his way to withdrawing this Resolution.

THE HONOURABLE MR. SITAKANTA MAHAPATRA: Sir, I have already said on the floor of the House that the Treasury Benches make it a point to oppose all our Resolutions. I fully stated in my speech that I want that every Oriya inhabiting the land of Jagannath without any distinction of caste and creed should be treated as belonging to the Oriya community. But that was not my point. As the Honourable the Home Secretary has rightly conjectured, I was drawing his sympathetic attention to give a few more jobs to Oriya young men. Even in that respect I have not got a sympathetic reply from the Honourable the Home Secretary. Last year or the year before last a Member from Assam moved a similar Resolution in this House and got a much better reply. If the Honourable the Home Secretary is puzzled about the water-tight divisions that were made in 1934, as he said, that 33 per cent. of the appointments should be given to Muhammadans, he may take in Oriya Muhammadans in numbers—

THE HONOURABLE MR. R. M. MAXWELL: I may explain that Oriya Muhammadans are already counted as a minority community for the purpose of recruitment.

THE HONOURABLE MR. SITAKANTA MAHAPATRA: I did not say that. I mean, take in more and more Oriya Muslims to make up the 33 per cent., and take in more and more Hindu Oriyas to make up the percentage given to Hindus, and take in more and more Oriya Christians if there be anything left. There are no Sikhs or Parsees in Orissa, so I do not claim anything for them.

THE HONOURABLE THE PRESIDENT: Thank you! (Laughter.)

THE HONOURABLE MR. SITAKANTA MAHAPATRA: Sir, the Honourable Home Secretary has been pleased to oppose my Resolution and has asked me to withdraw it. I know I cannot carry it against the Government here and so I have no way out but to ask your permission to withdraw the Resolution.

The Resolution was, by leave of the Council, withdrawn.

RESOLUTION RE APPOINTMENT OF AN AGENT FOR THE PROTECTION OF INDIAN LABOURING CLASSES IN BURMA.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern : Non-Muhammadan): Sir, I rise to move :

"That this Council recommends to the Governor General in Council that he may, on the separation of Burma from India, be pleased to appoint an Agent for the protection of the Indian labouring classes in Burma".

Sir, the House knows that on the 1st April Burma will be separated from India. In Burma we have a fair number of Indians and my Resolution affects the labouring classes amongst the Indians settled in Burma. Indian emigration to Burma began in the early part of the 19th Century. People used to migrate from Chittagong and Madras for trade or employment, but at first the greater proportion were of the better class. Then we had the second Burmese War and after that war Indians began to emigrate to Burma in increasing numbers and the majority of the new immigrants were drawn from the depressed and agricultural classes. Separate figures for industrial labour are not available, at any rate I have not been able to find them, but taking the 4 or 5 races which supply the Indian population in Burma, the position in 1921 was somewhat like this. Telegus, born in Burma 10,384, born outside Burma 1,00,196, total 1,10,580; percentage born outside Burma 94. Tamils born in Burma 22,536, born outside Burma 59,011, total 81,547; percentage born outside Burma 72. Hindustanis, born in Burma 12,280, born outside Burma 68,580, total 81,400; percentage born outside Burma 84. Oriyas, born in Burma 1,076, born outside Burma 21,826, total 32,902; percentage born outside Burma 97.

Now, those are the figures for 1921. It will be noticed that the larger number of the immigrants are those born outside Burma. Now, Indian labour is mostly migratory and this is shown by the fact that during 1911 to 1921, although Indian emigrants numbered 2 millions, the increase in permanent Indian emigration was only 1,42,000. That is to say, the increase in the Indian population in Burma was only 1,42,000, that is, from 7,45,000 to 8,87,000.

Then between 1922 and 1929 there were 3,20,000 immigrants at Rangoon Port which is the port where four-fifths of these immigrants enter. Rangoon is the biggest port in Burma, and the annual average of those leaving the port in the same period was 2,62,000. So far as the sex ratio is concerned, it was 12 men to 1 woman. If complete figures were available, probably they would show an even greater sex disparity.

Now, one-third of these immigrants came from Calcutta, which is the port for Northern India, and one-third came from the Coromandel Coast. Now, the position in regard to immigration is that it is uncontrolled but not entirely unassisted. Employment at rice mills is secured on a system which involves the grant of practically all responsibility for labour to mistries or contractors. The great majority receive no direct assistance from contractors. The Royal Commission on Labour went into this question of Burma and Indian labour and they pointed out that there were certain differences between labour conditions in Burma and India. The first difference that they note is that the bulk of the factory population in Burma is employed in factories working throughout the year. Textile industries employ in India about 7 lakhs, but in Burma they employ only about 700 people, and there are only three textile firms. The most essential industries there are rice

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milling, saw milling and the refinement of petroleum, and these are seasonal. They employ about 1,00,000 people, and nearly two-thirds of these 1,00,000 people are Indians. Coal mining and mica industries are non-existent in Burma. In India they account for four-fifths of our workers in mines. Then, wolfram, tin, lead, and silver industries employ about 20,000 Burmans. Mineral oil is more important than either. In India we know it is on a small scale. In respect of transport we have to remember that water inland transport in Burma plays a great part. As regards plantations, tea plantations are important in India, but in Burma they have rubber plantations, so that, Sir, the conclusion to which the Royal Commission came was that Burman labour questions were not very different from Indian labour questions. The Royal Commission, however, after saying that Burman labour questions were not very different from Indian labour questions, pointed out that Indian labour had certain peculiar difficulties in Burma; and they refer to those difficulties at page 425 of their Report.

"The industries of Burma", they pointed out, "are largely dependent on Indian labour. Accurate and up to date figures are not available for industries generally, but it is safe to say that at least two-thirds of the workers employed in factories, mines and oilfields, railways and plantations are Indians. In nearly every branch of organised industry Indians greatly outnumber Burmans and, indeed, all other races combined. In the unskilled occupations, the proportion of Indians is particularly high. For various reasons the problems of the immigrant Indian find their focus in Rangoon, the only industrial city in Burma, and we deal mainly with conditions in that city. At the 1921 census Indians constituted over 55 per cent. of the total population of Rangoon and over 65 per cent. of the male population. About 70 per cent. of the male persons between 15 and 50 years of age were Hindus and Mussalmans, and of these 95 per cent. were not born in Burma. In Rangoon factories 95 per cent. of the unskilled and 70 per cent. of the skilled labour were reported to be Indian in 1928, and the position does not appear to have changed since then. Until 1930 the Port of Rangoon was worked entirely by Indian labour, and although events in that year brought about some modification of that position, it is still true in the main. India also supplies the bulk of the tramway workers and of the *sampanwallas*, all the rickshaw pullers and handcart pullers, and nearly all the general labour of other kinds. In fact the economic life of Rangoon and the industrial activity of Burma generally are dependent on the labour of Indians".

Therefore they suggested that there should be a Protector of Indian labouring classes appointed by the Government of India. Their specific proposal—and that is the proposal which is embodied in my Resolution—is to be found at page 427 of their Report. After pointing out that apparently no one is responsible for the welfare or protection of immigrants, they go on to say:

"Many immigrants no doubt need protection, and the Protector should be placed in a position to give them effective assistance. For this purpose"—

and that is their recommendation, which I would like the Government and the House to endorse—

"For this purpose we recommend that the Protector should be an officer who, working in co-operation with the Government of Burma but holding no appointment under that Government, should be solely responsible to the Government of India".

They find that the present position under which the Labour Statistics Officer holds among other appointments the appointment of Protector of Immigrants and Emigrants is not satisfactory and therefore they say:

"That the Protector of Immigrants should have access to the Member or Minister responsible for Labour, and that he should furnish the Government of India with an annual report on the conditions of labour during the year and on his own work. He should have sufficient experience and standing to ensure that his advice will deserve and receive full consideration from authorities and employers in Burma".

Sir, that is the recommendation of the Royal Commission on Labour and that is the recommendation which I should like Government and this House to accept and endorse. Sir, the House knows that some years ago—I think about 4 or 5 years ago, I do not remember the exact year—there were some anti-Indian riots in Burma and the Indian labouring classes suffered a great deal during those riots. There is a good deal of anti-Indian feeling in Burma and after the separation of Burma the Government of India will not be in as effective a position to defend Indian interests in Burma as they are now. Therefore it is necessary that we should have an Agent who will look after the interests of our less fortunately situated countrymen in Burma. My Resolution, Sir, is in the interests of the labouring classes and the depressed classes who have migrated to Burma and I hope, Sir, it will have the unanimous support of the House and that it will be accepted by the Government.

With these words, Sir, I move the Resolution which stands against my name.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Education, Health and Lands Member): Sir, my Honourable friend Mr. Sapru has given us copious statistics and voluminous extracts from the Report of the Royal Commission on Labour in India to show that it is desirable in the interests of Indian labour in Burma that an Agent should be appointed. He has pointed out that after the separation of Burma the need for protection and for care of the interests of labour will be all the greater. The matter has been under the consideration of the Government of India and I can assure my Honourable friend that it will receive very sympathetic attention. We were waiting for the new order of things to come into existence before taking up this question and also we were trying to get certain additional statistical information as regards the position of immigrants in Burma and the occupations in which they were employed and exactly how many Indian immigrants Burma requires who can be maintained on a reasonable standard throughout the year. As soon as all this material is ready we will very carefully consider the matter of taking up the question of appointing an Agent in Burma. I have, therefore, Sir, much pleasure in accepting my Honourable friend's Resolution.

THE HONOURABLE THE PRESIDENT: Resolution moved:

"That this Council recommends to the Governor General in Council that he may, on the separation of Burma from India, be pleased to appoint an Agent for the protection of the Indian labouring classes in Burma".

The Question is:

"That that Resolution be adopted".

The Motion was adopted.

RESOLUTION RE CHECKING OF MALARIA BY INDIGENOUS MANUFACTURE OF QUININE.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern: Non-Muhammadan): Sir, I rise to move:

"That this Council recommends to the Governor General in Council that he may be pleased to take steps to check malaria, particularly by encouraging the indigenous manufacture of quinine and its distribution at rates within the means of the rural classes".

I hope, Sir, that my Resolution will not be regarded as a controversial one. I should be sorry, Sir, if it gave rise to any controversy at all. Most of us have suffered at one time or another from malaria and most of us know

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from experience what a terrible scourge this malaria is. The incidence, Sir, of this disease is particularly high—my Honourable friend, Pandit Kunzru, says among gluttons—I don't know who the gluttons amongst us are but I am quite sure that Mr. Kunzru is not a glutton—he hardly eats anything and he too has suffered from malaria and been a victim of it. Well, Sir, the incidence of this disease is particularly high in the rural areas. The plains of central and western Bengal, most of Assam, the Dooars, the Terai, the hilly slopes of the Eastern and Western Ghats are, we know, notoriously malarious. Sir, Col. Sifton, the Director of Malaria Survey, has published three very able papers on what malaria costs the nation. They are, Sir, to be found in the records of the Malarial Survey for September and December, 1933. In these papers, Sir, he has dealt very ably with the effects of malaria on our national, social and economic life. Sir, in these papers he describes the effect of malaria upon the natural increase of population, secondly, the health, vitality and physical vigour of the population; and, lastly, social, intellectual and economic progress. He has also dealt with the financial loss which malaria causes directly and indirectly. Lastly, Sir, he has suggested certain anti-malarial measures. Sir, it is a very instructive pamphlet and I am sure Members will find it very interesting and informing. According to Col. Sifton, malaria is responsible for at least one million deaths directly and sometimes when there are epidemics raging, this figure rises to 1½ millions. The fatal effect of this disease falls mostly on women, children and infants.

Apart from the direct mortality due to malaria, malaria has a marked indirect action inasmuch as it lowers the general vitality and this lower vitality makes us liable to contract other diseases from the effects of which we may die at a later date. Thus directly and indirectly malaria is responsible for 2 million deaths every year in India. Sir, estimates of the number of persons who suffer from malaria vary between 100 and 200 millions. Dr. Cristophers, I think, who was the head of the Research Institute at Kasauli, says that the amount of sickness is 50 to 100 times to one or two million deaths. Col. Chopra estimates that 100 million men suffer each year from malaria. The Malarial Commission of the League of Nations places the world figure at 650 millions or about one-third of the total population of the world. Now the incidence of malaria in India must be well above the average for the whole world. Therefore, Sir, it would not be unreasonable to place the figure at 90 millions for British India and 30 millions for the Indian States. One of the causes of the low expectation of life in India is malaria. Now, Sir, I know that the Government of India have always taken a very keen interest in this question of malaria. And they have done within the limits of their resources, what they could to check this disease. But quinine, Sir, as we all know, is one of the most needed drugs in malaria and the high incidence of this disease is a sufficient ground for insisting that the rural population should be supplied with an adequate supply of quinine. There are about a hundred million people in this country who go without any treatment, only one-tenth of the people who suffer from malaria ever receive any treatment. Sir, if we look at the figures we find that the consumption of quinine in India is 3½ grains per head. The consumption of quinine in Italy is 16 grains per head. The consumption of quinine in Greece is 24 grains per head per annum. And the figures for highly malarious provinces show even a lower consumption. Sir, according to the Report of the Drugs Enquiry Committee the quantity actually required from the public health point of view would be much larger than that which is supplied at present. It would be 5,00,000 lbs. according to the Public Health Commissioner, and according to Sir Patrick Hedger it would be 9,17,000

lbs. Sir, the Royal Commission on Agriculture over which our Viceroy presided was also of opinion that both for the prevention and treatment of malaria a wider distribution of quinine was necessary. Their specific recommendations will be found in para. 411 of their Report. Dr. Charles Bentley, who was Director of Public Health in Bengal, says that Bengal alone would need a hundred thousand pounds of quinine every year. Therefore, Sir, the conclusion that one has to come to is that the annual consumption of quinine is entirely inadequate in India, and the present supplies are, according to the Report of the Drugs Enquiry Committee, hopelessly insufficient. The annual consumption of quinine in India is in the neighbourhood of 2,00,000 lbs. and this annual consumption is derived from two sources. There are two State-owned cinchona plantations with factories for the production of quinine. One of them is situated at Mungpoo in Darjeeling and the other is situated at Naduvattam, near Ootacamund in the Nilgiris. There are plantations in Burma also. Privately-owned plantations in the Nilgiris have dwindled down in recent years. Now, the combined production of these two factories does not exceed 70,000 lbs. annually. Therefore, Sir, large quantities have to be imported. The Drugs Enquiry Committee did not think that the export of large quantities of the bark was at all responsible for the small production. The quantity of bark exported at present is negligible. The reason according to them for the low production of quinine in India is the small area under cinchona cultivation. On page 149 of their Report they say that according to the evidence before them, they feel that much more could be done by Government to produce quinine in India on a much larger scale and to cheapen its price. They point out that there has been little advance in the area under cultivation. I may point out that the Agricultural Commission recommended centralisation of the subject and that the production and distribution of quinine should be the concern of the centre. The country, Sir, they point out, is dependent on foreign sources because of the backward condition of the cinchona plantations. We have to pay very heavily for this foreign domination because the world price of quinine is, as we know, controlled by a foreign syndicate known as the Kina Bureau. This Syndicate has always been able to subjugate rival quinine factories. In 1928, Sir, many quinine dealers tried to break away from the official prices determined by the Kina Bureau but without success. Our Government also entered into an agreement in regard to prices of quinine with this Bureau. The Bureau has been successful in effectively regulating prices by a gradual reduction of cinchona areas. It does not care for what the world without success needs. It only cares to give to the world what it thinks it should need. Now, Sir, no reduction in price is possible unless we break away from this powerful Bureau. The Drugs Enquiry Committee think that India can remain entirely independent of foreign sources of supply. I will just quote from their Report:

“The Government of India”, they say, “is the only quinine-producing organization which can successfully break away from the Bureau if it wants to do so”.

Therefore, I would say that it is desirable to do something to reduce the price of quinine, and that we can reduce the price of quinine by encouraging the indigenous manufacture of quinine. Sir, in the budget of last year there was a grant of Rs. 10 lakhs given to the Indian Research Fund Association. Part of this grant should be used for giving assistance to growers of cinchona.

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There are other measures which can also be taken and we should try and find out what the substitutes for quinine are. There are certain substitutes which are regarded as effective as quinine itself. Those substitutes have been mentioned and discussed by the Drugs Enquiry Committee. At page 154 they say :

" Either the price must be reduced by mass production, or research work must be carried out to find out some means of presenting the people of India with quinine, or the total cinchona alkaloids, or the cinchona bark at a cost commensurate with the means at their disposal. The Committee is of opinion that, in the interest of public health and of supply of pure quinine to the people of India, steps should be taken to lower the prices of quinine as much as possible "

Then they refer to the argument, which they reject, that the prices cannot be lowered since the lowering of the price may lead to export. They reject this view and say there is no danger of that. They also point out that if a definite authoritative pronouncement were made by the medical authorities calling attention to the value of the other alkaloids of the bark, and the free use of cinchonine and cinchonidine is advocated, the problem of making India self-supporting in the matter of treatment of malaria would be made quite easy to solve in the course of a few years.

THE HONOURABLE THE PRESIDENT: I think you have exceeded your time-limit.

THE HONOURABLE MR. P. N. SAPRU: I will just quote one more passage and then I shall resume my seat.

" As medical opinion is now becoming convinced that such alkaloids as cinchonine, cinchonidine and quinidine are just as effective in combating malaria as quinine, there is no reason why their use should not be extended "

Finally, Sir, in paragraph 394 they summarise their conclusions. Sir, I base my case on the Report of the Drugs Enquiry Committee and I hope that my Resolution, which is of a non-controversial character, will have the unanimous support of the House and of the Government.

With these words, Sir, I move the Resolution:

THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal: Nominated Non-Official): Coming from Bengal as I do, I think it will not be proper for me merely to give a silent vote on this occasion. Malaria has been a very widespread scourge to the whole of India and especially to Bengal. In Bengal the latest figures of the number of deaths from malaria is about 381,000 a year. And this figure does not include the cases of malaria which are included in that omnibus classification " Other fevers ". So it is more than likely that that figure is on a very low estimate. Apart from that, I think one of the causes which has been found by the medical experts of the spread of the disease is, equally with the mosquito, the infiltration of people infected with malaria from one part of India to another. The idea of the experts is that if a mosquito of a particular type sits on a person having malaria that mosquito becomes a carrier of malaria and infects other persons on which it sits. So that with the improvement of means of communication, roads, motor cars and, even aeroplanes for that matter, it is not possible to eradicate malaria simply by taking measures by provinces or in compartments. We have to take measures for the country as a whole, and that is why I think Mr. Sapru is perfectly right when he says that the only way to prevent the spread of this disease is wholesale quininisation. It has been effective in other countries, in Italy and in Greece for instance. Why not have quininisation then? At the

present moment it is not possible for 350 millions of people living in India to be quininised because there is not enough quinine. As Mr. Sapru has said, the Government has a plantation in Mungpoo and also has a plantation near Ootacamund. I know that in Mungpoo trees have been planted out on about 3,000 acres, but the whole area of the plantation is larger. Some time back I think there was a proposal for extending the plantation which was considered by the Government of Bengal last year, and although the land was available it was not found possible to extend the plantation to the extent that Government would like because they have not got the finance to support it.

There is one suggestion made by Mr. Sapru however with which I am not in agreement and that is that the prices of quinine should be lowered. I am afraid, although the Drugs Enquiry Committee in its Report has said that prices can be lowered, looking to the composition of the Committee, Sir, I find there was no business man on it and the fact that if the prices were lowered there would be every likelihood of quinine being exported for profiteering was lost sight of. The quinine prices are fixed by the Kina Bureau, the Government of India has an agreement with them to abide by their decision as regards the world price of quinine. It has helped India at least during the time of depression when it kept up the price of quinine. I think the cost at Mungpoo is somewhere near Rs. 7-8-0 per lb. The price of quinine in 1924 I think was about Rs. 24 a lb. It has since been reduced to Rs. 18 per lb. and I think the price prevailing today is Rs. 18. The whole trouble is that there is not enough quinine grown here and that there is no private enterprise for its manufacture. There were some private growers near about Ootacamund before but at present there is hardly any private enterprise engaged in the business. (An Honourable Member: "No encouragement?") I do not know the reasons. The encouragement is there, because malaria is very much in evidence and if that is not encouragement enough I do not know what other encouragement is necessary. But apart from that, it is not possible for Government to supply quinine to all and sundry and especially at any figure below the figure prescribed by the Kina Bureau, with which the Government has an agreement and which has helped us to keep all our quinine to ourselves though the supply is very small. Otherwise it would have been frittered away by profiteers exporting it.

Then of course if we go to the root of things, there is a lot to be said as to why we cannot get rid of malaria. It is now known to be a preventable disease and to be amenable to treatment; but what really goes to the root of the matter is the lack of education, the lack of the idea of sanitation and the appalling poverty among the masses at large. End these and you will end malaria.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Education, Health and Lands Member): Sir, I would suggest that as I have agreed to give an extra day, in order that we may be able to disperse at 5 o'clock, further discussion on this Motion may be taken on that day.

THE HONOURABLE THE PRESIDENT: I have no objection. This Resolution will be further debated on the next non-official day.

STATEMENT OF BUSINESS.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Leader of the House): As Honourable Members are aware, the next chief concern of the Council will be the Finance Bill, which it is essential to pass into law before the commencement of the new financial year on April 1st.

So far as can be foreseen, the only two ordinary working days available for disposal of the Bill will be the 30th and 31st March, unless the Council sits on the 29th, which is Easter Monday. The Council might prefer to sit for longer hours on the 30th and 31st in order to avoid sitting on the recognised public holiday on the 29th.

But, in any case, it will be necessary to hold a purely formal meeting of the Council in order to lay the Finance Bill on the table well in advance of its discussion. As at present advised, we do not expect to be able to do this by Saturday next, the 20th. From Sunday the 21st onwards there is a practically continuous series of holidays up to the 29th; and Honourable Members will probably wish to get away from Delhi. As, however, the proposed meeting will be purely formal, will only last a few minutes and will not admit of any debate, I suggest that we call it during the holidays, on or after the 22nd. All that will be required is the necessary quorum. Copies of the Bill will, of course, be sent to Honourable Members at their private addresses.

The actual dates, both of the sitting for laying the Bill on the table, and of the days for disposal of the Bill, would have to be announced to Honourable Members later.

THE HONOURABLE THE PRESIDENT: Under the circumstances I do not think we have any other alternative but to adopt the suggestion of the Honourable Leader of the House. There is nothing to prevent Honourable Members going home during the holidays, because this Bill will probably be laid on the table on or after the 22nd. Meanwhile I may remind the Honourable Leader to see that the Government Members are present here to form a quorum of 15 on that date.

The Council will now adjourn to a date to be notified by Circular.

The Council then adjourned to a date to be notified by Circular.

COUNCIL OF STATE.

Tuesday, 23rd March, 1937.

The Council met in the Council Chamber at Half Past Ten of the Clock, the Honourable the President in the Chair.

MESSAGES FROM HIS EXCELLENCY THE GOVERNOR GENERAL.

THE HONOURABLE THE PRESIDENT: Honourable Members, I have to deliver to you two Messages from His Excellency the Governor General. The first Message reads as follows:

"Whereas the Legislative Assembly has failed to pass in the form recommended by me the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary the excise duty on sugar leviable under the Sugar (Excise Duty) Act, 1934, to vary certain duties leviable under the Indian Tariff Act, 1934, to vary the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, to fix maximum rates of postage under the Indian Post Office Act, 1898, and to fix rates of income-tax and super-tax, a copy of which Bill in the form recommended by me is hereto annexed;

Now, therefore, I, Victor Alexander John, Marquess of Linlithgow, in exercise of the power conferred by sub-section (1) of section 67B of the Government of India Act, do hereby certify that the passage of the said Bill is essential for the interests of British India.

(Sd.) LINLITHGOW,

Viceroy and Governor General."

The 22nd March, 1937.

The second Message is:

"In pursuance of the provisions of sub-section (1) of section 67B of the Government of India Act, I, Victor Alexander John, Marquess of Linlithgow, do recommend to the Council of State that it do pass the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary the excise duty on sugar leviable under the Sugar (Excise Duty) Act, 1934, to vary certain duties leviable under the Indian Tariff Act, 1934, to vary the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, to fix maximum rates of postage under the Indian Post Office Act, 1898, and to fix rates of income-tax and super-tax, in the form hereto annexed.

(Sd.) LINLITHGOW,

Viceroy and Governor General."

The 22nd March, 1937.

The Messages were received by the Council, standing.

THE HONOURABLE THE PRESIDENT: The Secretary will now lay on the table the recommended Bill.

INDIAN FINANCE BILL, 1937, LAID ON THE TABLE.

SECRETARY OF THE COUNCIL: Sir, in pursuance of the provisions of section 67B of the Government of India Act, I lay on the table a copy of the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary the excise duty on sugar leviable under the Sugar (Excise Duty) Act, 1934, to vary certain duties leviable under the Indian Tariff Act, 1934, to vary the excise duty on silver leviable under the Silver

(Excise Duty) Act, 1930, to fix maximum rates of postage under the Indian Post Office Act, 1898, and to fix rates of income-tax and super-tax, which the Legislative Assembly has failed to pass in the form recommended by the Governor General and which has been certified under the provisions of the same section by the Governor General as essential for the interests of British India.

BILL PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

SECRETARY OF THE COUNCIL : Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table a copy of the Bill to recognise and remove doubts as to the validity of inter-marriages current among Arya Samajists which was passed by the Legislative Assembly at its meeting held on the 20th March, 1937.

The Council then adjourned till Half Past Ten of the Clock on Tuesday, the 30th March, 1937.

COUNCIL OF STATE.

Tuesday, 30th March, 1937.

The Council met in the Council Chamber of the Council House at Half Past Ten of the Clock, the Honourable the President in the Chair.

MEMBER SWORN :

The Honourable Mr. Gurunath Venkatesh Bewoor, C.I.E. (Government of India : Nominated Official).

QUESTIONS AND ANSWERS.

TOWN INSPECTORS OF POST OFFICES.

82. **THE HONOURABLE MR. HOSSAIN IMAM :** (a) Will Government please state whether the status of Town Inspectors of Post Offices was raised to that of the lowest selection grade of Rs. 160—250 in September, 1927 and if not when was it done ?

(b) Will Government please state whether the lowest selection grade examination was held during 1931 and 1932 ?

(c) Was the lower selection grade examination abolished in the year 1932 and a new examination introduced in its place ? Is a Town Inspector who had to pass the old examination, by virtue of a circular of the Director General, dated 5th December, 1933, to pass the new examination, taking as many chances as were left to him after the abolition of the former examination ? When was the first examination (new) held ?

(d) Will Government please state as to how many chances were given to officials serving at the time of the abolition of the lower selection grade examination, and were they given any opportunity of passing the new examination before being reverted back to the ordinary clerical time scale pay of Rs. 145 per mensem ?

THE HONOURABLE MR. A. G. CLOW : (a) The date given by the Honourable Member is correct.

(b) No.

(c) The lower selection grade examination was abolished in 1932 but the new examination to which the Honourable Member refers was introduced only for appointments to the grades of Inspectors of Post Offices, Head Clerks to Superintendents of Post Offices and Inspectors, Railway Mail Service. The posts of Town Inspectors on selection grades of pay were converted to clerical posts on the ordinary time scale in 1933 and consequently this examination has no connection with these posts. Those officials who held permanent appointments on probation as selection grade Town Inspectors and who had not passed the lowest selection grade examination were permitted to appear at the new examination so as to make themselves eligible for transfer to the Inspectors' cadre. They were allowed as many chances

for passing the new examination as were left to them for passing the lowest selection grade examination under the orders then in force. The new examination was held in different circles at different times.

(d) I would refer the Honourable Member to the reply given to part (c). Officials who did not hold permanent appointments in the selection grade of Town Inspectors were not permitted to sit for the new examination.

CONFIRMATION OF MESSRS. M. S. CHAKRAVARTY, GIRWAR SINGH AND S. R. NAGAR AS TOWN INSPECTORS OF POST OFFICES.

83. THE HONOURABLE MR. HOSSAIN IMAM: (i) Were (a) Mr. M. S. Chakravarty, present Post Master, Kheri, Oudh, United Provinces, (b) Mr. Girwar Singh, Inspector, Post Offices, Meerut Sub-Division, United Provinces of Agra and Oudh and (c) Mr. S. R. Nagar, late Town Inspector at Allahabad in the United Provinces confirmed as Town Inspectors although they failed to pass the said examination as required of them, and were they confirmed on the plea that they had worked in the selection grade for over three years?

(ii) Will Government please state whether substantial instances of corrections and entries in the service book, gradation list and establishment returns of officials have been ignored though they form an essential part of an official career?

THE HONOURABLE MR. A. G. CLOW: (a) Government are not in possession of these particulars. Appointments of this character lie within the competence of the Postmaster General, and if any official has a grievance it is open to him to represent his case to the proper authority.

(b) A case has come to the notice of Government in which certain entries in the gradation list and in the service book of an official were not considered as authoritative as they were found to be in clear conflict with specific orders.

NAMES, ETC., OF TOWN INSPECTORS OF POST OFFICES WHO HAVE BEEN CONFIRMED WITHOUT PASSING THE NEW EXAMINATION.

84. THE HONOURABLE MR. HOSSAIN IMAM: Will Government lay a statement giving the names, dates, years of service of Town Inspectors in the lowest selection grade in United Provinces (a) who have been confirmed without passing the examination and (b) those who have been reverted together with the reason thereof from 1st January, 1932 to 31st December, 1936?

THE HONOURABLE MR. A. G. CLOW: I regret that I am not in a position to supply these particulars. They are not available either in my Department or in the Office of the Director General and their collection would involve an amount of research and labour which would be incommensurate with the results to be obtained.

THE HONOURABLE MR. HOSSAIN IMAM: Is the information not available in the Postmaster General's Office, United Provinces?

THE HONOURABLE MR. A. G. CLOW: I think that if a great deal of research were made, it could be collected.

THE HONOURABLE MR. HOSSAIN IMAM: Is there no classified statement on this?

THE HONOURABLE MR. A. G. CLOW: I understand "No".

NUMBER OF INDIAN AND PROVINCIAL CIVIL SERVICE OFFICERS LENT TO INDIAN STATES.

85. THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL: Will Government be pleased to state the number of members of the I. C. S. and of the P. C. S. lent to and working in the Indian States?

THE HONOURABLE SIR BERTRAND GLANCY: The required information is being collected and will be supplied later.

LOSS TO INDIAN REVENUES DUE TO EXEMPTIONS FROM INCOME-TAX.

86. THE HONOURABLE MR. GOVINDLAL SHIVLAL MOTILAL: Will Government be pleased to state the approximate amount of income-tax the Indian Treasury is losing by reason of exemption from the tax accorded to incomes—

- (a) arising from pensions and salaries earned by Government servants residing out of India,
- (b) earned by other persons residing abroad,
- (c) derived by persons residing out of India from interest payable in sterling?

THE HONOURABLE MR. J. C. NIXON: (a), (b) and (c). It is not possible to make even an approximate estimate of the total amount involved. I would however remind the Honourable Member that class (c) is not an "exempted" class.

ENHANCEMENT OF POSTAL AND TELEGRAPHIC RATES BY THE GOVERNMENT OF BURMA.

87. THE HONOURABLE MR. NARAYANDAS GIRDHARDAS: (a) Will Government be pleased to inform this House whether before enhancing the postal and telegraphic rates the Government of Burma informed the Government of India of their intention to do so?

(b) Do Government propose to apprise the Burma Government of the protest of the Indian community against the increased rates or what action have they taken or propose to take in regard to this matter?

THE HONOURABLE MR. A. G. CLOW: (a) Yes.

(b) The Government of Burma are fully aware of the feelings of the Indian community in the matter.

CALCULATION OF BONUS ON POST OFFICE CASH CERTIFICATES.

88. THE HONOURABLE MR. HOSSAIN IMAM: Will Government kindly state whether interest on "Other Obligations" is calculated on accrual basis, or not?

THE HONOURABLE MR. J. C. NIXON: I presume the Honourable Member is referring to bonus on Postal Cash Certificates. If so, I would invite the Honourable Member's attention to paragraphs 28—33 of Sir George Schuster's Budget Speech for 1929-30 and paragraph 24 of his Budget Speech for 1930-31, from which it will be seen that provision for bonus on Post Office Cash Certificates has been made on an "accrual basis" only from the year 1930-31.

STEPS TAKEN TO REMOVE DEFECTS IN THE INCOME TAX ACT.

89. THE HONOURABLE MR. HOSSAIN IMAM: Will Government kindly state what steps they have taken, or propose to take to remove the defects in the Income Tax Act which enabled the evasion of more than Rs. 2 crores, in the Andrew Yule case? Do Government propose to place in the Library the brief of this case?

THE HONOURABLE MR. J. C. NIXON: The action already taken to remove the defects in the Indian Income-tax law which were disclosed by the case mentioned consists of the addition of section 23A to the Act. For further action under contemplation, I would invite attention to section 3 of Chapter XII of the Income-tax Enquiry Report, 1936. The Government regret that they are unable to place in the Library the brief which was prepared for use in this case but will, if desired, place a copy of the Privy Council judgment in the Library.

THE HONOURABLE MR. HOSSAIN IMAM: Will you place the Privy Council judgment in the Library?

THE HONOURABLE MR. J. C. NIXON: I will, Sir.

BALANCES AT CREDIT OF SINKING FUNDS.

90. THE HONOURABLE MR. HOSSAIN IMAM: Will Government kindly lay on the table a full statement of the balances at the credit of the Sinking Fund, and how held? What were the credits to and debits from this fund during the last 16 years and what were the purposes of these debits?

THE HONOURABLE MR. J. C. NIXON: It is presumed the Honourable Member is referring to the sinking funds for central loans. If so, he will find the information in Account No. 89 of the Finance and Revenue Accounts of the respective years, copies of which are available in the Library of the House. These sinking funds are created from annual sums representing in the case of the 5 per cent. 1945-55 loan $1\frac{1}{2}$ per cent. of the issued amount and in the case of the 5 per cent. 1939-44 loan $1\frac{1}{2}$ per cent. of the outstanding amount, these two forming part of the sum charged to revenue for the purpose of reduction or avoidance of debt. The balances are to be utilised for the purchase and cancellation of the securities of these two loans when the market price falls below the price at which the loans were last issued.

THE HONOURABLE MR. HOSSAIN IMAM: Will the Honourable Member inform us what the balance of this fund was on 31st March, 1936?

THE HONOURABLE MR. J. C. NIXON: The uninvested balance will be found in the public accounts to which I referred here.

THE HONOURABLE MR. HOSSAIN IMAM: Is it Rs. 10.31 crores?

THE HONOURABLE MR. J. C. NIXON: I should require notice of that, Sir.

DUTIES OF THE CONTROLLER OF THE CURRENCY.

91. THE HONOURABLE MR. HOSSAIN IMAM: Will Government kindly state the duties of the Controller of the Currency now and in 1934? Do they propose to abolish this post, if so, when? If not, why not?

THE HONOURABLE MR. J. C. NIXON: I would invite the attention of the Honourable Member to the reply given on 17th September, 1935, in this House to his starred question No. 33. At the moment, the position remains much as it was on that date, but action has already been taken to distribute most of the remaining duties of the Controller of the Currency during the forthcoming year.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Will the post of Controller of the Currency disappear in the coming year?

THE HONOURABLE MR. J. C. NIXON: I am not prepared at this stage absolutely to guarantee that it will disappear on the 31st March next, but it is our present intention that it shall.

PUBLICATION OF AN ANNUAL REPORT ON THE LINES OF THE REPORT OF THE CONTROLLER OF THE CURRENCY.

92. THE HONOURABLE MR. HOSSAIN IMAM: Do Government propose to publish an annual report on the lines of the Report of the Controller of the Currency through the Department of Statistics? If not, how do they propose to replace it?

THE HONOURABLE MR. J. C. NIXON: I would refer the Honourable Member to the answer which I gave on the 4th March, 1937 to question No. 41 by the Honourable Mr. Govindlal Shivilal Motilal.

SOUTH AFRICAN MARKETING BILL.

93. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: (a) Did a deputation of the South African Congress wait on the Union Minister of Agriculture in connection with the provisions in the Marketing Bill which affect the economic future of the Indian community?

(b) Did the Minister in replying to the deputation say, "Gentlemen, you must realise that you, Indians in South Africa, will ever be a tragic community, because of the temper and temperament of the people of South Africa. We have that temper and that temperament, because we are determined to keep this a white man's country"?

(c) If the answer to (b) is in the affirmative, what action have Government taken to protect the rights of the Indian community?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: (a) and (b). The answer is in the affirmative.

(c) The main provision in the Bill, which would have affected the economic future of the Indian community adversely, had it remained unaltered, was section 19 (1)(a) which, as amended in Committee, sought to empower a Regulatory Board to refuse registration to a producer of a commodity the marketing of which it was authorised to regulate. Such refusal would have had the effect of prohibiting the sale, by the producer concerned, of the regulated produce. With the assistance of the Minister concerned, however, a further amendment has been made which makes refusal of registration by the Board appealable to the Minister. This should go a long way to allay the misgivings and, in practice, to protect the interests of Indian producers.

THE HONOURABLE MR. P. N. SAPRU: Has the Government of India made any representation to the Union Government in regard to the speech of the Union Minister of Agriculture?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: No, we have made no representation in regard to the speech.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: How is it that Government have made no representation against a speech which lowers the position of the Indian community?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: Well, Sir, as I said, we saw a press report and I understand that the speech as reported in the press is correct, but we have made no representation in regard to the speech, though we did in regard to the Bill.

THE HONOURABLE MR. HOSSAIN IMAM: Do the Government propose to make a representation?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: I cannot at this stage reply to that. This question does not arise out of my answer and I cannot really say straightaway whether a representation will or will not be made. Honourable Members will recognize that in matters like this I cannot on the spur of the moment give an answer to a question about which I had no notice at all.

THE HONOURABLE THE PRESIDENT: I do not think any further questions need be asked after the Honourable Leader's explanation.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: I do not quite understand the effect of your ruling. I should like, if you will pardon me, to request you to amplify it.

THE HONOURABLE THE PRESIDENT: The Honourable Member as Leader of the House has stated that he had no notice of this question and he is not in a position to reply on the spur of the moment, and that explanation is quite enough and applies to all questions you may wish to put in this connection.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Sir, this matter does arise out of my question. We regard a protest as necessary to protect our community.

THE HONOURABLE THE PRESIDENT: He has already answered that. He said he has protested against the Bill but not against the speech. Will you proceed further?

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: The object of our question was only to protest against this supine attitude of the Government of India.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: I think the House will recognize that if my Honourable friend wanted a reply to that question he could easily have tabled a question and given me an opportunity of considering an answer. Here, on a supplementary question a new point is raised and I am supposed straightaway to give a reply on a very important

question. I think it is only fair that if my Honourable friend wanted a reply to that question he should have tabled it and given me time to consider the matter. The House will recognize that a supplementary question concerning a foreign Government, which does not arise out of the original question, is not one I can answer straightaway.

THE HONOURABLE THE PRESIDENT: The Honourable Member is a new Member and probably does not know the ruling which I gave last year in connection with the putting of supplementary question, and I must bring to his notice that supplementary questions are not to be put for the purpose of heckling the Member in charge or cross-examining him or to compel him to answer any question. Supplementary questions are only allowed in this House in order to clear up any ambiguity in the reply which the Honourable Member in charge has given. That is my decision. The Honourable Leader of the House is perfectly justified in saying that this is an entirely new question and ought not to have been allowed. I was going to stop the Honourable Member from even putting that question, but I thought the reply to one question would satisfy him and I now hold that I stick to my former ruling and no questions which do not arise out of the reply will be permitted in this House.

THE HONOURABLE MR. HOSSAIN IMAM: On a point of order, Sir. The question does arise. The statement is there, we have asked what action the Government propose to take. Part (c) says: "If the answer to (b) is in the affirmative, what action have Government taken to protect the rights of the Indian community?" Therefore we submit that the question had sufficient notice. However I would request him—

THE HONOURABLE THE PRESIDENT: You are not entitled to make a speech.

THE HONOURABLE MR. HOSSAIN IMAM: I am asking him to give us an assurance that he will inform us at a later date of the action they propose to take. The reply to part (c) may be deferred to a later date.

THE HONOURABLE THE PRESIDENT (to the Honourable Leader of the House): You are not bound to commit yourself in any way. You need not answer that question.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: What I am prepared to say is that the Government of India quite recognize the feeling of Honourable Members opposite and in any action that they may take this will be duly considered. Beyond that at this stage I really cannot give any further information.

THE HONOURABLE MR. HOSSAIN IMAM: Our trouble—

THE HONOURABLE THE PRESIDENT: I cannot allow any further discussion on the matter.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: We submit to your ruling, Sir, though you have made things very easy for the Government.

THE HONOURABLE THE PRESIDENT: I have to hold the reins fairly between non-official and official Members. It is not a question of making matters easy for one side only. As an old Member I am surprised that you should make a statement like that.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Sir, all that I can submit respectfully is that as a Member of the Assembly, I was always allowed to put such questions, particularly as it is very difficult to get full information out of the Government Members. If we are not allowed to heckle them I do not see how we can get any information on important points from the Members of Government who can always evade them.

THE HONOURABLE THE PRESIDENT: I am not concerned with what happens in the Assembly. I am presiding in this House.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: I submit to your ruling, Sir, though we may take another opportunity of placing again this question before you for your consideration.

SOUTH AFRICAN MARKETING BOARD.

94. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Will Government lay on the table a copy of those provisions in the Marketing Bill recently introduced in the Union Assembly which prejudicially affect the rights of the South African Indians who are engaged in agriculture or the distribution of agricultural produce?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: A copy of the Bill has been placed in the Library of the House.

APPOINTMENT OF DIRECTOR, PUBLIC INFORMATION.

95. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: (a) When will the period for which the present Director of Publicity was engaged expire?

(b) Has the attention of Government been drawn to statements published in Indian newspapers to the effect that Government intend to appoint a non-Indian in his place?

(c) If the statement is correct, will Government state the reasons for deciding not to appoint an Indian as Director?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (on behalf of the Honourable Mr. R. M. Maxwell): (a) Mr. Stephens' contract expires on the 24th August next.

(b) and (c). I have seen the statements in the press. The question of appointing a successor to Mr. Stephens is at present under consideration and I am not in a position to make any statement on the subject.

APPOINTMENT OF HINDUS ON THE NORTH WESTERN RAILWAY.

96. THE HONOURABLE MR. HOSSAIN IMAM: (a) Will Government be pleased to state whether—

(i) 8 record lifters were appointed in the D. S. Office, Delhi recently and whether all of them are Hindus?

(ii) 37 gangmen were appointed by P. W. I., N. W. R. Ambala, and whether only three of them were Muslims. Whether the said Muslims were subsequently discharged and 34 Hindus retained?

(iii) All the persons recruited by the P. W. I., Kalka, N. W. R., for his gangs last year were non-Muslims?

(b) If the reply is in the affirmative, will Government be pleased to state whether the recruiting officers on State Railways have been made fully aware of the Government of India's orders on the subject and if so, what check has been prescribed for the non-observance of these orders and what punishment has been laid down for those who act contrary to the Government of India's orders?

THE HONOURABLE SIR GUTHRIE RUSSELL: I am collecting information and will lay a reply on the table of the House in due course.

AGRICULTURAL RESEARCH INSTITUTES AT PUSA.

97. THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA: (a) Will Government be pleased to state what institutions financed by the Central or Provincial Government are now stationed at Pusa (Bihar)?

(b) Is it the intention of Government to open any new institution at Pusa? If so, what and when?

(c) Will Government be pleased to state whether Pusa estate has been transferred to the Government of Bihar with full right to sell or lease out the property?

(d) Is it the intention of Government to transfer the Sugar Cane Research Station now at Mussari (in Muzaffarpur District, Bihar) to Pusa? If so, when? In the event of transfer, do Government propose to dispose of the Mussari estate? If so, whether by auction or otherwise?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: (a) The Botanical sub-station of the Imperial Agricultural Research Institute is the only institution financed by the Central Government which is now located at Pusa. Information regarding any institution financed by the Provincial Government is not available.

(b) No. The second part of the question does not arise.

(c) The Pusa estate excepting the portion occupied by the Botanical sub-section of the Imperial Agricultural Research Institute has been transferred to the Government of Bihar. Of the whole estate a portion known as the New Area was originally acquired by Government and the full title to that property has been transferred to the Government of Bihar. The Government of India paid an annual mukarari rent on the major portion of the estate and have transferred to the Bihar Government such rights as they had over that land.

(d) Government have no information. The matter concerns the Provincial Government.

STATEMENT MADE BY THE HONOURABLE THE HOME MEMBER THAT MANY GOVERNMENT SERVANTS VOTED FOR CONGRESS CANDIDATES DURING THE LAST PROVINCIAL ELECTIONS.

98. THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY: With reference to the statement made by the Honourable the Home Member in the Legislative Assembly about a week ago that many Government officials had voted for Congress candidates during the last election to the Provincial Legislative Assemblies, will Government be pleased to state what enquiries, if any, were made by Government to ascertain the facts and with what result?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (on behalf of the Honourable Mr. R. M. Maxwell): If the Honourable Member will refer to the Official Report of the debate in the Assembly on the 10th March he will see that the Honourable the Home Member merely stated that he had seen claims from almost every province that Government servants had voted for the Congress. There was no suggestion that Government had "enquired into the actual facts".

THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY: May I know, after saying one thing in the House, how far it is open to him to change it later on before it is printed?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: I have said that the Honourable the Home Member had simply stated that he had seen claims from almost every province that Government servants had voted for the Congress. This is what the Home Member, I understand, has stated in the Lower House.

THE HONOURABLE THE PRESIDENT: Honourable Captain Maung Aye, you have come late; you are not entitled to take your seat unless you take the obligation. You were not perhaps aware that 10-30 A.M. had been fixed for the proceedings of the Council to start. Will you please come and take your obligation?

MEMBER SWORN:

The Honourable Captain Maung Aye (Burma: General).

MOTION FOR ADJOURNMENT RE POSITION OF INDIANS IN THE REORGANIZED INDIAN MEDICAL SERVICE.

THE HONOURABLE THE PRESIDENT: Honourable Members, I have received from the Honourable Mr. Kunzru a notice of a Motion for Adjournment of the Council to discuss a definite matter of urgent public importance. His Motion for Adjournment reads as follows:

"I beg to give notice that after question time tomorrow morning I shall ask for leave to make a Motion for the adjournment of the business of the Council for the purpose of discussing a definite matter of urgent public importance, namely, the effect of the recently announced reorganisation of the I. M. S. on the future position of Indians in respect of it".

I am not aware whether the Honourable Member has given notice of this Motion to the Honourable Member of the Government to whose Department the Motion relates as required by rule 11 (2) of the Indian Legislative Rules as recently amended. This point is not so very material, as I would draw the attention of the Honourable Mr. Kunzru to the fact that the moving of this Motion today would seriously inconvenience the Council in its discussion of the Finance Bill which, it is common knowledge, must be disposed of finally before the 31st of March midnight. It is clearly impossible, if this Motion be made, for the Council adequately to discharge its statutory duties in respect of the Finance Bill. I propose in the peculiar circumstances of this case to leave over the question of the admissibility of this Motion until the

beginning of the first sitting of the Council after it has disposed of the Finance Bill. I can assure the Honourable Mr. Kunzru that the Chair will raise no difficulty in respect of the urgency of his Motion merely by reason of its postponement to a later date. I would also like to inform the House that in passing this order I am fortified by a ruling of my brother President in the Legislative Assembly given on the 19th March, 1932 reported in Volume III, 1932. On that occasion a notice of an Adjournment Motion was given by a Member when as a matter of fact under the rules governing the procedure of that House Budget Grants had to be put to the House at 5 P.M. that day. It was held by Sir Ibrahim Rahimtoola that it was not manifestly possible to have the Adjournment Motion and also secure compliance with the rules relating to Budget Grants. Pandit Kunzru's Adjournment Motion today in principle is not different from the ruling which I have indicated above and I propose to follow the same procedure which was then adopted and which has my full agreement and approval. I hope the Honourable Member is agreeable to the course I have suggested which will secure for him exactly the same rights for his Motion as he would have had today and will at the same time preserve the rights of the Council in respect of the Finance Bill.

STANDING COMMITTEE FOR ROADS, 1937-38.

THE HONOURABLE MR. A. G. CLOW (Industries and Labour Secretary): Sir, I move:

"That this Council do proceed to the election, in such manner as the Honourable the President may direct, of three Members to serve on the Standing Committee for Roads which will be constituted to advise the Governor General in Council in the administration of the Road Fund during the financial year 1937-38.

The Motion was adopted.

CENTRAL ADVISORY COUNCIL FOR RAILWAYS.

THE HONOURABLE SIR GUTHRIE RUSSELL (Chief Commissioner of Railways): Sir, I move:

"That this Council do proceed to elect, in such manner as may be approved by the Honourable the President, six non-official Members from the Council who shall be required to serve on the Central Advisory Council for Railways".

The Motion was adopted.

THE HONOURABLE THE PRESIDENT: With reference to the two Motions which have just been adopted by the Council, I have to announce that nominations to each of the two Committees will be received by the Secretary up to 11 A.M. on Wednesday, the 31st March, 1937 and the date of election, if necessary, will be announced later.

INDIAN FINANCE BILL, 1937.

THE HONOURABLE MR. J. C. NIXON (Finance Secretary): Sir, I move.

"That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary the excise duty on sugar leviable under the Sugar (Excise Duty) Act, 1934, to vary certain duties leviable under the Indian Tariff Act, 1934, to vary the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, to fix maximum rates of postage under the Indian Post Office Act, 1898, and to fix rates of income-tax and super-tax, in the form recommended by the Governor General, be taken into consideration".

[Mr. J. C. Nixon.]

Sir, the Finance Bill for 1937-38 unfortunately comes before the Council in a recommended and certified form. I need not proceed

11 A.M. on the assumption that the Members of this Honourable House are unaware of what has been taking place outside. The position at the moment is that there is a gap between the revenue and expenditure proposed by the Government of India for the forthcoming year of approximately Rs. 160 lakhs, and I think I am right when I say that this is not the House which will stand for a deficit budget and for its necessary consequences. The substantial proposals in the Bill now before the House are two—first, to increase the excise duty on sugar by 11 annas a cwt.; secondly, to raise the import duty on silver from 2 annas to 3 annas an ounce.

Little has been said about the second of these proposals and I wish to say nothing in the matter except that when one hears talk of this being a proposal to tax the savings of the poor I must say again that an increase in the import duty on silver raises the rupee value of the silver which is already in the country in the form of savings.

It is around the proposal of Government in regard to sugar that controversy has mostly raged and I wish to put before the House a certain number of considerations on that subject. I have had set out on the chart which is before me certain very interesting features. The chart gives the prices of imported sugar for the period from 1932 onwards at the same time as it gives the prices realised for Indian manufactured sugar over the same period. And there are two conspicuous conclusions which I can draw from this chart. Since September, 1932 the price of Indian sugar has uniformly kept under—and an average of a rupee per maund under—the price of imported sugar, which being translated means that the sugar industry of India has, whatever may be the reason, failed to take full advantage of the protective legislation designed for it. The results of this have been three-fold. The consumer has unquestionably got a benefit from it in being able to buy sugar roughly speaking one rupee a maund below what was designed to be its price by the Indian Tariff Board. In the other direction the industry itself has suffered a disadvantage from this fact inasmuch as it is not realising the prices designed for it and is therefore not realising the profits which it might. And I think it follows from what I have just said that this state of things is also to the disadvantage of the cultivator. The second fact which this chart brings very prominently to notice is this, that every crushing season—and the crushing season occupies practically the last quarter of each calendar year—there has been over the last five years a sudden fall in prices of Indian sugar. A small portion of this drop in prices has been made up over the subsequent course of the year but not the whole of it and the fall of prices in the last season from say November, 1936 has been almost catastrophic, amounting as it does to about Rs. 2 a maund. And I should point out that practically the whole of this drop occurred before the Budget proposals of Government were known and in fact since these proposals were known the fall has tended to become arrested. Now, Sir, the cause of the second result brought out by my chart is obvious to most people. It is in the beginning of the crushing season that the new mills that have been being built in the months previously are able to obtain supplies of cane and so to produce sugar and to put the sugar on the market. Since 1932 the price of sugar in the Indian market has fallen roughly by Rs. 4 a maund. Nobody will, I think, contend that that fall represents the increasing efficiency of the industry. That there has been an increased efficiency of the industry I do not deny. The price would have fallen somewhat in consequence and that I do not deny; but the main fall of Rs. 4 a maund over these four years or so

is not caused by that circumstance. If the increasing output of Indian mills had been merely taking the place of imported sugar or if on the other hand it had been meeting an increased internal demand in India there is no reason to believe that there would have been this serious fall of prices.

What then is the cause of the fall in prices? Apparently the industry itself has no doubt about it. The industry itself has frequently said that it is due to unhealthy and unbusinesslike competition occurring in the industry. The industry itself is thoroughly aware that this state of things is inimical to the stability of the industry. It has itself made various attempts from time to time to arrest this fall of prices but it has not been able to succeed. The least sound mills naturally force the pace. They reduce the selling price of sugar and in consequence reduce the profits of the sounder mills. And by reason of this fall in the price of sugar sold in the market the cultivator naturally suffers. For there is this proposition which I would wish to put before the House for its consideration and that is that the best guarantee of a reasonable price for his cane to the cultivator is that the miller is getting a reasonable price for his sugar.

The competitive cutting of prices during the last season has gone so far that to my personal knowledge some sellers have sold their sugar taking upon themselves the risk of any such budget proposals as occur in the Bill before us; although, as Honourable Members are aware, under the law the liability for such a modification in the Government tariff arrangements unless contracted out of previously falls upon the buyer.

I suggest, Sir, that, in regard to the crop which has just been marketed the cultivator has been unaffected by the Government proposals. His crop was to all intents and purposes already sold before the Government proposals were known. If the cultivator is going to be affected at all he will be affected in the ensuing season beginning from about next September. But I do suggest also, Sir, that the cultivator in regard to the prices which he is liable to realise for his cane will be very much more affected by the two rupee drop in prices which has occurred during the last three or four months than he will be by the imposition of an equivalent 8 annas per maund increase in the excise duty. And I suggest, Sir, that he will also be very seriously affected if in September next there is a repetition of the spate of new mills coming into operation creating a further fall in the price of sugar. What the cultivator requires are two things. He requires that his crop should be purchased, and he requires that his crop should be purchased at a reasonable price. The price payable for cane depends in the last instance on the price obtained for sugar, and the headlong competition of weak and small and inadequately financed mills reducing the price of sugar will, and necessarily must, affect the price obtained by the cultivator for his cane. In fact, I personally wonder whether at the present moment the cultivator is realising for his cane the minimum price designed for him under the various pieces of provincial legislation.

If the excise duty is not passed on to the consumer, that is to say, if it is borne by the industry itself, it is evident that there will be no decreased demand for Indian sugar. It is evident, therefore, that there will be no decreased demand for cane, and therefore, in regard to the quantity of cane which the cultivator will sell to the mills, the excise duty if it is not passed on to the consumer will have no effect. But I venture to go further than that. I say that even if the excise duty is passed on to the consumer—and I sincerely hope and believe that it will be—even then, there is no reason to suppose that there will be any diminished demand for Indian sugar or any diminished demand for Indian cane. For, only a few months before, the consumer of

[Mr. J. C. Nixon.]

Indian sugar was paying Rs. 8-12-0 a maund against Rs. 6-5-0 and Rs. 6-6-0 at the moment. Five years ago he was paying Rs. 10-8-0 a maund. Four years before that he was paying Rs. 11 a maund. And after all, what does the increased excise duty amount to? It amounts to 1 anna extra on a bag of five seers of sugar, and knowing the class of society which buys the fine sugar produced by the Indian mills, I do not believe that this is going to have any influence at all on his consumption of Indian sugar. In fact, the conclusion which I draw is that excise is not a factor in itself which will affect the demand for cane.

Neither, Sir, do I believe that a reduction in the growth of the number of mills or even a reduction in the existing number of mills will mean a reduction in the demand of cane from the cultivator. For it appears to be perfectly evident that a fewer number of mills than are operating at present could readily deal with the whole quantity of cane necessary for manufacture by working to fuller capacity.

It is another question altogether whether India's sugar consumption can keep pace with the present increase of the crop of cane. That is quite an independent question with no connection at all with the question of excise duty. Any over-production of crop will naturally tend to depress prices but I do lay emphasis on the notion that a low price for sugar will certainly mean a low price for cane. And I remind the House that it is not more than about one-sixth of the crop of Indian cane which finds its way into the Indian sugar mills.

Government believe that the imposition of this extra duty will discourage new mills coming into existence as quickly as they might otherwise have done. It may cause some of the less efficient mills to pass out of business. It will, therefore, in the judgment of Government, lead to a rise of the price of sugar to a point where the mills are able to take fuller advantage than they are at present of the protection intended for them. The mills obtaining a better price for their sugar will be enabled to pay a better price for their cane, and it is the belief of Government that all this can be accomplished without any diminution of the amount of cane taken by the milling industry from the grower. The indication is already that the prices of sugar are hardening and it can hardly be doubted that the proposals of Government in regard to the excise have been a contributing cause of that.

The situation being such as I have described it, with the internal price of sugar is at any rate Re. 1 below the price of imported sugar, and indeed at the moment Rs. 3 below it, any suggestion that the present measure prejudices the work of the Tariff Board appears to me to be entirely irrelevant.

There is no doubt that the sugar industry has got to have a shake-out. There is no doubt, I think, even in the minds of the industry itself that this has to happen, and I suggest to the House, and I suggest to some of my particular friends opposite, that if the shake-out has to occur, it had better happen before vested interests have grown any larger than they are at present or otherwise the general taxpayer will be called upon to guarantee the capital and dividends of another overcapitalised, if not inefficient, industry.

I do not pretend that this proposal of Government is made for the sole purpose of reforming the industry, a reform which the industry has not been able to bring about, by the way, for itself. Government requires funds. The biggest item which has contributed to the present difficulties of Government is sugar. Government could have imposed taxation in an alternative

form which would have meant merely the transfer of money from the pockets of the taxpayer to the public exchequer. By proposing taxation in the form suggested in this Bill, *i.e.*, by an increase in the sugar excise, Government have fortunately been able to attain two objects at one time.

In conclusion, Sir, I would point out that the money required by Government is not in order to finance additional expenditure at the Centre. It is not required to increase what my Honourable friends call the top-heavy administration. It is not required, at any rate in any measure, to increase the cost of the defence of India. It is required almost entirely to finance the provinces. And even so, the present deficit budget is the result of some anticipated improvements under Customs and Income-tax not having materialised as fully, or perhaps I should say as quickly as was anticipated by Government, a year or so ago.

Sir, I move.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern : Non-Muhammadan) : Mr. President, I regret to find, Sir, that the Honourable the Finance Member has not shown us the courtesy of being present and listening to our speeches. I thought, Sir—

THE HONOURABLE THE PRESIDENT : I think he is coming later on.

THE HONOURABLE MR. P. N. SAPRU : I am glad to hear, Sir, that he is coming later on. But we should have thought that he would be present throughout the debate. The Council of State deserves better consideration, particularly as it is so eager to support Government on all occasions.

THE HONOURABLE THE PRESIDENT : Mr. Nixon is here. He will be taking notes for him.

THE HONOURABLE MR. P. N. SAPRU : This is the third occasion on which the Finance Bill has come to us in a certified form. Certification of the Finance Bill is becoming an annual affair and I regret to say that it has come to this, that the executive in this country can carry through legislation of a financial character only by the use of the affirmative powers of legislation vested in the head of the Government. An obvious comment on this state of affairs is that the Finance Department which has to shoulder the burden of responsibility for the financial administration of this country is clearly out of touch with public opinion as reflected in the Legislatures. I do not for a moment dispute the proposition that in a constitution such as ours the responsibility for finding ways and means for carrying on the administration rests with the executive which is responsible for the good government of this country to Whitehall. But if this is so, why have a Legislature at all? Why invite 60 Members of the Council of State to register your decrees? A constitution like the present one can work satisfactorily only if there is the will on both sides to approach their task in a spirit of reason and mutual accommodation. That the executive has the power under the existing constitution to pass legislation by certification is apparent to every one. Whether it should use that power indiscriminately without endeavouring in all possible ways to arrive at compromises with the Opposition groups is a different proposition altogether. I would say that it is possible for an irremovable and a non-Parliamentary executive, an executive which is responsible to the Legislature of another country, it is possible for even an executive like this to be a responsive executive, and our main grievance against the executive here is that it is not a responsive executive. That is the main consideration with me. That is the consideration which determines my attitude towards the Finance Bill.

[Mr. P. N. Sapru.]

Apparently the view now held is that the power vested in the executive should be used regardless of what the consequences of such indiscriminate use may be on public opinion in a country which is getting more and more impatient of autocratic methods of administration. The position taken up by the Finance Member—and I am sorry he is not here though Mr. Nixon is here to represent him—is this. Here is a deficit in the budget. I cannot obviously leave this deficit uncovered. It is not within my power to reduce expenditure. I have to finance the new constitution. I have to finance Burma. I have to finance the deficit provinces which we have created for various reasons, and therefore I must somehow balance my budget. I am strongly opposed to the suggestions of my Indian critics that there should be an export duty on gold and as I have to balance the budget I can only balance it by imposing such duties as I can in my wisdom approve of.

THE HONOURABLE THE PRESIDENT : Not he, the Government of India.

THE HONOURABLE MR. P. N. SAPRU : Well, Sir, the Government of India means the Finance Member and the Finance Member means the Government of India. I will substitute the words "Government of India" for "the Finance Member". The attitude of the Government of India is, we are clear in our own mind that the duties that we are proposing touch only small sections of the population, vested interests—vocal no doubt—but quite able to bear the burden imposed on them; and as for the Legislature, well, our experience is that we can never carry the Legislature with us, therefore why should we bother about the Legislature at all? The Legislature is here just to destroy our good work, and the Government of which we are members is not responsible to the Legislature. It is responsible to Whitehall and it is the dictates of Whitehall that we must obey. The head of the Government has complete powers of affirmative legislation and we are not going to hesitate to advise the respected head of the Government to use those powers and ignore the ill-informed criticisms of our opponents. Well, Sir, they would say, We wish we had no Legislatures at all, but we have to keep up appearances in this country, maintain a show and stage a farce. Notwithstanding the Legislature we shall go along merrily, its co-operation or non-co-operation being immaterial. Now, Sir, it is this attitude of superior wisdom and cynical indifference to public criticism, whether that public criticism be right or wrong, that we on this side of the House strongly resent. If responsibility is yours and if you cannot divide that responsibility with us, then why consult us at all? Why have a Legislature for registering decrees emanating from Whitehall and Finance Ministers who are responsible to the people of another country? Why not then be straightforward and govern according to your lights without the paraphernalia of mock democracy? But I would say, Sir, that even within the limits of the present constitution, it is possible for an executive to behave differently and to be responsive to the people of the country. The Central Legislature was given an elected majority so that it might have some opportunities of influencing the course of governmental policies and decisions. Do repeated certifications indicate that the object that the executive should allow itself to be influenced in an increasing degree by the Legislature is being observed in the spirit if not in the letter by the present advisers of the Government? Who that has reflected over the course of events during the last few years can say that the constitution at the Centre is being worked in the spirit envisaged by the Joint Select Committee which reported on the constitution in 1919? Assuming that the balancing of the budget was essential for the interests of

India, what were the steps which the Finance Member of the Government of India took prior to the passage of the Bill to convince his critics that their proposals in regard to the sugar industry were right and that the Government were prepared to meet those critics to some extent at least? What were the steps that the Finance Member and the Government of India took after the sugar excise duty was rejected by the Assembly to come to some reasonable settlement with the Opposition groups before advising certification of the Bill in the form in which it was originally introduced in the Legislature? These are relevant questions, questions which must determine our attitude. Was it not possible for the Finance Member and the Government of India before resorting to certification to invite a few leading members of the Opposition groups to an informal conference and discuss with them the possibility of certain changes in the Bill, changes which would make certification less unacceptable to Opposition groups? Was there no other duty, or no other taxation, which the Finance Member and the Government of India could propose as alternatives to the sugar excise duty in order to balance the budget? The Finance Member is not prepared to budge an inch from the position which he has taken up in regard to the export duty on gold. The total amount of gold exported from the country has so far been in the neighbourhood of Rs. 263 crores. If a small duty on the export of gold had been levied, what would have been its yield? Would the yield have not been such as to enable us to cover the budgetary deficit? The Finance Member ignores our advice in regard to what we regard as an essential reserve for the country and yet he expects us to swallow the pill that is supplied, namely, an excise duty on sugar. It must be a strange phenomenon indeed if critics whose opinions are treated with open contempt were prepared to swallow the pill supplied to them by the Finance Member and the Government of India. If, Sir, there is to be co-operation, it must be mutual co-operation and even though you are not technically responsible to us, and even though these reserve powers may be constitutionally necessary because the executive is responsible to the Secretary of State and Parliament, yet there is nothing to prevent you, Government, from being reasonably open to influence by the Legislature and the grievance which we on this side of the House have is that you have not shown yourself reasonably open to influence by this side of the House. It is mainly for this reason that I would appeal to this House, and at all events to the elected Members of this House because situated as we are in this House we can never hope to carry through any proposal, to refuse to share the responsibility for a measure which has been put before us in a form which we cannot alter. Sir, we are a revising Chamber and before we give our assent to a measure which over-rides the wishes of a popularly elected House we must be convinced that the other House was wrong and that there was no alternative for the Government but to take up the attitude which it has taken. If we think that there were alternatives open to the Government, then we ought to refuse our support to the Bill in the shape in which it has come before us. I would say that there were at least two alternatives open to the Finance Member after the sugar excise duty had been rejected and other changes made in the Bill by the other House. First, he could have called into consultation leaders of non-official parties and said to them: "Well, have you any constructive suggestions to offer in regard to the method by which I must balance the budget? I am prepared to accommodate you to the extent that I indicate. Now, how far are you prepared to accommodate me and help me in the task of restoring the budgetary equilibrium?" The onus, Sir, in that case would have been on the Opposition groups and if they had acted unreasonably, he would have been in a much stronger position than he is now. If an informal conference of this character had broken down, he could have gone forward in his own way and have had the measure certified.

THE HONOURABLE THE PRESIDENT: Can you give me an instance of any such precedent in the history of Europe or India?

THE HONOURABLE P. N. SAPRU: I do not know all the history of Europe. Is there any instance in the history of the world where one great country governs another great country? So precedents have to be created. We cannot always—

THE HONOURABLE THE PRESIDENT: I am referring to your consultation between non-official Members and Government between the stage of the Bill being thrown out in one House and before the Bill goes to another House.

THE HONOURABLE MR. HOSSAIN IMAM: There was consultation in the Assembly in 1932 when Sir George Schuster was the Finance Member.

THE HONOURABLE MR. P. N. SAPRU: May I answer this question in this way? After the Bill had been rejected by the other House, the Bill had to be certified by the Governor General and I am speaking of this interim stage—the stage after the rejection and before certification. My point is that before certification was resorted to, some informal conference, some informal negotiations, ought to have been held and the specific grievance is that these informal conferences, these informal negotiations were not held. I would say therefore that the attempt was worth making and he did not make it.

The second alternative—and I stress this alternative before you—was to come to this House after the measure had been rejected with the measure as passed by the Assembly and move amendments in this House for restoration of those clauses which had been rejected by the other House. Here in this House Government has a majority and it would have been possible for Government to carry through these proposals. After having got his proposals through the House the Finance Member could have taken the Bill to the other House and given them a further opportunity of reconsidering the matters in the light of the discussions in this House, and if they had even then declined to reconsider their attitude, then I say the Finance Member could have had the measure in that case either certified or considered at a joint sitting of both Houses.

THE HONOURABLE THE PRESIDENT: Is such a procedure provided under the Government of India Act?

THE HONOURABLE MR. P. N. SAPRU: On my reading of the Act there is nothing to bar this procedure.

THE HONOURABLE THE PRESIDENT: No, when there is an express provision ordaining certain things to be done, that express provision means that it bars other procedure.

THE HONOURABLE MR. P. N. SAPRU: I do not quite follow your point, if I may say so respectfully. I think, Sir, the procedure of joint sessions is contemplated in the Government of India Act and certification can be resorted to at any stage.

THE HONOURABLE THE PRESIDENT: Now you are on better ground. But you suggested that the Government should come and ask this House to restore the Bill in its original condition.

THE HONOURABLE MR. P. N. SAPRU: Yes, Sir, remember one instance. There was a Bill before this House, the Payment of Wages Bill. Certain amendments were effected. What happened after those amendments had been accepted by this House? The Bill went to the Assembly and the Assembly accepted those amendments. Sir, so far as I know there is no distinction made in the Government of India Act between money Bills and other Bills. I am not going into the question whether a Second Chamber ought to have any powers in regard to money Bills. I hold the view that a Second Chamber ought to have no powers in regard to money Bills.

Well, Sir, the procedure just outlined by me may be subjected to the criticism that it is dilatory and cumbersome. But, Sir, on reflection I think the House will agree with me that a few days' delay would not have mattered very much and in any case it would have been open to less objection because it would have been less autocratic and more in harmony with the principles which ought to guide a Government which professes to have discarded the methods of militarism and autocracy. But this is not, Sir, what the Finance Member has done and therefore he and the Government of which he is a member have laid themselves open to the charge that they attach no importance to criticisms in this House and that their attitude always is: Well, we know best what is good for you. If you don't care for our advice then we are not prepared to reason or argue with you. That, Sir, I would say, is an unreasonable attitude for Ministers of the Crown to take and therefore, Sir, it is not the merits of the Finance Bill alone which determine my attitude towards it. My attitude towards the Finance Bill is determined by certain broader political and constitutional issues to which I have invited the attention of the House.

Sir, passing on from these broader constitutional and political issues to the merits of the Finance Bill I would say that, even so far as the merits are concerned, there is much that can be said against the actual proposals which have been put forward by the Finance Member. First in regard to this budgetary deficit. Why should we help you to cover up a budgetary deficit which is your own creation? This budgetary deficit is due in part to a deficit in the new provinces which you have created. This budgetary deficit is due in part to a constitution which you have imposed upon the country. This budgetary deficit is due in part to the separation of Burma and to unjust distribution of burdens between Burma and India. Well, Sir, this budgetary deficit, we would say, is the result of the restoration of the salary cuts at a time when the country had not recovered completely from the effects of depression. Well, Sir, are we, in view of all these circumstances, bound to help you, to support you to restore this budgetary deficit? Why should we, when we differ fundamentally from you in regard to these broader constitutional, political and economic issues, come to your rescue and help you to restore a budgetary deficit? Now, Sir, holding these convictions, holding that retrenchments both on the civil and the military side are possible, that you could have pursued a different economic policy, and in regard to constitutional matters, holding these convictions, we are not bound, Sir, to support you and it would, indeed, Sir, be strange if we were to support you.

Then, Sir, a few words on the merits of the Finance Bill. First about this sugar excise duty. Sir, the incidence of this tax will be explained by Mr. Kunzru and my friend Mr. Hossain Imam, who are financiers, much more ably than by myself. But, Sir, to an observer who has no claim to be a financier it does strike one as odd that the excise duty should be enhanced just before the Tariff Board inquiry into the sugar industry. Sir, I am not a supporter of vested interests but I want to ask myself this question: Is a proposal in the interests of an industry which has benefitted the country, which has benefitted

[Mr. P. N. Saprú.]

the cultivators in my part of India? Sir, the Tariff Board will have to consider the question of this duty in all its aspects and by proposing an excise duty at this juncture are we not prejudging the findings of the Tariff Board. Sir, the sugar industry was given protection in April, 1932 for a certain period. Is it not a breach of faith then on our part to impose a fresh burden on the industry in face of opposition from the industry before the position in regard to the industry has been considered by the procedure which has been laid down for protected industries? Therefore, Sir, I would say that one fundamental objection is that the duty is bound to prejudice the findings and work of the Tariff Board in regard to the sugar industry. The Tariff Board will have to look into the whole question and pending such inquiry an excise duty which will have the effect of increasing the cost of production and weeding out inefficient units—my friend Mr. Nixon admitted that some inefficient units would probably be weeded out—is not justifiable. Sir, the increase proposed is 11 annas and the excise duty would not stand at Rs. 2 per cwt. Now, the protective duty originally levied was at Rs. 7-4-0 per cwt. Then, Sir, by a surcharge this protection was further increased by 25 per cent. and therefore the duty stands at Rs. 9-1-0 now. Now, the position at present as far as I have been able to understand is that Indian sugar which was selling at Rs. 14 is selling at Rs. 10-8-0 in Calcutta and Bombay. It was selling at Rs. 13-8-0 last year. Now, Sir, this excise duty will have to be paid in cash. It will be deducted in cash from this Rs. 10-8-0 which is the price at which sugar is being sold in Calcutta and Bombay. Therefore, the manufacturer will get Rs. 8-8-0 and if my figures are correct the cost of production is anything between Rs. 7-8-0 and Rs. 8 per cwt. The profit left to the manufacturer therefore is anything in the neighbourhood of eight annas to a rupee. In calculating the profits, Sir, we must take into consideration depreciation and interest. Therefore, Sir, the result that one apprehends is that in the majority of cases these factories will not make any profits. The fact of the matter is that the price of sugar is so low that many of the factories are unable to work at a profit. In other words, sugar is selling at a price unremunerative to the producers. Sir, it may be, and I am quite prepared to concede, that there is unhealthy competition in the industry and that there are inefficient units whose costs of production are high. But all these are fit matters for enquiry by the Tariff Board. There is nothing to prevent the Tariff Board from laying down that the grant of protection for a further period should be conditioned on a reorganisation of the industry on a voluntary basis if possible, on a compulsory basis if impossible. That is to say, there is nothing to prevent the Tariff Board from recommending compulsory rationalisation for the industry, and that is the proper remedy for the present state of things, not this duty which you are imposing, not as Mr. Nixon himself admitted in the interests of the industry only but because you want to increase the revenues in order to cover up your budgetary deficits. Sir, a particular rate of excise duty can be justified only on the ground that the industry can bear it in the sense that it would not have the effect of immediately leading to a stoppage of a large number of mills. The whole question of the imposition of an excise duty should be viewed in all its aspects and not from the financial point of view only. There are two aspects which I would like to stress. One is what I would call the industrial aspect and the other is what I would call the human aspect. So far as the industrial aspect is concerned, I would say that if the industry cannot bear the additional amount, a large amount of organising ability and capital in the industry will be thrown out of work, and that would certainly lead to an economic loss to the country. So far as the human aspect is concerned, I would say that apart

from the fact that the labour employed in the sugar industry will be thrown out of work, there is the very important question of the effect on the cultivator of the stoppage of sugar mills on a large scale. I ask this question, "Will the cultivator be in a position to sell his crops to sugar factories at minimum rates fixed by Government?" Sir, our fear is that he will have to sell his crops at lower prices. This will mean loss to the cultivator and this will have inevitable reactions on the area to be cultivated next year. Sir, some people also apprehend that if mills close, there will be agrarian and labour trouble and we do not want to have agrarian and labour trouble at this time.

I shall now pass on to another subject. The Finance Member—

THE HONOURABLE THE PRESIDENT: You have already spoken for nearly 40 minutes. There are several other speakers.

THE HONOURABLE MR. P. N. SAPRÚ: I will take only another five minutes, Sir. I will be as brief as possible. The Finance Member said that there had been a loss of revenue from imports on account of this sugar protection. There are certain factors which the Finance Member has omitted to take into consideration. The first is the income from the import duty leviable on machinery imported for sugar plants. Then he has omitted to take into consideration the duties leviable on spare parts which are continually being imported. Then he has also omitted to take into consideration the income from income-tax and super-tax on sugar factories. Lastly, Sir, he has omitted to take into consideration the fact that the sugar industry has enabled the cultivator to get good prices for his products, that it has increased his purchasing power, and that the increase in purchasing power is bound to reflect itself in increased imports and that these increased imports will mean increased revenues for the country. These are factors which he has omitted to take into consideration in considering the question whether the protection to the sugar industry which has resulted in apparent diminution of revenues has done good or has not done good to the country?

Passing on from the sugar duty to the silver duty, I would very briefly indicate my attitude. I am opposed to the duty on silver also. Sir, gold reserves have been depleted. Our people are in the habit of holding their money, if they have any money, in silver. This duty will make the price of silver higher. The poor cultivator will not be able to invest his savings in silver. Silver acts as a sort of non-interest paying bank for him. Of course, those who have silver already will benefit, but our great difficulty is that the reserves have been depleted. The cultivator has passed through a period of intense depression, and he has not much silver left with him. Therefore, the number of those who will suffer by this increase in the silver duty will be larger than those who will benefit by it.

There is just one other matter to which I should like to make a reference before I close. I should have liked to speak at some length on it but as time is short I will not weary the House by making long observations on it. That is the question of the ratio. The Finance Member is satisfied that the rupee is not under-valued. If he is quite so sure of his position, then why not have an enquiry into the question of the ratio now? In the preamble to the Reserve Bank Act we find that the present ratio is regarded as a temporary ratio. How long is it going to be a temporary ratio? There is an enquiry foreshadowed in the preamble of the Reserve Bank Act on this question of the ratio. When are you going to have this enquiry?

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Then, Sir, so far as the poor are concerned, there is no relief for them in this Bill. We all stand for the two pice postcard because we wish to make the life of the villager more cheerful. We wish the countryside to be opened up. Sir, I wish it were possible for us to take an optimistic view in regard to the economic future of the country. The Finance Member looks upon the rise in exports as a sign of permanent recovery. Now, so far as we are concerned, we hold that this rise in exports is due to the armament activity abroad. This rise in prices is due to the war scare and the growth of the armaments industry. The rise of exports may be beneficial to India so far as the balance of trade is concerned, but a truer measure of economic recovery would be the position in regard to imports. There is no indication that our imports are also increasing. Therefore, the last thing I would like to say is that there is need for new economic adjustments in this country. There is need for planned effort at economic development in this country. Our population is increasing at a tremendous rate. How are we going without some planned effort to feed that increasing population? We have to look at these financial questions from the point of view of the common man. We want to give the common man in this country a healthy existence and a decent standard of living. We want to help the common man; we stand for the social service State, and I find that the social service State will not be helped by this Finance Bill.

Sir, for the reasons that I have indicated, I consider it my duty to oppose the Finance Bill.

THE HONOURABLE KUMAR NRIPENDRA NARAYAN SINHA (West Bengal: Non-Muhammadan): Sir, it is a blunder of the greatest magnitude on the part of the Government that the Finance Bill has been brought to this House in a certified form against the clear popular verdict on the measure in the other House. Constitutionally this step perhaps may be justified, but politically it is a deliberate insult to the public opinion of the country and smacks of despotism of the Czarist Russian type. The constitution was framed, we were told, to voice the opinion of the people through their representatives, but if this is the use you make of the constitution, the less you speak of democracy, the better. In fact your actions and your professions are poles asunder. Sir, for us who from conviction have supported Government through thick and thin during the last 30 years, when they wanted to govern, sometimes through the help of laws which even in the Middle Ages would have been considered shameful, sometimes through martial law which is the negation of all laws and at other times through Ordinances and forfeiture of private funds and institutions, but are now left in the lurch because we have been friends, the Government have made it difficult for us to side with them any longer. The cup of our helplessness and misery is now full to the brim. The saner and soberer elements in the society are, it appears, no longer taken into the confidence of the Government and the Government have begun to truckle to the extremist sections of the country neglecting altogether their erstwhile supporters. But still we who have a stake in the country and would not willingly sever the British connection cannot but press upon the Government that their administrative measures of late have been alienating the sympathies of all sections of the country by the unwisdom of their policy. Sir, it is clear from the cards that the bureaucracy can no longer rule this country on its own title and that the Congress ideology is the national ideology in the sense, that even

though men of moderate thought do not agree with the Congress methods, they certainly stand for the immediate achievement of Dominion Status as adumbrated in the Statute of Westminster. The governmental measures of the last 150 years have been weighed in the balance and the Government of the country has been found wanting at every stage. What with education of the people, what with industrial development of the nation, what with the agricultural improvement of the countryside—

THE HONOURABLE THE PRESIDENT: You are not speaking on the Finance Bill at all.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: He is putting grievances before supply, which is a well recognized principle in all Parliaments.

THE HONOURABLE THE PRESIDENT: The Honourable Mr. Saprú took 45 minutes to explain his grievances and the Honourable Member is again repeating what has been said.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Perhaps it may be said in fairness to Mr. Saprú that he dealt very largely with the financial question and that the other question which he dealt with in the beginning was a constitutional one and not an administrative one.

THE HONOURABLE THE PRESIDENT: Probably the Honourable Member does not know the rulings of my predecessors. When the Finance Bill came before this House they used to strictly confine Honourable Members to the contents of the Finance Bill. But during the time that I have been President of this Council for the last five years I have shown greater indulgence and latitude than my predecessors allowed, and I brought this matter to the notice of Honourable Members last year and said that though I would permit them to some extent to deal with other matters remotely connected with the Finance Bill, yet there were limits on the day when the Finance Bill comes for discussion before this House. I have got the ruling here but I do not wish to read it again to the House. But I hope Honourable Members, in view of the paucity of time, will confine themselves as far as possible strictly to the Bill itself. They have a field day on the Budget Discussion when they are allowed to discuss the financial position from every possible administrative aspect.

THE HONOURABLE KUMAR NRIPENDRA NARAYAN SINHA: The plea put forward for bringing the Finance Bill is the balancing of the financial budget. I believe that further taxation is necessary for balancing the budget when there is a deficit, but do they believe that in the process of balancing their financial budget they are losing sight of their political budget in which the deficit is daily and yearly getting wider and wider and nothing but a wholesale overhauling of the political outlook will bridge over the great gulf. This is being created by the unimaginative and wanton policy of the executive. If the Government had duly acceded to the popular outcry and partially yielded to the popular demand by accepting some of their suggestions, the situation that they have engendered by setting at naught popular wishes would have been averted. The deficit that would have accrued would have been made up either by levying a duty on gold going out or by a surcharge on income-tax or by means of a salary cut on high wages.

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras: Non-Muhammadan): Sir, I rise to oppose the consideration of this Bill with a very clear conscience and a full sense of responsibility to my electorate. I do not share the regret of my Honourable friend Mr. Sapru at the absence of the Finance Member here, because India knows what he has to say and he knows what India has to say about his management of the finances of this country. Nor do I share with him the regret that a different procedure was not adopted to bring the Bill before us to ascertain our wishes and to take it back to the Assembly with the opinions expressed in this House, because we know that notwithstanding the opposition of a few of us on this side who share the views of the Opposition Members of the Assembly, still there is not the slightest chance of making any alteration in the Bill or making any impression on the Government. My friend the Honourable Mr. Sinha thinks that the Government have not shown any political wisdom in not placating the more moderate elements in this country and have thus given a freer scope for the play of extremist elements in the politics of this country. But I wish to assure him that the Government are always very careful not to placate either the moderate or the extremist. They are adepts at playing one off against the other. Therefore he need not regret that the Government have not placated the moderates. They will neither placate moderates nor the extremists, but use the extremist against the moderate and the moderate against the extremist to serve their own purposes.

Sir, I mean to strictly observe your ruling that on occasions like this we should confine our attention more to the financial aspects of the Government's administration than to its general administration. Of course, the scope of our criticism will not thereby be diminished, because in the field of finance the misdeeds of the Government of India are more glaring than even on the political side. When we say that the Government here is out for exploitation of India or is capitalistic or is a supporter of British imperialism, and that its agents here are merely the agents of British trade, commerce and industrial interests in London, it is strongly resented. I almost upset the equanimity of the Finance Member when I spoke on the budget in the general debate and he characterised my statement that he is the British agent here, as a terminological inexactitude, because he was in search of a Parliamentary phrase instead of calling it a lie. But I make bold to repeat that statement today and I am prepared to prove that the budget and the Finance Bill placed before us unmistakably make out that he is the agent of British interests in this country and not the agent of the Indian people. It has been for a very long time a favourite pastime with the official Benches to twit the non-official Members with the remark that we on this side are irresponsible critics of the Government, our opposition is sterile opposition, our attitude is one of non-co-operation and that the Government never derive any constructive assistance by proposals put forward from this side. Assuming that the charge was true, I justify it, because as my Honourable friend Mr. Sapru said that the well-known maxim redress of grievances before voting of supplies is observed in all countries and if you in this country have gone on piling up our grievances instead of redressing them, we on this side will be justified in throwing out the Finance Bill each time it comes before us without assigning any other reason than that our grievances have not been redressed, and therefore you are not entitled to a voting of supplies. But that is certainly not the attitude which non-official Members in the other place have taken, nor we in this House propose to take on this occasion. We have put forward reasoned alternative proposals for balancing the budget and we have also levelled considered criticism at the taxation proposals contained in the budget. It is

said that the Government are anxious to balance the budget and if our proposals are accepted it would result in a deficit of about Rs. 160 lakhs. Government have placed before us the alternative of financially stable budgetary position or the yielding to unreasonable popular pressure in regard to these proposed additional duties. I do not think that it is a fair alternative. It is idle to ask us on this side to make constructive proposals when we have no power to enforce them but can only make them by way of recommendations or suggestions to the Treasury Benches. If we had the power to deal with the expenditure side of the budget and show where it can be retrenched, there may be some reason in what the Government says. For instance, if we say from this side, "Will you cut out the Rs. 2 crores which you spend on the Lee Concessions in favour of an overpaid service which is already top-heavy?" Will you agree to that proposal? In this year's budget you have provided Rs. 6 lakhs to send some policemen and some troops for a show in London—the Coronation. Why should Rs. 6 lakhs be paid by a poor country at a time when the Finance Member is unable to balance the budget without taxing the poor? It is only a small item no doubt, but it is typical of the way in which Government manages its finances in this country. Again, may I ask whether it is difficult for the Government to effect a saving of about Rs. 1½ crores in a military budget of Rs. 45 or Rs. 48 crores? The other day when my friends Pandit Kunzru and Pandit Sapru put forward a plea for the reduction of the army expenditure and for the Indianisation of the army, the Commander-in-Chief reminded us that other countries were spending more money on armaments and improving their defences and said that it was not a very reasonable request for this side of the House to curtail the army expenditure in the face of the international position that is developing today. My answer is a very simple one. If other countries are spending money on the increase of their defences, on the improvement of armaments, they are paying money to secure their freedom and their liberty. If other people threaten the liberty of their country they try to prevent such a threat. When they are out to conquer other countries, they are spending money to improve the position of their own country. But in this country we are asked to pay larger and larger amounts for the defence in order to complete our enslavement. That is the only difference. If we are asked to pay more money for securing freedom for this country, we shall always be ready. Therefore such arguments will not convince us. What we are convinced of is that if the Government really intends to effect a reduction in expenditure they can effect a saving in the military budget and Rs. 1½ crores will not be an extravagant sum to curtail in the present military budget.

Sir, one other general consideration before I go to the details of the Finance Bill. The Finance Member has claimed both in this House and the other House in explaining his budget that he wanted some more money at this juncture—about a crore or so—to put the provinces on the right way under the autonomous constitution. So he urged that the expenditure was in the interests of the development of self-government in this country. But what do we find today? In almost all the provinces where the electorate has sent Congressmen in a majority to the Provincial Assemblies, the verdict of the electorate has been set aside and people who have been trusted with the mandate of the electorates have been put aside and the old reactionary forces have been installed in the form of interim ministries. So it is no use saying that the additional expenditure is being incurred to instal provincial autonomy in the provinces. Instead of that, they are being utilised for perpetuating the old autocracies and forcing upon the provinces ministers with whom the electorate and the whole country get disgusted. That is the kind of autonomy we are going to get. This is certainly not to implement a constitution which

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provides for genuine provincial autonomy to be started in the provinces but to perpetuate the unwanted autocratic system of government in the provinces for a long time to come. Therefore that argument of the Finance Member, that he wants more money to help the provinces, does not commend itself to us on this side.

Sir, the budget of any civilised country is judged from the relief that it gives to the poor. What are the measures which the budget contains for relieving poverty, for relieving unemployment, for improving commodity prices? These are questions which would be put in any self-governing country to the Finance Member. What do we find here? Even British financiers and independent observers find that poverty in India is becoming deeper. The poverty of the masses is growing deeper and deeper and if there has been a fall in trade between this country and England it is mainly due to a decline in the purchasing power of the people of this country, and so long as the people of this country have no money to buy the goods, no tangible improvement in the trade of this country with other countries can be expected. Recent inquiries into the economic condition of the ryots have proved that indebtedness is growing. It is a favourite argument with many economists and apologists for Government to say, that indebtedness is due to want of thrift on the part of the masses and that poverty is the result of this indebtedness. But, Sir, I submit that my observations and study for over 20 years has convinced me that this statement is greatly exaggerated and wrong. I think indebtedness is the result of poverty. People borrow not because they can but because they must. No rural occupation or trade leaves a sufficient margin even for living. Therefore they go on borrowing. Indebtedness leads to greater poverty and that in its turn to greater indebtedness. We are moving in a vicious circle in the economic sphere of our rural life. What evidence is there of Government's anxiety or preparedness to give relief to the poor of this country? Judged from this standard, I must say that the budget is a very disappointing one. The Finance Bill cannot be supported by the elected Members of this House.

The Honourable Mr. Nixon rightly said that the Bill comes "unfortunately" to this House in a certified and recommended form. Unfortunately for this side but fortunately for the other side, because we on this side cannot effect any changes in it even if we wish to. Supposing we had the necessary non-official strength in this House to move amendments and carry them, even then under the Government of India Act it will not be competent for us to do so. Therefore all the misfortune is on this side and not on the other side. It is certainly a very humiliating position for this House to be put in. The other House at least had the satisfaction of rejecting the Finance Bill in the certified form. But in this House we shall not even have the moral satisfaction of having done our duty to the electorate by throwing out a Bill which is unwanted and which is not acceptable. And we have to pass this Bill whether we like it or not. With these few observations I proceed to deal with some of the details of the Finance Bill.

It is true that the Finance Bill contains only two new provisions for the enhancement of taxation, namely, the increased duty on silver of one anna per ounce and the increase in the excise duty on sugar of 11 annas per cwt. I shall first deal with the other provisions of the Finance Bill to which I take exception—and they are two mainly. I will deal first with the duty on salt. There has been a demand in this country for a long time that there should be a reduction in the duty on salt. It is a duty which falls very heavily on the

poor and there has been a proposal in the other House to reduce it from Rs. 1-4-0 to Re. 1, not a very extravagant demand to make. The argument for the reduction of the salt tax is not a new one. It has been repeated over and over again. It has been pointed out, both on medical evidence and from other materials, that people in this country do not consume an adequate amount of salt owing to the burden of the duty on the poor men who purchase salt. I think I have seen a statement, Sir, that the average consumption of salt per prisoner in jail is 17 lbs. a year and medical evidence seems to show that even 17 lbs. is not quite adequate for a healthy prisoner in jail. And the average consumption of salt by a citizen in India who is outside the jail is 12 lbs. a year. That is to say, it is less than what a prisoner gets. And medical opinion connects several diseases and low vitality with the under-consumption of salt in this country and there is also evidence to show that whenever the salt duty has been brought down there has been an increase in consumption and whenever it has been put up there has been a decrease in consumption. Therefore, there is plenty of material based on good evidence to convince the Government of India that a reduction in the salt duty is likely to help the poor in this country and will have a very beneficial effect on health.

Sir, of late we have heard a great deal from our sympathetic Viceroy about improving the nutrition of the people. He has made appeals in favour of propaganda for drinking more milk and drinking more tea. But where are the people to get the money for it? When they have not enough money to buy one more pinch of salt, how can they drink more milk? Therefore the case for a reduction of the salt tax is, I think, one which requires sympathetic consideration from the Government. But we are always met by the argument that, while the Government's revenue will be seriously curtailed by any reduction of this salt tax, the relief which the consumer will get is very small. That is an argument which we are not prepared to accept.

Sir, the other feature of the budget is the three pice postcard. For a long time we have been asking for a reduction in the price of postcards. It was originally a quarter of an anna. It has now gone up to three pice. And we have asked that it be reduced not to the original level of one pice but only to two pice. While I join in the general tribute that has been paid to Sir Frank Noyce and the administration of the Postal Department generally, I regret that it was not possible for him in the closing year of his service to give this relief to the poor. I believe this is the hundredth year since the inauguration of the Postal Department—it was started in 1837—and must be now celebrating its centenary. And in this century-old Commercial Department, I wish it had been possible for the Government of India to give some relief to the poor villager who uses the postcard. It is estimated that if the price is reduced from three to two pice, the loss will be about Rs. 65½ lakhs, and if there is a 10 per cent. increase in the traffic the loss will be about Rs. 50 lakhs. That is all that is said to be the loss to the Government of India by the reduction asked for from three-quarters of an anna to half an anna. As I said before, there are many ways in which the Government of India could have found this money. I have indicated some methods already. And another thing I have to suggest is that if the Government of India were really anxious to give some relief to the poor they could have effected some cuts in the salaries of the higher paid officials. A 10 per cent. cut would not cause very great inconvenience to the people who are already being paid very high salaries. People can live on smaller salaries as is evident from the fact that Congress ministers, if called upon to accept offices, are prepared to accept Rs. 500 instead of the Rs. 5,000 a month which is being paid to their predecessors in office. There are many other services in which people will be prepared to work on smaller

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salaries. I am sure the services themselves, if approached in a proper way and told that the interests of the poor in this country would require that they should accept lower salaries, would be willing to do so. But the trouble is that no British administrator would like to do it, because he himself is not prepared to cut down his own salary, and any example of Indians who may be willing to cut down their salaries will react upon his own high salary. A 10 per cent. cut in the salaries would have been sufficient to find relief for those who use the postcard, as well as those who use salt and sugar. I feel Government are not right in brushing aside the popular demand for reducing the duty on salt and also for bringing down the price of the postcard.

Finally, Sir, I will deal with the sugar excise duty. In speaking on the sugar excise duty, I do not speak merely as a representative of my electorate or merely as a theoretical financier or as a student of the sugar industry. I am very intimately connected with a sugar factory myself. A co-operative sugar factory was started in 1934 in my province and we invested about Rs. 15 lakhs on it. It is managed by the producers of sugarcane on a purely co-operative basis. Its management is cheap and efficient. Nevertheless, we were unable to make any profits in the last two or three years. That shows that the Finance Member's statement that the sugar factories are making excessive profits is at any rate not correct in regard to the recent factories. I am not prepared to deny that some of the old factories may be making excessive profits. But the whole idea of giving protection is to enable new factories to be started so as to enable India to manufacture all the sugar she needs. I think the Tariff Board, in recommending protection, recommended that sugar factories should be started very rapidly and quickly in this country. So, the rapid expansion of sugar factories in this country was in pursuance of the recommendations of the Tariff Board. Nothing very unnatural has happened. The protection has stimulated the starting of factories. Capital was forthcoming. I think about Rs. 30 crores have been sunk in sugar factories in the last four or five years, and the position is such now as to make India almost self-contained in regard to the internal consumption of sugar. It is said that continued protection will not only hit the revenue but also affect the consumer adversely. Sir, this great kindness for the consumer is always trotted out whenever we ask for protection to a promising Indian industry. It is true that the consumer will have to pay something for the protection. In the case of sugar I think figures have been cited to show that the consumer is really not paying more today than he was paying in some years of the pre-protection period. In some pre-war years he was paying more for his imported sugar than he is doing today for indigenous sugar which enjoys a protection of 200 per cent. as against Java. Therefore, even from the point of view of actual figures, it is not correct to say that the consumer has suffered on account of protection. I speak subject to correction. Assuming it is not so, as against this slight disadvantage, if it is a disadvantage, are we not to set off the advantages that we have derived by protection? At one time we imported sugar to the extent of Rs. 16 crores a year. Rs. 16 crores sent out of this country to fructify in the pockets of a foreign exporter is a very different matter from Rs. 16 crores being retained in this country to fructify in the pockets of the people of this country. That is an advantage which greatly counter-balances any disadvantage which may arise from high protection. In addition to Rs. 16 crores being retained in this country, there are a number of people employed in the sugar factories—educated employees, graduates—alone numbering about 2,000. There are also a great many labourers working in these factories. What about the employment afforded to these? But for

the progress the sugar industry has made in this country, it could not have been possible to employ all those people, and to a certain extent thus relieve unemployment. These are counter-balancing advantages which we in this country greatly value as against any disadvantages which the Finance Department may suffer by the protection. In many other countries several industries are being supported by subsidies and other forms of assistance, if they are not able to stand on their own legs for some years. We on this side of the House are as anxious as the Members of the Treasury Benches to see that sound principles of taxation are applied, that protection should not be unduly prolonged in the case of any industry, that the consumer should not be unduly hit, and so on. We grant all this. But I ask, "Is a period of four or five years sufficient to say that the sugar industry has been protected too long?" I submit not. We are just gaining experience. It takes time to improve the quality of the cane. It requires expert assistance and knowledge. We want to train people. We want to put our recovery, at the same level as the Java factories. They in Java get 12½ per cent. whereas we have hardly reached 10 per cent. It will take time to reach the level of Java. Our agriculturists must be trained. All this will take time. I think it is wrong to say that the sugar industry has been treated with any great indulgence. I think sufficient time has not been given to the industry to enable it to reduce its cost of production to the level which the Finance Member would like to see it reduced. The Finance Member himself has admitted that the sugar factories this year have paid less income-tax than in previous years. I suppose that the fall in income-tax is partly due to the less amount of income-tax which the manufacturers of sugar paid. If so, I do not think it can be said that all the sugar factories have made very great profits. I quite agree that it does not mean that some factories have not made great profits. Some factories may have made excessive profits. The fall may be due to the smaller amount of profits which the new factories have made. So, taking all things together, I feel that the imposition of the excise duty on sugar is not justified. I think it will have a very deleterious effect on agriculturists as well. I speak from my personal knowledge that even with the present prices we are not able to pay a remunerative price to the sugarcane cultivator. The cost of cultivation in the newly established factory areas is higher than it is elsewhere, because people have no experience of how to grow the crop economically. In the older areas, the cultivators are certainly more experienced and better advised, but in the new areas where factories are started, the cost of cultivation is very high and the price paid is not economical. With the imposition of the excise duty the cultivator is bound to get less. In other words, the burden is partly to be transferred to the shoulders of the agriculturist. I consider this a great misfortune. It is one of the good money crops which has recently been developed. There will be great economic suffering among the sugarcane cultivators by this excise duty. I feel that the effect of this excise duty will be effectively to curtail the prices which the sugarcane growers are getting from the factories. We have been reading for the last two or three days that many factories in the north of India are threatening to close down, rather to stop the crushing season from the 1st of April. I do not know how far it is correct, but we have been reading, that even though there is crop on the land which has not yet been purchased by the factories, they are going to close down before the crop is exhausted. In that case I think the sugarcane cultivator will be very badly hit. I know from personal knowledge that in many villages the old plant for making *gur* out of sugarcane has disappeared. They are now relying more and more on the new factories and the old appliances for converting sugarcane into *gur* by village processes have largely disappeared. So there is no other outlet for the sale of sugarcane in areas where the cultivation

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of which is not to a large extent dependent on this factory industry. Therefore this particular duty is I consider a very unfortunate duty which is imposed at a most inappropriate time.

Moreover, the Government of India have themselves set up a Tariff Board which, I think, enters on its duties on the 1st April. If that is so, where is the hurry for this excise duty. Government can wait till the Tariff Board inquires into the matter and reports whether the industry is able to bear the additional excise duty which is recommended. If the Tariff Board could give an expert opinion that the sugar industry can bear the additional excise duty without detriment either to the manufacturers or the cultivators, the Government of India would have been able to make out a better case. Therefore, Sir, I oppose this measure to increase the excise duty.

With regard to the duty on silver, in addition to what my Honourable friend Mr. Sapru has said, I would like to point out that there is not much evidence before the country that the increased import of silver into this country is due to the reappearance of the habit of hoarding. I think the Finance Member has said in his budget speech that there is a recrudescence of the habit of hoarding silver in the villages and that has to be discouraged. There is not much evidence of it. From the fact that distress gold has been going out of the country—we have exported Rs. 300 crores in the last few years—I think the people in the villages have not much spare money to buy silver with. If a man has money he generally does not sell gold which has been hoarded so carefully all these years. I think the import of silver is due more to speculative trade tendencies of importers of silver than to any hoarding habit of the people. That is what I feel and the Finance Member has not put any evidence before this House or the other House to substantiate his view that the import of silver is due to the recrudescence of the hoarding habit of the people. Even if that were true, I ask, in a poor country like India is it a sin to hoard a little silver in the form of savings? As an Honourable Member has put it, it is a kind of saving because they have no banks. Our banking habits have not developed to such an extent as to make people put their savings into a bank. Therefore even if there is some hoarding of silver, it is not a form of hoarding which ought to be discouraged. From every point of view I submit that the increase of the import duty on silver by 50 per cent. is not justified.

Sir, I do not wish to take more of the time of this House. I am unable to support this Finance Bill, with the salt tax standing at its old level, with the postage rate at its old level, with the increased excise duty on sugar and the increased import duty on silver. These are all obnoxious features of the Bill. Once more I would say the Government of India have demonstrated to us on this side of the House how utterly futile these debates are. They know our point of view and we know theirs. They are determined not to accept our point of view and all that we can do is to tell them we do not accept their point of view. But power is in their hands, and for the third time in the lifetime of the present Legislative Assembly they have brought a certified and recommended Bill and it is in that form this House has had to pass them. I appeal to the Government to search their conscience and see whether they are doing the right thing by this House. In this House they have a standing majority and can pass anything they like. They therefore do not show that consideration which even in debates the Government Members show in the other House, just because they can get anything done by this House. I think they pay very little respect or consideration to what we on this side say. Therefore we are in the unfortunate position, as Mr. Nixon put it, of having to face this

Bill. But if this House passes it, at least it should not be with the consent of this side of the House. We enter our most emphatic protest against the way in which the recommendations of the Assembly have been thrown away in regard to the postcard and the sugar excise duty, and we resent very strongly the procedure adopted by the Government in bringing the Finance Bill in a certified form. It all shows how futile is this constitution and how futile is the claim of the Government that this or the other House are democratic. It is in fact unabashed autocracy clothed in democratic forms and we are here merely to record the decrees of the Finance Department. That is the position in which we find ourselves today, and all we can do is to mark our disapproval of this Finance Bill and vote it down if we can.

THE HONOURABLE MR. V. V. KALIKAR (Central Provinces : General) : This is the third time that I have had to deal with a certified Bill and I have taken great pains to understand section 67B under which the Bill has been certified and the position in the country. This constitution is a creature of the British Government and when it was on the anvil we were told that these emergency powers would be used only when law and order were at stake, when the financial credit of the country was at stake or when there was danger to the safety of the people of this country. I have thought over this matter seriously and I cannot bring myself to believe that law and order is at stake or that the financial credit of the country is at stake or that there is danger to the people, and so the Government is forced to invoke the aid of His Excellency the Viceroy in getting this Bill certified.

THE HONOURABLE THE PRESIDENT : I may tell you that you are not allowed to question the Governor General's decision as regards certification. His decision is final. It is not to be subjected to argument in this House.

THE HONOURABLE MR. V. V. KALIKAR : I am not questioning His Excellency the Viceroy's powers. In fact, I say that His Excellency has done the right thing in certifying this Bill in his capacity as a constitutional Viceroy. I am blaming the Government of India. I read the position in this way, that the Government of India should not have given this advice to His Excellency the Viceroy. I am not in any way attacking or challenging the powers of His Excellency in this connection. I know my position. What I am speaking about is the attitude of the Government of India, especially at the present juncture. I shall show in brief later on that the Government of India had practically no case to go to the Viceroy for certification.

THE HONOURABLE THE PRESIDENT : I do not know what has happened in the Government of India. I only know that the Viceroy has certified the Bill.

THE HONOURABLE MR. V. V. KALIKAR : I shall show you, Sir, from a sentence from the speech of the Finance Member that they had no case to go to the Viceroy for certification. I am not going to say anything from the criticisms that have been levelled against this Bill by my countrymen, I am not going to state anything in this House from the criticisms that have been levelled against this Bill by industrialists or by agriculturists. I am only trying to understand myself how the Government of India can reconcile their position when they have stated definitely that a gap of Rs. 1 or Rs. 2 crores is not of any importance to them in a budget of Rs. 80 crores—

THE HONOURABLE SIR JAMES GRIGG: If the Honourable Member is going to base his case on that, will he quote the actual passage and not misquote it?

THE HONOURABLE MR. V. V. KALIKAR: You will permit me, Sir, now to quote that passage. The Honourable the Finance Member said in the other House:

"And finally disappointing as it is, we must be careful not to exaggerate the importance of a gap of one or two crores in a budget of over Rs. 80 crores".

I can understand simple English; it is as simple as anything.

THE HONOURABLE SIR JAMES GRIGG: It is very different from what you said just now.

THE HONOURABLE MR. V. V. KALIKAR: That is the position. I am looking at the attitude of the Government from a different point of view, from the constitutional point of view. What has the Assembly done? They have reduced the budget by Rs. 165 lakhs. Here, you have given up your case absolutely by saying that you do not attach much importance to a gap of Rs. 1 or Rs. 2 crores.

THE HONOURABLE SIR JAMES GRIGG: Will the Honourable Member please not keep on misquoting? I did not say I did not attach any importance or I attached very little importance to it. What I said was we must be careful not to exaggerate the importance of it, and if the Honourable Member is going to base his case on anything that I have said, will he please quote it accurately?

THE HONOURABLE MR. V. V. KALIKAR: I think I have understood what my Honourable friend has said.

THE HONOURABLE SIR JAMES GRIGG: I am not saying that he did not understand it. I am suggesting that he should quote it correctly.

THE HONOURABLE MR. V. V. KALIKAR: I think I have quoted it correctly.

THE HONOURABLE SIR JAMES GRIGG: But you quoted it once accurately and twice inaccurately!

THE HONOURABLE MR. V. V. KALIKAR: I think I have quoted quite accurately, and if he likes I will again quote it. He said:

"And finally disappointing as it is, we must be careful not to exaggerate the importance of a gap of one or two crores in a budget of over Rs. 80 crores".

THE HONOURABLE THE PRESIDENT: That is quite different from saying that such a gap would not matter.

THE HONOURABLE MR. V. V. KALIKAR: Assuming for argument's sake that a gap of Rs. 165 lakhs was not reasonable, did the Government of India take into consideration the views expressed by the elected representatives in the other House on those questions on which they found them all unanimous? To my mind it seems that the position they have taken is to flout the opinion of the elected representatives of the people without going into the merits of the case.

THE HONOURABLE THE PRESIDENT: If you do not agree with Members, that does not mean flouting.

THE HONOURABLE MR. V. V. KALIKAR: Well, Sir, I submit that we have agreed, all the elected Members in the other House are agreed on the point, that on those two things, the sugar tax and the tax on the postcard, the Government should reduce the taxation. Now, Sir, it was for the Government to meet the wishes of the elected representatives of the people. The Government of India are left friendless now. Even people like Sir Cowasjee Jehangir and our ex-colleague Sir Yamin Khan also took strong objection to the attitude taken up by the Government in not agreeing to the proposals recommended by the Assembly. I personally do not think it is worth while to deal with the merits of the case, because whatever suggestions we make or whatever constructive proposals we have been making for a long time in this House as well as in the other House have not been accepted. Well, they are perfectly right within the letter of the law to bring a certified Bill before the House and get that certified Bill passed. I think they are going beyond the constitution under which they have brought this Bill before the House. Mr. Montagu would never have thought that the powers given under section 67B would be utilised in such a way.

THE HONOURABLE THE PRESIDENT: You are again impugning the Governor General's final decision.

THE HONOURABLE MR. V. V. KALIKAR: I am not certainly, I give you my assurance—

THE HONOURABLE THE PRESIDENT: But you do so in so many words.

THE HONOURABLE MR. V. V. KALIKAR: I am challenging the wisdom of the Government of India—

THE HONOURABLE THE PRESIDENT: You cannot challenge; his decision is final.

THE HONOURABLE MR. V. V. KALIKAR: I am not challenging his decision.

THE HONOURABLE THE PRESIDENT: It is the Governor General who has certified this Bill.

THE HONOURABLE MR. V. V. KALIKAR: I bow to your ruling, Sir, but you have not followed what I said.

THE HONOURABLE THE PRESIDENT: I have very closely followed you.

THE HONOURABLE MR. V. V. KALIKAR: I am saying that the Government of India is wrong in giving such advice—

THE HONOURABLE THE PRESIDENT: I do not know whether they gave such advice.

THE HONOURABLE MR. V. V. KALIKAR: Unless they had given that advice, the Bill would not have come in the certified form in which it has come before us. The position I am taking is about the Government of India's action and not about His Excellency the Viceroy's action. Sir, situated as

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we are, they have forced us to swallow the pill. We on this side of the House will not be able to swallow the pill. But we know our limitations. But we must have our say whether they like it or not.

THE HONOURABLE THE PRESIDENT: Nobody prevents you from saying what you like.

THE HONOURABLE MR. V. V. KALIKAR: Sir, this side of the House suggested ways of meeting the deficit. We have been suggesting the placing of an embargo on gold exports, but they would not listen to it. They think that we are looking at it not from an economic point of view, not from a sound financial point of view, but we are looking at it from an Indian point of view. But, Sir, in other countries they do not allow gold to be drained away. They utilise it for their own purposes, for their internal trading and we also wanted that the gold should be utilised for our own purposes here but, Sir, that advice will not be listened to. If I am right, even an Anglo-Indian paper, the *Statesman*, suggested in an article on the 28th February that this gold drainage should be stopped. We have advanced arguments that it is distress gold, but they will not listen. But you cannot accuse the *Statesman* of taking sides on behalf of Indians, and even that paper has suggested the same thing, but they would not listen. So it looks as if they have a fixed plan, and that plan is to flout public opinion and, as my Honourable friend Mr. Mahtha says, plan to exploit. I do not know what they gain. But, Sir, the present position which I am seeing in this country is very dark and if I may be allowed to say so I think there are no worse enemies of the coming constitution than the present Government of India. If this action had not been taken by the Government of India at this juncture we would not have heard reports from the various provinces that ministries are not going to be formed by the majority parties. That is my reading of the situation, Sir, that the Government of India have committed the greatest political blunder at this time in going to the Viceroy's House to get this Bill certified.

Sir, we suggested to them about not restoring the salary cut. When you were amongst us here, Sir, you laid great stress upon that point.

THE HONOURABLE THE PRESIDENT: I have become wiser by experience.

THE HONOURABLE MR. V. V. KALIKAR: But then they would not listen to that advice also. We suggested to them to reduce expenditure in some Departments of the Government by which they would be able to cover their deficit without imposing further taxation on the people of India. Still, Sir, they would not listen to it. So that, Sir, the position that appears to a layman like me is that they want to force on us things which we do honestly and sincerely believe are against our interests. If that is the position, Sir, what is the course left to us? I think the only course left to us is not to register the decrees of the present Government but to voice our emphatic protest. So far as the sugar duty is concerned, the last speaker has given us facts and figures, but they will not listen to the facts and figures—they will say they are incorrect. If we were to tell them that this sugar excise duty is going to do harm to the cultivators they would not listen to it. If we tell them that the acreage under cultivation would be reduced and if we were to cite an authority on these matters they would say that that gentleman is connected with the sugar industry, his opinion is not of much account. I

am not at all connected with the sugar industry, though I am a grower of sugarcane on a small scale. There are not many sugar factories in my province, but my reports are, Sir, that since the Government of India increased the excise duty we are finding it difficult to sell our sugarcane at a reasonable price. They will not believe us, I know.

Then what is the position, Sir, If they will not in the least try to meet the wishes of the elected representatives of the people, it is in our interests also to speak out what will be the position in the future. Not only that they have already lost the confidence of a large section of the public in India but by increasing this duty also I think they will begin to lose the confidence of the vested interests about whom my Honourable friend Mr. Sapru has spoken.

Sir, the Assembly suggested a reduction in the postcard rate and according to their calculation it would have cost the Government about Rs. 50 lakhs. I understand that they are losing Rs. 36 lakhs in the Telegraph Department. They are earning about Rs. 18 lakhs in the Telephone Department. And they are earning something in the Postal Department. They always say that they are for rural uplift. They are for the betterment of the condition of the masses. They are for the betterment of the condition of the agriculturists. If that is really so, Sir, and if they are really sincere in their expression, I think, Sir, they should have accepted the recommendations of the Assembly on this point because I stick to the view that I have taken that, if they want to do anything they can find out ways and means to do that thing.

Sir, the position in which the non-official Members and the elected Members in this House are placed is very difficult. One has to shoulder the responsibility of voting against the Finance Bill because it contains proposals for supplies and you cannot vote against these proposals unless you think over the matter very seriously. I think they are not only acting unconstitutionally but they are determined to flout public opinion and therefore, Sir, I have to oppose this Bill.

The Council then adjourned for Lunch till Twenty Minutes Past Two of the Clock.

The Council re-assembled after Lunch at Twenty Minutes Past Two of the Clock, the Honourable the President in the Chair.

THE HONOURABLE THE PRESIDENT: The debate will now resume on the Finance Bill.

THE HONOURABLE DIWAN BAHADUR SIR RAMUNNI MENON (Madras: Nominated Non-Official): Sir, I shall confine the few remarks that I propose to make to two points which arise from the consideration of the Bill before us. In the first place I must express my disappointment that the Honourable the Finance Member has not considered it necessary to provide for the grants to provinces for rural development; that is to say, to provide for the continuation, let alone their expansion, of these grants which were a very welcome feature of the budgets of the last two years. During the General Discussion on the Budget reference was made to this omission, and certain speakers questioned the motive of the Government in embarking upon this system of rural grants, and they seemed to find in its present abandonment sufficient justification for the interpretation which they put upon the real purpose which lay behind the action of the Government. I may at once say that I do not

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associate myself with these criticisms. The system of rural grants has certainly awakened the public conscience and will always be remembered to the credit of the Finance Member. I do not think that if he had continued this system for the next year, even if it might have eventually led to considerable encroachment on the revenue to be derived from the new taxation, any considerable volume of opinion would have ranged itself against it. It is, therefore, a matter of some regret to me to find that he did not see the question in this light. He has evidently come to the conclusion that this is not a measure which would justify new taxation. Anyhow, I hope he will bear in mind the possibility of restoring this grant before the end of the next financial year if he finds himself left with a surplus.

The next point on which I should like to make a few remarks is the one point on which almost the whole of the opposition to the Finance Bill has been concentrated, namely, the sugar excise. I am not interested personally in the sugar industry. I am speaking of it only as a Member of a Legislature who is naturally expected to take some interest in questions of national interest and importance. To me the opposition to this excise has appeared somewhat strange. But when I reflect that economists always tell us that one of the first fruits of the grant of protection will be the growth of vested interests which will seek to keep to themselves the whole of the benefits of protection, I think I can find some explanation for this opposition. I am not for one moment suggesting that all the speakers who have opposed this excise duty are inspired by considerations of that kind. But I cannot honestly say that the propaganda which has been carried on by the sugar manufacturers has not had considerable influence among the critics. As the matter stands, it is perfectly clear that some fresh revenue has to be raised by taxation, and it is also admitted—at least I think it will be admitted by the bulk of the critics—that the present proposal is adequate for raising the necessary revenue. The real opposition, therefore, must be presumed to be due to the fact that a protected article, sugar, has been selected for this impost. I think that is a perfectly safe assumption. But I think, on the other hand, that the very fact that it is the protection given to sugar that has led to the considerable loss of revenue to the State is itself an appropriate and just reason for making up at least some part of this loss by taxing the protected article. Now, ordinarily we may assume that this duty will be passed on to the consumers. But it appears from various statements made by people who are competent to speak on the subject that in the present case this duty is likely to fall on the manufacturers themselves. That, however, is a matter which they have to adjust between themselves and the consumers. That is a matter which should be left entirely to the industry itself. As far as the State is concerned, it will have done its duty by levying this excise in order that it might equalise to a certain extent the burden and the benefits of protection among the various classes of the community. Now, the problem which faces the sugar industry is a wholly internal problem. The protective duty is so high that there is not the remotest possibility of foreign sugar competing in the Indian market. The whole field is left to the Indian industry itself. The sugar producer, the cane-grower, the consumer, the tax-payer are all Indians, and there is no need to introduce the sentiment of nationalism into this matter at all. Everything is Indian. If in the attempt to equalise the burden by the levy of an excise, it is necessary that one or more classes of the community should forego some of their advantages, the sacrifice should be made in the interests of the community as a whole. To me the case for this excise appears complete and convincing.

It was said in the course of the discussion that the industry had conferred very great benefits on the country. It was said, for instance, that about Rs. 16 crores were retained in the country every year. I think that is a kind of statement which can be made of any industry or undertaking which is carried on in this country, but whether the retention of this money is to the good of the country is a different matter. Pursuing that line of argument, we may say that we can keep all the money in the country by stopping all imports. The result will probably be that we shall not be able to send out our raw products. Whether that would be the only result or whether that is a certain result, I am not economist enough to say; but that seems to me to be a very likely contingency. Whether such a contingency is in the interests of the country at large is a matter for argument. The question of the benefits conferred by the industry is thus not quite so simple as it looks at first sight. Then again, it was said that the consumer now got his sugar much cheaper than he used to get before protection was granted. Well, that is true, but it is not a complete statement of the case. I have seen in a recent book on sugar by an author who seems to have taken a good deal of pains about his work, a statement that the consumer now pays Rs. 7 per cwt. more than he need pay if there is no protection at all. It is quite possible that on account of the recent fall in prices this excess may have to be somewhat reduced, but anyhow the excess payment that he is now making cannot be anything less than Rs. 6 per cwt. Well, Sir, it is really the case that this protection, whatever benefits it may have brought to this country, has really placed a very heavy burden on the consumer. Now, I am not for a moment suggesting that this point by itself should decide the question of protection of the sugar industry. That is far from my thought. All that I say is that in considering the question of protection we should have some idea of what we are paying for it, and this is the measure of the cost that the country is paying.

Then in the course of his speech the Honourable Mr. Nixon referred to the very unhealthy competition that is now threatening the industry. I quite admit that competition when it becomes unhealthy must be eliminated, but it is a very difficult matter to decide when competition becomes unhealthy, and influential bodies are always likely to put forward arguments which might persuade people that other bodies are really unhealthy parties in this competition. Thus the whole question has to be very carefully considered. I hope that the State will not encourage any attempt to restrict competition, because competition is the one incentive to improvement in the methods of production, and if that is stopped I do not know where the consumer will be. There is another reason also. Many of the provinces have sunk considerable funds in irrigation schemes and other projects with a view eventually to the extension of the sugar industry in their territories. Moreover it is not at all clear that the provinces which are now producing sugar and cultivating sugarcane are the best suited for the industry. For example, I have seen the statement that Madras and Bombay are far better suited to the growth of sugarcane and possibly for the manufacture of sugar than northern India. I am not expressing any opinion on that matter, but there is a possibility that we cannot now decide which part of India is the best for the sugar industry. So that the question of removing or limiting competition is a very complicated question altogether, and I hope that if ever the Government of India is called upon to intervene in this matter, it will bear all these aspects in mind.

Well, on the whole, Sir, I have seen very little reason to convince me that the proposed levy of the excise duty is not in the interests of the country and not in the interests of all classes who are concerned in the sugar industry. I therefore wholly support the proposal.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, after hearing the observations which my Honourable friends Mr. Sapru and others have made, my task has been rendered easier. It has now become the practice of our Honourable Finance Member to present to this House every year since he has assumed office a certified Finance Bill. I must say that when we get a certified Bill it means that the Bill has to go through, as unfortunately the elected Members alone cannot carry any measure here. So it has become the habit for us all to speak in the wilderness and the measure goes through. Sir, I am also of opinion that the dignity of both these Houses is not being maintained by the Government, so much so that the opinions, and the considered decisions, of the elected Members of both the Houses are practically flouted, when measures come to these Houses in the manner in which they are coming since the last three years. Sir, I would request you as the custodian of the dignity of this Chamber to see that this Chamber is allowed to make its voice heard and that whenever Government likes to come to a decision that decision should be arrived at after hearing what this House has to say in the matter.

THE HONOURABLE THE PRESIDENT : You want to reverse the order of things. I do not know how I am to maintain the prestige or dignity of this House, when the Government have got a right when a Bill is thrown out in the other House to bring it in a certified form here. Therefore I do not consider that the dignity of the House is not being maintained by Government in simply bringing a recommended Bill in this House.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : The Government, before they approached His Excellency the Viceroy for certification, ought to have taken at least some of the Members of both Houses into its confidence and discussed matters with them as to how a reasonable solution could have been found. It is in that way that the dignity of the House has been ignored. That is why I asked you, Sir. This measure, as it comes before us, practically means that all our observations, if any, will be of absolutely no avail.

Sir, I might also mention, to start with, that when I sent in certain amendments to the Finance Bill from Lahore, I did not know that my Party had decided not to send any amendments and as that has been the decision of my Party, I am not going to move any amendment today.

THE HONOURABLE THE PRESIDENT : And your amendments are not in order too !

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Of course, they were not allowed, because I am told that the Governor General's sanction ought to have been obtained before those amendments could have been admitted.

THE HONOURABLE THE PRESIDENT : A private Member cannot bring in any amendment for increase in taxation. That has been ruled over and over again not only in this House but also in the Assembly.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : That means that in case we have to propose any increase in taxation, we have to take the permission of His Excellency the Governor General and in this case as His Excellency has already sent a certified measure we could not reasonably expect that he will give permission for those amendments to be moved. Sir, as my Party had decided not to move any amendments and as you also have ruled that they are out of order, I am not going to move them.

Sir, my Honourable friend Mr. Ramadas Pantulu has observed that as he himself has experience of working of sugar mills he can say that most of the mills at present cannot make their way to pay. The Honourable Mr. Nixon has pleaded his own justification for increase in the sugar duty but the best way to see is after a year's working whether the observations and arguments put forward by the Honourable Member prove correct or not. Then in regard to a number of forecasts which Government have made here, time has proved that they were wrong. For instance, the policy of reverse councils was introduced and then a great deal was said about their benefitting India to a very great extent but time proved that that policy was wrong and that that policy was disastrous as far as the interests of India were concerned. My friend has also observed about the exchange ratio and time is now approaching when the Government will be forced to change it, because they will not be able to find funds to keep up this artificial rate, when the export of gold stops.

Sir, when I was speaking on the budget, I brought it to the notice of the Honourable the Finance Member that there was a rumour in Java that the Dutch Government practically forced the British Government, in order to meet their demand for some international complication to increase the excise duty here and do all they can to reintroduce the entry of Java sugar into India. The Honourable the Finance Member did not say anything on this point, whether that rumour was right or wrong. In case it was wrong, it ought to have been corrected.

THE HONOURABLE SIR JAMES GRIGG : Will the Honourable Member just tell me exactly what rumour he was referring to ? I did not quite catch him.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : When I was speaking on the budget I said that while I was travelling in Java I heard there that owing to the international situation in the Far East the British Government were made by the Dutch Government to agree to take some measures so that their import of Java sugar into India may be revived.

THE HONOURABLE SIR JAMES GRIGG : I am not responsible for the rumour. I never heard the rumour, but I can assure the Honourable Member that as far as I am concerned, the rumour that the import of Java sugar is a motive in our policy is quite untrue, and indeed I would bet the Honourable Member quite a considerable sum that the imports of Java sugar as a result of the increased excise will not be increased by one ounce !

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : I am glad that the Honourable Member has contradicted that rumour. I am not accustomed to betting, so I will not bet !

Sir, I must express the opinion of the public who are in the know that this increase in excise duty on sugar will be disastrous to the sugar enterprise and to the sugar industry. Next year will prove whether this action of Government resulted in the encouragement of that industry or led it to a disaster. In my budget observations I also remarked that there is a suspicion in the mind of the public that the present policy of the Government of India is to discourage industries. On that very important point the Honourable the Finance Member did not give any reply. I should also request him to kindly throw some light—whether that impression in the minds of certain sections of the people is right or wrong ?

[Rai Bahadur Lala Ram Saran Das.]

Sir, the present composition of this House has proved that the opinions and the views put forward by the elected representatives of the people are ignored in this House and that measures are carried with the majority which consists mainly of officials and nominated Members. Sir, at the present juncture when there is a great international trouble going on, I think it is not in the rightness of things that Government should have flouted the opinion of the elected Members of the Legislature. Many proposals were made to balance the budget by other means and by raising other taxation but no attention has been paid in that direction and the Government has followed their own autocratic opinion. Sir, the general practice of Government, so far as the framing of the budget is concerned, is that first the expenditure is determined and then the income side is afterwards considered and the deficit if any is made up by increased taxation. Anybody can do that, Sir. But that is not the economic or commercial method: it is a practice which has been adopted by Government purely for political reasons of which we are not aware.

Sir, my Honourable friend, Mr. Ramadas Pantulu, made certain observations regarding the duty on salt. My own personal opinion is that the duty on salt is a very evenly divided duty and that one does not feel it very much. I have not been able to understand so far how a difference of a few pice in the annual budget of a poor man will effect him a great deal. So, Sir, as far as the salt duty is concerned, I have no grouse. But so far as other taxations are concerned, I have a grouse and I agree with Mr. Ramadas Pantulu that in times of deficits the Government ought to really cut down their top-heavy expenditure. The abolition of the Lee concession and other allowances and cuts in high salaries are the things to be enforced again. And the small deficit could easily be met.

Sir, so far as the raising of the excise duty is concerned, the corresponding increase in the import duty has not been made. On the other hand, the import duty has not been correspondingly decreased. The arguments which have been put forward are that a higher tariff wall is not now necessary. But, Sir, my own view and it is a view which is shared by the general public is that the Government's action in not correspondingly keeping the import duty on the same level as the excise duty will not be in the interests of the Indian sugar industry. I have already said, Sir, that unless and until the budgets are framed purely on economic and accounting grounds, making a deficit or surplus budget is entirely at the will of the Finance Member. Sir, we deplore the action of the Government that for the last three years supplies are secured by the certification of His Excellency the Viceroy and that the views and decisions of the elected representatives of the people of India are flouted.

Sir, I do not agree in the view which has been expressed by one of the speakers that this House should not have any say in financial matters. The new constitution I am glad to say gives some power to this House in that connection. But, Sir, I must say that in the present condition of our industries and particularly of the sugar industry, in which, if I mistake not, over Rs. 30 crores of Indian capital have been invested, this increase ought not to be allowed to be forced. Sir Vijayaragavachariar observed as a practical expert that this additional duty will adversely affect the sugar cultivation. Already the cultivator pays very high rates of land revenue as well as water charges on cultivation of sugarcane, and in case the cane price is forced down the poor cultivator will certainly suffer. Sir, I might also say in passing, that in case the Government want to really have democracy introduced into this country this is not the practical method of proving their intention. We are

on the eve of provincial autonomy. The Government of India is proving how these special powers vested in the Provincial Governors and in the Governor General are being used and I must say, Sir, that the people of India are getting nervous as the special powers of these Provincial Governors and the Governor General will be used in the near future in the present manner.

I do not want to detain the Council any longer. I would again say that the Government ought to take certain Members of the House, if not all, into their confidence and stop this practice, which is now becoming a common feature, of presenting certified Finance Bills every year.

THE HONOURABLE HAJI SYED MUHAMMAD HUSAIN (United Provinces West: Muhammadan): Sir, the Honourable Member has moved that the Bill before us be taken into consideration. But with that Motion there is a proviso—a big proviso—"Do not change a full stop or comma in it"! How are we then to consider the Bill? The position is hopeless. If the second alternative suggested by the Honourable Mr. Sapru had been adopted, it would have been something, and we could have expressed our views with some satisfaction. Today we are just like speaking in an empty hall before a looking glass. Our speeches make no impression. The Honourable Members on the other side rely more on the number of their votes than their reasoning. This was not the time, particularly when we are just on the eve of the reforms, when this procedure should have been adopted. However, one has to make the best of a bad job, and I shall express my views on the Bill before us, whether it makes any impression or not.

My first point is the policy of excise duties. The time has come when this policy ought to be revised. To tax such industries which produce the necessities of life and kill them at their very growth is a bad principle. If it was impossible to obtain money from other sources, and if this was the only source, then it was a different matter. The sugar industry is still in its infancy. You have given protection only a short time ago. The sugarcane growers, in the hope that they will be able to sell their crop to mills, have cultivated sugarcane in very large quantities. What are they to do now? The mills under such circumstances cannot work with profit and a good many mills will stop. What will happen to the sugarcane which has been cultivated? As pointed out by the Honourable Mr. Kalikar, it was only a question of Rs. 150 lakhs. It could easily have been squeezed out by a little reduction here and there in the expenses and by taxation of such articles which are not useful but in a way injurious. They are extreme luxuries. Take, for instance, cigars and cigarettes. Since the increase in the import duty, many European firms have taken to manufacture cigarettes here. Why not tax them? Why tax the poor sugar industry which is still in its infancy? There is another article of extreme luxury, wines and spirits. They are not necessities of life, nor are they beneficial. I do not say that they are not taxed. But I say that in comparison to the sugar industry, they could have been taxed with justification. I know that the Honourable the Finance Member is very much handicapped in more than one way. There is the new Government of India Act which means additional expense. Then there is the Ottawa Agreement, which has been denounced. Then there is the compulsory subsidy to Burma, which is going to be separated from us the day after tomorrow. Then there is the demand of His Excellency the Commander-in-Chief for tremendous military expenses. In spite of all these handicaps, if the Honourable Member had applied his mind as a free person, I am quite sure that it would have been possible for him to balance his budget without touching sugar and other things which

[Haji Syed Muhammad Husain.]

are before the House. I have cited one or two industries which could have been taxed. It was only a question of Rs. 150 lakhs. Then there is the embargo on gold export. An export duty of 5 per cent. would have brought more than what the Honourable Member wants. But the Honourable Member is pulled from the Home Government. He has not strength enough to say "No". He has to abide by the decisions from home. Then he has to obey the Commander-in-Chief in providing for military expenses. But how can these things satisfy the Indian taxpayer? A feeling of resentment has been aroused. As I just remarked, Rs. 150 lakhs could have been squeezed out from other sources and not taken out of these industries. I am sure the sugar industry will be killed by this.

There is another aspect of the matter. Why should we vote for this Bill when you do not devote your attention to the reduction of expense? This amount could have been easily obtained by a very reasonable and slight reduction in military expenditure. The question of military expenditure is a very sad story. When one compares the percentage of Indian revenue spent on the military in this country with the percentage of the revenue which is spent in England and Germany, one cannot help thinking that the resources of this poor country are being employed for maintaining British imperialism. Imagine that nearly 62 per cent. of the total revenue of this country is being spent over the maintenance of the army, while in Australia, which is strategically in a worse position than India, only 7 per cent. of their revenue is spent on defence. The staggering figure spent in this country on the military is sufficient to arouse the spirit of even a slave nation. In this connection my submission is that the British Army, which amounts to nearly 70,000 in this country, is not absolutely necessary. The cost of a British soldier is three times as great as the cost of maintaining an Indian soldier. It is not possible to say that this army is necessary for protecting this country from foreign aggression. It is too small a force for that. If ever unfortunately a time came and we had to defend our frontiers, the whole of the burden would fall on the Indian Army. Therefore there is no question of the British Army being kept for the defence of our frontiers, because it is hopelessly insufficient for that purpose. It may be kept only for emergencies in case internal peace is disturbed, or for imparting such education and discipline to the Indian soldiers as may be necessary for the Indianisation of the army, not at the pace that is going on now, but at a much quicker rate.

THE HONOURABLE THE PRESIDENT: Will you please revert to the Finance Bill? We have had too many talks on the military expenditure during the last ten days.

THE HONOURABLE HAJI SYED MUHAMMAD HUSAIN: I will do as you order, Sir, but my difficulty is that if I confine myself to the words of the Finance Bill, they are so few that however much we may try we will only repeat silver, salt and sugar over and over again until we get so thirsty that we will have to drink *sharbat* in a silver cup, and yet it will be impossible for us to occupy even that much time which you have been good enough to allow this House on those subjects. While discussing the Finance Bill, with your permission and indulgence we have to show why that money is unnecessary and why it should be voted when other sources are open.

Now, I am aware that the Defence Department in India has no voice in formulating policy. It is really the Home Government

which formulates the policy. Even the Government of India and the Secretary of State cannot force their will. What I want to impress in this connection is that the expenditure on this Department is so much that a little reduction could easily give us all that is needed to cover the deficit for which this Bill has been introduced. As I have said, if the number of British soldiers is decreased and the number of Indian soldiers increased, this reduction in the British strength will give us a budget which will not be so heavy as it is today. The pace of Indianisation of the army has been dreadfully slow in the last 17 years. If we proceed at that rate it will take a century! There are 7,000 British officers in the country, and every year only 60 or 70 Indian officers are taken. It is said that the proper material for officering the army cannot be found in sufficient quantity in this country, and again and again it has been said that the pace of Indianisation must be very slow and only after experience has been gathered. I say the Indian soldier has shown his capacity to fight wherever he has been sent. Think of what Indian soldiers did in Mesopotamia, Iraq, Egypt and Europe. They have established their worth. The only thing is that the officers have not been given their chance, and if they are given their chance you will see that he will prove himself to be no worse than any other officer and will be quite capable of leading his men to victory. Therefore I warn the Government that the time has come, and the youth of this country is restless and impatient at the pace of Indianisation in the army, the Indianisation should be accelerated.

There is just one other point I want to bring to the notice of the House before I sit down. We are asked to vote for this Bill in spite of the numerous criticisms which have been made against its provisions, while such bitter things are happening abroad that they will not make any Indian feel like voting for a Bill like this, which is neither necessary nor according to the proper taxation tenets, and that is the condition of Indians abroad. You say you want us to be equal partners within the Commonwealth of the British Empire. But what is happening in South Africa? Just when their delegation was touring this country it is said that Mr. Billimoria the sportsman of this country was being insulted on the shores of South Africa. He was not allowed to land. This morning in answer to question No. 93 of the Honourable Mr. Kunzru, what has been said? I ask: Is that how India is going to be kept a partner, an equal partner, within the British Empire? If things like this continue, there is an imminent danger of this partnership being dissolved. I ask that just at a time when this country is asked to enter into a partnership, what has happened and what is happening to Indians abroad? It is impossible for anyone to deny that it is most unjust, most unfair, insulting to the honour of this country. I know that the Honourable Member, the Government of India and everyone here, whether Indian or European, all feel for Indians abroad and representations have been made by the Government of India. We are obliged for that. But that is not enough. At the time when you enter into service, you do take a certain undertaking to serve India faithfully. When you say that you make representations and your voice is not heard by the Colonial Office, what is the honourable course for you to do at that time? The only honourable course for you to do is that right from beginning to the end the whole of the Government of India ought to resign as a protest and then and then alone their voice will be heard by the Colonial Office. That is the most honourable thing that can be done. If you are too weak to go to that extent, I appeal to you, that today you should vote with me and reject the Finance Bill.

With these remarks, Sir, I oppose the Bill.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern : Non-Muhammadan) : Mr. President, my Honourable friend Mr. Nixon used persuasion in his speech to convince us that the policy adopted by the Government was a sound one. My Honourable friend does not seem to me to have that love of pugnacity that characterises his chief and therefore—

THE HONOURABLE SIR JAMES GRIGG : I assure you you are wrong.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : I should be very glad to believe it ; I am not interested in believing the reverse of it. Not regarding himself as a knight in a tournament he made every effort to bring conviction to us by placing before us facts which, in his opinion, justified the taxation proposals. Now, let us see whether the picture that he presented to us was the right one that the House should be asked to look at. My Honourable friend Mr. Sapru has dealt with the question of certification so fully that I do not propose to deal with it now. It would be an unpardonable waste of the time of the House on my part to repeat the arguments which he has already acquainted the House with. I will only say that if we are to be presented with accomplished facts year after year, the debates here are a farce, and this House an unnecessary legislative encumbrance.

Coming to the arguments used by my Honourable friend Mr. Nixon we have to consider the matter from two points of view. We have first to consider whether the expenditure incurred by the Government of India is such as to meet with our approval. I do not wish to go into that question at length, but when we are asked to approve of additional taxation we are bound to question ourselves with regard to the policies of the Government of India which impose a certain amount of expenditure on us. Everyone here knows that Government have not been idle since economic depression overtook this country in common with the rest of the world. But I feel that in spite of all that has been done in the matter of retrenchment of expenditure we have a right to ask that the policies of the Government of India should be further modified and that expenditure should be further reduced. Let me first give two or three examples which seem to me to be an indication of the unfortunate attitude in regard to financial matters that still persists in the minds of Honourable Members opposite. At a time like this stringent economy is not only desirable but absolutely necessary. Now, let us see whether the officers appointed in the Secretariat are being called upon to do work which would not be adequately performed but for them. It is obviously impossible for an unofficial Member like myself to have detailed information on this question. But even so, I can put forward one or two examples which are sufficient to rouse the suspicions of Honourable Members on this side and to make them feel that the Government of India are still not quite as earnest about economy as they ought to be. Sir, there is in the Railway Board here an officer belonging to the Indian Civil Service who I believe has been on special duty for some length of time. It is hard to ascertain what is the special work that has been entrusted to him, what is the special duty in which he is engaged at present. Government may for the purpose of replying to me point out something or other that he is doing, but that cannot be an adequate reply to my question. I daresay no one in the Government of India is allowed to sit at home and to earn a comfortable salary, but what we have to ask ourselves is whether the officer concerned has adequate work to do ; whether there was any need for him here. So far I have not been able to ascertain that definite work of any importance has been assigned to him. Perhaps he was placed on special duty as it was expected that there would be a great deal of work to be

done in connection with the establishment of the new Railway Authority ; perhaps it was thought that legislation in that connection would have to be brought forward, but so far no step in that direction has been taken and consequently I understand that this officer is really without any responsible work to do. Take another case. Another member of the Indian Civil Service has, I understand, been appointed by Government as the Government Whip in the Legislative Assembly. He is a Deputy Secretary in one of the Departments of the Central Government. Now, I understand that this work of his is to be regarded almost as a whole-time job. He may, when he has obviously absolutely nothing to do, be sent back to his Department and be asked to undertake some work connected with it. But on the whole I have been led to believe that the duties of a Whip would be regarded as normally occupying his whole attention. I could give one or two other instances of this kind but I do not wish to prolong the debate unnecessarily. I shall proceed now to deal with bigger subjects, and I have inevitably to deal with the army because that is our largest spending department.

I have no desire to go into the details connected with the Army Department because several questions relating to it have recently been discussed in this House. It is however still pertinent to point out that, owing to the policies pursued by the Government of India and His Majesty's Government, the expenditure of this Department is at an unjustifiably high level. If a national policy were pursued, if the aspirations of nationalist India were heeded, I maintain, Sir, that without reducing the strength of the army by a single soldier, without affecting its equipment, without in any way lowering its value as a fighting machine, the expenditure on it could be substantially curtailed. This could be done by the substitution of an Indian for the present European agency, both in the higher and in the lower grades. His Majesty's Government are giving a subsidy of Rs. 2 crores to us because of the heavy burden of our military expenditure. This amount is not an entirely new one because it includes £130,000 which used to be paid to us in part payment of the transport charges of British troops. But even the whole of this amount bears no proportion whatsoever to the weight of the military expenditure which we have to bear owing to the retention of a large British Army in this country. Here, Sir, it is entirely a question of policy that divides Government and ourselves. For some reason which Government have never been able adequately to explain they still persist in arrangements which can only be regarded as being based on racial distrust and on a desire to hold India down by force. The least that Britain should do then in return for the maintenance of its power in this country is to increase largely the contribution that it makes towards the cost of the British Army in India. If Great Britain were to realise its responsibilities in this matter, if it could be made to see the crushing burden that its military policy imposes on this country I am sure that, however objectionable the continuance of such a policy might be to us from a political and constitutional point of view, it would at any rate be forced to do us greater financial justice than it has done hitherto. If the financial justice that is due were to be done to us, even partially, the Finance Member would not have to come to us to ask for additional taxation to the tune of Rs. 1 crore and 60 lakhs.

Sir, even apart from the army, the expenditure that is incurred has not for its object the raising of the status of Indians in their own country. I dealt with the position of Indians in the Secretariat of the Government of India a few days ago. It is unnecessary to repeat the facts or the arguments that I used then. The review of the situation which I made then clearly showed that it was not considerations of justice and fairness that guided the Government

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of India in making appointments to responsible posts but a desire to keep Britishers there as long as possible. I have no doubt that such a statement would be very unpalatable to Honourable Members opposite but in order to show that justice of my remarks I will refer only to one example. It relates to the appointment of a military officer by the Finance Department to act as the Financial Adviser to the Army. I have no desire, Sir, to use strong language but with all the restraint that I can impose on myself I cannot help asking Government whether this was not a scandalous appointment? What reason can be given for appointing a subordinate of His Excellency the Commander-in-Chief to act as a check on the army in financial matters? Was it impossible for Government to find an officer of the Indian Audit Service to appoint as the Military Financial Adviser? This Adviser has been there for a long time. I do not know when the present arrangement will be changed but the length of time during which it has lasted and the indifference shown by Government to the appointment of capable Indians who are available to responsible posts shows clearly the point of view which, notwithstanding the change in the Indian constitution to which they frequently draw our attention, they continue to hold. Now, Sir, this being the present state of things, we cannot naturally be expected to be enthusiastic over any proposals of taxation that Government might bring forward. When the expenditure is unnecessarily heavy and when it is incurred on objects that I am bound to regard as anti-national, our attitude towards measures of additional taxation will naturally be not merely critical but hostile. But the measures that Government have introduced are apart from this of such a character as to call for the opposition of at least the elected Members.

I will first take up the silver tax. My Honourable friend Mr. Nixon has tried to persuade us that the silver duty would do no harm to the poor man. It may be a tax on his capital, but then it will increase the price of silver internally. I cannot forget the point of view to which the Honourable the Finance Member expressed his adherence in the budget debate which took place in this House a few days ago. Replying to the criticisms that were urged against the silver duty, he said:

"There is nothing particularly wrong in principle in a tax on capital provided that it is otherwise unobjectionable and for my part I am not in the least penitent about increasing a tax on hoarded capital, capital which is not applied to any remunerative purpose. And that is the answer I would give to Pandit Kunzru. Even if this silver is hoarded by the villager and it is a tax on his capital or his savings, I do not feel perturbed about that, if it will induce the villager to put his savings into a more remunerative form."

We all know, Sir, the opportunities which the villager enjoys of investing his savings in remunerative forms. We know the state of utter ignorance in which he lives. It is for Government to spread education in the villages, to create confidence in his mind in the banking system of the country and to induce him to part with money. The question is not as easy as Honourable Members suppose, for some of the money which the villagers keep with themselves in the form of silver is due to the fact that the silver ornaments which Hindu women use are their sole property. They are their *stridhan*, which cannot be taken away from them by anybody. The system in this country will have to be greatly changed before the villager will be prepared to invest all his money in a bank even if banks were within reach of him. The Honourable Member referred to postal cash certificates in the budget debate. The postal cash certificates are there, and they have proved sufficiently attractive. Who could have thought, when the rate of interest on these certificates was high, that they would prove as attractive as they did? I do not think,

considering the investments in the postal cash certificates, that the Honourable Member has any right to charge the villager with ineradicable conservatism. Indeed, the example of the postal cash certificates shows that if proper methods of propaganda are used, if the villager can be made to understand the value of banking investments, he will not be slow to respond to new influences. But, Sir, I will assume for the moment that there is no harm in taxing the poor man's capital. I do not admit that myself, but I will assume that for the sake of argument. Now, my Honourable friend Mr. Nixon says the villager will not suffer on the whole because what he loses on account of the import duty, he will gain because of the higher internal value of silver. How is he going to gain internally? I suppose what my Honourable friend meant to say was that prices in this country would go down.

THE HONOURABLE MR. J. C. NIXON: The price of silver will go up.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Yes, the price of silver will go up. The price of commodities will go down then. If the internal price of silver goes up, I suppose that its purchasing power will also increase. Now, if we have to impose a tax on capital, which is better, a tax on silver or a tax on gold? I think that a tax on gold would be far better, for the effect of it on prices as can be understood easily by Honourable Members would be beneficial to the country. My Honourable friend the Finance Member has said more than once that Government might think of putting an export duty on gold if their object was to devalue the rupee but as they do not wish to do that, they have no desire to put an export duty on gold. He and we hold entirely different opinions on this subject. But what he has said is sufficient to show that if it be the desire of Government to bring about prosperity in this country and to increase the purchasing power of the people, a tax on gold would be far preferable to a tax on silver. The present savings of the poor man might be reduced in value because of the export duty, but if prices rise, a temporary loss would be nothing in comparison with the permanent and more substantial gain that he will make thereby.

I will now pass on to the question of sugar. Let me, like my Honourable friend Sir Ramunni Menon, preface my remarks on this subject with the statement that I am not connected, directly or indirectly, with the sugar industry. I have nothing whatsoever to do with it in any shape or form. I am interested in it merely as a citizen of this country. Now, Sir, what is the position in regard to this industry? The Tariff Board proposed a certain duty on foreign sugar in order to build up the industry in this country. At the time the Board reported, the Government of India had already imposed a heavy duty on foreign sugar and were deriving a large revenue from it. Besides, the Local Governments were in a state of considerable difficulty. The state of their finances was causing them the greatest anxiety. It was felt that if the sugarcane grower could be helped by the establishment of a sugar industry the financial position of the Local Governments would thereby be greatly improved. Consequently, when we take into account the loss of revenue to the Central Government, we must bear in mind the gain of the Local Governments. Now, at the present time the revenue of the Government of India has gone down and they wish to get back a portion of the money that they have lost to the Provincial Governments by imposing an excise duty on indigenous sugar. This is the second occasion on which Government have come before the Legislature with a proposal to levy such a duty. I hold no brief for the Indian industrialists engaged in sugar, but if Government find that the sugar industry has for years been able to do with a smaller duty than that recommended by the Tariff Board, then I submit that the right thing for them is not to impose an additional excise duty but to reduce the import duty. The Tariff Board I know is considering this question, but if Government were not prepared to

[Pandit Hirday Nath Kunzru.]

wait for the Report of the Board before levying an additional excise duty, I submit that even as a temporary measure it would have been better for them to reduce the import duty than to impose an excise duty. I do not mean to say that the effect on the cane grower would in either case have been different. The effect on him would have been entirely the same. But I do submit that the process that I have suggested would have been sounder.

Sir, my Honourable friend Mr. Nixon contended that the excise duty which Government propose to levy would not be against the interests of the consumer or of the grower. Now, it is true that the price of sugar has not risen on account of the duty, and consequently the consumer is not affected thereby. But I am unable to accept the statement that the cultivator also is not being affected by the duty. I do not know what is happening in other provinces, but in the United Provinces from which I come, I understand that the price of sugarcane has already been reduced by a pice per maund. I also understand that while at this time the sugar manufacturers were usually willing to pay a higher price than that fixed by the Local Government, they are not prepared to do so now. I am not at all in favour of the attitude which has been adopted by the sugar manufacturers in some parts of the country. No one here will support them in their attempt to close down their factories for a while to create serious difficulties for the villager in order to bring pressure to bear on Government not to proceed with their proposal for the levy of an excise duty. But their attitude shows very clearly their unwillingness to pay as high a price for sugarcane as they used to. A heavy import duty was levied on foreign sugar in order to improve the condition of the cultivator and if that is not going to be achieved, then I am afraid it cannot be claimed that our policy has been successful. The manufacturers unable to pass the duty on to the consumer have passed it on partially to the cultivator.

Sir, I shall be asked at this stage as to what the Government of India are to do in the immediate present when they are faced with a deficit of Rs. 1 crore and 60 lakhs. Disagreeing as I do with the policies of the Government of India, it is no part of my duty to suggest alternative methods of taxation. But if it were made incumbent on me to put forward proposals of my own, I would make bold to say that the re-imposition of a surcharge on the income-tax on higher incomes and on super-tax would be preferable to the method now adopted by the Government of India. The surcharge would fall entirely on those who can bear it. A part of the excise duty however admittedly falls on the poor man, on the cane grower, the cultivator, whom it is the object of our protective policy to benefit. The Honourable the Finance Member may have been right in reducing that surcharge by two instalments, when he took action in that direction, but what is there to prevent him from re-imposing it at its old level? I venture to think that a proposal of that kind would be received with less hostility by nationally-minded Members of the Legislature than the present proposal has been.

Sir, I do not wish to prolong this debate unnecessarily by repeating arguments which have already been advanced by other Members, but I hope I have been able to show that the measures advocated by Government are not, strictly speaking, necessary, and that from the point of view of the masses they are not the best possible that could have been brought forward. They could have suggested measures which, while bringing them the necessary revenue would have spared the poor man. They have, however, chosen a method which will make a part of the burden fall on the man whose welfare ought to be a matter of special solicitude to us. For these reasons, Sir, I oppose the consideration of the measure before the House.

THE HONOURABLE SIR JAMES GRIGG (Finance Member): Sir, I understand that at the beginning of the debate this morning, Pandit Sapru, that paragon of learning and good manners, complained of my not being here to listen to him. Well, Sir, as you are aware, at the time I was detained in another place on official business and could not be here at the beginning of the debate and I am sorry if that caused the House any inconvenience, but from the report which I have had of the learned Pandit's remarks I have satisfied myself that in not being here to listen to him I at any rate missed nothing of importance!

THE HONOURABLE MR. P. N. SAPRU: You would miss nothing of importance anywhere!

THE HONOURABLE SIR JAMES GRIGG: Certainly, as long as you are speaking!

Sir, the character of the speeches on the Finance Bill debates in the Legislature has by now acquired a certain rhythm. First of all, there is the motif of putting up something which I did not say at all and then knocking it down. Then there is the motif of repeating your own or somebody else's speeches of last year or the year before that without any reference to the lapse of time or without any reference to subsequent events or any argument or information which has been brought to bear upon those speeches. And there is the third motif of voicing emphatic protests—we heard two Members voicing emphatic protests which could with difficulty penetrate about three yards. If their protests were no more emphatic than the way in which they uttered them I do not think they could have been very sincere.

I come to the first motif—putting up something which I did not say and knocking it down. The Honourable Mr. Kalikar indulged in that performance and I am afraid even after several efforts I was quite unable to get into his head the difference between saying that something was of no importance at all and of deprecating attaching an exaggerated importance to it. Well, if it is not obvious on the face of it, I cannot say any more to bring it home to the Honourable Member. But what I would add is this, that at the time of the budget it was thought necessary to take special steps, the imposition of taxation, to fill up a gap of Rs. 165 lakhs. If the wishes of another place were to remove taxation of Rs. 165 lakhs, then if I was of opinion that it was necessary to fill up a gap of Rs. 165 lakhs in the beginning it was quite clearly necessary that some special measures should be taken to fill up the gap which the votes of the Lower House had made in the Finance Bill. That is the first motif, as I say, of putting up a bogey, a non-existent bogey, and then trying to knock it down. There is the second motif—vain repetition and that was adopted by the learned Pandit Sapru and the Leader, if not the sole representative, of the Congress Party. I suppose in that case repetition takes the place of ratiocination. They repeat the rubbish that they talk so often that they believe it—

THE HONOURABLE MR. P. N. SAPRU: Is the Honourable Member in order? Is it a Parliamentary expression?

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Is it Parliamentary to characterise another man's speech as rubbish?

THE HONOURABLE THE PRESIDENT: Will you please withdraw?

THE HONOURABLE SIR JAMES GRIGG: I withdraw the word "rubbish" and repeat that what they say so often they begin to believe.

THE HONOURABLE MR. V. RAMADAS PANTULU: May I use the same expression next time that the Finance Member speaks?

THE HONOURABLE SIR JAMES GRIGG: I have got something more to say to Mr. Pantulu—and that with your permission, Sir, 4 P.M. Mr. Pantulu has repeated his untruth, and if he does not understand even that word I will use a shorter one! He does not seem to understand terminological inexactitude; perhaps he will understand untruth.

THE HONOURABLE MR. V. RAMADAS PANTULU: I am saying that yours is the untruth!

THE HONOURABLE SIR JAMES GRIGG: He repeated the untruth that I was here as a representative of British interests. Perhaps even there he has repeated the untruth so often that he believes it. Certainly, Sir, I could with far more truth call him the jackal of big business posing as the friend of the poor! On the last occasion on which I attended a debate in this House he gave certain assurances to the rich. I do not know whether his leader Pandit Jawaharlal Nehru gave him permission to make those assurances which he certainly did. He exhorted the rich not to be worried, because the Congress Party were not going to do them harm. Perhaps to call him anything so fierce as the jackal of big business would be rather absurd. It would be almost as ridiculous to call him a wolf in sheep's clothing. The best thing would be to call him a sheep in wolf's clothing! Those speakers, both, dealt with the constitutional question, which of course is one which is agitating the public a good deal at the moment. No one regrets more than I do that this Bill has had for the third time in succession to come before this House in a certified form. But that is not the point. The point is whether we are justified in over-riding the wishes of the Assembly in order to secure the supplies necessary for the year. Naturally at this particular time I do not want to add fuel to any flames which other events may be causing. But I would say two things. The first is to read a paragraph from the Report of the Joint Select Committee on the 1919 Government of India Act—the Government of India Bill as it then was—in order to show what the position of that constitution which is now in process of passing away really was. A good deal has been heard from people in another place that it is our business to carry out what we are told to do by one or other of the Legislatures irrespective of any considerations of finance or anything else. Here is the Report of the Joint Select Committee on that particular provision—the certification provision in the Bill:

" Clause 25.—This is a new provision for the submission of the Indian Budget to the vote of the Legislative Assembly, on the understanding that this body is constituted as a chamber reasonably representative in character and elected directly by suitable constituencies. The Committee consider it necessary (as suggested to them by the consolidated fund charges in the Imperial Parliament) to exempt certain charges of a special or recurring nature, which have been set out in the Bill, e.g., the cost of defence, the debt charges and certain fixed salaries, from the process of being voted. But otherwise they would leave the Assembly free to criticise and vote the estimates of expenditure of the Government of India. It is not"—this is the important phrase—"It is not, however, within the scheme of the Bill to introduce at the present stage any measure of responsible government into the central administration, and a power must be reserved to the Governor General in Council of treating as sanctioned any expenditure which the Assembly may have refused to vote if he considers the expenditure to be necessary for the fulfilment of his responsibilities for the good government of the country. It should be understood from the beginning that this power of the Governor General in Council is real, and that it is meant to be used if and when necessary."

The important phrase is reproduced in the Report on the later clause—actual certification of legislation. The words I wish to call attention to are these:

"It is not, however, within the scheme of the Bill"—that is the 1919 Bill—"to introduce at the present stage any measure of responsible government into the central administration."

That, Sir, means that the existing central constitution is absolutely different from the constitution offered to the provinces under the 1935 Act. There in the provinces there is a very real transfer of responsibility and that is quite a different thing from a constitution where it is openly avowed that there was no intention of conferring real responsibility. On the constitutional issue, that is all that it is wise to say at this particular moment.

Then, Sir, Mr. Ramadas Pantulu went on to trot out the old mercantilist argument. It is really a little heart-breaking to come across fallacies of this character and to find them repeated in virtually the same words time after time. I apologise for taking up this point after Sir Ramunni Menon's very thoughtful argument on it. It ought not to be necessary. But I do not for a moment suppose that his preaching will be any more successful than that of the innumerable other people who have tried to expose this fallacy. Perhaps however the organ of hearing may in the long run be effected and the Honourable Member, if he hears the truth often enough, may believe it. It is not the point at all whether the price of sugar is lower than what it was. The point is: Is it lower than you could get it from elsewhere? Nor is it the point that you used to buy Rs. 16 crores worth of sugar abroad and now buy it in India. The point is. How much would you have to pay for your present consumption of sugar say in Java, and there is no doubt whatever, leaving out considerations of the duty, that, for every Rs. 3 crores worth of sugar that is consumed in India, you would only have to pay a crore if you bought it in Java. There is no doubt about that whatever. And the Rs. 2 crores must come from inside India and it must come by reducing the consumption by Indians of other commodities and presumably of commodities which are producible more economically than sugar is. And there is no doubt whatever that, it is almost universally true that diversion of consumption from more economically produced commodities results in economic loss and it is no good concentrating your attention on the sugar industry and its surroundings. You must devote your attention to industry or rather production as a whole. That is one of our main difficulties in answering the absurdities of the protectionist argument,—that we should isolate the one particular industry and leave out everything else. The Opposition case to protection is that the general community loses more than the particular protected interest gains, and I do not think any economist can be found who can rebut that argument.

Then, Sir, on the particular question of this increase in the excise. Sir Ramunni Menon referred with some acerbity to the propaganda of vested interests. I must say I entirely agree with him and knowing some of the particular vested interests who are indulging in propaganda I would say that the very fact that they are getting excited about the interests of the cultivator makes me absolutely convinced that it is not the cultivator who is going to suffer. The particular people who are indulging in propaganda are not interested in the cultivator one scrap. It is their own pockets.

Sir, may I read to the House an extract from the opinion on this question of a man engaged in the producing side of the sugar industry which might act as an antidote to the interesting propaganda that is going on?

"There has been a good deal of pother about the increase of the sugar excise. Personally I believe that the policy, apart from the benefit accruing to Government in increased revenue, is a sound one inasmuch as it tends to have a steadying effect on the industry."

[Sir James Grigg.]

The origin of the troubles that have led up to the present state of the industry can, I think, be traced back to 1931, when protection was granted by an excessively high tariff. It resulted in a hectic and ominous rush to put up factories in order to reap big profits on the get-rich-quick idea and with insufficient foresight and care for the future. Nowhere has there been such a rapid and vast expansion of the sugar industry in such a short time as in India. Within two years of the granting of the tariff the number of factories rose four-fold and the output of sugar was trebled. Today there are over five times as many factories as before the tariff. Moreover, the majority of the mills, for no tangible reason, were huddled close together in one or two provinces in sub-tropical Upper India instead of spreading them over the whole country, especially in the tropical parts. Further, in some of the post-tariff factories the plants have proved of inferior quality and deficient in operation, which gives rise to the supposition that they were purchased without adequate technical knowledge. Nor can it be said that many factories have been run and maintained in an efficient manner. In the circumstances it is not surprising that today the industry as a whole is neither efficient nor stable.

Another important aspect is the lamentable lack of unity and co-operation among the milling companies, the necessity for which is abundantly exemplified in other countries. Hence the irony of cut-throat competition in the sale of sugar with disastrous effect on prices instead of pulling together to keep up the market by utilising the liberal tariff to the full. And as the prices of sugar fall so the factories tend to increase their production in order to decrease the cost of production. At present the total production seems about to exceed the home consumption. The increase in excise should, *inter alia*, have a wholesome effect on the rise of production. In this respect the principle of the imposition of this excise is sound, but even so further measures will be needed for the effective stabilisation of the industry.

THE HONOURABLE MR. P. N. SAPRU: Sir, is the Honourable Member permitted to read from the newspapers?

THE HONOURABLE THE PRESIDENT: He is reading the opinion of a person engaged in the industry.

THE HONOURABLE SIR JAMES GRIGG: Well, Sir, I am afraid I cannot unread it now!

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Is that a private statement that the Honourable Member has received or has it been published in the press?

THE HONOURABLE SIR JAMES GRIGG: It has been published in the *Statesman* of March the 20th. I read certain other extracts in the same sense in another place.

THE HONOURABLE THE PRESIDENT: Well, please don't read any more.

THE HONOURABLE SIR JAMES GRIGG: I am not going to, Sir. I take it that your ruling applies only to the public press.

THE HONOURABLE THE PRESIDENT: You are entitled to quote the opinions of individuals.

THE HONOURABLE SIR JAMES GRIGG: Well, here is something to the same effect showing that most of this agitation is fictitious. We have heard about this business of shutting down on the 31st March. Now, this is not the public press. These are certain Resolutions passed by the Indian Sugar Mills Association before there was any question of an increased excise duty. They were discussing then, in August, 1936, the question of shortening their crushing season. The following resolution, which was moved I think by Sardar Kripal Singh and seconded by Mr. Sherwani, who is one of the people who have been most vocal about the wickedness of the excise duty, is as follows:

"In view of the prospects of over-production of factory and khandsari sugar in the near future, and the large uncontrolled increase in cane cultivation which will result

in the failure of the ryot to find a market for all his cane, this Association recommends to the Government of India that legislation be introduced to prohibit the erection of new factories and to limit the output of existing factories by means of quotas so that the total production can be regulated in some close relationship with the consumption".

Well, the two measures proposed there are not within the competence of the Government of India—the licensing of factories and the establishment of internal quotas—nor indeed are they within the competence of anything but a Dictatorship backed by a pretty large army. The only thing that the Government of India could do in that direction is precisely what we have done, that is, an increase in the excise duty. Well, Sir, I do not wish for a moment to pretend that the primary motive was not the raising of revenue. But I do contend that at the same time as raising revenue for the needs of the Government of India, this measure will have a stabilising and beneficial effect on the sugar industry as a whole, and nothing that has happened since the imposition of the excise was made public has led me to think that we were wrong in thinking that this would have a beneficial effect in spite of the threats of some of the sugar-cum-political interests that this measure, which would diminish the protection of over 200 per cent. by one-fifteenth, would result in red revolution and bloodshed. The trouble about these vested interests, these manufacturing interests, is that they overstate their case, and they always ruin themselves by overstating their case and having it disproved in a very short time. I think Pandit Kunzru referred to the fact that this was the second time when a sugar excise has been imposed or increased in the Legislature. The first time I was not here, but to the best of my recollection, from reading the accounts there was a terrible outcry that this infant industry was going to be ruined and that every factory would have to shut up. What happened was that the number of factories increased enormously and what was apparent was that the amount of the excise was not sufficient to stop this over-rapid development of the industry. And here—I have said it many times before—I would like to assure Honourable Members opposite that I am not advocating and never have advocated pure free trade for India, or anything so absurd, at this time of the day. What I am advocating is that protection, if it is given, should be justified, and not excessive and that you should count the cost in revenue and to the consumer of the protection before you give it and not afterwards.

One little point that Sir Ramunni Menon raised, I may perhaps refer to now. He bewailed the cessation of the grants for rural development in the budget. I feel just as sad as he does. I for one will only be too glad if the improvement in the economic position of India and the consequent resilience on the revenue which can be expected from it will enable these grants to be re-started. I do not think he can expect me to say more than that at the present moment.

Then, Sir, we got the usual succession of alternative proposals for filling up the gap. Mr. Kalikar proposed to fill up the gap by imposing an embargo on gold export. Now, for the life of me—I may be rather stupid, but for the life of me, I cannot see how stopping altogether the export of gold and then imposing a tax on a non-existent export can raise any revenue? Perhaps he will find some other occasion on which to make that dark place plain. It is exactly the same thing as raising revenue by imposing a prohibitive tariff. The Honourable Mr. Muhammad Husain suggested imposing a higher taxation on some articles of luxury. Well, most of these articles of luxury are already showing signs of diminishing returns and there is not very much doubt in some cases that the imposition of a higher tax on them would diminish the yield and not increase it. That was not a very useful suggestion for finding new revenue to fill the gap.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: What about an increased import duty on artificial silks?

THE HONOURABLE SIR JAMES GRIGG: I really am not on cross-examination at the moment. I will discuss that with the Honourable Member in private.

THE HONOURABLE THE PRESIDENT: Don't forget the restoration of the surcharges. (Laughter).

THE HONOURABLE SIR JAMES GRIGG: Mr. Sapru and Pandit Kunzru adopted the less absurd form of proposing a heavy tax on gold export and not stopping the export. I do not see how they reconcile their conscience to proposing a tax which falls on the poor agriculturists themselves and their distaste for a tax on salt or a tax on silver, which is *ex hypothesi* hoarded or saved by the poor agriculturist. There is no doubt whatever that an export duty falls in the circumstances of gold, where we have a free world market, on the ultimate seller, and the Honourable Members, who have proclaimed from time immemorial that all this gold which is going out is distress gold of the poor agriculturist, are today proposing to fill up this gap in the revenue by imposing a tax which falls necessarily upon the ultimate seller, which according to their account is the agriculturist. We had other suggestions too. The Congress Party suggested that we should cut pay. Well, Sir, I do not wish to introduce a controversial topic here except to hint in passing that they at any rate have no right to speak about that sort of thing after the refusal of responsibility which we have just witnessed.

Perhaps I might say a few words in closing about military expenditure, and I would say quite frankly that I should be deceiving the House and myself if I thought or said that in existing circumstances, there was any possibility of reducing the military expenditure in India from its present level, or even that it would be desirable if it were possible. References were made—I did not quite catch them—to the cost of armaments in Germany and in Great Britain. Nobody knows the exact cost of armaments in Germany, because there are no published figures, but Mr. Churchill gave a figure, I think, in one of the debates in the House of Commons that Germany was spending on their armaments £800 millions a year. That is—I can be corrected if my hasty calculations are wrong—about 20 to 25 times India's military expenditure for a population of one-fifth of the size of the population of British India. In the United Kingdom, their latest proposals are to spend at the rate of £300 millions a year, which is eight times India's military expenditure, with one-eighth of the population of British India. Pandit Kunzru, I think, impinged more nearly on reality when he advocated an increased contribution from the United Kingdom. My recollection is—the House can correct me if I am wrong—that the late Commander-in-Chief expressed his sympathy with that claim and assured the House—I am speaking from recollection—but I think I have got the sense of what he said—

THE HONOURABLE THE PRESIDENT: You are quite right. He gave that assurance.

THE HONOURABLE SIR JAMES GRIGG—he assured the House that the Government will lose no opportunity in advocating that claim. But I do think it is fair to tell the House that I do not think that the time for pressing that claim is the time when the United Kingdom is trebling her armaments expenditure, while that of India is remaining more or less stationary.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: What is the British revenue?

THE HONOURABLE SIR JAMES GRIGG: To the best of my recollection at the present time it is between eight and nine hundred millions.

Then, Sir, by way of an anti-climax and to end on a point of detail, Pandit Kunzru referred to the fact, which is not by way of being a fact as I shall show, that we have appointed a subordinate to the Commander-in-Chief to control the Commander-in-Chief's expenditure. Quite apart from the fact that the control of military expenditure rests in myself primarily, subject to the Governor General in Council and the Government of India, this officer is not a subordinate of the Commander-in-Chief's. He is now a retired officer of the British Army, and the appointment is certainly not intended to be a permanent arrangement. I would agree with what the Pandit said if that was intended to be a regular and permanent arrangement. But, at that particular time, if the Pandit will cast his mind back, the appointment took place in consequence of the breakdown in health and the proceeding on leave at short notice of the incumbent at that time. At that time this seemed to us, and I still think it was, the best arrangement open to us. I say that quite deliberately, but I also say that the arrangement is a temporary one and that it is not likely to last for more than a very short time further.

Well, Sir, I have dealt I think with all the points raised up to now. I have no doubt that other points will be raised, and if so, my Honourable colleague Sir Frank Noyce or the Finance Secretary can deal with them. I am very grateful to the House for listening to me so patiently and I hope they will excuse any acerbity I have shown at a repetition—I must choose my words carefully—of malicious and inaccurate stories by the Congress Party.

THE HONOURABLE THE PRESIDENT: The general principles of the Bill have been thoroughly threshed out and I will now put the Motion to the vote.

The Question is:

“That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary the excise duty on sugar leviable under the Sugar (Excise Duty) Act, 1934, to vary certain duties leviable under the Indian Tariff Act, 1934, to vary the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, to fix maximum rates of postage under the Indian Post Office Act, 1898, and to fix rates of income-tax and super-tax, in the form recommended by the Governor General, be taken into consideration.”

The Council divided:

AYES—27.

Akram Husain Bahadur, The Honourable Prince Afsar-ul-Mulk Mirza Muhammad.	Jagdish Prasad, The Honourable Kunwar Sir.
Ataullah Khan, The Honourable Chaudhri.	Kay, The Honourable Mr. J. Reid.
Basu, The Honourable Mr. Bijay Kumar.	Khurshid Ali Khan, The Honourable Nawabzada.
Bewoor, The Honourable Mr. G. V. Charanjit Singh, The Honourable Raja.	Maxwell, The Honourable Mr. R. M. Menon, The Honourable Diwan Bahadur Sir Ramunni.
Clow, The Honourable Mr. A. G. Commander-in-Chief, His Excellency the.	Nihal Singh, The Honourable Sirdar.
Devadoss, The Honourable Sir David.	Nixon, The Honourable Mr. J. C.
Dow, The Honourable Mr. H.	Ray of Dinajpur, The Honourable Maharaja Jagadish Nath.
Ghosal, The Honourable Sir Josna.	Russell, The Honourable Sir Guthrie.
Glancy, The Honourable Sir Bertrand.	Siddiqi, The Honourable Khan Bahadur Shaikh Muhammad Bashir.
Haider, The Honourable Khan Bahadur Shams-ud-Din.	Singh, The Honourable Raja Devakinandan Prasad.
Hissam-ud-Din Bahadur, The Honourable Lieutenant-Colonel Sir Shaikh.	Todd, The Honourable Mr. A. H. A.
Intisham Hyder Chaudhury, The Honourable Syed.	Williams, The Honourable Mr. A. deC.

NOES—15.

Abdus Sattar, The Honourable Mr.
Abdur Razzak Haji.
Hossain Imam, The Honourable Mr.
Kalikar, The Honourable Mr. V. V.
Kunzru, The Honourable Pandit Hirday
Nath.
Mahapatra, The Honourable Mr.
Sitakanta.
Mahtha, The Honourable Rai Bahadur
Sri Narain.
Maung Aye, The Honourable Captain.
Muhammad Husain, The Honourable
Haji Syed.

Padshah Sahib Bahadur, The Honour-
able Saiyed Mohamed.
Pantulu, The Honourable Mr. V.
Ramadas.
Ram Saran Das, The Honourable Rai
Bahadur Lala.
Ray Chaudhury, The Honourable Mr.
Kumarsankar.
Sapru, The Honourable Mr. P. N.
Sinha, The Honourable Kumar
Nripendra Narayan.
Yuveraj Datta Singh, The Honourable
Raja.

The Motion was adopted

THE HONOURABLE THE PRESIDENT: The Second Reading of the Bill
will be proceeded with tomorrow.

The Council will now adjourn.

The Council then adjourned till Eleven of the Clock on Wednesday, the
31st March, 1937.

COUNCIL OF STATE.

Wednesday, 31st March, 1937.

The Council met in the Council Chamber at Eleven of the Clock, the
Honourable the President in the Chair.

QUESTION AND ANSWER.

REPRESENTATION OF THE ARMY IN INDIA RESERVE OF OFFICERS IN THE
INDIAN CONTINGENT FOR THE CORONATION.

99. THE HONOURABLE SARDAR BUTA SINGH: Will Government be
pleased to state:

(a) Why when announcing that the Contingent proceeding to England
for the Coronation was representative of all arms, branches, and services of
the Indian Army, no mention was made of any representative of the Army
in India Reserve of Officers?

(b) Why no officers of the Army in India Reserve of Officers are proceed-
ing with the Contingent?

(c) Why representative officers of the Army in India Reserve of Officers
are not invited to live in the Contingent Camp and to enjoy all the
privileges that will attach to the Contingent during its stay in England?
Why are they not drawing pay and other special emoluments?

(d) Why it has been found necessary to treat the Army in India Reserve
of Officers on an entirely different footing to the rest of the different arms,
branches, services, etc., of the Indian Army?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: (a) Because officers of
the Army in India Reserve of Officers are on a general list and as such they do
not represent any unit.

(b) Two officers of the Army in India Reserve of Officers have been selected
for the Contingent. Both of them are now in England and are therefore not
proceeding with it.

(c) The Honourable Member is misinformed. Officers of the Army in India
Reserve of Officers will live in the Contingent camp at Hampton Court and will
share the privileges of the Contingent. They will draw £1 *per diem* as deputa-
tion allowance while actually on duty with the Contingent. (The question of
issue to them of normal military rates of pay, is still under consideration.)

(d) In view of the preceding replies this question does not arise.

FAREWELL SPEECH OF THE HONOURABLE MR. U AYE ON THE
EVE OF SEPARATION OF BURMA FROM INDIA.

THE HONOURABLE MR. U AYE (Burma: General): Sir, with your
permission I should like to crave the indulgence of the House to make a state-
ment as this is the last day on which I will sit as a Member of this House.

THE HONOURABLE THE PRESIDENT: As a special occasion I will permit you to make a statement.

THE HONOURABLE MR. U AYE: Much water has flowed under the Irrawaddy Bridge since the institution of Dyarchy in India. I am reminded at the present moment of the fact that a Burman fittingly represented in this House at its inception and it is equally fitting, at the fag end of the session of this House, and so far as I am concerned during the last moments, I might almost say the dying moments, of dyarchy, that a Burman should come forward to say farewell to the people of India and that farewell is a friendly one. We part as friends. Nor can two neighbouring countries such as India and Burma afford to continue to live on any but the most harmonious and friendly terms. There is not much I can do here, but before the curtain is drawn I wish to appeal to the Members of this House and through them to the people of India to meet the wishes not only of the Buddhists in Burma but also of the 500 million Buddhists throughout the world in respect of the restoration of the Buddha Gya temple to the Buddhists. May you all be able to rise to the level of that tolerance and generosity which inspired the Founder of the Buddhist religion which has played so important a part in the life of the Burmese people.

BILLS PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

SECRETARY OF THE COUNCIL: Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of the following Bills which were passed by the Legislative Assembly at its meeting held on the 30th March, 1937, namely:

A Bill further to amend the Code of Civil Procedure, 1908, for a certain purpose; and

A Bill to amend the Indian Red Cross Society Act, 1920, for certain purposes.

STANDING COMMITTEE FOR ROADS, 1937-38.

THE HONOURABLE THE PRESIDENT: With reference to the announcement made by me yesterday regarding nomination to the Standing Committee for Roads and the Central Advisory Council for Railways, I have to announce that the following Honourable Members have been nominated for election to the Standing Committee for Roads which will be constituted to advise the Governor General in Council in the administration of the Road Fund during the Financial year 1937-38:

The Honourable Mr. R. H. Parker;

The Honourable Rao Bahadur K. Govindachari;

The Honourable Mr. Abdur Razzak Hajee Abdus Sattar; and

The Honourable Sardar Buta Singh.

There are four candidates for three seats and an election will be necessary.

CENTRAL ADVISORY COUNCIL FOR RAILWAYS.

THE HONOURABLE THE PRESIDENT: The following Honourable Members have been nominated to the Central Advisory Council for Railways:

The Honourable Rao Bahadur K. Govindachari;

The Honourable Mr. V. V. Kalikar;

The Honourable Mr. Abdur Razzak Hajee Abdus Sattar;

The Honourable Haji Syed Mohamed Husain;

The Honourable Pandit Hirday Nath Kunzru;

The Honourable Mr. Sitakanta Mahapatra;

The Honourable Rai Bahadur Lala Ram Saran Das;

The Honourable Chaudhri Attaullah Khan Tarar;

The Honourable Sir David Devadoss;

The Honourable Lieutenant-Colonel Sir Shaikh Hissam-ud-din Bahadur;

The Honourable Nawabzada Khurshid Ali Khan;

The Honourable Mr. Ramadas Pantulu;

The Honourable Mr. B. N. Biyani;

The Honourable Kumar Nripendra Narayan Sinha; and

The Honourable Sardar Buta Singh.

There are 15 candidates for six seats and an election will be necessary. The date of the election will be announced later.

INDIAN FINANCE BILL—*contd.*

THE HONOURABLE THE PRESIDENT: The debate will now resume on the Finance Bill, second stage.

The Question is:

"That clause 2 stand part of the Bill".

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhammadan): Mr. President, this is the operative clause on which a great deal of discussion has taken place in the other House as well as in this House. The question at issue here is whether the Government are justified in imposing an excise duty on sugar production in India. There are two schools of thought in this respect—one is that which believes that there should be no taxation on production. This has been described by the Honourable the Finance Member as the mercantile thought, which has always raised a hue and cry —

THE HONOURABLE THE PRESIDENT: You are now speaking on the salt duty clause.

THE HONOURABLE MR. HOSSAIN IMAM: I am sorry, Sir.

THE HONOURABLE THE PRESIDENT: The Question is:

"That clause 2 stand part of the Bill".

The Motion was adopted.

THE HONOURABLE THE PRESIDENT: The Question is:

"That clause 3 stand part of the Bill".

THE HONOURABLE MR. HOSSAIN IMAM: I am sorry I disturbed the Council, Sir. The question of the imposition of an excise duty has been rather clouded by the tactics of the Honourable the Finance Member. He wanted to make out that in addition to the straight benefit of financing Government revenues, this would help the industry. He has the entire sympathy of India, if it really turns out that it will help the industry. We are doubtful of its beneficial effect on the industry. The question of sugar protection has had rather an eventful history. Before the Tariff Board was appointed the duty was Rs. 6 per cwt. which was almost equivalent to the protection required. Before the report was submitted, the duty was raised to Rs. 7-8-0, and before it was published the duty was raised to Rs. 9-1-0. Now, the initial mistake of the Government was in giving more protection than was required, and even before the Report of the Tariff Board — with the result that there was too great and hurried expansion of the sugar industry. Whenever there is too great and hurried expansion of an industry, the usual course of events show that it is not organised on scientific lines. You do not have that amount of care bestowed on selection of sites and the capacity of the market which you would have had if we had just sufficient protection. The result was that in my province of Bihar and in the United Provinces sugar mills grew up like mushrooms. People with an adventurous spirit, or I may say speculative spirit, went in for sugar, because they thought they will be able to recoup a greater part of their capital in the shape of return of interest on their capital in a short period. Government realised too late in the day in 1934 that they must bring in an excise duty because the fall in customs income was much more than they had expected. They were prepared to shoulder some reduction in the customs revenue, and were prepared to finance that from other sources. But as events showed, it was going down too headlong; so they thought they must step in and they brought forward this sugar excise duty. They again committed another blunder. In order to safeguard and give a further protection to the industry because of the fall in molasses prices and for other reasons—feared fall in Java prices—they left unbridged a difference of eight annas in the quantum fixed by the Tariff Board—I mean the difference between the customs duty and the excise duty. That, Sir, was the second mistake. Even then, Government might have remained, as they had been all these years, sitting idle, had it not been for the phenomenal fall in the sugar income, from Rs. 2 crores to barely half a crore which they expect this year. That opened their eyes. Here it must be realised that protection is not an unmixed blessing. You, Mr. President, and old colleagues of mine know that I am not a protectionist by choice, but circumstances have forced me to be a protectionist to a certain extent. But I quite agree with the Honourable the Finance Member that in giving protection we must count all the cost—the cost to the consumer, the cost to the Exchequer, and the possibilities of recouping it in future years. Theoretically I have no objection to the equalisation of the protection to the quantum given by the Tariff Board. That was a desirable thing. But I find that Government have based their case on the fact that this will weed out the weaker industries, that it will cause a shake-out, that it will have the effect of retarding the expansion of the sugar industry. I doubt whether it will have these effects. That it will stop new growth is very doubtful because, if you study the map of India, you will find that there are large areas which are quite suitable for sugar production and in which few sugar mills have been started. Those areas will go on starting new companies, because the composite cost of sugar production in Northern India together with the railway charges would still give them an advantage which cannot be eaten up by your excise duty. As far as weeding out of weak factories is concerned, there I differ from the Government. The Government thinks it is good that small units

should be turned out. Because of their capitalistic mentality they do not want anything which has not a huge capital behind it, while we believe that the need of India is the growth of small rather than big industries, although no doubt the bigger industries will benefit the Government more indirectly through increase under the head of income-tax. But still, if people with small capital want to come in and take a bit of the advantage offered to big business, the Government should not grudge it.

Then there is the cry that it will hit the cultivators. The Honourable the Finance Member was very vehement in stating that the mere fact that the industrialists are anxious to remove this additional excise duty is a sufficient proof that the incidence of this duty will fall on the manufacturers, and that the producers as such will not be hit by this duty. Our difficulty is that we do not believe that the disorganised producer can compete with the organised, well-backed and capital-owning industrialist. And that is not only conjecture. If the Honourable Member will look to the newspapers he will find that in my province of Bihar the rate prevailing last year was five annas per maund and this year the rate has been fixed at 4 annas. From the United Provinces the same sort of news comes. The price fixed by the Government under price control is less than it was last year. The reply will be that that reflects the reduction in the price of sugar. But may we ask, what guarantee we have under the present order, when there is no democratic Government in the provinces and interim ministries are going to be formed, that the interests of the masses will be safeguarded? If the Congress had formed the Governments in the provinces, as we believed that they would, we would have had some sort of assurance that the representatives of the people will be there to guard the interests of the producers. But the Government will excuse me if I say that we do not believe that the new executives will be good champions of the cause of the masses. I have reasons, and can substantiate that if need be.

Now, Sir, leaving aside the advantages and disadvantages to the producer and the manufacturer, the question is, what will be the effect on the consumer? The Honourable the Finance Secretary expressed the strange opinion yesterday that he hoped that the major part of this excise duty would be transferred to the consumer; so then the manufacturers and producers will go scot-free. If that is so, his argument that it will cause a reorganisation of the industry falls to the ground, because if the burden is transferred to the consumer no deterrent effect will be produced on the industry; the industry will continue in as bad or as good a condition as it was before the introduction of the Finance Bill. Here, Sir, I should like to mention that the Honourable the Finance Member in reply to our debate yesterday evinced a strange inferiority complex in saying that none but a dictator could organise industries. Well, it does not require a dictator. England is already doing it, even without legislation. There is the scheme for Lancashire reorganisation and other rationalisation schemes. How are they functioning? If they can function in England, why cannot we have the same sort of thing in India? Our industries are going to the dogs because the Government will not take proper care. Well, Sir, as long as industries are able to fend for themselves and ask for no protection, they have every right to tell us that they do not want us to interfere in their affairs. But as soon as we help them and burden the consumer with the profits of the industrialists, we have a perfectly clear title to demand a share in the control. But if the industries are not prepared to give in, I would have a law imposing an excise duty equivalent to the customs protective duty on those concerns that will not give us control. If they want protection they must be prepared to give us some share of control. I do not want to have Government control altogether. I want it in the interests of the industries themselves. Just as

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in the Assembly you have an overwhelming majority of the representatives of the people, so in the Central Boards that I advocate there should be a predominant majority of the manufacturers themselves.

THE HONOURABLE THE PRESIDENT: How can that deal with internal competition?

THE HONOURABLE MR. HOSSAIN IMAM: Sir, by centralised selling and centralised purchase you can eliminate a lot of expenditure and competition. You can rationalise the distribution. There are many ways in which you can do things as long as you have imagination. But if you will not look at anything unless it comes up in a big file after it has gone the round of the Secretariat, you can do nothing. Things are not done like that. It is all very well to carry on like that under a bureaucracy, because there is no one to ask you what you are doing. But the very fact that you are an irremovable executive should teach you that you carry a greater responsibility on your shoulders than you would under a democracy. You go muddling through, as is the custom of the English nation. The fact is that our Government of India has a dreadful fear of the word "planning". If the word "planning" is uttered before the Government of India it gives them delirium and fever, they cannot even imagine it. And why? The reason is simple. It disturbs their mental tranquillity. As it is, without planning and in muddling through, the Secretariat and all the staff and all the Honourable Members have an easy time. Everything goes merrily on; through the Assistant Secretary, the Under Secretary, the Deputy Secretary and the Secretary. But planning means the introduction of the human element; it requires more personal application, more care and more work. And so we have the plea of the Honourable Member that the imposition of an excise duty is the only thing he can do to organise the industry. It is a wrong plea for two reasons. Firstly, as I have said, it is doubtful if it will have this effect; and secondly, because better ways are open to the Government. It is open to the Government to call in all the sugar interests, and have a conference as they can easily do. One of the ways of the Government when they are hard pressed is to call for a committee or conference; because that shifts part of the burden. The charge of irresponsiveness is removed, and then they can file the report in a pigeon-hole. That does not matter. We are here to see that it is not pigeon-holed. As long as the Government take some steps it will be all right. The condition of the sugar industry will be precarious if things are allowed to remain in the present state. I am very much afraid that the prophecy of the Finance Member will not come true, and the industry will go to the dogs. We have left the thing to take care of itself too long. The Honourable Member was very vehement and said that he does not wish India to be a free trading country; but why the policy should be *laissez-faire*, hands off the industry? You should not do it. Your function, as I said in the beginning on budget day, is not that of an auditor. You are managing this country. You have different duties to perform and therefore I appeal to the Government. This measure which they have taken will throw almost the entire burden on the consumer and the producer. A little bit of it will fall on the manufacturer too. But whether it will have the effect of stopping new growth I am very doubtful about. We will see, Sir, next year whether it had that desirable effect which the Finance Member stated or not. That will guide us in our future action in judging whether the additional excise duty should be continued or abolished. But for the coming year, as we are doubtful of its having a good effect either on the industry or on the producer, I think, Sir, we have no option but to oppose this clause.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA (Bihar: Non-Muhammadan): I am sorry, Sir, the Finance Member is not present here to hear —

THE HONOURABLE MR. HOSSAIN IMAM: He is in the other House replying to questions.

THE HONOURABLE RAO BAHADUR SRI NARAIN MAHTHA: Be he wherever he may, my complaint is that he is not here to hear what we have to say in reply to the arguments used by him in support of the Bill. Like the proverbially mischievous school boy, having written something on the wall, he has run away.

Sir, I oppose this clause of the Bill for several reasons. The first is its certification after the adverse verdict on the Bill in the other House. The Bill, therefore, has —

THE HONOURABLE THE PRESIDENT: Certification always comes after the adverse vote; otherwise it would not have come.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA: And, Sir, when it comes it brings a bad odour of autocracy about it. The Finance Member yesterday said that on a correct reading of the Government of India Act we have no business to expect that Government at the Centre should be responsive to the wishes of the Legislatures. He said that the provision of the power of certification was avowedly meant to be used as often as the Legislatures stood in the way of the fulfilment of autocratic decrees of Government. He contended —

THE HONOURABLE MR. J. C. NIXON: May I point out that that was not what the Finance Member said? That may be the Honourable Member's translation of it.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA: It is the correct interpretation of what he said. I am not quoting his words. But that is what he meant to imply. I say, Sir, that he contended that the Members on this side of the House have no reason to express any amazement of protest at what the Government have chosen to do. I wish to tell him that the Members on this side of the House had a protest to offer because some of us still sometimes think that the Government of India have some consideration for the wishes of the people and some respect for the views of their chosen representatives. We expected, therefore, that after the Assembly had overthrown this Bill after such a prolonged discussion, the advisers of the Governor General would not think of giving him the improper advice of certifying a measure that had met with such universal condemnation. But, Sir, from financial advisers like our present Finance Member, who sees no harm in the high military and civil expenditure to which this country has been subjected —

THE HONOURABLE THE PRESIDENT: May I draw the attention of the Honourable Member to the fact that we are now discussing the clauses only and not the general aspect of the Finance Bill. Will he kindly as far as possible restrict himself to the clauses?

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA: I am only laying bare the attitude of the Finance Member with regard to our problems and his inconsiderateness in choosing such a thing as sugar for taxation.

Sir, from financial experts like our present Finance Member, who sees no harm in the high military and civil expenditure to which this country has been subjected, much beyond its poor means, who sees no harm in gold being perpetually drained out of this country, we could not expect statesmanship, we could not expect that he would advise the lowering of the burden of administration or even of reverting to the 10 per cent. cut in salaries.

THE HONOURABLE THE PRESIDENT: May I point out to the Honourable Member again that he can speak all that on the third stage of the Bill. At present he must confine himself strictly to the clause.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA: Yes, Sir, I know the limitation that applies to the present debate. I say that when the country speaks nearly unanimously through the mouth of its representatives that the increase in the excise duty on sugar is detrimental to the industry, when we say that the sugar tax will work prejudicially against the interest of the grower, when we say that by increasing the burden of tax on sugar we may be running the risk of irreparably hitting an industry which for the time being is the main prop of the agriculturists of this country, the Finance Member turns round and says that we have no love for the agriculturists of this land and that we are partisans in an interested propaganda in favour of the capitalist. He wants us to believe that we are biased, that we are not to be trusted, that he is the best and the sole well-wisher of this country and the poor Indian cultivator. Let me remind him of the old saying that the woman who professes to love a child more than its mother is a witch. Howsoever adept in witchcraft the Finance Member may be, let me tell him that his angle of vision towards our problems is not hidden from us. If a man is to be judged not by his professions but by his deeds, the love of the Finance Member for the poor agriculturist and the poor consumer is evident from the commodities the Finance Member has chosen to tax. By his behaviour one is reminded of the village pedagogue described by Oliver Goldsmith in his poem *The Deserted Village* about whom he said "Though vanquished oft he argues still". The Finance Member makes bold to put forward a claim which can only be pardonable in the case of a maniac. He wants us to believe that there is no justice in the country-wide resentment against his present Finance Bill—that there was no just cause for the Bill having been rejected by the Assembly, that there is no honest viewpoint except his own and that all those who differ from him are accomplices in a plan to loot the cultivator. This claim and argument is so outrageous that it can do credit only to Sir James who wants to build up his reputation as a financier by propounding the argument that he alone has the monopoly of economic wisdom to determine what is best for the people of this country—a people whose curse it is to be subject to foreign domination and brazen-faced exploitation.

* **THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY** (East Bengal: Non-Muhammadan): Sir, I am sorry to have to oppose this measure. We have ere this all along been told that capital is shy in India, that competition is always healthy, that it brings on economy of production and lowering of prices and therefore causes less hardship to the consumers,

* Speech not corrected by the Honourable Member.

but that is not what we hear from the Finance Member in this House now and we are told that capital should be driven off from this industry. The industry has only been recently introduced in this country, it has up to now been able to supply only a part of the needs of India, most people still using *gur* now; it has not yet been able to attain the stage of an exporting country, yet we must check the industry from further growth. The Honourable the Finance Member then tells us that it will not have that effect, but on this opinion is divided. The agriculturists who are in an extreme condition of poverty have now taken to the production of sugarcane as a profit-yielding crop and it will upset all their calculations and throw them helpless back on their old ways of cultivation. Then it was said that they would suffer because they will get their price of sugarcane on the basis of the price of sugar which will rise on account of the duty imposed. But the question is, if the industry suffers will he be able to sell as much sugarcane as before? It would therefore have been wise to adopt some other measures. I am not an expert on financial matters and it is therefore not possible for me to suggest some other measures. Somebody in the other House suggested an export duty on pig iron; this is a commodity which is going out of the country in large quantities. The producer is a powerful concern making a large profit and it is a commodity which is greatly needed by other countries and will not affect the people of this country much.

THE HONOURABLE MR. J. C. NIXON (Finance Secretary): Sir, I think I shall use my time most economically if I deal separately with the three Honourable Members who have spoken. In regard to the last speaker, Mr. Ray Chaudhury, I don't think I can really do better than refer him back to what I said yesterday. I do not know whether on that occasion I spoke particularly indistinctly or whether he had his speech written out before I had spoken, but he seems entirely to have ignored what I said or my logic could not have been of the brightest.

In regard to my Honourable friend, Mr. Mahtha, I would remind the House of a very learned book which was once written about Iceland. There was a chapter devoted to every subject under the sun and there was one chapter headed "mosquitoes". That chapter consisted of the words "There are no mosquitoes in Iceland". And in my book on the sugar clause in the Finance Bill 1937-38, under the heading of Mr. Mahtha I should say that Mr. Mahtha did not speak on the sugar clause.

But I now come to my friend, Mr. Hossain Imam, who did, as he usually does, treat the question with the seriousness that it deserves. He stated that the Honourable the Finance Member had only "trotted out" (I think those were his words) the idea that this excise measure would be of help to the industry. I won't hold myself responsible for what I am going to say but it was given to me quite recently by a very knowledgeable person that the thing which I ought to do at the moment is to invest my money in the better sugar shares. I think that is a complete answer to that.

I was very glad to hear my Honourable friend say that an industry might be given too much protection and I commend his proposition to the attention of other Members in the House. I also appreciate what he said in regard to the sugar industry having been given too much protection and its having expanded in too great and too hurried a fashion and having therefore, as he himself will no doubt admit, got itself into an unhealthy condition. He mentioned that he personally was in favour of fostering in India the small industry as against the big industry. I do not know whether he has overlooked the fact that in the sugar industry the small industry is represented by the trade

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in khandsari. Ninety-six per cent. of the khandsari manufacturers are completely untouched by the excise measures at all and therefore in that respect the small industrialists who supply the sugar requirements in India are not at any rate discouraged by this measure.

THE HONOURABLE MR. HOSSAIN IMAM: Will the Honourable Member say what was the justification for doubling the duty on khandsari? Was there any undue expansion there too?

THE HONOURABLE MR. J. C. NIXON: Sir, if the Honourable Member would care during the remainder of this session to put a specific question on that subject, I have a very good answer to it, but I prefer not to give it now.

There is one thing I would like to say to my Honourable friend in regard to his advocacy of small industries as against big industries. I myself have some doubts as to whether the eventual economy of a country is bettered by the country deliberately choosing a less economical form of production in favour of a more economical form.

In place of an excise duty the Honourable Member suggested that the industry should either control itself or be brought under control. The view of Government was that it was better to attempt to produce rationalisation in this industry by the introduction of an economic factor which would re-act in a normal economic manner rather than through the process of the policeman. I do not know whether my honourable friend has ever had any experience of a big industry attempting to control itself. I would like to refer him to the papers any time during the last year in regard to, for instance, the jute mill industry, to see the difficulty which that particular industry has had in controlling itself. I would also like to refer him to the cotton industry at Bombay and the success that that industry has had or not had in controlling itself. If I remember aright, the first measure of protection given to that industry was on the condition that it would reform itself and I wonder if my Honourable friend, Mr. Hossain Imam, really believes that it has. I was once told by a business man that in his experience there had never been an agreement between six business men from which one had not ratted in a pretty short space of time.

Sir, in regard to this particular clause I have nothing else to say except to express thanks to my Honourable friend, Mr. Kunzru, who unfortunately is not here at the moment, for his remark yesterday to the effect that my opening comments on this subject had been reasonably put before the House.

Clause 3 was added to the Bill.

Clause 4 was added to the Bill.

Clauses 5 to 7 were added to the Bill.

The Schedule was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. J. C. NIXON: Sir, I move:

"That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary the excise duty on sugar leviable under the Sugar (Excise Duty) Act, 1934, to vary certain duties leviable under the Indian Tariff Act, 1934, to vary the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, to fix maximum rates of postage under the Indian Post Office Act, 1898, and to fix rates of income-tax and super-tax, in the form recommended by the Governor General, be passed".

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras: Non-Muhammadian): Sir, I do not wish to record a silent vote on this Motion, without very briefly answering some of the arguments of the Finance Member advanced yesterday on the Motion for consideration. In the speech which the Finance Member made there was more of the Finance Member and his pet theories on protection which have been condemned over and over again by Indians, than of the Finance Bill itself. He was in a very angry mood: apparently he lost his balance by the accusation that he was the agent of British interests and that he was the chief supporter and instrument of those who are out for exploiting the Indian masses. Therefore he made an unbalanced speech. Apparently he thought that a counter-attack on his critics was an answer to them, and he illustrated the old adage that if you have no case, abuse the other side. I shall only deal with two of his arguments. I said that though protection was bound to have an adverse effect on the consumer, as a matter of fact, the consumer of Indian sugar did not always pay less in the pre-protection period on imported sugar and sometimes paid even more than he is paying today. The Finance Member characterised this statement by a very unparliamentary word, which he subsequently withdrew and substituted it by something less offensive. But I can adduce facts to show that the consumer is not unduly burdened by the protection which is now imposed on Indian sugar and, even if he is to a certain extent burdened the protection has its counterbalancing advantages to the people of this country. With regard to the particular statement whether imported sugar was always cheaper to the consumer than the protected sugar, I would like to cite a few figures. The average annual net import of sugar into India for the four years 1910-11 to 1913-14 was 620,000 maunds and the value including duty then paid for it was Rs. 1,995 lakhs. Compared with these figures, those for the sugar manufactured in India in 1934-35 are these. In that year, the estimated production of sugar was 578,000 tons and it was valued at Rs. 1,258 lakhs. The duty in pre-war years was 5 per cent. In 1934-35 it was 15 per cent. of current prices. This comparison would show that the Indian consumer paid no more in that year than what he paid in the four or five years preceding the war. That is what I was referring to, and I take my stand on published figures with regard to that statement. Mr. M. P. Gandhi, the Sugar Expert, from whose book I have taken these figures, says that the net cost to the consumer is not lower than what it was a quarter of a century ago, and we are as a matter of fact selling sugar cheaper today than the rate visualized by the Tariff Board at the end of the period of protection 15 years hence, i.e., 1946. Sir, I place more reliance on these figures and the statements of Mr. M. P. Gandhi than on the angry outburst of the Finance Member.

Another accusation which the Finance Member levelled against us is that we who condemn the addition of the excise duty are really the supporters of the manufacturing interests and of the capitalists and that our professed affection for the agriculturist was not sincere. It is a most ridiculous statement to make, in my opinion. This is another melancholy instance of the divide and rule policy, of creating differences between the several interests in this country where really there are none. The manufacturers and cultivators of sugar are dependent upon each other for their prosperity. The manufacturer cannot run his factory to profit unless he has the co-operation of the cultivator, nor can the cultivator thrive without the co-operation of the manufacturer. The Indian manufacturer is not one who follows the policy of killing the goose that lays the golden egg. He is more sympathetic, he is more concerned with the welfare of the cultivator in India than the Honourable the Finance Member is, and therefore any such pretended affection for

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the Indian cultivator and any attempt to create a cleavage between the manufacturers and the agriculturists in this country will not be considered to be honest by us on this side of the House.

Sir, I said that in the year 1934-35 the cost of sugar manufactured in India was Rs. 1,250 lakhs. What are the items of expenditure incurred by the manufacturers? Of these Rs. 1,250 lakhs, Rs. 600 lakhs went for the price of the cane paid to the cultivator, Rs. 120 lakhs for transport which is mostly by either bullock carts or lorries or buses, in which the ordinary cultivator benefited, and Rs. 200 lakhs went for the wages of labourers and Rs. 50 lakhs for salaries of the educated staff employed in the factories. I ask, in the face of these facts, if the industry is hit by some factories closing down, will not some of the poorer classes who are benefited by the industry suffer? Therefore we have as much the interests of the manufacturer at heart as those of the cultivator and we are not ashamed to say that we are opposing this measure not exclusively in the interests of the cultivator alone, but in the interests of both the manufacturer and the cultivator. I make no apology for it. Then, Sir, it is said that the excise duty will have the salutary effect of closing down some of the weaker factories and thereby reducing competition, which will result in increase of efficiency of production. Well, it remains to be seen

how far this expectation will be fulfilled, but assuming that the assumption is correct, is there justification for closing down my factories and bringing down production? I do not agree with the proposition that there is over-production of sugar in this country today. We are perhaps just manufacturing the quantity of sugar we have been importing some years ago. That does not mean that there is no room for expansion of internal consumption in this country. I do not think that the people of this country are eating as much sugar as they ought to. A comparison of the figures of consumption of sugar will show that the average consumption of factory sugar in India is lower than it is in other countries. It may be due to the poverty of the people and their inability to buy sugar. It may be said that you must add to the consumption of sugar the consumption of *gur* which a number of people eat. But even taking that into account, I believe that there is scope for the people of this country purchasing and using larger quantities of sugar if their purchasing power is improved. Therefore there is scope for the improvement of internal production for internal consumption alone. I repeat what I have said on another occasion in this House that, provided adequate assistance from the Government is forthcoming to make the industry more efficient, to help it to turn molasses into some useful product without wastage and to help the agriculturist and the manufacturer to obtain larger yield and greater recovery, and so on, I think the industry could be made not only self-sufficient in regard to internal consumption but some day it ought to enable us to export sugar to other countries and compete successfully with other countries in the world markets. That is not an idle dream. I am not speaking without a sense of responsibility. If India were a self-governing country, with all its resources, its hospitable soil for sugarcane, with our ability to find capital for the establishment of 100 more factories in the past four years, as against the 50 in 1932, with so many other facilities, we could do a great deal. But we have not got our own Government to take advantage of those facilities. Any other country situated like India would not only have been manufacturing for her own consumption, but would have planned for exporting sugar to other countries. But planning is a crime in the eyes of the Finance Member. Our weakness is due to the very narrow and short-sighted policy pursued by the Government of India, especially under

the advice of the present Finance Member. I do not think the Finance Member can claim to have one friend for his policy in India, and when I said that he was not acting in the interests of India he disputed my statement. I would ask him to take a plebiscite of the people of this country and it will prove that I am right and he is wrong. The unanimous verdict of the people of this country will be that he is the agent of the exploiters of the Indian masses. I make no apology for having made that statement. He said that I had made it so many times that I had come to believe in it. I do believe it, not only because I have repeated it often, but because it is a fact.

With these words I oppose this Motion. I think the Finance Bill in its certified and recommended form is not one for which any elected Member of this House should vote. Let it be carried only with the votes of the officials and their nominees. By voting in favour of it we will I think be writing ourselves down as being unfit to represent any intelligent electorate in the country, in this House.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhammadan): Mr. President, yesterday the Honourable the Finance Member lost his temper because he was accused of being discourteous to us.

THE HONOURABLE THE PRESIDENT: I do not think you are representing correctly what happened. He did not lose his temper at all.

THE HONOURABLE MR. HOSSAIN IMAM: Then am I to take it that it is your interpretation that he was deliberately disrespectful.

THE HONOURABLE THE PRESIDENT: He used the word "rubbish", which was not right and he had to withdraw that word. But I must correct you when you say that he was very much excited. I thought throughout his speech he was very much composed, though naturally he may not have liked the allusion that he was the agent of British exploiters.

THE HONOURABLE MR. HOSSAIN IMAM: That I shall explain later on. May I say in the beginning—

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: It seemed to us that he was excited from the moment he entered the House.

THE HONOURABLE MR. HOSSAIN IMAM: Whatever might be his mental condition, we will not discuss that. We will only say that when our Honourable colleague Mr. Sapru stated that it was discourteous of the Honourable Member to be absent, it was due to the fact that the Honourable Finance Member did not take proper care to acquaint himself with the time of meeting of this House. This House met at half past ten and the Assembly met at eleven o'clock. He had half an hour and if he desired to show courtesy to us he could have come beforehand and gone away later with a valid excuse that he was going to attend to public business. But his non-attendance before the Assembly met was nothing short of deliberate unthoughtfulness.

THE HONOURABLE THE PRESIDENT: Now on the other hand you are excited.

THE HONOURABLE MR. J. C. NIXON: Will the Honourable Member remember that that first half hour was taken up by questions.

THE HONOURABLE MR. HOSSAIN IMAM: Yes, Sir, but it was open to the Honourable Member to come here and tell us that because of his business he had to go away.

THE HONOURABLE THE PRESIDENT: I must point out to Honourable Members that though it is an act of courtesy on the part of the Finance Member to try and be present in this House as far as is practicable and suitable to him, he is under no obligation to be present here always. The Governor General under the Act appoints certain Members of the Executive Council to this House and nominates other Members to the other House, and they have discretion to attend a meeting of the House of which they are not Members for the purpose of elucidating matters. But they are not under any legal obligation to do so, and therefore any reference of this nature is improper.

THE HONOURABLE MR. HOSSAIN IMAM: Courtesies are never legal obligations. They are extra-legal obligations of civilised humanity. But we never expect courtesy from brutes.

THE HONOURABLE THE PRESIDENT: That is a phrase which you ought to withdraw immediately.

THE HONOURABLE MR. HOSSAIN IMAM: If you order me to.

THE HONOURABLE THE PRESIDENT: Yes, certainly.

THE HONOURABLE MR. HOSSAIN IMAM: Then I withdraw it.

The trouble with this House as well as with India is that we start copying things without understanding the implications thereof. British officials in India are correct in stating that they are not agents of our exploiters. They are paid from Indian finances, and in a nation of shopkeepers you cannot think of any one working for another without commission or remuneration. So he could never be the agent of the British nation and trade.

THE HONOURABLE THE PRESIDENT: That is a phrase which is out of date altogether.

THE HONOURABLE MR. HOSSAIN IMAM: So I say he is perfectly justified in stating that he was not an agent, because he could not be an agent unless he was paid for it from the British Exchequer. Nevertheless, we have another anomaly. In Indian industry you find the managing agency system, where the remuneration to employees are paid from the shareholders' profits but the orders emanate from the managing agents.

THE HONOURABLE THE PRESIDENT: There is no analogy.

THE HONOURABLE MR. HOSSAIN IMAM: A similar analogy exists in the case of the Czar at Whitehall. Under the present Government of India he is absolutely supreme and all the officials in this House or outside are under the orders of the Secretary of State, who is a responsible Minister of the British nation, and as such he has to see that British trade interests are guarded. And for that reason we regard that although the Finance Member is paid by us he is our man as far as payment is concerned, but as far as orders are concerned he is as powerless as ourselves. I can cite to you instance after instance not only of Honourable Members of the Executive Council but even of Viceroys being flouted by the Secretary of State. There is a whole volume of the Report of evidence of the Royal Commission on Finance, where you will find frantic appeals made by the then Viceroy, Lord Reading—

THE HONOURABLE THE PRESIDENT: I do not think there is anything strange in it because even in the Congress meeting the other day it was decided that all the elected Congress Members were to act in the House under the general control of the Congress Committee outside the Legislature.

THE HONOURABLE MR. HOSSAIN IMAM: They why take umbrage on the Statement of that fact? The Honourable Mr. Pantulu would not take umbrage if we said that he was under the orders of the Congress Committee. Why should the Honourable the Finance Member object to it being stated?

THE HONOURABLE THE PRESIDENT: Because the Act provides and gives the Secretary of State for India under the Act of 1919 powers of supervision, control and superintendence over the Government of India.

THE HONOURABLE MR. HOSSAIN IMAM: That is what I am stating, Sir. We are very thankful to you for elucidation. You have perfectly cleared the air. The Honourable the Finance Member with all his desire to serve India is as powerless to serve India as we ourselves. I am not saying anything derogatory to the Honourable the Finance Member. I do not say that he is deliberately attempting to do things against Indian interests, but he is just a puppet in the hands of the Secretary of State.

THE HONOURABLE THE PRESIDENT: Very probably if you were on the Treasury Bench you would do the same thing!

THE HONOURABLE MR. HOSSAIN IMAM: I would be as powerless. It is the system that is wrong and not the man and it is the system that must be ended.

THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY: It is the vested interests.

THE HONOURABLE THE PRESIDENT: Order, order. Do not interrupt the Honourable Member who is in charge of the floor of the House.

THE HONOURABLE MR. HOSSAIN IMAM: The Honourable the Finance Member should not get angry at the statement of facts. I agree with him. It should be clothed in velvet and not said in a downright manner.

Sir, the usual practice in the other House is to ventilate the grievances at the time of the Finance Bill. You, Sir, have always restricted us to discussions of more appropriate things, of things which are pertinent to the financial well-being of the country and to matters of general policy. The system of ventilation of grievances has its origin in the fact that it is the custom in the Dominion and British Parliaments; but we should not forget that they are Sovereign Legislatures, where they have full power over the purse, where the Executive has either to give in or get out. Here it is not so. We in India are powerless; we have no control over the Executive; they are irremovable. Therefore it is no use telling them things that they will not learn or, even if they want, they are not allowed to learn. Whatever it may be, it is better to spend our time in more profitable discussion of matters of policy than of mere ventilation of grievances.

In the Budget discussion, the Honourable the Finance Member was very kind to make some remarks about my contribution to the discussion but even he got mixed up. I said that the fact that the Government was anti-nation was proved by the budget figures, for with the return of prosperity the finances of the Government have gone down. After reading it in this sense, he thought that I was referring to the coming year. In our Budget parlance we have three years, the past year, the current year and the coming year. I was—

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referring to the present year when no reduction in sources of income or extraordinary obligations had occurred. With perfectly normal conditions and with prosperity in the country your finances have gone down by Rs. 2 crores. That itself shows whether the system of taxation is correct or not. I will take for the sake of comparison the figures of the Board of Inland Revenue and our own figure. You will find that in England a vast part of the income comes from direct taxation—taxation of those who can afford to pay taxes, whereas in our country the taxes are on consumption, on production and very little on wealth. Need I add that the last is always being reduced because it touches the pockets of even the people who are on the Treasury Benches? It was for this reason that there was the greatest anxiety to remove salary cuts and no less anxiety to remove the income-tax surcharges; but the people who were paying 25 per cent. extra taxation on kerosene and salt never come into the picture. The Government have no thought for them. The House will perhaps allow me to say, that in the system of taxation it is necessary that the paying capacity should be the criterion, and those who can afford to pay should be made to pay more and those who can ill afford to pay should be asked to pay less. We may not agree with the Honourable the Finance Member, but he has a valid excuse for not having done much for the industrial well-being of India, because he has never made a secret of his hostility towards mercantile economics. But he and his predecessor Sir George Schuster have been times out of number stating that the greatest need of India is increased purchasing power and rise in prices. I would ask, what concrete steps they have taken to attain this desirable object? The Finance Member had not a word to say about the action which the Government have taken in the current year to achieve this end. We expected a managing director's report, and not an auditor's report from the Finance Member. In this we are fortified by the practice of the Government of India. If you will care to read the speeches of Sir George Schuster and Sir Basil Blackett you will find that they have accustomed us to receive a managing director's report and not an auditor's report.

Sir, as I said in the beginning, and as you will remember, I have made it my custom for the last four or five years to spend the time at my disposal in the Finance Bill discussion to considering policies which have some bearing on the finances of the country. Last year I had selected the Credit subject for my discussion. This year I am going to discuss mostly our Debts head expenditure. First and foremost comes the Provident Fund. The Honourable the Finance Secretary has deprived us of that very useful statement of our debts, because of the excuse of the fluid condition; at least a provisional figure which he must have in his office would have helped us a lot to find out the incidence of the interest and other things. I am very glad that my appeal last year to reduce the interest has been approved. The rate was 5 per cent. during the year 1935-36 and for the coming year it is going to be 4 per cent. But as usual I am not satisfied with this. I want the Government to be more considerate, to go ahead, and act a little better than they have done in the next year's budget. Well, Sir, I am indebted to the Honourable Mr. Nixon for the information that a great deal of reduction in the Provident Fund account is due to the fact of the transfer to the provinces of some of its debts. By mutual transfer of the indebtedness of provinces to us and our liability to their provident funds we are reducing a part of these charges. But may I suggest that if you are removing some of the Provident Fund accounts to the provinces and just as you are going to start a family pension fund in England, why not transfer the Railway Provident Fund liabilities from our

accounts to the Railways? You are going to have a statutory body to control the railway finances. That body will most probably act for itself to find its own capital account. It may ask you to act as its agent but you will no longer continue to be day-to-day bankers of the Federal Railway Authority. Just as you are going to cease from tomorrow to be the general banking concern of the provinces and the provinces will start dealing with the Reserve Bank on their own account, similarly you have to face that possibility as well as the largest amount of the provident fund for which the Central revenue is liable is for the Railways. I believe, Sir, it is Rs. 32 crores. If this liability is transferred to the Railways by means of book adjustments, no doubt you will be put to some trouble in the beginning. Because you will be transferring to them liabilities at a smaller rate of interest, and you will be taking from them the loans which carry higher rate of interest at present. But in the coming years when you are repaying your present loans you will reap a harvest. So in a few years your losses of the beginning will be made up. Similarly there is the difficulty, that for the depreciation fund balances we are paying interest that ought to be transferred to the Railways. But that will have no effect on our finances because we are at present paying the same rate. But it will rather clear up your accounts.

Then, Sir, there is another possibility. As you have a body of Commissioners in England to administer the family pension fund, why not have a similar body in India to administer all the multifarious provident funds that might accrue and remain in the coffers of the Government of India? My only idea behind this is, Sir, that, if funds are transferred to the Commissioners, we would be relieved of paying interest at rates that are variable and we will be able to finance our needs either from long term credit or from treasury bills. I am not going to be straitlaced and say: "You must finance it from treasury bills". Do as you like. But there you have a definite rate of interest which is not variable whereas at the present moment it all depends on the market. From this point of view I advocate that the Honourable the Finance Member would be well advised to vest these funds in the Commissioners. The Secretary of State has started this thing, and I think that the Secretary of State will have no justification for refusing that his initial step should be copied by the Government of India.

Now, Sir, I come to Postal Cash Certificates. I brought this question up in the budget discussion and I asked question on the subject from the Honourable Member to which he very kindly replied. Now, I cannot understand how that Honourable Member is going to charge to the revenue account that which ought in reality to be charged to the capital heads; and I have, Sir, as usual, the sanction of the former Finance Member for this statement of mine. The Honourable Sir George Schuster in his budget speech, 1930-31, paragraph 24, to which the Honourable Member referred me yesterday, states:

"I have come to the conclusion that this accrued liability must be regarded now as part of the Government's debt and that, having regard to the provision which we make annually for reduction or avoidance of debt, the situation in regard to this is not unsound".

Well, he does not say in so many words that the uncovered portion of former years will be made good from capital accounts, but the intention is clear from this that ever since we started making provision on the accrual basis from 1930-31, if there is any lag between the accrued interest and the interest due for the years for which we had not made provision, that should be financed from a capital head. Or if you wish to be very careful, it was your duty to provide for this deficit from your realised surplus. When you had your realised surplus you were like a spendthrift anxious to give it away; and did not care to look into your own accounts to see whether you had some uncovered

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deficits to be provided for. From the revenue accounts, Sir, for the last year, I infer that this suggestion of mine is not unworkable, it is exactly similar to the action which the Government has taken. He will find, Sir, in Account No. 93, that the bonus fund was debited with Rs. 83,10,000 for the payment of the excess. This year I do not know what will happen because the accounts have not been published. But there is an additional provision of Rs. 50 lakhs in the revised estimates to meet interest liabilities accrued before 1930-31; I submit that they have wrongly placed this in the revenue accounts. We do not carry forward our losses in our accounts. The Government of India accounts are kept on a yearly basis. The realised surpluses are kept apart; we do not reduce the tax in the coming year for that account. Deficits too are not carried forward and we do not impose additional taxation to cover the deficits. How is it that the losses of periods before we started making provision on an accrual basis from 1930 are now thrown on us? Mistakes which had been committed by former Finance Members in accounting should not be thrown at the heads of the taxpayers this year. Therefore, Sir, the Government must decide either to pay on the accrual basis or discharge basis. If they accept the accrual basis, then the liability to pay for the years gone by should be transferred to the capital heads; or we must start paying on the old rates, whenever a cash certificate falls due, the interest whatever the amount may be will be paid. That will be a straight method of accounting. You cannot mix things up.

Now, Sir, I come to the provision for the reduction and avoidance of debt. The House will perhaps remember that in 1932-33, when the provision stood at the higher figure of Rs. 6·84 crores, I took objection to the system whereby provision is made not on our unproductive debts but on the total debts at charge. That system, Sir, was objected to by me because of the fact that our liabilities do not represent our own debts alone. We are acting as bankers for going concerns like the Railways, Post Offices and Provinces, which bear the liability for the major portion of our debts, and therefore, those going concerns should make provision for their own sinking fund. The taxpayers of British India should only be asked to make provision for reduction and avoidance of debt to the extent of the uncovered-by-assets liabilities of the Government of India and I had then suggested the figure of 1·25 per cent. on uncovered debts. Although the then Finance Secretary did not look at this with approval, rather, he was sarcastic, but the next year the exigencies of the situation made the Finance Member reduce the provision for Reduction or Avoidance of Debt to less than half its former figure—to a figure of Rs. 3 crores per annum. This worked out at the rate of 1·5 per cent. on unproductive debt. The total debt was however nearly Rs. 1,200 crores. On Rs. 1,200 crores a provision of Rs. 3 crores per year would be ridiculous. From tomorrow we will be taking up other debts on our heads, the quantum of our uncovered-by-assets debts will increase by Rs. 60 or Rs. 70 crores. Therefore, it is essential that we should make more provision than we have done. My objection is that provision should not be made upon the whole debt. The remark of the Finance Member in this House on the 4th March showed that he is thinking of making provision on the entire debts. I have suggested many times in this House that the Railways should make provision for their own sinking fund. From the time of the separation they have spent from capital about Rs. 100 crores on objects which are to all intents and purposes unremunerative assets, or as the Finance Member put it, they are assets which are not likely to pay interest and sinking fund charges. Therefore, as the Honourable Finance Member

himself said in connection with Quetta, it should have been financed from revenue account. Similarly, it is the duty of the Railways, if they wish to run as a commercial concern, to write down that over-capitalisation. If provision is made for sinking fund by the general taxpayer, the Railways do not gain by it. They pay to the general taxpayer and that is utilised for the sinking fund operation no doubt, but without advantage to the commercial concern. If you run it on commercial lines, you must be different in your dealings. Therefore, I have suggested many times that after providing for working expenses and interest charges, the surplus should be divided in the proportion of 2 to 1 or 3 to 1 between the depreciation fund and the sinking fund of the Railways. The Railways should have their own sinking fund and the excess over that money should go to the Central Exchequer: but that too should not be taken into the revenue account but should go direct to the Sinking Fund.

Sir, the name itself, "Reduction and Avoidance of Debt", is a misnomer. The Honourable the Finance Member has this year, changed the names of certain of our demands and made some improvements in our accounts. It would have been better if he had given a more appropriate name to this fund. The difference between an ordinary sinking fund and a provision of this nature is that a sinking fund provision implies that you utilise it for certain specific purposes, whereas the provision for reduction or avoidance of debt gives you complete liberty. Ever since the ratio was fixed at 1s. 6d., this head has been the mainstay of the Finance Department to cover up its losses on the silver sale. From that time up to the inauguration of the Reserve Bank we lost more than Rs. 40 crores on silver sales and the provision for reduction and avoidance of debt was of a like nature in these years. Given a fund, the Finance Department would squeeze it. If they have no fund, they have to show that this increase in the capital at charge or unproductive debt is because of such-and-such things, and they are liable to be questioned. People will start asking inconvenient questions. If they have a provision of this head, it gives them a loophole to hide up. No one is going to look into the details of the account and find out what has happened to this money.

My third objection is to the non-utilisation of even the sinking fund provision. We have the enormous total of Rs. 10·31 crores in the sinking fund account of our Revenue Account books. Part of that money formerly used to be invested and the general taxpayer used to benefit by interest realised. Now, the Honourable the Finance Secretary can very well say that if we have resources available and do not invest them, and utilise them for our current needs, we incur no loss. But there is a world of difference between investment of money for long periods and meeting your requirements for short periods. We can get treasury bills at less than 1 per cent. but the investment account gives a return of 3½ per cent. or even more if he goes in for sterling 1931 3½ per cent. bonds, where there are £88,000,000 invested. If this money was invested in that security which is obtainable in the market at much below par, the Government can easily buy it, and it will give us a return of something like Rs. 40 lakhs, and this requirement can be financed for the present treasury bills for less than Rs 10 lakhs; and he has no valid excuse to make because the portfolio of the Reserve Bank has a very small portion of treasury bills now in its issue department. I will personally suggest, Sir, that it would be better if we utilise all our provision under this head for the purchase of Sterling India bonds. We have enough funds at the present moment. The last report which I saw showed that we have about Rs. 105 crores of sterling in the Reserve Bank. Such a huge sum is invested mostly in British Government treasuries; very little of it is cash at call at the Bank of England.

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The Honourable Finance Secretary when asked questions of the nature of the assets of the Reserve Bank replied the other day that the Reserve Bank is not prepared to give us this information. But it is really worth thinking whether all is well with the Reserve Bank Act, apart from the Reserve Bank. It is very questionable whether the Act is perfect or whether it requires some sort of change. The Honourable Finance Secretary will remember that when we had the gold standard reserve we had a rule what we should have securities maturing within two years up to a certain proportion of the assets, of five years maturity up to a certain proportion, and a certain proportion for longer duration. Here in the Reserve Bank Act you have restricted the Bank to purchase of sterling securities of very short maturity. Five years is no period. That is the reason why our income from the head Currency has become so low. Before the inauguration of the Reserve Bank, the heads "Currency" and "Mint" and the like heads used to give us an income, if I am right, of Rs. 1 crore and 91 lakhs per annum on the average over the last 10 years. Our income from these sources was the enormous figure of nearly Rs. 2 crores per annum, whereas now we are receiving Rs. 37 lakhs, Rs. 50 lakhs, and that sort of thing. I seriously suggest to the Government to reconsider the question whether the liquidity of assets has not become a fetish. It is all very well if you have a minimum figure of 40 per cent. to bank for safety. Safety first should be the principle there. But when you have an excess over the statutory minimum, it is questionable whether it is wise or in the interests of India that such a huge amount of our assets in the investment account should be held outside the country and at low rates of interest. It would be in the national interest if that money were invested in India. But in order to maintain the exchange you have to maintain it in sterling. But if you wish to maintain it in sterling then you must make it more remunerative.

Now, Sir, I come to the Family Pension Fund account. The Honourable Finance Member in his Budget speech said that he proposed to transfer £6 million to the Commissioners in England. After making that statement it is only in this week's Gazette that the Family Pensions Fund Order was published. That Order states that objection will be allowed up to the 31st March, 1937, unless the Secretary of state gives a further period in special cases or class of cases for objection to the transfer. The Honourable Finance Member was very cryptic. He did not say what was the total liability of ours for this fund, what was the rate of interest and what was the quantum of the pensions which would be covered by the objections received. Now, this has very great effect on our budget, because if we have not received objections up till today, which is the last day, and we are able to transfer the whole of the quantum of this family pension fund, which is between £11 and £12 millions, your expenses under this head under Demand No. 11 will be reduced by about Rs. 62 lakhs. You have made provision this year for the payment of the full interest on this although the Honourable Finance Member states that he will transfer half the liabilities to the Commissioners in England who will invest it on their own account and the revenues of India will no longer be bound to pay interest on that sum. I believe the payment will be made in April. The question may be asked, where will we find the money? We can find the money from Treasury Bills. The Reserve Bank is getting restive at the huge sterling resources that it has accumulated. It wants the Government to take up some of its burden, and rightly so. If the Government want the Reserve Bank to carry this burden for long periods they must be prepared for losses, and I know the Government is as anxious as ourselves to lighten their burden. It lightened the burden by the paying of the last loan from the current resources of the

Reserve Bank. Similarly, it will be clearing up this 6 million from the same source. I believe our interest heads should not be debited for the interest that will be saved on this head. The provision in the Demand for Grants is more than Rs. 60 lakhs for the current year and the same provision has been made for the coming year. If that expenditure of Rs. 63 lakhs is reduced, to the extent of reduction the justification for certification is also removed; because you have based your case on the fact that you cannot find the money, and I am going to suggest to you how you can make up that deficit. First of all, on this item, half of it, Rs. 30 lakhs, can be saved. You have already saved it but you have not mentioned it. Deliberately you have hidden your resources in order to play for safety.

Then there is the item of income-tax. We heard during the Round Table Conferences stories about discrimination against Europeans and safeguards for them. But it was nowhere provided that there should not be discrimination against Indians by the Government of India. In the Income-tax Department there has been discrimination against Indians. In this connection a very impartial report was prepared by authorities who had no bias for Indians. They recommended two kinds of action, action by executive direction and action by legislative sanction. But the Honourable Finance Member picks out of all those recommendations one part only about the income of husband and wife. In this evasion mostly Indians were concerned. But what about the other evasions, the legalised, sanctified avoidance of income-tax which the Honourable Finance Member has himself allowed? Look at the question of leave salary. Why should it remain exempt a day longer than is absolutely necessary? And the exemption of this leave salary has been carried to an illogical and illegal extent. Not only is that part of the salary which is drawn in England exempt from Indian income-tax, but a most obnoxious thing is allowed by the Finance Department in that the quantum of the annual income is reduced by pay drawn in England. Take, for instance, a Government servant who is drawing Rs. 3,000 a month. He goes on six months' leave. Not only does he escape income-tax on Rs. 18,000 which he has drawn in England but this annual income is reduced to Rs. 18,000. His tax is on an annual income of Rs. 18,000. The rate of tax goes down from 25 pies to 17 pies in the rupee. What really happens is that a Government servant who goes home on six months' leave draws pay for 13 months if you work it out.

THE HONOURABLE THE PRESIDENT: I am afraid you are making the Third Reading of this Bill into an opportunity for discussing every imaginable item of the budget, which has not been the practice hitherto in this House.

THE HONOURABLE MR. HOSSAIN IMAM: Mr. President, as I said I am going to show that the Government need not have certified this Bill because they could recoup the deficit by executive action mostly and therefore I am perfectly justified in removing the foundation of the certification of this Bill. It is the foundation, the basic stone, on which you have built up the story of certification. In effect the Government say that because the Legislature were foolish enough not to sanction the full amount of money which we want, we must certify. I say that with ordinary care which a responsible Government would be required to take you could find this money.

THE HONOURABLE THE PRESIDENT: There are two sides to the question. Opinions differ.

THE HONOURABLE MR. HOSSAIN IMAM: The Finance Member will

THE HONOURABLE THE PRESIDENT: My point is that the Third Reading of the Finance Bill is not the proper time or opportunity for discussing all these matters and impugning the whole financial policy of the Government.

THE HONOURABLE MR. HOSSAIN IMAM: It is not the question of the financial policy that I am discussing now; whatever I may have done in the beginning, at the present time I am discussing the methods of making up the difference.

THE HONOURABLE THE PRESIDENT: You have taken three-quarters of an hour to discuss those other matters.

THE HONOURABLE MR. HOSSAIN IMAM: That is what I am saying. If I was going outside the scope of the Bill I should have been stopped then.

THE HONOURABLE THE PRESIDENT: I have given you sufficient indulgence and did not want to stop you, but apparently you do take advantage of that.

THE HONOURABLE MR. HOSSAIN IMAM: We get very little opportunity of discussing matters of policy.

THE HONOURABLE THE PRESIDENT: All those matters which you have discussed today you could have easily discussed by separate Resolutions before this House, but not on the Third Reading of a Finance Bill.

THE HONOURABLE MR. HOSSAIN IMAM: We have six non-official days and 60 Members. The non-official days are getting so heavy that we have to leave over Resolutions and ask the Honourable the Leader of the House to give us an extra day in order to complete the agenda. How is it possible for us to discuss those things? The other House gets opportunity on the discussion of Demands for Grants.

THE HONOURABLE THE PRESIDENT: You will get the same opportunity when Federation comes.

THE HONOURABLE MR. HOSSAIN IMAM: Then we will not do this sort of thing. If the Government have any sense of decency and if they want that there should be a better morality in the commercial world, they must set the example themselves. They want that there should be no evasion and legal avoidance of taxes. Let them set an example themselves. The leave salary should not be exempted. To treat the income of an officer drawn in England as not his income is an unheard of thing. It is downright fraud. It is only because there is no one to look into your actions and consequently you are suffering from that laxity. Even the Income-tax Enquiry Committee was compelled to come to the conclusion that the most objectionable feature was the exemption granted by the Governor General under section 60, part 2, of the Income-tax Act. It is open to you to remove by executive action some of those notifications. I do not ask you to remove everything. But as long as there is the desire, as long as we find that the Finance Department has moved out of its groove, that it is no longer a machine working on the red tape, we will be satisfied. We want the human element; we want that the Finance Department should move a little faster than it does at the present moment. It is all right to say that big questions of policy must await discussion. The programme which the Finance Member has chalked out to implement the recommendations of the Committee may be all right. Opinions have been

asked and they will do everything in right royal style in God's own time. But there are certain things, which are a crying shame, which ought to be removed as soon as possible, if not at once.

THE HONOURABLE THE PRESIDENT: I hope you will bring your remarks to a close now.

THE HONOURABLE MR. HOSSAIN IMAM: I am not going to take up too much of your time, Sir. I only want to refer to one subject. The separation of Burma will take place from tomorrow. The quantum of the payment that will be made by the Burma Government has been provisionally fixed at a certain figure which the Honourable the Finance Secretary gave us the other day. They did not tell us, nor were they asked—to their credit I must say that they did not intentionally avoid replying to the question, but this question was not asked as to who has fixed the rate of interest and when that rate of interest had been fixed. Few people have realised that the increased rate of interest implies reduced payment. The working of the Finance Department is so anti-clockwise. But that was a question which was not definitely decided by the Amery tribunal. Now, Sir, the next question is, what would be the basis of the distribution of unproductive debts. Will it be the 31st March or the 1st April, the day when Burma separates. It should be the latter in equity and justice after giving effect to the Otto Niemeyer Report on the re-distribution of the provincial loans account. Another item which I doubt whether it has been considered by the Otto Niemeyer Report or by our own Government is about the expenses of management of debts. Are we going to get anything from the Burma Government for management of debts? Ordinarily it will be thought that it is a very small item; it does not matter whether the Burma Government is made liable for it or not; but in our peculiar circumstances it involves a sum of Rs. 2½ crores which gives an incidence of about (1/5th) .2 per cent. on all our debts. If you increase the rate of interest on our liabilities you increase the amount of payment from the Burma Government. We therefore suggest that if these two matters have not yet been finally decided by the arbitrator, they might be reopened by our Government with the Secretary of State, although the Secretary of State and the British Government have shown by their past action that they have no sense of equity or justice. In the case of the separation of Burma every kind of injustice has not only been allowed but forced on us. Look at the question of defence. Is it right and just that when you are separating Burma, the Burma Government should be liable for the same expenses as before?

THE HONOURABLE THE PRESIDENT: You have already spoken for an hour and a quarter. I have given you the widest possible latitude, although you know my ruling on the point. I request you to bring your remarks to a close.

THE HONOURABLE MR. HOSSAIN IMAM: The last point I wish to urge about Burma is that the Government should make representation to the Burma Government on defence. Sir, we have seen during recent years that the garrison in Burma is so insufficient that as soon as there was a small rebellion there the Army in India was called upon to send a contingent from India. Now you have separated Burma. We have no connection with it and yet you maintain the same force as you used to do formerly. Is there any sense in it? Is there any equity in it? Are we to act as a dumping ground for the military and defence forces for the whole of the Empire for ever and a day? Whenever a colony or part of the British Empire wants an army to defend its shores India must supply it, and

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[Mr. Hossain Imam.]

for the time being that the Indian Army is there we get payment. Army is an insurance payment. Insurance you cannot have, unless you go on paying a premium the whole time. The Government of India is not a benevolent society or a body of philanthropists. We, Sir, are hard-taxed, we are overburdened. Then why should this burden be thrown upon us? And look at the facts. The Finance Member of India has to find new money to the extent of Rs. 3 crores to cover his deficits. And what is the fate of his brother in Burma? He has nearly Rs. 2 crores excess which he is laying by. And yet we are told that in equity and justice the British High Command has decided that the army in India should remain as it was and the army in Burma should remain as it was.

THE HONOURABLE THE PRESIDENT: You promised not to go into other matters.

THE HONOURABLE MR. HOSSAIN IMAM: No, Sir, I am talking about the army in Burma and I will conclude with that.

THE HONOURABLE THE PRESIDENT: If Honourable Members won't listen to me, I will enforce the ruling strictly.

THE HONOURABLE MR. HOSSAIN IMAM: Sir, as I said, the least you can do is to relieve us of some of the British troops and place them in Burma. You have two battalions of British and three of Indian soldiers in Burma. I object to Indian soldiers working in a country where we have no control. If you want five battalions, take British troops from us, thereby you will save us the cost of three battalions of the British Army and make it up by three battalions of the Indian Army. Even if the strength remains the same, as the British soldier costs three times as much as the Indian soldier, we will make some saving. If the British soldier cannot live alone without having Indians to serve him, then pay us some premium. The Burma Government should in equity and justice make some payment for the liabilities of India to supply it with a certain amount of troops if need be. You have the justification of the British Government. The British Government is paying Rs. 2 crores because it has been using our army in times of need. Now, similarly the Burma Government can very easily afford, out of its Rs. 2 crores surplus, to pay the cost of a few battalions. Even that will be a welcome addition. There are any number of ways open to the Government if they were anxious to find the money. But because the Government are not anxious to look for it or to find new money they needs must certify this and confront us with a *fait accompli* of a certified Bill. If you bring a certified Bill we have no *locus standi* but you cannot ask for support from us.

The Council then adjourned for Lunch till a Quarter Past Two of the Clock.

The Council re-assembled after Lunch at a Quarter Past Two of the Clock, the Honourable the President in the Chair.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern : Non-Muhammadian): Mr. President, the Finance Member is not here, but the Honourable Mr. Nixon, whom we respect and admire so much, is here and I hope he will convey to the Honourable the Finance Member what I have got to say by way of reply to his observations yesterday. Sir, I shall deal very briefly with the speech of the Honourable Sir James Grigg. Sir James Grigg,

with the courtesy which is characteristics of him and which all those who have come into contact with him have begun to appreciate and admire was pleased to describe me as a paragon of learning and good manners. Well, Sir, I have never claimed any learning. I thought, Sir, that that was the peculiar prerogative, if I may use that word, of the Finance Member and I have no desire, speaking for myself, to encroach on that prerogative. As for good manners, Sir, whatever the Finance Member may say, I certainly claim to possess them. I am prepared to make a sporting offer to the Honourable the Finance Member. I am prepared to have an enquiry instituted into my manners and enquiry instituted into his manners, and I am prepared to abide by the verdict of that enquiry, because, Sir, if an enquiry is instituted into his manners and if an enquiry is instituted into my manners, I am confident that the verdict will not go against me. Sir, I have incurred the wrath of the Honourable the Finance Member because I dared to comment on his absence from the House. I know, Sir, that it is not his statutory duty to be present in this House. But as a matter of convention it had been usual for Finance Members to be present. I do not keep a watch over his movements. I did not know what he was doing. I did not know, Sir, that he had duties in the other House. All that I did know was that he was not present in the House. And therefore I claim I had every right to make a comment on the fact that he was not present to listen to the speeches of the Opposition. I have no regrets, I have no apologies to offer for the comment that I made in regard to his absence yesterday during, at all events, a period of the debate. The Finance Member, Sir, was pleased to say that he did not miss anything in my speech and he also insinuated that I had repeated the arguments which I and some of us on this side of the House had used in regard to the certification procedure in previous years—

THE HONOURABLE THE PRESIDENT: I am afraid you are under some misapprehension. When he said "miss" he did not mean it in any bad term. He meant that notes had been taken by Mr. Nixon and therefore he did not miss your points.

THE HONOURABLE MR. P. N. SAPRU: Oh, no, no, Sir; he never means anything in any bad sense.

THE HONOURABLE THE PRESIDENT: That is the reasonable interpretation to put on those words. He was provided with notes of your speech.

THE HONOURABLE MR. P. N. SAPRU: May I just say this, that I am not vain enough to imagine that I could contribute anything of value to the discussions in the House? Therefore, Sir, so far as I am personally concerned, I have no grievance that he did not listen to my speech.

THE HONOURABLE THE PRESIDENT: There was no disparagement to you in any way.

THE HONOURABLE MR. P. N. SAPRU: I think, Sir, that self-sufficiency is characteristics of the great and I am not presumptuous enough to think that I am great. I am not on the Treasury Benches. I do not occupy the exalted position of the Finance Member. What observations of value could I, an ordinary individual, sitting on the Opposition Benches, without the vast knowledge of finance which the Finance Member possesses, make to a discussion of this character? Therefore, Sir, I have no grievance on that score. We, poor non-official Members, depend for the recognition of such work as we do upon our electorate, and the only consolation that we have is that we have the confidence of the electorate behind us, although it may be an electorate

[Mr. P. N. Sapru.]

of what the Finance Member, with his intense love for the poor, the depressed, and the weak in this country, would call an electorate of vested interests.

So far as the second charge, the charge of repetition is concerned, I would say this. I do not exactly know what repetition means. All politics is repetition. What else is politics but repetition? The problems are the same, the questions are the same, and I venture to think that if you read my speech carefully, you will find that it was—

THE HONOURABLE THE PRESIDENT: It means something else. If you read rule 16 of the rules framed under the Government of India Act, you will know what it means. It is repetition of what has been said previously by other Members or previously by the same Member. That is what is said in rule 16.

THE HONOURABLE MR. P. N. SAPRU: So far as other Members are concerned I would point out that, I am in the unfortunate position of being the opener of the debate. And so far as repetition of what I had said in previous years is concerned, all that I would say is that I was dealing with a situation which had arisen in previous years, and if my previous speeches are read it will be found that there was fresh matter in what I said. There is nothing new under the sun, but I would say that if there was repetition in our speeches, there was repetition of old platitudes in the speech of the Honourable Finance Member, and we do not find that there was much fresh matter in what he had to say in this House yesterday. Seriously, Sir, our main criticisms against the Finance Bill have remained unanswered. We never took the line, at least I did not, that certification was illegal or unconstitutional. I cannot claim to be an authority on constitutional law or constitutional theory, but I have read the Government of India Act and I have read the literature connected with the Government of India Act and I know—it was not necessary for the Finance Member to emphasise that—that the power of certification was intended to be real by the Joint Select Committee. I never took the line that any element of responsibility had been introduced by the Joint Select Committee. I was very careful in the language which I employed. The line that I took and that we on this side took was that it was possible for a non-parliamentary executive, for an irresponsible executive, to be responsive to the Legislature, that it was possible for an executive of this character to allow itself to be influenced by criticisms in the Legislature and that it was the intention indeed of the framers of this constitution that the executive should allow itself to be influenced by criticisms in the Legislature. I know that influence is not responsibility, but influence is influence, and the line that we took was that the executive was not allowing itself to be influenced by criticisms in the Legislature; and in so far as it was not allowing itself to be influenced by criticisms in the Legislature, it was not observing in spirit the recommendations of the Joint Select Committee in 1919. Sir James Grigg may derive whatever comfort he may from the fact that the consideration stage of this Bill was passed in this House by a majority of Members who depend for their nomination on the Government. But I would say that the moral victory yesterday was with us. I think there were 17 elected Members present in the House yesterday and out of those 17, 15 voted with us. So far as the Finance Bill in the other House was concerned, there was I understand not a single elected Member to vote for it. Therefore we on this side of the Opposition can claim that the moral victory was with us. Remember, Sir, that this is a Chamber which has won the approval of the mighty in this land. They like this Chamber and in this Chamber of conservative elements 15 Members voted

against the Finance Bill out of 17 here present. That is, I claim, a moral victory for the Opposition.

May I just in all humility say that the position which faces the Finance Member is one which ought to make him reflect a little. His predecessors in office had better fate with their Finance Bills than Sir James Grigg. His predecessors were not afraid of attacking vested interests, British and Indian, and yet they were able to get more solid support not only from vested interests but also from popular interests than Sir James Grigg. Why was that so? The credit of the Finance Department of the Government of India was built up by men like Sir George Schuster and Sir Basil Blackett. Who can say that the credit of the Finance Department of the Government of India stands as high as it did in the days of Sir George Schuster and Sir Basil Blackett? They were not afraid, Sir, of facing elected majorities; they were able to work with elected majorities because if I may say so they were men of imagination, they were men of courage and they were men of an accommodating spirit and temper. The Finance Member has accused us of being representatives of vested interests.

THE HONOURABLE THE PRESIDENT: You charged him with being an agent of British exploiters.

THE HONOURABLE MR. P. N. SAPRU: My friend the Honourable Mr. Pantulu, who is quite capable of looking after himself, charged him with being an agent of British imperialism. But I am quite prepared to discuss that there may be some element of truth in what the Honourable Mr. Pantulu said.

THE HONOURABLE THE PRESIDENT: I think we are now discussing the Finance Bill. You are taking the matter too seriously.

THE HONOURABLE MR. P. N. SAPRU: We are told, Sir, that we are representatives of vested interests. I can conscientiously say that I am not a supporter of vested interests. I look at questions not from the vested interests point of view but from the point of view of the community as a whole. I look at questions not from the point of view of the richer sections of the community but from the point of view of the poorer sections of the community. But if I had to choose between British vested interests, which I dislike, and Indian vested interests, which I dislike, I have no hesitation in saying that as a patriotic Indian I would choose the Indian vested interests if there had to be a choice.

Sir, our basic objection in regard to the sugar excise has been re-emphasised in a very able speech by our Deputy Leader the Honourable Mr. Hossain Imam and I am not going into the question of the sugar excise duty at this stage. But there was another line of criticism that we took and that has been entirely ignored by the Finance Member. We took the line that the budget could be balanced by retrenchment, that it could be balanced by following a different economic, political and constitutional policy. The criticism that it was possible to balance the budget if a different line in regard to these basic problems had been adopted has not been answered by the Treasury Benches. Holding the strong convictions that we do on certain political, economic, financial and constitutional issues, we have no alternative before us but to register our protest by voting against the Finance Bill. Sir, it is open to the Finance Member to derive whatever satisfaction he may from the votes of those who either because they happen to be under obligations to Government or are Government officials are bound to vote for the measure, but we on this side of the House claim that we have the elected Members with us and we, the elected Members, shall register our protest against this Bill. You can pass

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this Bill, but you can only pass it without our consent and without our co-operation in its present form. These are all the remarks that I have got to make in regard to the Finance Bill.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR (Madras: Muhammadan): Sir, if I rise now to intervene in the debate and venture to add one more protest to those others which have been dashed to the ground by the Honourable the Finance Member before they even had the chance of penetrating as far as three yards, the responsibility for it—I do not say the blame for it, lies at the door of the Honourable the Finance Member, but for whose utterance I would not have had the temerity to speak on this Bill. Not being a pandit of high finance, I always take care not frequently to interfere unnecessarily in debates on subjects like finance. Sir, the speech that the Honourable the Finance Member made yesterday, however much it might have lacked in sound reasoning or weighty arguments or even convincing facts, that speech, despite all that, had a charm of its own. It was of a type which was quite different from that to which we are accustomed on the floor of this House. It showed a very delightful disdain of all conventions, a very delightful disdain of all Parliamentary practice, and the result was that those of us who before that outburst of eloquence had no intention whatever of intervening in the debate were forced to spring to their feet as soon as he finished his speech. But, Sir, since I was not lucky enough to catch your eye, I was not afforded the opportunity to speak yesterday, and I am sorry, Sir, that I have got to give expression to my views today in the absence of the Honourable the Finance Member, whom I would have liked to know our feelings on the matter. However, Sir, I am glad that we are having in our midst our esteemed friend the Honourable Mr. Nixon who I believe will show us the courtesy not to knock down every protest that is made here but will on the other hand convey faithfully to the Honourable the Finance Member the feelings that have been expressed in this House. Sir, in trying to meet some of the points which had been made by the Honourable the Finance Member yesterday I may at once state that I will take care not to indulge in the sort of rhetoric which was indulged in yesterday, I will not call people names, I will not indulge in that kind of rhetoric, simply because I feel it is not necessary for me when I am perfectly conscious of the cause which I am supporting, conscious of its strength, conscious of the fact that it is supported by weighty arguments and stern realities. Sir, we know it is a common practice with lawyers that whenever they have a weak case to defend they always start by abusing the opposite party. But, Sir, all this fury and invective which is pressed into service to do service for want of argument fails ultimately to have the desired object, as it did yesterday. It only tends to make more pronounced and apparent the inherent weakness of the case.

THE HONOURABLE THE PRESIDENT: That is quite enough for your preface. Will you kindly come to the Bill now?

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR: Very well, Sir.

One of the objections which the Honourable the Finance Member took to the criticism that was levelled against him yesterday from this side of the House was, as has been observed by my Honourable friend Mr. Saprū, that there was always a repetition on the part of Members of this House when they criticise the measures brought before them by the Government. Sir, he said that we were not justified in repeating the old arguments without having regard to the

fact that there has been such a lapse of time. May I ask whether this lapse of time has taken away the right of any people to oppose objectionable measures? Does the fact that the Government has been persisting in a certain course of action without being deterred or influenced by popular feeling, does this fact that the Government has been pursuing a wrong course of action for ever so many years past, does this fact give it a prescriptive right of denying the right of other people to question the action of the Government? To my mind the lapse of time hardly makes any difference to the advantage of the Government and if it does make any difference at all, it is only to aggravate the enormity of the wrong that is being done and is persisted in for ever so many years. Sir, they have been doing the wrong without being influenced by what the representatives of the people have said as a protest against their action. They have been maintaining their administration top-heavy. They have been consistently refusing to listen to the advice that their expenditure should be cut down in order that the necessity for certifying measures might be eliminated. They have been doing all this and whenever there was any taxation to be imposed, the Government always thought only of such measures which hit the poor and whenever any relief was to be given the relief was given only to such people who had hardly made any sacrifice in the matter. When they do all this, and we take objection, they say that we are repeating the old argument and there has been nothing fresh urged to induce them to change their course. When we take objection to all this, when we plead for the poor man's postcard, when we try to make the Government realise the injustice of denying to the poor man the one facility which he has got of communicating with his friends and relations, when we make these protests, we are told that we are only repeating old stories. Was it not the duty of the Government to see that before they gave back the entire salary to their high paid officials, before they restored the cuts in the salaries of the higher paid officials, they should have restored the postcard to the poor man. Was it not fair, Sir, that, whenever they found that there was a chance for giving relief, the relief should have been given in those quarters where it was most urgently needed? Was it not fair that, whenever there was a possibility of reducing taxation, only such taxation should have been reduced as would have gone to lighten the burden of those who had the least capacity to bear it. But the Government, Sir, does not wish to take our advice. It does not wish to give up its old habit of looking from the point of view only of those who have enough and to spare. It does not cease to give up following the motto "To him that hath shall be given and from him that hath not shall be taken away even that which he hath". Consequently, Sir, so long as the Government does not change its angle of vision we cannot help making a protest, we cannot help telling the Government that they are ill-advised in trying to think first of the interests of the rich man and the interests of those people that have and are not justified in ignoring the claim that the poor man has upon their consideration.

Now, Sir, just a word about the sugar industry. I do not wish to repeat the arguments which have been already advanced on the floor of this House. All that I wish to do is to ask whether the protection that this industry has been enjoying has been allowed long enough; whether the period of four or five years that it has received protection has been long enough to give it a fair chance to get stabilised and well established in the land. Do we suppose, Sir, that these four or five years are enough for a big industry like that to have done everything that was possible by way of gaining experience, by way of improving its methods of production? Do we suppose, Sir, that there is not room still for making improvements in the cultivation of the cane, for trying to do things which will go to bring some improvement in the prices which are now paid to the cultivators of cane? If the Government had only realised this, I am

[Saiyed Mohamed Padshah Sahib Bahadur.]

sure, Sir, the Government would not have been so ready to impose this fresh duty upon sugar.

Again, Sir, the bogey of over-production and unhealthy competition is after all not quite correct to trot out and in support of my argument I would quote my Honourable friend, Sir Ramunni Menon, who by the speech which he made yesterday made a very useful contribution to the debate in this House. Indeed, he was quoted with approval by the Honourable the Finance Member himself, but Sir Ramunni Menon himself clearly stated that the question whether it was in the interests of the industry to have the present competition, healthy or otherwise, at once checked was one which needed much greater and more thorough inquiry than it has received up to now. Therefore, I feel, Sir, that the Government was very ill-advised in imposing this duty before this question has been more thoroughly investigated. They would have been well advised to wait and see what the Sugar Tariff Board had to say in the matter. And as regards the constitutional aspect, Sir, I do not wish to say anything much about it. All that I say is that it was simply denying the right of the Legislature to carry their suggestions into effect by passing amendments in the House, if Bills in a certified form are brought before them. For one thing, Sir, the effect of such a step is to deprive discussions in this House of everything except an academic interest. That is the reason, Sir, why some of us thought that before the Government decided on such a step it should have tried to explore every possible avenue to find out whether any other alternative course was possible and would have afforded a chance of avoiding certification. We do not deny, Sir, the power of certification, as has been observed by my Honourable friend Mr. Sapru. We do understand that there is a power reserved but that power has got to be exercised only on extraordinary occasions. But what we find today, Sir, is that the procedure which was meant to be invoked only on extraordinary occasions, which was intended to be used only very sparingly has now become quite the normal feature of the financial policy of the Government of India. And for that reason, Sir, we have time after time repeated that the very policy of the Government of India is not well-founded, that there is something wrong somewhere, inasmuch as the pursuit of that policy has necessitated the use of methods which were meant only to be used very sparingly and on very extraordinary emergencies. Therefore, Sir, we have always suggested that the Government of India should think of ways and means by which they might be in a position to avoid such emergencies, they might be in a position to balance their budget without having resort to methods which are so much against the wishes of the elected representatives of the people. I do not wish to dilate upon this subject, Sir, nor do I want to point out again the various ways which have been suggested here. My Honourable friends who preceded me and who spoke yesterday and today have most of them shown different ways in which ways and means could be found to balance the budget.

With these few observations, Sir, I oppose the passage of this Bill.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Sir, I rise to oppose the passage of this certified Bill. As I have already observed, the forecasts of the Honourable the Finance Member have generally proved to be incorrect. For instance, last year, in regard to increased receipts from telephones and from coinage, he observed that the era of prosperity has begun, but the revised figures show that instead of prosperity, the position has been otherwise. There has been a fall in the estimated expenditure, as compared with the revised figures of 1936-37, of Rs. 197 lakhs. We find that our revenues have been constantly going down

and during the last four years, there has been a drop of Rs. 4 crores. So, the time has now come when we should appoint a committee of enquiry which should go thoroughly into the present expenditure of the Government of India and report as to what retrenchment is possible. The Inchcape Committee sat on this very subject, and they did recommend certain measures of retrenchment. All those recommendations were not accepted by Government. They accepted a few, and even these have now been turned down and the initial expenditure has been practically restored. The Finance Member has said that this year, if we accept the proposal of the other House, it means a great deficit. Last year we suggested that the capital expenditure on Quetta should not be charged to revenue but to capital. This year again, an expenditure of Rs. 60 lakhs is being incurred on Quetta and this is also being charged to revenue. That is not right. It is really capital expenditure and we see no reason why Government should charge that to revenue. Then, as my Honourable friend Mr. Hossain Imam observed, the Neimeyer Report is greatly disappointing to Indians and the contribution we will get from Burma is not what we call a reasonable one. I suggested that when Burma is separated the expenditure incurred on Burma ought to be recovered from Burma. No reply has been given to it and we cannot see why such charges should not be recovered from Burma. The British Government is contributing about Rs. 2 crores towards capitulation charges. Why you recover no capitulation charges from Burma we cannot understand. I would suggest that as we have to train Indian armies for Burma, Burma must pay us capitulation charges.

Then, Sir, my Honourable friend Mr. Hossain Imam also observed that there is no use keeping such huge balances in the open floating account with the Reserve Bank or the Imperial Bank. Why does not Government observe to the full extent the cash credit system, which Government call the ways and means advances? Sir, Government can easily get money at a much lower rate of interest for their overdrafts, and if they put in their money in deposits, they can certainly get a higher return for their money.

Sir, the Honourable the Finance Member, speaking on the budget, said:

"The deficit of Rs. 3 crores and 42 lakhs is a matter of small consequence in a budget running into Rs. 80 crores".

But I cannot see how he can reconcile that statement with the statement he has now made that he cannot balance the budget otherwise than by an increased duty on silver and sugar. Sir, there has been a distinct change in the tariff policy of the Government. The receipts from customs and income-tax are going down. The only thing which will increase the income of the Government of India is the increasing of the purchasing power of the masses. Unless the purchasing power is increased, you cannot possibly expect a large increase in your income. Sir, we do not want discriminating protection. We want full fledged protection. England which always boasted of being a free trader realised during the war that without protection she could not get on, and the protection they gave was quick and in time. While I was in England some years back, foreign butter was putting out the indigenous butter and the Government went through both the Houses of Parliament and increased the duty on butter within a few weeks. Here, the Government takes years to partially do that, as even now we find that dumping of foreign goods is going on. Yesterday, when the Honourable the Finance Member was addressing the House, I said, "Why not increase the import duty in artificial silks"? I find today in the papers that Government have seen their way on pressure being brought from elsewhere to increase those duties though they ignored the pressure of the Legislature. As my Honourable friend Mr. Padshah observed, there

[Rai Bahadur Lala Ram Saran Das.]

have been valuable suggestions made to the Treasury Benches for increasing the income of the Government, but all those suggestions, as is usual, have been thrown to the wall. We advocated an export duty on gold. We also advocated an increase in the duty on certain imports which can stand higher duties. That has been refused. You must reduce the army expenditure. The Inchcape Committee wanted that expenditure to be low—

THE HONOURABLE THE PRESIDENT: It is much lower now than what the Inchcape Committee recommended. It is now Rs. 5 crores less than what the Inchcape Committee recommended.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: What I say,

3-5 P.M.

Sir, is that even now the army expenditure is many times more than it used to be before the war and there is no earthly reason why that expenditure should continue swelled without there being any change in the international situation or in the situation at our borders. What we find is that the Government is increasing their expenditure, and the rumour which was afloat when the first Reforms were introduced that Government would give a start to the reformed Government rather with empty purses. And we find the same policy is being pursued now. The Lee concessions have not been withdrawn, the high salaries have not yet been reduced. Instead of cutting your coat according to your cloth you are first framing the expenditure side of your budget and then you are balancing the budget by extra taxation. Sir, I say with all the emphasis that I can command that there should be a change in Government policy and that there should be no lip sympathy only so far as the interests of India are concerned. I again, Sir, say that as I have illustrated, whatever hopes the Finance Member entertains and the arguments he has advanced in regard to the increased excise duty will in a short period prove to be wrong. Then he will realise that it is no use giving false hopes to this House and to the other House every year. The Government has met last year's deficit without any increased taxation and there is no reason why they cannot similarly meet this deficit of Rs. 1 crore and some lakhs out of the revenue this year. I am very sorry to have to make these observations and I would say that if there is no other way in which the money can be found, it will be much better to abolish the military schools and particularly the Military Academy, which, as we now find, is a real burden to India. The Government and the parents of the boys are spending about Rs. 10,000 per cadet for making that cadet into a dignified jamadar. If that is the result, no man of high family will send his son to that Academy to bear ever after an inferiority complex and suffer by racial discrimination. I consider that if Government is not going to abide by their pledges and proclamations they might as well close these institutions which I consider under the present reversal of policy are an unjustifiable burden on India's finances.

THE HONOURABLE MR. SITAKANTA MAHAPATRA (Orissa: Non-Muhammadian): Sir, for the third year in succession the Finance Bill has been sent to this House with a certificate. It is a calamity for all concerned. The certificate means that the Bill as sent to us must be passed by this House before the close of the financial year without dotting the i's and cutting the t's. This is essential in the interests of British India or peace and tranquillity in the country will be seriously jeopardised.

Certification of the Finance Bill was necessitated by two adverse votes in the other House which made a gap of about Rs. 165 lakhs in the budget. The

Honourable the Finance Member himself warned us not to exaggerate the importance of a gap of one or two crores in a budget of Rs. 80 crores with the following words in his latest Budget Speech:

"We must be careful not to exaggerate the importance of a gap of one or two crores in budget of over Rs. 80 crores".

I am not exaggerating the importance; on the other hand I am of opinion that it is a matter of small consequence, and the Honourable Finance Member did a wrong to India as a whole and a wrong to the nation to which he belongs and, more particularly, to the Governor General who has been ill-advised by advising him to certify the very first Finance Bill of his regime. In a position such as this I believe Sir Basil Blackett or even Sir George Schuster would have acted differently. I go further and say that the Honourable Mr. Nixon would have given due weight to the opinion of almost every elected Member in the Lower House and acted differently and better, in spite of his speech yesterday. Are there not a hundred and one other ways and better ways to balance the budget and are they not well known to the Finance Member? But the Finance Member is nothing if not pig-headed, and he must have his own way. He thinks that it is a shame for an Englishman to yield to Indian opinion. He also thinks that he is head and shoulders above every Indian economist or politician or all of them put together. He thinks that it is enough that they are not now doing in India what the Italians did in Addis Ababa when a bomb was thrown on Marshal Graziani, that it is enough that he is swallowing all the bitter pills being administered to him in both these Houses good humouredly. And why should he not have his own way in matters of finance? I fully agree with him.

I have heard from a reliable source that he is so well convinced in this notion that when he went to the Governor General to get his Bill certified he took his resignation letter in his pocket. He placed both his Bill and his resignation letter before the Governor General.

THE HONOURABLE THE PRESIDENT: What is the source of your information?

THE HONOURABLE SIR DAVID DEVADOSS: A dream, Sir!

THE HONOURABLE THE PRESIDENT: I do not think you are justified in drawing upon your imagination to that extent.

THE HONOURABLE MR. SITAKANTA MAHAPATRA: This is a rumour, Sir.

THE HONOURABLE THE PRESIDENT: Then surely you ought not to give currency to a rumour in this House.

THE HONOURABLE MR. SITAKANTA MAHAPATRA: The Finance Member will correct me.

THE HONOURABLE THE PRESIDENT: He is not here to correct you.

THE HONOURABLE MR. SITAKANTA MAHAPATRA: And what was his advice to the Governor General? His advice was, as I have heard, subject to correction, that unless the excise duty on sugar was raised to Rs. 2 and the price of the Indian postcard was retained at three pice by the first day of April in the year of grace 1937, the peace and tranquillity and good government in India would be greatly disturbed, before which the Mutiny of 1857 would

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pale into insignificance, that there would be unheard of red revolution and anarchy and bloodshed, that the few thousands of British troops now in India would be unable to cope with the situation, and that he may not be required to prepare the financial statement for 1938-39. Any administrative head would be unnerved at such an advice from his more experienced adviser. Sir James Grigg is a great administrator and if one-hundredth of the rumour that we hear be true, God help us! The light-hearted manner in which he advised the Governor General is unparalleled even in the history of India, if it be true.

Sir, I believe you must be anxious to know how any man, even the Honourable Mr. Nixon, left to himself, would have tried to balance the budget under the present circumstances. I must confess at the outset that I am not an economist or an expert on finance. I am not even a member of the omniscient Indian Civil Service, but I can to some extent dive into the thoughts of others. So I can say approximately what the Honourable Mr. Nixon would have done.

He would at first have thought of increasing the excise duty on steel. His reasons would have been, among others, these. The iron industry in India is much more strongly established than the sugar industry. In comparison with the former the latter is in an infant stage. Due to war scare the prices of iron have gone up. There is scarcity of iron in every war-like country in the world. Japan is hankering for iron. Many army and navy and other contracts for even the United Kingdom's war preparations have been suspended for shortage of iron. Great Britain has suspended the import duty on iron and already 400,000 tons of iron ingots are being shipped to England from India. The manufacturers of iron have increased their prices in India and it will continue for some time. So, the Honourable Mr. Nixon's calculations to balance the budget would be by increasing the excise duty on iron.

THE HONOURABLE MR. J. C. NIXON: How much would I have got?

THE HONOURABLE MR. SITAKANTA MAHAPATRA: But the Secretary of State would have come down upon him saying: "You, confound you, etc., didn't you know that we require iron here in large quantities? Is it for this that you are there?" The Honourable Mr. Nixon would have retraced his steps.

Then the Honourable Mr. Nixon would have naturally fallen on an export duty on gold. His reasons would be these. Almost the whole of the gold that is being exported is distress gold. There was a time when we were neglecting this export of gold. But unless the little that is left is preserved, India's credit may be affected. Further, by imposing an export duty on gold the agriculturist will not be affected, because middlemen purchase or keep on mortgage gold in the rural areas at a ridiculously cheap price. They sell this gold to the exporter at a very high rate. They cannot lower the rate in the rural areas on the ground that an export duty has been imposed. They will pay the duty, that is, they will make a little less profit when selling gold to the exporters and the profit is generally so large that the duty will not affect him much. The agriculturist has nothing to fear from this duty. But then the Secretary of State would remind him, "Do you remember how India's trade was balanced during the past few years? Exports have gone down due to the Ottawa Pact and this distress gold had saved us from great distress. How dare you, etc." The Honourable Mr. Nixon would again have retraced his steps.

Then he would have thought of surcharges on income. Even a financial expert of the class of Sir Otto Niemeyer has taken the Government of India

to task for foolishly reducing the surcharges. Such a good idea. But then the ever alert Secretary of State would say, "Do you know that you belong to a nation of traders? You are in India to safeguard the interests of British traders, and this tax will fall on them mostly"? The Honourable Mr. Nixon would be wiser.

Then he would remember the salary cuts. The last salary cuts were restored under the impression that the then new Finance Member coming directly from the British Civil Service had brought about a miracle in Indian finance, that there would never under the British rule be a deficit budget in India. He justified himself when his first two budgets surpassed his own expectation. But then darker days came. It is an irony of fate that bright days do not continue till the end. The vain British civilian had to eat humble pie. Deficit budgets in India were responsible for the pay cut scheme. It was removed due to a wrong calculation. Silver import duty was also reduced to annas two per ounce along with the restoration of cuts. When the import duty on silver has been increased in order to balance a deficit budget, why not introduce a pay cut scheme again to balance the budget, so that such good friends like Sir Yamin Khan and Sir Cowasji Jehangir may be humoured? This would have been a self-denying ordinance on behalf of the Honourable Mr. Nixon, which would have pleased the representatives of the Indian people in the Central Legislature. Besides, Indian provinces where the so-called autonomy is going to be introduced in a few hours are all in dire need of money. Till they are able to claim a share of the income-tax, this measure would be very much welcomed there. The Honourable Mr. Nixon would have stuck to this as the main item of his budget balancing scheme.

But that is not to be. The Honourable Mr. Nixon is not the master of the situation. Some other puffed up person is the real master. He does not want to admit defeat to Indian economists and politicians. Although eating India's salt, he has wronged India immensely. He has also wronged the gallant nation to which he belongs. As the result of his unsound advice the professions of sympathy, helpfulness and co-operation have turned into a myth. His action just on the eve of the great constitutional experiment has antagonised the whole of the Indian nation and is unpardonable. The stiffening in the attitude of the Congressmen after the 16th of March, which caused the failure of constitutional government in six Indian provinces, is due to his irresponsible action. A great statesman with a history behind him came out to India full of sympathy and sincerity and with the hope of doing something. His coming raised high hopes in the bosoms of many optimistic Indians. Those hopes are now blasted. I was surprised yesterday when a gentleman belonging to the English nation with a great tradition of democratic government behind it boasted of his irresponsibility to Indian public opinion, quoting chapter and verse from the Montagu-Chelmsford Report. I was surprised that he was not ashamed of himself. Perhaps he is ashamed of nothing!

THE HONOURABLE THE PRESIDENT: Order, order, this is unparliamentary language. You must not speak in that tone.

THE HONOURABLE MR. SITAKANTA MAHAPATRA: Sir, I represent a province where there is no industry. There is not a single sugar factory there and I confess I have never seen a sugar factory or know anything about them. So I cannot say with authority how this increased excise duty will affect the industry and the cane growers. But the unparalleled unanimity of opinion in the Lower House cannot fail to impress one. Almost every elected Member

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there was opposed to it. What else would convince the Honourable the Finance Member? But he is not open to conviction.

I am told that there is a little story behind his cruelty to Indian sugar. It is this. Sir James Grigg had given clear instructions to his *babarchi* that nothing manufactured in India should be used in his kitchen.

THE HONOURABLE THE PRESIDENT: Please remember, this is a Council and not a theatre.

THE HONOURABLE MR. SITAKANTA MAHAPATRA: Well, Sir, I am an elected Member of the Council and know it.

THE HONOURABLE THE PRESIDENT: The tone of your speech throughout is not at all becoming in this Council.

THE HONOURABLE MR. SITAKANTA MAHAPATRA: Sir, I will try to improve.

THE HONOURABLE THE PRESIDENT: I hope you will.

THE HONOURABLE MR. SITAKANTA MAHAPATRA: One day the *babarchi* served him with Indian sugar. Sir James could not take tea that day and on inquiry he found out that the poor *babarchi* could not find foreign sugar in the market even after a diligent search. The Finance Member came to the conclusion that it was due to the heavy import duty on sugar and the small excise duty that Indian mills are meeting all her demands. So he decided at once to take adequate steps so that orthodox Englishmen may not be tormented by Indian sugar. I hope the House will believe me when I say that I have it on the authority of one in the know of things that the Honourable Finance Member originally planned his budget proposals with a duty on cement and left out silver. But after the well-known interview of his private secretary with Seth Gulab Chand he reversed his proposal by putting a duty on silver leaving out cement.

Sir, I am a devout worshipper of the goddess Kali. I believed Mr. Shri Prakash entirely when he said that a bright but idiotic schoolboy by the blessings of the goddess Kali had become the Finance Member! But after this utter mishandling of the budget by the Finance Member my faith in Mr. Shri Prakash's authenticity has been rudely shaken. I am afraid Mr. Shri Prakash committed a terminological inexactitude. I am inclined to think that the bright schoolboy who had the good fortune of being blessed by the goddess Kali is not the bungling Finance Member, but if at all he may be the tolerable Finance Secretary.

Sir, I conclude.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern : Non-Muhammadan): Sir, my Honourable friend, Mr. Sapru, regretted yesterday the absence of the Honourable the Finance Member from the earlier part of our proceedings. I for one am inclined to congratulate ourselves on his absence today. Any one present in the House yesterday and today can discern for himself the difference in the atmosphere in which the debate was carried on yesterday and today. My Honourable friend, Mr. Nixon, presented the Government case as fully and as clearly as anyone could, indeed more fully and more clearly than his Chief's self-conceit and bad manners have ever allowed him to do.

Sir, we do not whine when we are hit back. When we hit we are prepared to receive hard knocks in return. Let official Members who are attacked by us fight in real earnest for their views. Let them draw blood, but let them observe the rules of the game. They should conduct themselves so as not to fall below a certain level of decorum and good manners. That, Sir, is not too much to expect from any Member of this House even when the most highly controversial topics are being discussed. I am sure, Sir, that this House till yesterday was an utter stranger to an outburst of petulance and racial arrogance of the kind in which the Honourable the Finance Member indulged yesterday. It was a curious mixture of boyish resentment of criticism and a superiority complex. If the Honourable the Finance Member were a private individual he would soon get the treatment he deserves. But he is today misusing his position as a Member of the Government of India. Government ought to realise that he is not merely giving just cause for resentment to Honourable Members but is also bringing down the reputation of the Government of India. I think that, if the Honourable the Finance Member is unable to outgrow his boyhood and to rise above his racial feelings, it will be the duty of Government to choose somebody else to be their spokesman here on important occasions.

Sir, my Honourable friend Mr. Nixon dealt very fully with the Government case yesterday. We for our part tried to controvert his views and I think that we did so successfully. But what was the reply that we received at the end of the debate? The Honourable the Finance Member said that so far as our criticism of Government policy was concerned, we might be certain that it was a cry in the wilderness. Our criticism related mainly to the army, and on that point he was as explicit as anybody could be. He told us to be under no delusion so far as retrenchment in the military expenditure was concerned. He could promise nothing of the kind. My Honourable friend Mr. Hossain Imam has today made some more suggestions which would either dispense with the need of imposing additional taxation or reduce greatly the amount needed by Government to fill the gap between revenue and expenditure. I have no doubt that my Honourable friend Mr. Nixon will deal with his arguments but I think I can safely anticipate his reply which will be to the effect that his suggestions, although they might be considered hereafter, cannot be accepted at the present stage. It comes then to this, Sir, that while no modification of policy asked for by us has been acceded to by Government, they insist that we should vote the money that they have asked for. Perhaps they think that while we might discuss individual questions of importance on specific occasions, our duty on an occasion like this is not to raise general questions of policy but to submit quietly to the existing state of things and to vote submissively the money needed to carry on the administration on its present basis. Their experience must have shown to them that they are entirely mistaken and that in future also there can be no hope of collaboration between them and us unless their point of view undergoes a radical alteration and they recognise that however weak politically the people of the country may be, they have reached a stage when they are determined to take every step to assert themselves.

Now, Sir, let us take the measures in favour of which my Honourable friend Mr. Nixon argued so eloquently yesterday. I shall take them one by one. Let us take the silver tax first. What my Honourable friend says about it comes to this. We want to have money and we do not think that the silver tax would in any way injure the interests of the poor man. On the other hand, if we can induce him to give up the habit of hoarding, we shall have conferred an advantage on him and on the country. I will leave

[Pandit Hirday Nath Kunzru.]

aside the point whether this accusation against the villager is true or mythical. I can point out that this matter has been examined by a series of committees. The latest of them, the Central Banking Enquiry Committee, went thoroughly into this question and came to the conclusion that in the existing circumstances there was nothing which could be called hoarding except the practice of having ornaments for women. But, as I said, I will leave aside that small point which completely knocks the bottom out of the Government contention, and then see whether there is any force in the argument used by my Honourable friend. What will the position be if we accept the Honourable Mr. Nixon's contention? Government will in effect be saying to the people of India, "You shall have full liberty to send your goods out of the country and to send your gold out also. But if you want to be paid for them, please take payment in the shape of our goods. We have no power to compel you to do so. But if you do not respect our wishes, if you do not buy as much of our goods as we would like you to, if you want to be paid in the precious metals, we shall see that you are penalised". This is the net result of the policy that Government want to follow in connection with silver. They want to promote their own interests at the expense of the people of this country.

Now let us take the sugar duty. We all dealt with it at considerable length yesterday and I have no desire to traverse the same ground. But I shall take the Government today at their word and believe that one of their objects in imposing an extra excise duty on sugar is, so to say, to rationalise the industry and to save the sugar manufacturers from themselves. If they really wish to do so, will the kind of police function that they would be discharging by imposing this duty be sufficient for this purpose? Will the negative attitude displayed by the step that they are taking serve to build up the sugar industry? If they really wish to do something for the industry, they must take more constructive steps. So far as I can gather, the two primary needs of this industry are finance and a central marketing organisation. Let Government bear these needs in mind and take active steps to fulfil them. It may be necessary for them even to go further and ask for wide powers to deal adequately with the situation, powers which have been taken in other countries—even in Great Britain—in dealing with industries to which protection has been granted. This is a matter that would require to be thought out carefully. But it does need the immediate attention of Government. It is not enough for Government when trouble occurs to come forward as the guardians of our interests and to take steps to deal with the evil which calls for immediate action without providing a permanent solution for the basic difficulties of the situation. They must have a more positive policy.

But, Sir, sugar is not the only industry which calls for such a policy. Constructive policy would need to be followed in many another sphere of our economic life. I can give many illustrations to show how an active policy would be to the benefit of the country. But I shall this afternoon ask Government only to bear one matter in mind, for it is of immediate and urgent importance. We have all read in the papers recently of the conclusion of the Indo-Japanese trade agreement. Now, I understand that the question of participation in the maritime trade between India and Japan has been raised by the British shipping interests in connection with it. It was raised some time ago also but I am given to understand that the Government of

India declined to consider the question on the ground that it was not their primary concern and that it was not directly connected with the trade agreement. But I learn that under pressure from the shipping interests concerned, the question has been re-opened. I should like to have some information on this point. If it has been re-opened it is necessary that the representative of the Government of India who will attend the Imperial Conference should be asked to advocate the Indian case there and to see that India receives representation on this occasion on the Imperial Shipping Committee which I believe will consider the matter before it receives the attention of the Imperial Conference. We have all been asking for a long time for the development of an Indian mercantile marine. Hitherto the difficulty in our way has been the monopolisation of the coastal trade by British companies. But here we shall have no vested interests to contend against. Here, if Government desire, they can help us actively without injuring any British interests to develop a marine which will not merely be economically of the greatest value to us but be the foundation of the Indian Navy of the future. I hope that Indian interests will be prominently borne in mind by Government in this matter and that no decision will be taken which will permanently injure Indian interests. India has not got many ships of her own. Development in this direction will take some time. During the period of development other interests may be allowed to take part in the trade between India and Japan, but steps should be taken to see that when Indian shipping has progressed vested interests place no obstacles in the way of its full development.

One word more, Mr. President, and I have done. We were accused by Government yesterday of having been influenced by diligent propaganda carried on by interested persons and bodies. It was hinted in no delicate manner, that we were the tools of vested interests. Sir, we made a suggestion yesterday with regard to the manner in which, even if no economy was made in administration, Government could find the extra money needed by them. The suggestion related to the reimposition of the surcharge on super-tax and on income-tax on higher incomes. My Honourable friend the Finance Member dealt with a good many other points but remained discreetly silent on this particular topic. And what does his silence on this subject show? Does it not mean that it is not we but Government who are afraid of big business? If there is any one in this House who is the tool of vested interests, I contend that it is Government and not we. I cannot understand their unwillingness to accept the suggestion made by us. It will in every way strengthen their position. Every argument that can be used is in its favour. But if they had adopted it—(*An Honourable Member*: "They could not adopt it after the Bill was recommended".) It was open to them to consider it beforehand. Was it possible that this suggestion did not occur to them? The Finance Member reduced the surcharge in two successive years. He is not suffering from a weak memory. He and his Secretary I am sure remember the sacrifice of revenue that had been made by two successive reductions. They must have considered the possibility of raising the surcharge to its previous proportion. But the thought of the opposition of vested interests, of big capitalists, particularly in the most important commercial towns of India, made them quake in their shoes. Their courage oozed out of them when they thought of the opposition they would have to face from those on whom they normally rely for support both in this House and outside. They are then the agents of vested interests and not we, and we can with a clear conscience oppose the measures which they have brought forward.

[Pandit Hirday Nath Kunzru.]

Sir, with these words I beg to offer a strong opposition to the passage of the Bill before the House.

THE HONOURABLE MR. J. C. NIXON (Finance Secretary): Sir, in the first place may I say that I do not propose to follow those Honourable Members in some of their rasher and in some of their perhaps more slanderous suggestions about the Honourable Finance Member. Certainly, the picture suggested of him as an amenable lamb led by the India Office or led by English trade interests is not one with which we on this side of this House are at all familiar; and I who work more closely in touch with him every day perhaps than anybody else, can say that never on any occasion have I seen him moved by other than what he believed was for the good of the country, India, which he has, like all of us, come to serve. I would merely remind the House that the Honourable Finance Member's remarks were mainly occasioned by an almost libellous accusation levelled against him by my Honourable friend Mr. Ramadas Pantulu.

Sir, if I confined my remarks to the Finance Bill I should have practically nothing further to say. If I confined my remarks even to other financial matters I should have to say that most Honourable Members who have spoken on the Bill have said too little and one at least perhaps too much. I will endeavour to reply to only a few of the points which have been raised by Honourable Members which have something of a financial bearing. My Honourable friend Mr. Ramadas Pantulu quoted certain statistics in regard to the sugar trade and industry; some of them I am afraid I could not hear; of others I could not recognise the relevancy; but there is one figure that I would like him and this House to bear in mind. It is this. Indian sugar is at present selling in India roughly at Rs. 6-8-0 a maund. If we take off the whole Rs. 2 of the excise duty— (An Honourable Member: "Has not the price gone down?") Within four or five annas I am correct. If I take off the Rs. 2 of excise duty, Indian sugar would be sold in the market at the moment at Rs. 4-8-0; and I can tell this Honourable House that India could purchase its sugar from Java free of all duty at something like Rs. 2-8-0 a maund. I think my Honourable friend Mr. Ramadas Pantulu would in his heart of hearts himself confess that he was on his second speed in the rest of his speech this morning when he attempted to draw some—I have forgotten what—inference from the fact that the consumption of white sugar per head in India was very low compared with its similar *per capita* consumption in other countries. Without bringing into consideration the subject of *gur* of which a very much larger quantity of course is consumed in India, I think the comparison is entirely irrelevant. Again I thought he was not keeping to his high standard when he let his democratic principles run wild and suggested that the relative truthfulness of himself and somebody else should be determined by plebiscite. One might just as well have the distance of the moon determined by a show of hands!

I come on now to my Honourable friend Mr. Hossain Imam who delivered Part II of his speech on the General Budget. I find myself this morning showing a commendable self-restraint when I did not stand up on several occasions and ask you, Sir, to declare that a very large amount of what he was saying was irrelevant to the issue before the House. I say, Sir, with due respect, that I felt that you too were showing very considerable self-restraint. I am not going to cover anything like the ground covered by Mr. Hossain Imam this morning. It would take much too long. He did not talk much about the Finance Bill. But he asked a series of questions, only a few of which I shall purport to answer. One of them was why we

did not take steps to transfer all the provident fund liabilities of the railway services to railways. I can give him an assurance that this is our intention as soon as the Railway Authority is established. He then asked why we were not going to fund various other provident fund liabilities. That is a very important question which is not easy to decide on the spur of the moment. You might as well ask why we do not fund all savings bank deposits. Provident fund depositors have frequently raised the question. They raise it when the market is rising; when the market is falling they rather forget the subject. In any case the main body of provident fund liabilities will from tomorrow become a matter for Local Governments to deal with.

He then went on to ask why we do not make, what he called, our going concerns provide for the amortization of their own debt. When he was tackling that topic he was talking of a very delicate matter about which even accounting people are by no means unanimous. The House knows that it is the habit of commercial concerns to set aside a certain part of their revenue each year as a depreciation fund the object of which is to replenish the asset when the asset is worn out. It is also possible to set aside sums of money in the form of a sinking fund in order to repay the debt incurred in acquiring such an asset. It is not the usual practice of commercial concerns and it is not the usual practice of joint stock companies to provide both for the depreciation of their plant and also for the amortization of their capital, and I do not think Government in running a commercial concern could afford to charge its consumers on a plan which would involve a burden on present users higher than that which would be put on them if the project were in the hands of a private company. However, personally I have some considerable feeling in the direction of thought of Mr. Hossain Imam. I think it might be good to the country as a whole in the case of a Government-owned public utility concern that something of a sinking fund should be created in addition to a depreciation fund, so that each generation becomes permanently better off than the generation which went before it.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: After giving effect to the recommendations of the Niemeyer Report or before giving effect?

THE HONOURABLE MR. J. C. NIXON: I do not see the relevancy of the Niemeyer Report to the particular subject of which I was speaking. Mr. Hossain Imam also spoke in a very learned way in regard to the investment of certain balances of the Government of India. He pointed out one particular balance of Rs. 10 crores which he found in one account of the Finance and Revenue Account. I know that Mr. Hossain Imam does not imagine that we keep that Rs. 10 crores in solid silver in our treasury. What he was suggesting was that, irrespective of whether we had that Rs. 10 crores in a paper account, we were rather foolish not to go to the market at once and borrow money at 1 per cent. in the form of Treasury Bills and buy 3½ per cent. paper. I am very certain that if his argument is carefully looked into that is what it comes down to. And if it is an advantage for Government to do that sort of thing, I wonder why the market is not doing it? It can raise money for a week very much more cheaply than it can long term money. There must be a catch in it somewhere and I am pretty certain that Mr. Hossain Imam knows as well as I do where the catch is.

He also spoke of the Burma debt and asked how the rate of interest had been fixed. I hope that he had read this little Report of the Amery Tribunal

[Mr. J. C. Nixon.]

because it is perfectly explicit on the point: It says that the rate of interest shall be—

“the average yield, over a period of two years preceding the date of separation, of the rupee and sterling securities of the Government of India with an unexpired currency reckoned up to the probable date of redemption, of 15 years or more. This yield could conveniently be reduced in the first instance from the recorded prices on a fixed date in each month, and the result rounded to the nearest quarter of 1 per cent.”

I might remind him, however, that the rate of interest comes also into account in capitalising some of these liabilities, so that over a large part of the field the rate of interest is not of very great importance.

He then raised a very important topic in regard to Burma and that was whether in dividing the assets and liabilities with Burma we were going to take into account those in existence on the 31st March or those in existence on the 1st of April of this year. If we took the assets and liabilities into account as on the 1st of April, I suppose we should have to take Burma's into account as well. By a curious fiction we are arranging that the liabilities transferred to the Government of India from the provinces as a consequence of the Niemeyer Report shall take place—I think the phrase is—at the closing of accounts on the 31st, which means practically on the inside side of midnight between the 31st and 1st. Also I think Mr. Hossain Imam might bear in mind what if Burma had had to take a share of those liabilities it would have expected itself to come under the purview of Sir Otto Niemeyer when he was out here making separate adjustments with the provinces.

Now I come to my Honourable friend, the Leader of the Opposition, Lala Ram Saran Das, and I have only three things down here which I want to mention. Lala Ram Saran Das complained that the Honourable the Finance Member was not a good prophet. I would like to read to you what the Honourable Lala Ram Saran Das said last year in regard to the budget of the year which is coming to an end. You will find that this is what Lala Ram Saran Das said:

“You will find that at the end of the year”—that is the current year,—“there will be a further surplus and the Finance Member will find that I am right”.

The Finance Member finds that he is right and the Honourable Member must find that he is wrong.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I might offer a personal explanation. I then suggested that the funds for reconstruction of Quetta ought to be charged to capital account and not to revenue account, and then I would have been right.

THE HONOURABLE MR. J. C. NIXON: I would advise the Honourable Member to re-read his speech. The Honourable Lala Ram Saran Das also suggested that the agreement as regard the sharing of assets and liabilities with Burma had been unfair to India inasmuch as India should have recovered all sums which in the past had been spent on Burma. I argued that matter out some months ago in another place, but I suppose Lala Ram Saran Das would agree that, if India were to recover all the moneys which India had spent in Burma, Burma would have a right to recover all the surpluses that she might have invested in India. And he will perhaps remember that

4-5 P.M. owing to the separation Indian revenues which arose in Burma to the net extent of Rs. 2½ crores are being lost to India. That is to say, for many years Burma has been contributing something of the order of Rs. 2 or Rs. 3 crores net to the resources of India,—net after paying their own share of everything. He also brought up again, although I thought I had replied to the point before, capitation charges in respect of the army. I assured him

earlier that for the British troops that will remain in Burma, the Burma Government will naturally pay their share of capitation charges.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: What about capitation charges on Indian troops?

THE HONOURABLE MR. J. C. NIXON: Capitation charges, as far as I know, are concerned with British troops.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: That is because Indian troops are only employed in this country. But if you sent Indian troops out of India and put them in the service of another country the same situation will arise between India and that other country as exists now between Britain and India.

THE HONOURABLE MR. J. C. NIXON: On the many occasions when this subject has been discussed it has been in regard to the payment made to His Majesty's Government on account of the employment of British troops.

In what my Honourable friend, Mr. Mahapatra had to say, he drew a great deal on his imagination and I do not propose to draw on mine in order to answer him. But I may say straightaway that I am not an indiscriminating believer in export duties as a manner of raising public revenue. Also when he was making out the budget “which the Honourable Mr. Nixon might have put before this House” he might have borne in mind that I might have included a poll tax on Oriyas!

We do not contend that the plan of the Budget and the plan of the Finance Bill put before this House is the only possible one. But taking the practical circumstances of the present time into account we do believe that in a very large measure it holds the balance between various possible alternatives. And in conclusion, Sir, to the argument that has been advanced by several Members that a Finance Bill in a certified form presented to this House is becoming a habit, I would suggest for their consideration that the circumstances forcing the Governor General to make use of his special powers are also becoming habitual.

THE HONOURABLE THE PRESIDENT: Motion made:

“That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary the excise duty on sugar leviable under the Sugar (Excise Duty) Act, 1934, to vary certain duties leviable under the Indian Tariff Act, 1934, to vary the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, to fix maximum rates of postage under the Indian Post Office Act, 1898, and to fix rates of income tax and super-tax, in the form recommended by the Governor General, be passed”.

The Council divided:

AYES—26.

Akram Husain Bahadur, The Honourable Prince Afsar-ul-Mulk Mirza Muhammad.
Basu, The Honourable Mr. Bijay Kumar.
Bewoor, The Honourable Mr. G. V.
Charanjit Singh, The Honourable Raja.
Chinoy, The Honourable Sir Rahimtoola.
Clow, The Honourable Mr. A. G.
Commander-in-Chief, His Excellency the.
Devadoss, The Honourable Sir David.
Dow, The Honourable Mr. H.
Ghosal, The Honourable Sir Josna.
Glancy, The Honourable Sir Bertrand.
Haidar, The Honourable Khan Bahadur Shams-ud-Din.
Hissam-ud-Din Bahadur, The Honourable Lieutenant-Colonel Sir Shaik.
Jagdish Prasad, The Honourable Kunwar Sir.

Kay, The Honourable Mr. Reid.
Khurshid Ali Khan, The Honourable Mr.
Maxwell, The Honourable Mr. R. M.
Menon, The Honourable Diwan Bahadur Sir Ramunni.
Nihal Singh, The Honourable Sirdar.
Nixon, The Honourable Mr. J. C.
Ray of Dinajpur, The Honourable Maharaja Jagadish Nath.
Russell, The Honourable Sir Guthrie.
Siddiqi, The Honourable Khan Bahadur Shaikh Muhammad Bashir.
Singh, The Honourable Raja Devakinandan Prasad.
Todd, The Honourable Mr. A. H. A.
Williams, The Honourable Mr. A. deC.

NOES—15.

Abdus Sattar, The Honourable Mr. Abdur Razzak Hajee.
 Iossain Imam, The Honourable Mr. Htisham Hyder Chaudhury, The Honourable Khan Bahadur Syed.
 Kalikar, The Honourable Mr. V. V. Kunzru, The Honourable Pandit Hirday Nath.
 Mahapatra, The Honourable Mr. Sitakanta.
 Mahtha, The Honourable Rai Bahadur Sri Narain.
 Muhammad Husain, The Honourable Haji Syed.

Padshah Sahib Bahadur, The Honourable Saiyed Mohamed.
 Pantulu, The Honourable Mr. V. Ramadas.
 Ram Saran Das, The Honourable Rai Bahadur Lala.
 Ray Chaudhury, The Honourable Mr. Kumarsankar.
 Sapru, The Honourable Mr. P. N. Sinha, The Honourable Kumar Nripendra Narayan.
 Yuveraj Datta Singh, The Honourable Raja.

The Motion was adopted.

STATEMENT OF BUSINESS.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Leader of the House): Sir, the Motions for the consideration and passing of the Indian Army (amendment) Bill may be taken up tomorrow. In pursuance of the ruling given by you yesterday the notice of the Motion for the adjournment of the business of the House for the purpose of discussing the Indian Medical Service Bill also come up tomorrow. The Motions for the consideration and passing of the Bills which have been laid on the table today may be taken on Saturday, the 3rd April. It is hoped that the three Bills remaining to be passed by the House may be laid on the table next Monday and in that case they may be taken up by the Council on Thursday, the 8th April. The elections to the Standing Committee for Roads and the Central Advisory Council for Railways may also be held on that day.

The 5th and 6th of April are already allotted for non-official business and as already announced in the House Government are prepared to give time on the 7th April for the consideration of non-official business which remains undisposed of on the 6th April.

On this programme, the Council, it is hoped, will have finished the work of the session on the 8th April.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: May I draw your attention to the fact that by the 8th April, many of our Members will be going away, so the elections might be held earlier.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: I have no objection to the elections being held earlier.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: May I suggest that the elections be held on the 6th?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: I am entirely in the hands of Honourable Members.

THE HONOURABLE THE PRESIDENT: The 6th is a non-official day. The elections can be held on the 3rd, if you like.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: No, Sir, I request you kindly to fix the elections for the 6th April.

THE HONOURABLE THE PRESIDENT: It is a non-official day, but provided the Leader of the House agrees, it can be held on that day.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: I have no objection.

The Council then adjourned till Eleven of the Clock on Thursday, the 1st April, 1937.

COUNCIL OF STATE.

Thursday, 1st April, 1937.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

MEMBER SWORN :

The Honourable George Richard Frederick Tottenham (Defence Secretary).

MOTION FOR ADJOURNMENT *RE* POSITION OF INDIANS IN THE INDIAN MEDICAL SERVICE.

THE HONOURABLE THE PRESIDENT: I must first take up the consideration of the Honourable Pandit Kunzru's Motion for Adjournment. I have to decide whether this Motion is in order and I am satisfied that the Motion involves a subject of urgency and public importance, and I am also satisfied that it is a matter of recent occurrence. Therefore I must hold that his Motion is in order. I want to know from any other Honourable Member if he wishes to oppose this Motion.

(No Member rose.)

I understand that nobody wishes to oppose the Motion. I therefore hold that this Motion is in order. The Standing Order gives me power either to adjourn the Council till four o'clock this evening or take up discussion of the Motion immediately after the termination of the business earlier today. As there is not much business and I believe it will not take more than 10 minutes to dispose of the legislative work before us today, I decide that the Adjournment Motion be taken up under Standing Order 22 at an earlier hour, that is, immediately after today's business is completed. The Standing Order says :

"The President shall intimate that leave is granted and that the Motion will be taken up at 4 p. m. or, if the President with the consent of the Member of Government concerned so directs, at any earlier hour at which the business of the day may terminate."

I understand His Excellency the Commander-in-Chief has no objection to take up the discussion earlier, immediately after today's business ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: No, Sir.

BILL PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

SECRETARY OF THE COUNCIL: Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table a copy of the Bill to amend certain enactments and to repeal certain other enactments which was passed by the Legislative Assembly at its meeting held on the 31st March, 1937.

INDIAN ARMY (AMENDMENT) BILL.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, I move:

"That the Bill to amend the Indian Army Act, 1911, for a certain purpose, as passed by the Legislative Assembly, be taken into consideration."

The House is no doubt aware that this small Bill provoked considerable discussion in the Lower House, and was there passed only by a very small majority. I hope that this House will accept the Bill all the more readily because of that very discussion.

A study of the Bill itself will show that the actual provisions contained in it are entirely unobjectionable. It merely provides that Indian officers of the Reserves will not be subject to military law except when called up for duty with the Reserves. That is a position which is enjoyed by British officers of the Reserves, and it is a position which everyone will accept as reasonable. Unfortunately, if this Bill is *not* passed into law, Indian officers of the Reserves will automatically be subject to military law *at all times*, simply because there is no provision in the Indian Army Act, as there is in the British Army Act, to exempt them from that liability. We want to put Indian officers in this respect in the same position as British officers.

On the other hand, a study of the debate in the Lower House shows that the opposition to the Bill was based, not on any objection to the clauses of the Bill itself, but on the feeling that it was wrong in principle that British officers of the Indian Army should be subject to one Act—the British Army Act—while Indian officers of the Indian Army are subject to another Act—the Indian Army Act.

Now, Sir, I can only point out that no amount of opposition to this particular Bill is going to affect that position one way or the other. Opposition can, therefore, only be an ineffective gesture. Personally, I consider as I have often stated in this House that all this talk that we hear of discrimination between the treatment of British and Indian officers is principally due to a misapprehension of the real position. As has already been explained on many occasions, the status and powers of command of Indian commissioned officers are identical with those of British officers in the Indian Army—and even *vis-a-vis* the British Army they are not placed in any position of practical inferiority. It is only in the matter of pay that there is any real difference, and I know that there is a considerable body of opinion in this House which recognises that this difference is legitimate. I should have thought that Indians would welcome the idea of having their own Indian Army Act to govern the officers and men of their own national army, and in any case they ought to welcome this opportunity of improving that Act by means of the small Bill now before the House.

Sir, I move.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern: Non-Muhammadan): Sir, we have no desire to offer unnecessary opposition to the measure which has been just proposed by His Excellency the Commander-in-Chief, but there are certain things about which we should like to be satisfied. His Excellency was pleased to say that the position of the Indian commissioned officer was going to be the same as the position of the British Commissioned officer, that there was no discrimination between the British Commissioned officer and the Indian commissioned officer. Now, the difficulty that we feel is that we have two armies here. There is the British Army and there is the Indian Army and we have two different Acts. The British Army is governed by one Act, the Indian Army is to be governed by another

Act and to the extent that we have two Acts there is discrimination. Is that not the position? Am I not right in stating the position that there are two Acts? There is the British Army which is governed by the British Army Act and there is the Indian Army which is governed by the Indian Army Act. Well, if the provisions of the Indian Army Act are not exactly identical with the British Army Act, then the position is that there is discrimination between the British Army and the Indian Army. Another difficulty that we apprehend is that the status of the Indian commissioned officer will not exactly be the same as the status of the British commissioned officer. The Indian commissioned officer will not be able, except by administrative arrangement, to command mixed formations. In the army I believe that there are mixed formations and the status of the Indian officer is not exactly the same as the status of the British officer, because the Indian officer cannot command British troops. The British officer can command Indian troops. And what is going to happen when you have mixed formations? We should like to be enlightened on this point by His Excellency the Commander-in-Chief or by the Defence Secretary, Mr. Tottenham, whom we are glad to see in this House today. Before we make up our mind in regard to this Bill I hope Mr. Tottenham or His Excellency the Commander-in-Chief will enlighten us on these points.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern: Non-Muhammadan): Sir, there is just one more point on which I too should like to ask for information. The British Army, as pointed out by my Honourable friend Mr. Sapru, is governed by the Army Act, which is a Parliamentary Statute. The Indian Army, on the other hand, is governed by the Indian Army Act. I can understand the difference between the laws to which the British and the Indian Army are subject, because they are controlled by different authorities. The British Army is under the War Office, while the Indian Army is under the Government of India. But I do not understand why the British and Indian officers in the Indian Army, that is, the Indian section of the Army in India, should be subject to different laws. His Excellency the Commander-in-Chief stated that this was one of the objections urged against the present system in the Lower House. But I am sorry to say that he did not take the trouble of telling us why the present system was being continued and whether there was any intention of changing it at an early date. I hope that the Government spokesman will now take the opportunity of informing us on this point. I think it will be agreed that in the same army all men, whether officers or soldiers, should be subject to the same law and that on their nationality should not depend the legislation which they ought to be controlled by.

THE HONOURABLE MR. G. R. F. TOTTENHAM (Defence Secretary): Sir, with reference to the Honourable Mr. Sapru's questions, it is perfectly true that there are two Acts. There is the British Army Act, which governs the discipline of the British Army and of British officers either in the British Army or serving in the Indian Army who receive commissions from His Majesty in His Majesty's land forces. The other Act, the Indian Army Act, has until quite recently governed only the lower ranks and the Viceroy's commissioned officers of the Indian Army. It was amended a few years ago to apply also to Indian officers who receive commissions from the Indian Military Academy in His Majesty's Indian land forces. That is the reason, Sir, why the British officers serving in the Indian Army are under one Act and the Indian officers who are being given commissions from the Indian Military Academy are under another Act. The mere fact that these two classes of officers are serving under

[Mr. G. R. F. Tottenham.]

different discipline Acts does not in itself necessarily imply discrimination to the disadvantage of either class. Discrimination would arise if the powers of command given to these respective officers differed in extent and that was the objection taken in the Lower House when the Indian Act was amended two years ago. The position was then explained by the Government spokesman as follows—that an Army Act, whether the British Army Act, or the Indian Army Act, does not in itself regulate the powers of command *inter se* of the various officers who receive commissions from His Majesty. Those powers of command are regulated by an Instruction issued by His Majesty in what is known as the King's Regulations. A section of the Army Act merely gives His Majesty the power to make regulations regulating the powers of command *inter se* of various classes of officers. An undertaking was given two years ago that such a regulation would be issued to ensure that the powers of command of Indian commissioned officers would be exactly the same as the powers of command of British officers in the Indian Army. That has since been done and there is now a paragraph in the King's Regulations which makes that perfectly clear. That deals, Sir, with the position of Indian commissioned officers so far as the Indian Army is concerned, and I have shown that there is no discrimination whatever in that respect.

We are left then with the question of the powers of command of Indian commissioned officers *vis-a-vis* officers and men of the British service in India. There the position is slightly different because no regulation has been issued which gives them automatically powers of command over British officers and British other ranks of the British Army. But another paragraph has been inserted in the Regulations, the effect of which is that Indian commissioned officers have powers of command over British other ranks and British officers—of course junior British officers—of the British Army on all occasions unless they are specifically debarred from exercising those powers of command. So far, there has been no occasion to debar them from exercising those powers of command and we hope that no such occasion will arise.

That then will answer the Honourable Mr. Sapru's question as to what would happen in mixed formations. At present, of course, we have not got in the Indian Army any Indian officers who are sufficiently senior to take command of mixed formations, for instance, a brigade which consists of three Indian units and one British unit; but when that time does come and when you have an Indian officer commanding a brigade, he will I hope exercise powers of command over all the men and junior officers in that brigade, including the officers and men of the British battalion in the brigade. That is the present legal position and one hopes that it will find expression in practice when the time comes. Even at the present moment, supposing a brigade is actually engaged on the frontier and that brigade contains an Indianising battalion, a non-Indianising battalion, and a British battalion, as indeed happened last year on the frontier, if it so happened that an Indian officer in the Indianising battalion came in contact with a junior British officer in a non-Indianising battalion or in a British battalion he would exercise powers of command over him. That is the position and will remain the position unless in any particular case an Indian commissioned officer is debarred from exercising such powers of command.

That, Sir, is the position, but as His Excellency the Commander-in-Chief has explained, it really has, if I may say so, nothing to do with the Bill now before the House.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: What about the position as between the British officers in Indian units and the Indian commissioned officers there? Is there any intention of bringing both of them in future under the same law?

THE HONOURABLE MR. G. R. F. TOTTENHAM: Sir, the answer to that is that the Indianisation of the Army means the gradual replacement of the British officers in the Indian Army by Indian officers. When that replacement is complete, all the officers of the Indian Army will be subject to the Indian Army Act. But until that has taken place, the British officers will continue to be subject to the British Army Act. As things are now British officers in the Indian Army are given commissions by His Majesty in His Majesty's land forces. They serve for a certain period in Indian units and even now when an officer of the Indian Army has ceased to command a unit of the Indian Army and is promoted to the rank of Colonel, he is shown as Colonel so and so, late Indian Army. He may command a brigade by virtue of his commission as an officer of His Majesty's land forces but he ceases to be a member of the Indian Army.

THE HONOURABLE THE PRESIDENT: Motion made:

"That the Bill further to amend the Indian Army Act, 1911, for a certain purpose, as passed by the Legislative Assembly, be taken into consideration".

The Motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, I move:

"That the Bill, as passed by the Legislative Assembly, be passed".

The Motion was adopted.

MOTION FOR ADJOURNMENT *RE* POSITION OF INDIANS IN THE INDIAN MEDICAL SERVICE—*contd.*

THE HONOURABLE THE PRESIDENT: This terminates today's legislative business and now we shall proceed with Pandit Kunzru's Motion for Adjournment. I may point out to the House that it is now nearly half past eleven (just one minute short of half past eleven) and if the debate is not concluded within two hours it shall automatically terminate and no question shall be put; but if the debate terminates before that time it will be my duty to put the Motion to the House. I would also point out to Honourable Members that under Standing Order 23, clause 2, on a Motion for Adjournment no speech during the debate shall exceed 15 minutes in duration. I would like to point out that even the Mover of the Adjournment Motion and the Government Member who is to reply cannot be allowed to take more than 15 minutes. The instruction in Standing Order 23 is mandatory and I shall have strictly to adhere to it.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern: Non-Muhammadan): Mr. President, I beg to move:

"That the Council do now adjourn".

[Pandit Hirday Nath Kunzru.]

Sir, the subject which I wish to discuss in connection with this Motion is the recently announced re-organisation of the Indian Medical Services. But before I deal with the terms of the Resolution published in the Gazette of India, dated the 25th March, I should like to inform the House briefly of the point of view of Indians in regard to the I. M. S. The arrangements in connection with the appointment of Indians to the I. M. S. and the inclusion of the higher medical posts in it were subject to criticism from two points of view. One of the reasons urged against the existing system was that it hindered the growth of an independent medical profession, and the other was that it restricted the entry of Indians into the I.M.S. It was pointed out that the I. M. S. cadre had been greatly enlarged so as to include every important post in it, thus leaving the provinces no freedom in the matter of appointment of Indians or members of the independent medical profession to any of the more responsible posts connected with medical administration in the provinces. It was also pointed out that recruitment by open competitive examination in London alone practically debarred Indians from competing for it. These criticisms which were frequently urged both by the medical associations in India and by Indian publicists carried some weight with Lord Morley and he issued instructions to the Government of India for reducing the cadre of the I. M. S. I should like the House to bear this point clearly in mind as it is an important one. Our main objections against the Service, let me repeat, have been two: (1) that it had an unnecessarily large cadre, and (2) that Indians enjoyed very limited opportunities of entering it. So far as the first criticism is concerned, Lord Morley took note of it and asked the Government of India in 1908 to take steps to reduce the cadre of the I. M. S. The Government of India demurred to the views put forward by Lord Morley, and writing sometime after the receipt of Lord Morley's despatch, the Government of India urged the Secretary of State to consider the effect that the carrying out of his orders would have on European officers in the various Services. They said, "Although it is nowhere laid down that European officers are entitled to attendance of European medical officers, it is perfectly natural that they should wish to be treated by such officers, just as it is natural that persons of other nationality should wish to be treated by medical men of their own race". I do not know that Indians have expressed any desire to be treated only by Indians, but the Government of India just added this sentence in order to make out a case against the view that was pressed on them by the Secretary of State. They went on to say that if the number of civil surgencies which were held by European medical officers was greatly reduced, such a step would certainly have a very adverse effect upon the recruitment of the European services in India. I should like the House to remember that up to that time, the European services had put forward no demand for their treatment or the treatment of their families by European medical officers only. The I. M. S. was practically a monopoly of Britishers till then, but it was taken upon itself by the Government of India practically to incite the members of these services to insist on continued European recruitment to the I. M. S. Some time later, the Islington Public Services Commission was appointed. It took a great deal of evidence in regard to the superior and provincial services, one of which was the I. M. S. Various points were brought to the notice by Europeans and Indian witnesses but I do not remember that it received any complaint regarding any fear on the part of members of the European services lest change in the composition of the I. M. S. should prejudicially affect them and their families in any way. A little later, however, it was seen that the number of successful Indians in the open competitive examination in London was rapidly increasing. The proportion of Indian successful candidates went up rapidly

in the years 1913-1915 and the British Government immediately took steps to put an end to the system of competitive examination and to introduce nomination in the place of selection by open competition. I want the House to bear these points in mind in discussing the Resolution now before us. The brief historical review I have made shows that the size of the I. M. S. is a different question from that of its Indianisation and that the authorities have opposed both its reduction and its Indianisation on purely racial grounds and on their own initiative and not because of any opposition from the Superior Services. We have thus to consider two distinct questions: (1) the position of Indians in the I. M. S. and (2) the cadre of the I. M. S. The strength of the cadre is an entirely independent question and quite different from that of the number of Indians admitted annually to this Service. It is true that the cadre of the I. M. S. has been considerably reduced since the Islington Commission reported. Looking into the Report of this Commission and comparing it with the present Resolution and the communique relating to it, it seems to me that the reduction has been effected principally by excluding posts in the Bacteriological, Sanitary and Jail Departments from the cadre of the Service. Probably certain other specialist scientific appointments have also been excluded. That is the manner in which the reduction has been brought about. Now, we all desired that this reduction should take place in order that the provinces might be able to appoint men of their own choice. We know and are glad that this reduction has taken place. There are 649 Officers, 386 British and 263 Indian, at present in the I. M. S. When the new scheme has taken full effect there will be only 584 officers, 386 British and 198 Indian. Thus 65 officers, who are all Indians at present, will be transferred to provincial control. But I hope my Honourable friend, the Defence Secretary, will not ask us to remain content with that and say that as the number of officers in the I. M. S. has now been greatly reduced, we should have no complaint if there are fewer Indians in it and the proportion of 2 Britishers to 1 Indian is maintained in the I. M. S. Whatever the strength of the I. M. S., we still have a right to demand that Indians should be able to enter it on terms of equality with Europeans. The size of the I. M. S. has no bearing on this matter. Post after post may be excluded from its cadre without adversely affecting the strength of the Indian demand for full and unrestricted opportunities of the I. M. S.

Now, Sir, I will come to the second question, namely, the opportunities enjoyed by Indians for entering the I. M. S. The resolution before us says that this question is governed by two limiting considerations—(1) the need for a war reserve, and (2) the need for British doctors to treat British members of the superior civil services and their families. I have already pointed out that it was the Government of India and not the services who originally put forward the demand that only European doctors should treat Europeans and their families. Of course the cry was subsequently taken up by the European services too, probably on patriotic grounds; they thought they had a good opportunity of coming to the help of a service which had till recently been a monopoly of members of their own race. But that does not alter the fact that the European members themselves had till 1923 when the Lee Commission was appointed put forward no such demand.

Then take the question of the war reserve. This question was discussed a few years back in the other House and the Army Secretary at the time, Mr. Macworth Young, pointed out that the I. M. S. was meant to supplement the R. A. M. C. on mobilisation. In other words, the I. M. S. was expected to supply the extra officers that would be needed for the British troops in the event of mobilization. We are thus in the I. M. S. providing officers not merely

[Pandit Hirday Nath Kunzru.]

for the medical needs of the Indian Army in the event of war but also for the needs of the British forces in such an event. Now, I ask whether this is fair. There are many disabilities because of the retention of British forces in this country. Are we now going to be deprived because of this British element of a certain number of posts because only British doctors are needed to look after the British Army? There are about 97 officers who will constitute the war reserve and when I take the figure 97, I refer entirely to the British medical officers. Now, Sir, I cannot for a moment admit the validity of this contention. In the event of a war the European services will not have to look after them all the doctors that they want in peace time; why should then the British soldier expect to have all his prejudices respected when a war occurs? Why should Indian medical officers not be allowed to look after his needs? Really the medical reserve required for the British army should be maintained in the R. A. M. C. It will not take long for additional officers to be sent out to India from England in case a war occurs. I submit, Sir, that there is absolutely no reason why we should be asked to maintain a reserve for the R. A. M. C. in the I. M. S. and to pay for it when our countrymen are debarred from forming part of it. A double injustice is being done to us at present.

Sir, my time is very nearly up but I should like to point out just one thing more. It has been repeatedly admitted that the Indians who are entering the I. M. S. are of the highest quality. Major-General Sprawson bore generous testimony to the quality of the Indian recruits that are being obtained now. He said the country had every reason to be proud of them. There is no reason therefore why the British members of the European services should object to be treated by Indian officers. Then again, the predecessor of His Excellency the Commander-in-Chief speaking about two years ago himself observed that this demand of European doctors for the treatment of European members of the superior services had been carried a little too far. We expected therefore that the present proportion of two Britishers to one Indian in the I. M. S. would be reduced. But what do we find in this reorganisation? While the cadre of the Indian Medical Service has been cut down, this objectionable proportion has still been maintained in the service as a whole, that is, taking both its military and its civil sides into account. There is one point which should be borne in mind in this connection. The Government of India will have about 13 residuary medical posts under them, that is, posts the incumbents of which will not revert to military duty in the event of a war. They will appoint about 16 Indian medical officers to the departments under them. Of these 12 are to constitute the war reserve. There are thus just four Indian officers left for these 13 residuary posts. Now, five of these are reserved for European officers. There are still eight more posts open to Indians but the Government of India are going to have only four residuary Indian officers when there are eight residuary posts which they might occupy. This shows how unjustifiably the number of Indians in the I. M. S. is being kept down.

Sir, I do not wish to take the time of the House any further. I will only say that I hope I have shown that the demand of Indians for equal opportunities of entering the I. M. S. with Europeans has not in the least been affected by the reduction of the cadre of this service. Indeed we have as good a reason now as we had before to ask that there should be simultaneous examinations both in India and in England for recruitment of officers for the I. M. S., a demand which was supported in 1930 by the European group led by Sir Darcy Lindsay in the Assembly. At any rate all artificial restrictions on the admission of Indians must be removed immediately. Sir, I shall await with interest

the reply that either His Excellency the Commander-in-Chief or my Honourable friend the Defence Secretary gives to the points that I have urged.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, the scheme of reorganisation which forms the subject-matter of this Motion is a very complicated one, as I am sure anyone must realise who has studied it carefully. The I. M. S. being primarily a military service, it falls to the lot of my Department to co-ordinate all action with regard to it. But that does not mean that many other departments of the Government of India are not also concerned. My Honourable colleague, the Leader of the House, is, for instance, closely concerned with the arrangements for the civil side of the I. M. S. as Member in charge of the Health Department, and so, of course, are all the Provincial Governments themselves. The Home Department are concerned with medical attendance on the superior civil services. The Foreign and Political Department are concerned with their own requirements. And, finally, the Finance Department are automatically concerned with the financial aspects of the whole scheme. This being so, I hope the House will not expect me to deal with all the criticisms that may be made outside my own immediate sphere, and will excuse me if I confine what I have to say to a few general remarks on the scheme—more especially as it affects the army.

Now, Sir, so far as the general question is concerned, I would ask the House to remember that the number of conflicting claims and interests that had to be considered in drawing up this scheme is very large; and it would have been quite impossible to produce a plan that would satisfy everybody. From my own point of view as Commander-in-Chief, I must have an efficient army medical organisation and a reliable war reserve of officers. I cannot afford to risk another breakdown such as took place during the last war in Mesopotamia. I must also have a certain minimum number of British officers. That is no new principle—and if there are differences of opinion as to its necessity, I am afraid we must simply agree to differ. At the same time, I do not want to employ more British officers than are strictly necessary and I have been able to agree to a very considerable reduction both in the numbers on the peace establishments of the army and also in the war reserve. In 1928 the numbers of British officers considered necessary were 270 serving with the army, and 134 in the war reserve in civil employment. Under this reorganisation I have agreed to reduce these numbers to 220 serving with the army, and 97 in the war reserve in civil employment. That is to say, a total reduction of 87. At the same time, I have increased the number of Indian officers serving with the army from 132 to 144, and have reduced the war reserve of Indian officers from 66 to 50. The House will appreciate that my war reserve of British officers must be greater than my war reserve of Indian officers, not because I shall want more British than Indian officers in war—as a matter of fact I shall require far more Indian than British—but simply because British medical officers in private practice are not available in this country, while there are large numbers of Indians.

Well, Sir, what I have just described is my main contribution to this reorganisation, and I do submit that it is a distinct *improvement* on the present situation from the Indian point of view. In addition, Sir, I have tried to improve the conditions of temporary commissioned officers, who will in future be called short service officers. I know that this was a matter that *did* give rise to a good deal of feeling in the past, and I think it will be agreed that our new scheme does constitute another improvement.

Finally, Sir, I have agreed to pay from the Defence budget a subsidy to all provinces who are called upon to employ British officers in the war reserve, and have thereby relieved them of the extra cost of employing such officers.

[His Excellency the Commander-in-Chief.]

I know that there are many other points connected with this reorganisation which may call for an answer or for an explanation. The Defence Secretary will be able to deal with some of them before this debate concludes. I do maintain, however, that, taking the scheme as a whole, and considering all the difficulties involved, it does not deserve condemnation; and I hope the majority of the House will agree with me.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern: Non-Muhammadan): Mr. President, His Excellency the Commander-in-Chief has been pleased to describe the subject-matter of this Adjournment Motion as a complicated one. Sir, we on this side of the House do not worry ourselves with the complications of the Government's communique. We look upon the matter as a fairly simple one and I would like to put the issue before the House as simply as I can. Sir, the I. M. S. question has a long history behind it. It used to be a question which used to agitate the Congress in the old days. I believe Dr. Bahadurji, who was a very eminent doctor in Bombay, was one of the first men to take up this question of the organisation of the I. M. S. and the independent medical profession too has taken a very great deal of interest in this question. The I. M. S. is not entirely a military service. It serves the needs of the civil population also and it cannot be looked upon as an entirely military service. It has to be looked upon also as a partially humanitarian service and the question therefore is, why should in a service of this character, a service which is intended to serve the needs of suffering humanity, why should in a service of this character, there be racial discrimination at all? Now, it is quite true that under the Government Resolution the cadre of the service is going to be reduced. That part of the Government Resolution has not been criticised, and I think rightly, by the Honourable Mr. Kunzru, but so far as our demand for a larger percentage of Indians in the Service is concerned, that has been rejected by the Government Resolution. The position is that in future too the ratio between Indians and Europeans will be two to one. Why should there be this racial discrimination? Can it be said that you have no qualified Indian doctors in this country? I think the Indians who are in the I. M. S. have rendered a very good account of themselves. There are some very eminent men among Indians in the I. M. S. There is Colonel Chopra, there is Colonel Soki, there is Colonel Vajifdar in Bombay, they are all eminent men, men who have added distinction and prestige to the service. I recognise that the I. M. S. has given us some European doctors of great eminence. In our own province we had Major-General Megaw, Major-General Sprawson, Colonel Burke; they were doctors of great eminence and the country is grateful to them for the great services they have rendered to the cause of medicine in this country. But, Sir, the point is, after all it is our country and the Indian in his own country should be given a fair chance and you cannot say that Indian doctors are not competent. We have got very competent men among Indian doctors. I am not reflecting on the I. M. S. when I say that in recent years the quality of the I. M. S. has greatly suffered. Sir, I can give you my own experience. I have been interested as a patient in medicine and there was a time when I was in the habit of consulting doctors and I can tell you—(An Honourable Member: "A very bad habit!") It is a very bad habit, but there it was. I can tell you from my own experience that there has been a deterioration in the quality of the British recruit to the I. M. S. There was a time when in big centres like Lucknow, Cawnpore and Allahabad you could get first class European doctors. Now we never think of going to European doctors, because we do not get in these centres doctors of eminence. European doctors of eminence. Our private

practitioners do not call them into consultation, because they know that they cannot derive any benefit from consultation with them. There has been this deterioration in the quality of the medical service and there has been this deterioration in the quality of the I. M. S. because for competition you have substituted nomination. And you have substituted nomination for competi-

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Now, Sir, there is another point to which I should like to make a reference. Why is there reservation for European medical men in important districts? Now, in my own province I believe there are about 11 districts which are reserved for European medical men. Now these 11 districts are the best districts in the province. These districts include big centres like Cawnpore, Allahabad, Agra, Benares, Lucknow, Bareilly and Meerut. These are the most paying districts from the point of a doctor. These are the best districts from the point of view of a doctor. And therefore it is certainly correct to say that the Indians who are serving in the I. M. S. have a very genuine grievance against you. You are practising racial discrimination against them in the worst form imaginable. We all hate racial discrimination. In medicine there ought to be no racial considerations at all. I would go unhesitatingly to a European doctor if I was ill and I thought he was a specialist in the disease from which I was suffering. I would not care to inquire into his nationality. Why should our European friends object to being treated by Indian doctors? I have European friends who do not hesitate to go to Indian doctors. Indian doctors of eminence have told me that they have many European patients. That is because they are professionally competent men. If you are suffering from tuberculosis or from cancer, you do not care to inquire into the nationality of the person you are going to. You go to Paris, to Berlin, to Vienna, anywhere in order to have yourself treated. Why can't the British officer allow himself to be treated by Indian doctors? Well, that, Sir, is the issue raised by this Resolution. You cannot say that you cannot get competent Indians. There are lots of Indian young men who go to Europe for higher work. They go there for research degrees in medicine and you will find many private practitioners who hold very high qualifications—M.R.C.P., F.R.C.S.—they have taken these degrees and they have taken special courses. Well, really then it comes to this that in determining the ratio you are actuated, I regret to say, by racial considerations.

Sir, there is just one other argument that I might advance. During the last 14 or 15 years there has been some Indianisation of these services. There has been Indianisation so far as the I. C. S. has been concerned, there has been some Indianisation in the I. P. S. and the I. E. S. There are other services also in which there has been Indianisation. Now, the result of this Indianisation is that the number of Europeans serving in the services is not as large today as it was say in 1923 or in 1922 or 1920. Now, if the number of Indians has increased, ought there not to be a corresponding increase in the number of Indian doctors? Because if our European friends insist upon European doctors, why should that right be denied to our Indian services? They will also in that case be justified in insisting that they should be treated by Indian doctors. So the point is that in determining the ratio you have not

[Mr. P. N. Sapru.]

taken into consideration the fact that there has been an increase in the Indian element in the services. There ought to have been a corresponding increase in the ratio so far as the I. M. S. is concerned. There is no corresponding increase in the ratio so far as the I. M. S. is concerned under this Resolution.

Now, Sir, another point to which it is necessary to draw attention is that private medical practitioners have a grievance that the best posts in the Medical Colleges are reserved for Europeans and that the present organisation of the Service hinders the growth of an independent medical profession. Private medical practitioners want to have hospital experience. They cannot get that hospital experience because hospitals are run by I. M. S. civil surgeons and there are no adequate facilities in these hospitals for Indian private medical practitioners. Well, all this hinders the growth of an Indian medical profession.

Then, Sir, the solution for which we on this side of the House stand is that there should be simultaneous examinations for the I. M. S. in England and India. The correct thing would be to have all examinations in India alone but we, Sir, are a moderate body of men and we suggest simultaneous examinations and I think, Sir, the demand is not an unreasonable one and it is a demand which ought to be given effect to by the Government. For these reasons, Sir, I support the Adjournment Motion of the Honourable Mr. Kunzru. I think, Sir, I have no more time left and therefore I shall take no more time of the House.

* THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Mr. President, the question of the I. M. S. has been agitating the minds of Indians for a pretty long time. The question mostly before us was the racial discrimination shown by fixing a quota of two to one in the services. But from the figures published by the Government in its communique we find that the Government in its usual anti-national character always thinks of reorganisation when there is a preponderance of Indians over the statutory minimum. The actual figures for 1923 show, Sir, that in the total of 860 officers of the I. M. S. according to the formula there ought to have been only 287 Indians. But there happened to be 322, an excess of 37 Indians over the limit placed by the Government of India. So, in 1928, they had a reorganisation. The genesis of that reorganisation was to keep down the number of Indians. The same thing is happening now. At present, according to Government figures, the total strength is 649, and the number of Indians according to their formula ought to be 216, but they are 263. There is an excess of 47 Indian officers, who must be disbanded and this exceedingly rapid Indianisation must be checked. Therefore, Government are intervening and they want to reorganise the Service. A Committee was appointed by the British Army to reorganise the R. A. M. C. there, but because you have a responsible Government in England, their action is quite different. The Government of India, in reorganising, are going to increase the number of officers. The present figure in the Military Department is 354 but under the reorganised scheme the figure will be 364. In England when this Committee reported, the strength of the R. A. M. C. was at once reduced from 523 to 470. This is how they do things in England and in India. Not only is the actual number in the military to be increased, but the number of Indians who are actually serving would be decreased. The explanation of the Honourable the Defence Secretary is that we have a reserve of Indians available in India, whereas it is not possible to have a reserve of British officers. Therefore, we must have a bigger proportion of Britishers in the Army I. M. S. Our

contention is simple. The number of officers with King's commissions in India is not more than the number of officers of His Majesty's Forces in England. What is the officer strength in the British Army in England and what strength do you want here? Merely because of the fact that we happen to have no reserve of officers in India that is no reason why we should saddle ourselves with the expenditure of paying them for all time. You can give a gratuity to practitioners in England to be ready at call to come over to India. You can call them by airways. It will take only five days to get them here, and it will be cheaper for us to keep a reserve in England rather than pay them for 12 months when they may not be required for a day even during that period. If you talk of reorganisation, talk in a sensible manner. Talk in a business-like manner. Do not make it a veil in which to hide your desire to turn out Indians from earning their bread in their own country. The actual effect of this reorganisation is that the number of Indians will be reduced from 263 to 198, and the number of Britishers will remain as at present—386. A camouflage cannot always be played. We know the proverb, "You can fool all men for some time, you can fool some men for all time, but you cannot fool all men for all time". The British Government in India must be honest and decide once for all to tell us the truth. They have control, they have power. So, they can tell us frankly and fairly that they want this sort of thing and so we do not want to keep you Indians in it. I can understand that. We know what servitude means, we have no freedom to do what we like and that we are in bondage. But, for goodness sake, don't make it appear that you are doing these things for the betterment of India. At present, we have 649 total posts. The scheme says that it will be reduced to 584, which means that there will be a reduction of 63 posts. The military side will be increased by 10 and the civil side will be decreased by about 65. So, actually, on the military side, there is a change for the worse. Now, with Indianisation in swing, when we have Indian officers from Dehra Dun, you say that you want more officers. Burma has been separated. The military requirements of Burma at least are no longer to be filled from these posts. The civil side reduction is also due materially to the removal of Burma from the Indian Empire. Therefore they cannot take credit even for the whole reduction from the civil side, because partially it is due to separation from Burma. That was kept hidden. Now, Sir, the crucial question is, which is the better system of recruitment, the present method or competitive examination, for which Indians have been asking for a very long time. After being taunted time and again that Indians are not capable, we find that it is the Britishers who are flying from competition. In the I. C. S. you have the same thing. Nomination was started because a sufficient number of Britishers were not willing to come forward for the I. C. S. Similarly for the I. M. S. we have no competition because Britishers are not prepared to face competition. They want a sheltered market for everything, whether it is Ottawa or the I. M. S. or the I. C. S. Nomination does not mean anything. It means sweet will. There can be jobbery; there can be nepotism. All these flood gates have been opened because we needs must have European personnel. The British element in the army is here for a short while, it goes away and is replaced by other recruits; and for this element you have the R. A. M. C. It is only for the Indian part of the army that you require these I. M. S. officers. Now, as regards the I. M. S. officers there is another development which is referred to in this communique to which I take some objection. It is about taking a few men from the I. M. D. Now, the I. M. D. is a peculiar kind of service where no University degree is required. Competition is a big thing and competition would have been excusable, but these I. M. D. officers do not take any University degree in medicine. When we considered the

* Speech not corrected by the Honourable Member.

[Mr. Hossain Imam.]

question of the recognition of Indian University degrees by the British Medical Council there was a hue and cry that the British Medical Council did not recognise our degrees because of certain defects in the University education. But how is it that the British Medical Council is put aside now when you want the I. M. D. men, who have no degrees, to be admitted to the King's commissioned officers service in the Medical Department? Well, Sir, things have gone too far. We must be open and frank. The reasons why this reorganisation does not satisfy us are multifarious. We have stated some of them and we have the consolation that in the other place all the elected Members voted and showed their displeasure at the action of Government. Here we are powerless, but we have discharged our duty and we are content.

THE HONOURABLE MR. G. R. F. TOTTENHAM (Defence Secretary): Sir the Honourable Mr. Sapru said that this was quite a simple matter. Nevertheless the debate has ranged over a very large variety of subjects. His Excellency the Commander-in-Chief has already explained the purely military aspects of this reorganisation, and I must confine myself in the time at my disposal to dealing with some of the points which arise on the civil side.

Now, Sir, whether it is necessary to have a war reserve of British officers at all, whether it is necessary to have a number of so-called residuaries, British officers who will be there to look after the superior civil services and their families in war time; if so whether it is necessary to retain the I. M. S. as a semi-military, semi-civil service to supply those requirements, or whether they can be supplied in any other way; finally, if we decide that there must be a war reserve and a number of residuaries, what the numbers of that war reserve and the numbers of residuaries should be and how they should be recruited—these, Sir, are all very large questions about which it would be possible to carry on a debate for hours. I can assure the House that all those questions have been debated, not for hours but for weeks and months and even years, by all the parties concerned in this difficult and intricate problem. We followed up very carefully, for instance, the suggestion of the Round Table Conference that, instead of having a war reserve of British officers drawn from the I. M. S., it might be possible to impose a liability on the provinces of the future to recruit a number of British medical practitioners in the open market and retain them in their provincial services by giving them whatever rates of pay were necessary. We consulted Local Governments about that and our conclusion eventually was that it would lead to a great deal of extra expense and difficulty and that it would be far cheaper to continue to employ a number of I. M. S. officers in the war reserve. We also considered, as I think is perfectly obvious from the communique, whether we could reduce in any way the number of the reserve and the number of residuaries. That too was discussed at great length with the military authorities and with the provinces, and the result has been, as His Excellency explained, that we have been able to reduce the war reserve very considerably, but that the number of British officers maintained to look after the superior civil services and their families in war time has remained very much the same.

Now, I admit that we have decided, whether rightly or wrongly, that we must maintain a certain number of British officers in the I. M. S. Having reached that decision it was necessary to decide how we could procure those officers. A great deal has been said about the re-opening of the competitive examination for entry into the I. M. S. Well, Sir, I freely admit that if we did revive competitive entry to the I. M. S. we should very likely find great difficulty in getting the number of British officers we require, and that is one of the reasons why we are continuing this system of nomination. Not that we think that that system produces bad results in any way. The D. G.,

I. M. S., has explained to this House more than once what that system is and how it does produce good results.

But apart from those large questions I think there is one main criticism of this reorganisation with which I should deal rather more closely, because I think it is the result of a certain amount of misconception. A great deal has been said about reducing the number of Indians in the I. M. S., in the smaller I. M. S. of the future, as compared with the number of British officers, and not reducing the number of British officers themselves. I think that we made a mistake ourselves in the form in which we issued our communique, because we put on page 3 a table which gives the authorized figures under the reorganisation of 1928, the present actual figures and the future proposed figures. Well, Sir, every Honourable Member who has spoken has naturally perhaps compared the future proposals with the present actuals. I submit, Sir, that the real comparison should be between the future reorganisation and the last reorganisation of 1928. Since 1928 certain things have happened and the authorised cadre has been to a certain extent reduced, but the present actual figures are very largely due to fortuitous circumstances. That is to say, we have not during the last few years been able to get the full quota of British officers according to the authorised scale and therefore we have had to go short of British officers and employ more Indian officers than were actually authorized. That naturally has given rise to the impression that we are now going to reduce the number of Indian officers and keep the number of British officers the same, whereas if one compares the figures of the future with the figures of 1928 it will be seen that we do propose to make a reduction of nearly 100 in the number of British officers and a reduction of only about 24 or 25 in the number of Indians; and that, Sir, is real, proper comparison.

Another misconception is with regard to the allegation that we are reducing the number of Indian officers to be employed by the provinces. As I attempted to explain in another place yesterday, I deny that this reorganisation does necessarily imply any reduction in the number of Indian officers employed in the provinces. What it does do, what we intend to do by this scheme, is to reduce to the minimum the number of British officers whom the autonomous provinces of today will be under statutory obligation to employ. That, Sir, is a very different thing. What the communique means and what the reorganisation means is that we are anxious to interfere as little as possible with the autonomy of the provinces and we therefore impose upon them the minimum liability to employ I. M. S. officers, either British or Indian, but we are quite prepared to agree—in fact we should welcome it—if the Provincial Government of the future wish to employ in practice a larger number of Indian I. M. S. officers than they are actually compelled to do under the scheme. I think that does put rather a different complexion on the matter.

I should also like to say a few words on another point. I think there is some misconception regarding the criticism that we are reserving posts for British officers and that this amounts to a fresh racial discrimination. It is a fact that we are reserving posts for British officers, but that is not by any means a new principle. Posts have been reserved for British officers for many years and actually what we are doing now is slightly to reduce and not to increase the number of posts that are so reserved. It is true that the basis of all this criticism is the feeling that British officers ought not to object in any way to be treated by Indian doctors and the suggestion is that we are unduly squeamish about it and that we are bringing in racial considerations. The Honourable Mr. Kunzru has referred to what Sir Philip Chetwode said some time ago that in his opinion this racial business was being rather overdone. We, Sir, agree with that. But we cannot get rid of these human

[Mr. G. R. F. Tottenham.]

feelings—they are human feelings in certain classes—simply by a stroke of the pen, and what we are trying to do is gradually to reduce the number of British officers. His Excellency the Commander-in-Chief has explained that a reduction has been made on the army side. I have explained it is being made on the civil side.

I would just like to quote some figures to show to what an extent the I. M. S. has been Indianised during the last 10 or 15 years. Just after the war in 1922-23, 89 per cent. of the I. M. S. was composed of British officers; very nearly 90 per cent. of the I. M. S. just after the war consisted of British officers, and at that time there were no less than 352 British officers of the I. M. S. in civil employment. Now, Sir, under this scheme, the minimum proportion of Indians in the I. M. S. will be not less than 33 or 34 per cent. as against 10 or 11 per cent. 12 or 15 years ago; and instead of having 352 British officers employed on the civil side the maximum number will be 166; that is, rather less than half the number that was so employed only a brief 12 or 15 years ago. In other words very great progress has been made in the last 12 or 15 years and I do think that Honourable Members ought to take that aspect of the case into consideration when they are considering their vote today.

There are certain other points that I should like to deal with if I had the time.

THE HONOURABLE THE PRESIDENT: You have got four minutes more.

THE HONOURABLE MR. G. R. F. TOTTENHAM: The Honourable Mr. Hossain Imam referred to the employment of I. M. D. personnel in place of I. M. S. officers and I understand that he objected to them on the ground that they possessed inferior qualifications. Well, the point is that the I. M. D. which I may point out consists of statutory Indians, some of them Anglo-Indians and some of them Europeans domiciled in this country, this Department has, during the last 20 years, since the war, improved itself enormously. We have offered these men opportunities to go to England to take special courses there and improve their qualifications, and a considerable number of them have done so; they have taken advantage of the facilities we have given them in that respect and they have come back to India and still find themselves employed in subordinate positions. It seems to us that this is indigenous talent of which we should make the greatest possible use and as an experiment we have selected a certain number of them with really good qualifications and we are employing them in the place of I. M. S. officers.

THE HONOURABLE MR. HOSSAIN IMAM: Why not have Indian medical graduates?

THE HONOURABLE MR. G. R. F. TOTTENHAM: Well, Sir, they are graduates of Indian Universities. Then, Sir, there is one other point that I should like to mention. The Honourable Mr. Sapru referred to the deterioration in the quality of British I. M. S. officers during recent years. There is, I may say, a grain of truth in what the Honourable Member said and that has been part of our difficulties all along. The reason for it is that since the war, as he is aware, various systems have been introduced in England, whereby British medical men can get panel practice and so on. They have also improved the attractions of their Defence Medical Services like the Royal Army Medical Corps, the Naval Medical Corps, and the Royal Air Force Medical Corps, and the result has been that it has been difficult to attract men to India

of quite the same standard as we were accustomed to get in earlier days. The position, however, I am glad to say, is improving. We are now getting a more satisfactory standard of recruits for the I. M. S. and I hope that the result of this scheme will be to encourage recruitment for the reduced number of British officers that we shall require in future. Sir, I do not think I have anything more to add.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR (Madras: Muhammadan): Sir, the proposal which is made for effecting this change in the present system goes to show that it is for the purpose of reorganising the I. M. S. We are sorry to find, Sir, that when reorganisation of the I. M. S. is effected it is done without the least regard to the change in the circumstances that has come about. We know, Sir, that in every branch of public service a reorganisation is being carried out in view of the increased recognition of the claims of the Indians for serving their countrymen in their own country. But this point of view was totally disregarded when this reorganisation in the I. M. S. was proposed. We find, Sir, that even though the total strength of the Service had been reduced and some posts had been abolished, the proportion of the Indian to the British element remains at the same figure at which it stand now. It cannot be denied, Sir, that the Indian population has largely increased and also the Indians have shown their capacity to compete successfully with any foreigners in the medical profession quite as efficiently as they do in every other walk of life. Therefore, Sir, it was but just and fair that when this reorganisation was effected this fact should have been kept in view and the Indian element in the I. M. S. should have been allowed a much larger proportion than has been allotted to it in the communiqué. But we are not surprised at this inasmuch as the recent feeling in England has been against Indians encroaching upon what we all know a few years ago was supposed to be a closed preserved for the European element. At the outset, Sir, the Indians were not at all admitted to the competitive examination for the I. M. S. in England, but subsequently when the competition was thrown open to them experience showed and that very quickly that the Indian could very successfully compete with the Britisher and it was apprehended that in course of time the Indian element would simply swamp the British element and it was for this reason that the competitive system was given up and the system of nomination was resorted to. Therefore, we feel that this reorganisation also has been done with the same purpose in order that the Indians may not impinge upon what until recently has been considered the privilege only of the British element. But, Sir, this is not at all fair. I do not for a moment say that the British Medical Service which has rendered such great services to India has very greatly deteriorated. I am ready to acknowledge the great services done by the British medical officers in this country and also to admit that even now there are among these British medical officers in India such men as enjoy a very high professional reputation and are extremely popular among the people here. But what I say is that alongside of that we have also to take note of the fact that the Indians have also advanced very much in the field, that among Indians who practice the medical profession we find quite a large number of medical practitioners who enjoy a very high professional reputation and are doing very good service. Coming as I do from Madras, Sir, I cannot help thinking of a number of Indian medical men in my province who are supposed to have quite as wide a practice in the profession as any British medical practitioner. And many of them have been enjoying a much greater professional practice and a much wider reputation. In every field of medical science, in surgery, in ophthalmology, in every one of these branches, the Indians have

[Saiyed Mohamed Padshah Sahib Bahadur.]

distinguished themselves remarkably in my province. Therefore, Sir, I fail to understand why this sort of invidious distinction has got to be made in this respect and I find that this invidious distinction is carried to a ridiculous extent by the fact that some of the posts in the medical institutions have been reserved only for European medical officers. I find that in my Province of Madras, Sir, specialists in medicine, surgery, obstetrics, gynaecology, have got to be posted in the Madras Medical College and a specialist in one of the subjects—ophthalmology—has got to be posted at Vizagapatam. I do not see why these branches of teaching should be reserved for European medical men? It cannot be denied, Sir, that in Madras we have got people who have made a name for themselves as physicians, as surgeons, and as obstetricians. I do not see why these people who have so remarkably distinguished themselves in the profession and especially in these various branches, why they should be kept out to make room for others who are in no way their superior and in many respects their inferior. Again, Sir, if you shut out these people from being employed for teaching in medical institutions in certain branches of medical science, the result would be that you would be discouraging the study of these subjects among the Indians in the country and that I think, Sir, is a reason which everybody here will deplore. Again, Sir, after all, these foreign medical men who come and settle down here in our country and spend some years here, after they have gained experience here at the expense of the people of this country they go back to their own country, the result being that all their experience is lost to the country entirely. That is a point which has also got to be borne in mind in making provision in a matter of this kind, especially in a matter where technical knowledge and practical experience is concerned, it is necessary that people who gain such technical knowledge and practical experience should be made to stay in the country so that the public at large in this country might benefit by what they have attained in their profession at the expense of the people in this land. Far from trying to increase the number of such people as are expected to leave the country ultimately, after having gained experience, it is better that we encourage only such people in the profession who, after having gained the necessary experience, would stay here and try to do what they can for the advancement of those sciences and for the progress of the medical profession in the country.

Just a word, Sir, about the reluctance on the part of some of the British officers to have themselves treated by Indians. I do not think, Sir, that there is really any basis for this apprehension. We have come across several high placed European officers, both civil and military, and none of them is obsessed with this prejudice. They are all people who will judge things according to their own needs, and look at things in their proper perspective, without being guided by all these considerations of racial distinctions, etc. I feel that there is no justification whatever to think that British officers will not be prepared to have themselves treated by Indian medical men. After all, Sir, what does a man who is sick want? All that he wants is skilled medical attendance, whether that attendance comes from his own national or from a foreigner, it is just the same to him; so long as he could be relieved of his ailment, so long as he could get a cure for the disease from which he is suffering, so long he does not care who the person is who gives him the necessary cure. Each one of us, whatever his own experience might be—

THE HONOURABLE THE PRESIDENT: Your time is up.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR: I am just trying to elaborate the point that I have just mentioned.

THE HONOURABLE THE PRESIDENT: I have told the Council before that I am going strictly to adhere to Standing Order 23 which prescribes 15 minutes as the maximum time-limit for any one.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR: Have I finished my time, Sir?

THE HONOURABLE THE PRESIDENT: You have finished your time already. You started at 12-39.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Perhaps he deserves some consideration, Sir—

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR: I was not here, Sir, when you said that you will strictly enforce the time-limit.

THE HONOURABLE THE PRESIDENT: I cannot help that. You started at 12-39.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR: What I submit is that after all there is no justification whatever for insisting upon having this proportion in the I. M. S. As I said, there are considerations which go very largely to weigh for this position that instead of keeping the proportion of Indians at what it is today, if any reorganisation is effected in the Service, it should be with a view to increase their proportion and with a view to the fact that the people in the country should be encouraged to pursue those learned professions and make their contributions to the progress of science and profession in the country—

THE HONOURABLE THE PRESIDENT: Will you please sit down?

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHATHA (Bihar: Non-Muhammadian): I am, Sir, in the lucky position of having to argue a case which, in fact, was so well argued by the Mover, that, I find that the Defence Secretary, when he was replying, had to plead guilty to all the charges. The strongest point that the Honourable Mr. Kunzru urged was that racial discrimination was being unjustly made in favour of the Britisher. This point, the Defence Secretary admitted quite clearly and trotted out the explanation that the Britisher wanted to be treated by British doctors. I am quite sure that if he took the opinion of the members of his community, he will find that he is in the wrong. He further admitted that it was not on the score of efficiency that the Indian is being kept out, because he confessed that the Britisher was not found very willing to enter into open competition with the Indian. If such is the position, Sir, the case which the Defence Secretary wanted to establish was hopelessly weak and bereft of all merits. It is too late in the day for anybody to stand up and say that although Indians are available in abundant numbers, although they are in no way inferior in capacity—generally equivalent, sometimes superior—to their British compatriots in the same Service, they cannot be taken in larger numbers because the British population in this country refuses to be treated by any one except doctors of their own race. The Britisher can press his claims, if any, but not his prejudices. In the I. M. S. the position is wholly incompatible, because we find that in the other services—the I. P. S. and the I. C. S.—the proportion of Indians to British officers is 50:50. Perhaps in the Railways, the proportion is even higher—(perhaps 75 per cent.)—in favour of Indians.

(At this stage, the Honourable the President vacated the Chair which was taken by the Honourable Sir David Devadoss.)

[Rai Bahadur Sri Narain Mahtha.]

Go to the big Indian cities, you will find doctors drawn from the Indian communities standing shoulder to shoulder with others and maintaining their reputation in the profession as well as the British doctors. I do not

understand then with what face Government rise up and say that they cannot increase the proportion of Indians in the I. M. S. having no ground to resist our claim.

With these words, Sir, I support the Motion for Adjournment moved by my friend Mr. Kunzru.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Education, Health and Lands Member): Sir, I think Honourable Members will agree that this very important Motion has been discussed in this House with great moderation and in a calm atmosphere. There has been none of the excitement which I understand a Motion of a similar kind caused in another place.

Before I proceed to deal with the points raised by the Honourable Members opposite, I should like to state that my Department are greatly obliged to Mr. Tottenham, the Defence Secretary. I think Honourable Members who have heard him recognise his Parliamentary ability. I can say that in dealing with this very difficult question I have had much assistance from Mr. Tottenham and I very much regret that this may be for a long time his last appearance in this House, as he is shortly proceeding on leave. I hope I am conveying the wishes of the whole House that he will have a very pleasant holiday.

Now, Sir, I come to the main point in the Motion. His Excellency the Commander-in-Chief and the Defence Secretary have explained why a certain number of European I. M. S. officers are required as a war reserve. It is a very natural question to ask as to why there should be European officers as a war reserve? Well, the answer to that is really the whole crux of the matter. The answer is that it has been recognised for a long time that the British personnel both in the army and in the civil services requires to be treated by European doctors. I shall be asked, why is that so? It has been said in the course of the debate that many people have not this prejudice of being treated by men of their own nationality, that many people go to the best doctor irrespective of whether he is a European or belongs to any other race. I think I could not answer that question better than to read out what Lord Zetland said during the proceedings of the Services Sub-Committee of the Round Table Conference.

(At this stage the Honourable the President resumed the Chair.)

As Honourable Members know, Lord Zetland is at present the Secretary of State for India. Well, this is what Lord Zetland said in regard to this very important question as to why there is this feeling about being treated by European doctors among the European personnel of the civil services and in the army:

"The second answer to the question is that, rightly or wrongly, you cannot get over the fact the European members of the services do demand that there should be within reasonable reach of them and their families, their wives and their children, a European medical officer. It may be thought that this is an unreasonable prejudice, but you cannot get over the fact that that prejudice exists. The Lee Commission which made its report only some six years ago and on which there were certainly four Indian members, said that the almost universally expressed anxiety of British members of services in India to have access to British medical advice for themselves and their families was intelligible".

And this is the quotation from the Report of the Lee Commission which Lord Zetland gave to the Committee:

"And in our opinion this provision is vital to their contentment".

Then Lord Zetland goes on to say:

"That therefore is the second part of the answer to the question why a number of military medical officers are employed in civil employ under the Provincial Governments in India".

Well, I do not think I can add more to what Lord Zetland said in regard to this desire, which he says may be a prejudice but there it is, to have European medical treatment for the European personnel. My Honourable friend Pandit Kunzru said that this question was raised for the first time by a despatch from the Government of India in answer to a despatch from Lord Morley. I am afraid it has not been possible for me to verify that. It may be that what my Honourable friend says is a fact. Possibly the reason why this question was not raised in correspondence was that, as pointed out by Mr. Tottenham, even till 1922 practically all the civil surgeons in the provinces were Europeans and it is quite possible that this question, whether a time would come when there would not be enough European doctors for the European personnel, may not have occurred to any one. But I know that this question was raised by the Secretary of State more than 18 years ago. We find in a despatch of 1918 that this question of providing adequate medical attendance for the European services was raised by the Secretary of State.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: The Government of India raised it 26 years ago.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: As I said, I have only guessed that may have been one of the reasons. That being the position, that it has been accepted by the Secretary of State that if you are to have Europeans in the services, both in the civil and in the army, in view of the feeling which exists a certain number of European doctors are necessary. Starting from that basis, it is obvious that the most economical method is to utilise the war reserve for the purposes of the civil European population, otherwise you would get to the position of having a war reserve doing nothing at all. I do not suggest for a moment that Honourable Members opposite should accept the proposition that Europeans must have only European treatment, but if it is accepted that in solving this problem the Government of India had to take this fact into consideration and they come to the decision in consultation with higher authority that the European personnel of the services civil and military must have European medical treatment, then I hope the House will agree that the present arrangement is the most economical. The only question then to be asked is whether the number of European I. M. S. officers who are allotted to the provinces are more than the needs of the situation require; and on that point I do not think we have had any statement from the other side that the number of people who are being allotted to the provinces is more than is required for the needs of the civil European population.

Now I come to the other question. I am glad that my Honourable friend Mr. Kunzru did not press the point that Indians in the I. M. S. should not be employed in a civil capacity. That is a matter which has been argued before, that if there was to be a civil side of the medical profession, there is no need to get men from the army, but if it is assumed that I. M. S. officers should be employed on the civil side, I think it will be recognised that it is only fair that the door should be kept open for Indian I. M. S. officers also. Now my

[Kunwar Sir Jagdish Prasad.]

Honourable friend has said that Indians have not had a fair chance of rising to the top—I think I understood him aright—that when entering the I. M. S. they had not the opportunities of rising to the top. If my Honourable friend will look at page 3 of the communique he will find that there are 37 appointments which are under the Department of which I am in charge for the moment—I mean the Education, Health and Lands Department. Out of those 37 appointments reserved for the I. M. S. he will find that only five are reserved for European I. M. S. officers and those five are reserved for the reasons which I have already given. They are mostly the civil surgeoncies in some of the bigger places where there is a large congregation of the European population. But amongst the posts which are open to Indian I. M. S. officers are those of the Director General of the Indian Medical Service, the Deputy Director General of the Indian Medical Service—and at the moment an Indian is the Deputy Director General of the Indian Medical Service—and a large number of other high administrative appointments. Honourable Members know that in a number of provinces at present the Inspector General of Civil Hospitals is an I. M. S. Indian officer, that the Director of Public Health in places is also an Indian I. M. S. officer. Therefore so far as administrative posts are concerned, there is no bar to any Indian rising to the highest post. As regards the question of certain civil surgeoncies being reserved, and those being in the most important towns, I explained the position last year. Those places which have been selected are not only large centres of the Indian population but are also large centres of the European population and if it is accepted that Europeans should have a European doctor to treat them, then naturally the places where European civil surgeons will be posted will be those where there is a larger proportion of Europeans than in other places. That is the reason why certain civil surgeoncies in the provinces have been reserved for European doctors.

I do not know if there are any other important points to which I have not referred. I quite recognise—

THE HONOURABLE THE PRESIDENT: You have only one minute more.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: I quite recognise that this is a very complicated question, that there have been differences of opinion and that these differences have existed for a very long time. I hope, however, that I have been able to explain to the House the reasons why this action has been taken and I hope I have been able to convince them that so far as Indians in the I. M. S. are concerned they can rise to the highest posts and that there is no intention to put any obstacles in the way of their promotion. My time is now up and I am afraid I cannot proceed further with the discussion of other points.

(The Honourable Pandit Hirday Nath Kunzru rose in his place.)

THE HONOURABLE THE PRESIDENT: You have got a right of reply, but let me inform you that if you address the House again the Member in charge of Government will have a right of reply too.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Sir, I shall be delighted to hear the Honourable Member who has recently spoken on behalf of Government again, for there are many points which still require elucidation.

I recognise, Sir, the efforts made by His Excellency the Commander-in-Chief, the Defence Secretary and my Honourable friend Sir Jagdish Prasad, to clear up the matter to our satisfaction. But I am sure that not one of them had the slightest hope in his heart of hearts of being able to carry conviction to us. They all know the facts of the case too well to suppose that the effort in which they have indulged could meet with a successful issue. Now, Sir, what is the reply that the Government spokesmen have given to my observations? In effect what they say is this. "You are misled by the figures published in the communique. It seems that the number of Indians in the I. M. S. has been reduced from 263 to 198. This does not mean that Indians are to be excluded from any post that they occupy at present, but only that the posts which have now been excluded from the cadre of the I. M. S. will in future be under the entire control of the Provincial Governments. Is not this what you wanted us to do? Did not you want that the cadre of the I. M. S. should be decreased and that the authority of the Provincial Governments in regard to making appointments to the higher medical posts in their medical department should be increased. We have given effect to your wishes and yet you come forward and charge us with having gone against Indian interests". Now, anticipating this, I had made it clear at the outset that there were two questions involved in the Resolution before us, one relating to the size of the I. M. S. and the other relating to the opportunities which Indians have of entering it. If the cadre of the I. M. S. has been reduced—and it certainly has been reduced—can that be any reason for our being content with the present state of things and not challenging the existing ratio of recruitment to the service, namely, two British officers to one Indian officer? I will give the Honourable Members opposite an illustration which will enable them to understand the Indian point of view in this matter. In 1886 the Public Service Commission recommended that about 106 posts should be excluded from the I. C. S. and set aside for promoted members of the provincial services. Did that, however, stop the Indian agitation in favour of simultaneous examinations for the I. C. S. in India and in England? Again, when the Public Services Commission of 1912 recommended that 25 per cent. of the officers recruited every year to the I. C. S. should be Indian, were we satisfied? Anyone who knows the history of this question will be able to give a decidedly negative answer. What we wanted was that Indians should be on a footing of absolute equality with Britishers in the matter of appointment to the I. C. S. Now, however, the question is a different one. The question is whether any Britishers ought to be entertained in any of our services at all? This being the situation I wonder really how Honourable Members who have spoken on behalf of Government could for a moment think that the provincialisation of a certain number of posts would satisfy us? It is not merely that we are asking that the strength of the I. M. S. should be reduced, but that Indians should have unfettered opportunities of entering that service itself. And what are the grounds which my Honourable friends have given for maintaining the present state of things? My Honourable friend Sir Jagdish Prasad referred to Lord Zetland's speech at the Services Sub-Committee of the Round Table Conference. Now I shall refer, Sir, to the recommendations of the Sub-Committee itself. That Committee, some of whose recommendations have been referred to in the communique of the Government, asked that no posts in any of the districts should be listed as being reserved for Europeans. My Honourable friend, Sir Jagdish Prasad, quietly omitted to refer to that. The Government communique deals with the recommendations of that Committee, in fact prefaces its observations with a summary of the recommendations of that Committee but somehow forgets to refer to this small and unimportant matter. If Honourable Members

[Pandit Hriday Nath Kunzru.]

quote from the report or proceedings of the Services Sub-Committee, let them also acknowledge that in the matter of reserving posts in the districts for British members of the I. M. S. they have gone clean against the recommendations of that Committee. And I should also say that, while there were differences of opinion on other points between the Indian members on the one side and some European members on the other, on this particular question so far as I remember there was absolutely no difference between Indians and Europeans. The European members who took exception to certain recommendations of the Committee had, I believe, no adverse remarks to make with regard to this particular recommendation. Well then, how is it that Government have come to list civil surgeoncies in certain districts as reserved for Europeans? My Honourable friend, Sir Jagdish Prasad, said that British I. M. S. doctors had been posted only to districts where there was a large British element. Does it mean then that, if the present British element, in the 11 districts referred to in the Government Resolution in the United Provinces, continues that we should give up the hope of ever having Indian civil surgeons there? Is this the reply of the Government to our demand for the Indianisation of the I. M. S.? Take again the question of the professorships in the Indian Medical College. Now what reason is there for reserving the professorships of medicine and surgery for European members? In some places, particularly in my province, the Medical Colleges are under the jurisdiction of the Universities, but is the autonomy of the Universities now to be fettered in this matter? For some time in the past; I believe that in Lucknow the Professor of Medicine was a member of the Provincial Medical Service. At any rate, some time ago, the Professor of Surgery was an Indian belonging to the Provincial Medical Service. I believe this is so still, but now under this new scheme, which pretends to advance our position or at any rate not to make it worse, we are to give up the post which we have held and held with credit for some time. The autonomy of the Lucknow University is to be curtailed and it is to be compelled by the Provincial Government to substitute Europeans for Indians. The Local Government have no direct control over the University but they can compel it to respect their wishes by threatening to withdraw its grant or curtail it. The Lucknow University will therefore have no alternative but to submit to the unjust orders of Government in regard to this matter.

Now, Sir, there is one other matter that I should like to refer to in connection with the speech of my Honourable friend, Sir Jagdish Prasad. My Honourable friend dealt with the medical officers under him and seemed to point out to us with pride that out of the 37 posts under him only five would be reserved for Europeans but he has given absolutely no answer to the question that I raised in my opening speech. I pointed out that there were 13 residuary posts, of which only five were reserved for Europeans; but there would be only four residuary Indian officers among the I. M. S. officers who would be recruited by the Government of India. Now, why should their number be limited to four? No prejudices of the superior civil services stand in your way here. The army does not present any obstacle in this matter. You have full power to deal with the matter as you like. And yet you propose to take only four Indians apart from the war reserve when there are eight posts which they can fill. Is this a just policy? Is there the slightest justification for it even under the existing conditions?

Now, Sir, take the Provincial Services. My Honourable friend, Sir Jagdish Prasad, speaking on the 17th April, 1936 in this House, said that

there was no reason to be alarmed by the number of posts occupied by British officers in the provinces. He said:

"If my Honourable friend will refer to the communique which was issued by the Government of India in 1928, he will find that the total number of British officers to be employed in the provinces is only 112. It is only 112 officers throughout the whole of India".

And now according to the communique we find that the provinces will be required to employ 122 officers. I should like some light to be thrown on this subject. How is it that in a communique which professes to convince us that our position in future will be at any rate no worse than it is at present, it has not been stated why, if my Honourable friend's figures were correct, the number of officers to be employed in the province has been increased by 10.

And now, Sir, I shall come to the question of the prejudices of the British officers and soldiers in regard to treatment by Indian doctors. I pointed out earlier, Sir, that the European part of the war reserve in the I. M. S. would be needed for the British Army. And I asked why this reserve should be included in the I. M. S., thus unjustly restricting the opportunities enjoyed by Indians of being appointed to responsible posts. I asked why provision should not be made for this reserve in the R. A. M. C. It did not seem to me that any danger would be involved if the military authorities were unable to provide European medical officers immediately a mobilisation occurred and the arrival of additional R. A. M. C. officers from England took some time. However, conservative the British soldier may be—and I venture to think that he is much more progressive than many officers of the higher civil and military services—he will be reasonable enough to understand—

THE HONOURABLE THE PRESIDENT: Order, order. As the debate has not concluded within two hours, it has now automatically terminated under Standing Order 23.

Honourable Members, before I adjourn the House I am sorry to intimate that I have received a message from the Private Secretary to His Excellency the Viceroy which I wish to give you. The message is that owing to the critical illness of the Viceroy's mother, His Excellency has decided to cancel the reception to the Members of the Indian Legislature on the 2nd of April.

The Council then adjourned till Eleven of the Clock on Saturday, the 3rd April, 1937.

COUNCIL OF STATE.

Saturday, 3rd April, 1937.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

MEMBER SWORN:

The Honourable Mr. James Cochrane Highet (Government of India : Nominated Official).

QUESTIONS AND ANSWERS.

SITUATION OF THE FEDERAL COURT.

100. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH : Will Government be pleased to state where will the Federal Court be situated ? If in Delhi, have Government considered the desirability of making Delhi a Province adding Meerut and Ambala Divisions to it ?

THE HONOURABLE MR. R. M. MAXWELL : Under section 203 of the Government of India Act, 1935, the Federal Court will sit in Delhi and at such other place or places as the Chief Justice of India may, with the approval of the Governor General, from time to time appoint. The fact of its location in Delhi has no bearing on the size of the Chief Commissioner's Province.

THE HONOURABLE MR. P. N. SAPRU : Is Government going to take over the Western Court for the Federal Court and deprive Members of the Western Court facilities ?

THE HONOURABLE MR. R. M. MAXWELL : It does not arise, Sir.

THE HONOURABLE THE PRESIDENT : I do not think it arises out of the answer. This is an entirely new question.

TRANSFER OF THE IMPERIAL LIBRARY FROM CALCUTTA TO DELHI.

101. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH : Is there any proposal to shift the Imperial Library from Calcutta to Delhi ?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD : The reply is in the negative.

EXPENDITURE INCURRED IN HOLDING THE SESSIONS OF THE COUNCIL OF STATE AND THE LEGISLATIVE ASSEMBLY IN DELHI AND SIMLA IN 1925 AND 1926.

102. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH : (a) Will Government be pleased to state separately, the total amounts of expenditure incurred in holding the sessions of the Indian Legislative Assembly and the Council of State in Delhi and Simla in 1925 and 1926 ?

(b) Does it cost less to hold the sessions in Simla than in Delhi on account of motor car haulage and other additional charges in Delhi?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (on behalf of the Honourable Mr. J. C. Nixon): (a) I presume that the Honourable Member for some reason or other deliberately chose the years 1925 and 1926. I lay on the table a statement containing the information asked for by the Honourable Member. Only approximate figures are readily available.

(b) Yes.

Statement showing approximate total expenditure incurred on account of the sessions of the Indian Legislature held in 1925 and 1926.

Year.	Legislative Assembly.		Council of State.	
	Delhi.	Simla.	Delhi.	Simla.
	Rs.	Rs.	Rs.	Rs.
1925	2,53,760*	1,33,050	83,920†	47,730
1926	2,29,420‡	83,360	79,150§	37,480

* Includes Rs. 59,870 on account of haulage of motor car and conveyance allowance.

† Includes Rs. 51,210 on account of haulage of motor car and conveyance allowance.

‡ Includes Rs. 20,750 on account of haulage of motor car and conveyance allowance.

§ Includes Rs. 20,930 on account of haulage of motor car and conveyance allowance.

MOTION FOR ADJOURNMENT *RE* COMING INTO OPERATION OF THE GOVERNMENT OF INDIA ACT, 1935.

THE HONOURABLE THE PRESIDENT: Honourable Members, I have received just a few minutes ago a notice of a Motion for Adjournment from the Honourable Kumarsankar Ray Chaudhury. I will read the Motion to you. The notice is:

"Sir, I beg to give notice that I intend to move today the adjournment of the Council of State to consider a matter of urgent public importance, namely"—you will observe the words—"the coming into operation of the Government of India Act, 1935, and its effect upon the Government in India".

I want to know from the Honourable Member if he has given notice to the Government Member in charge as required by the amended rules?

THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY (East Bengal: Non-Muhammadan): Yes, Sir, I have.

THE HONOURABLE THE PRESIDENT: Now, therefore, it is for me to consider whether I should permit this Adjournment Motion and hold it in order. As you are all aware, the Orders in Council were made several months ago intimating that the Government of India Act would be brought into operation on the 1st April, 1937. The Act itself was passed in 1935, and it is for me to decide therefore whether this Motion is in order. I cannot possibly regard this Motion as a matter of urgent public importance when several

months have elapsed and you could have given notice of a Resolution and would have been entitled to discuss this matter by way of a Resolution. Then you say in your notice, "the coming into operation of the Government of India Act, 1935". The Act has already come into operation on the 1st of April and the provinces are acting in pursuance of the provisions of that Act. The matter is not of recent occurrence. Even, however, if for some reason I was in a position to admit this Motion for Adjournment, it would have been my plain and obvious duty to advise the Governor General to disallow this Motion for Adjournment on the ground that the public interest would considerably suffer if the Motion was debated at this stage. I therefore disallow this Motion.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern: Non-Muhammadan): May I ask for a little elucidation of one remark. Did we hear you to say that even if you had admitted this Resolution as President of the Council you would have thought it your duty to advise the Governor General to withhold his sanction?

THE HONOURABLE THE PRESIDENT: The Government Member in charge would have done it, and I also would have considered it my plain duty to inform the Governor General to exercise his powers under rule 22.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Why should you as our President ask the Governor General to disallow a Motion?

THE HONOURABLE THE PRESIDENT: That is my business.

FAREWELL TO THE HONOURABLE SIR FRANK NOYCE.

THE HONOURABLE THE PRESIDENT: Sir Frank Noyce, I would be failing in my duty this morning on the occasion of your presence here today, probably for the last time, if I should fail to convey to you the good wishes of this Council and myself on your impending departure from India on your quitting the service of the Government of India which you have adorned for several years. (Applause.) I particularly refer—and have pleasure to refer to this matter today—because during the last five years you have been associated with the Indian Legislature and your association with this House has the most pleasantest memories. Your genial nature, your affability, your consideration for your opponents, the civil and courteous and dignified manner in which you have always addressed this House and performed your duties, all extort our admiration and respect for you. (Applause.) You have been closely associated during the period of your service with the Madras Government and the Government of India, and to my knowledge no other Civilian has ever been associated with so many departments and different and varied duties as you have been during the term of your office. You have been connected with almost all important commissions, committees and other important bodies appointed for the deliberation of all vital interests regarding India. It would take several minutes to give a catalogue of all those committees and associations with which you have been connected for all these years and in which as a Member, as President, you have done wonderfully good work. I will only mention a few of those committees. You have worked as Secretary of the Indian Cotton Committee with great distinction and your services have been very much appreciated by the Committee and all over India. You have acted as Controller for cotton cloth and there you have done your duty most impartially and faithfully and evoked the admiration of those

[Mr. President.]

who were very much concerned in that Committee. You have been the President of the Indian Sugar Committee. There you discharged excellent work and as Trade Commissioner in London you have merited the approbation not only of the Secretary of State for India but also of India generally. The greatest service which you have rendered is perhaps as President of the Indian Coal Committee and the Indian Tariff Board. In both these capacities your work has been admirably spoken of, fully appreciated and the value of your services highly recognised. But by far the greatest and most conspicuous service which you have done to this country is when in 1927 you were attached on special duty to the Royal Commission on Agriculture at the special request of His Excellency the Governor General, the Marquess of Linlithgow. In the midst of the arduous duties of that Commission, on account of your wide knowledge, experience in this country and the information you then possessed, you were called upon to help that Royal Commission with your great experience and I shall only quote a passage from that Report at the end which states :

"Mr. Noyce has proved himself ever willing to place at our disposal his wide knowledge and experience of the subjects under review and his services have proved a source of much strength to the Commission."

This is really a compliment of which you, Sir, ought to be proud of. But your work, Sir, as Member in charge of Industries and Labour invites our special attention and entitles you to our sincere gratitude. It was your energetic efforts, it was your human temperament and disposition, it was your feeling for the poor and the working classes in this country (Applause) that resulted in most important changes in the Indian Factories Act during your administration and during your charge of the Department. You have also done similar service in the matter of the Bill for the Payment of Wages. You have identified yourself with those colliery disasters in Bengal and you have adopted methods and taken steps to relieve the distress of coal cutters and other people and to treat them humanly and appointed committees to report on methods to be adopted for the amelioration of the conditions of that class of people. This all speaks of your good nature, your humanity, your kindness, consideration for the people of this great country. I must also not omit to mention the grants that have been made from time to time during your regime for promoting cottage industries, especially hand looms, and the establishment of the Indian Industrial Research Bureau. Greater Indianisation in the matter of purchase by the Indian Stores Department is one of your outstanding achievements. In the Assembly you have done your work in a quiet, unostentatious and silent manner. Your work in this country will be remembered for many a year with great and heartfelt gratitude and with much respect and I now say that you carry with you the kindly feelings, and the affectionate sentiments and respect of the members of the Indian Legislature and we the Members of the Indian Legislature wish you all manner of happiness in your well-earned retirement and we hope that you will be spared for many years to do good work in your own country. (Applause.)

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras : Non-Muhammadan) : Sir, I rise to associate myself with the happy sentiments expressed by you in wishing good-bye to Sir Frank Noyce. I was in this Council for five years from 1925 to 1929 and I had opportunities of coming into intimate contact with him in some of his activities. I have always found in him a genuine friend of the Indian agriculturist and the Indian worker.

(Applause.) The two most important Royal Commissions that have so far been appointed are the Agricultural Commission and the Royal Commission on Labour. These are the Commissions whose recommendations touch very intimately the welfare of the peasants and the workers and if some of the recommendations of both of these Commissions have been given effect to more promptly than the recommendations of some other Commissions, I think the credit for it goes very largely to Sir Frank Noyce. The peasants and workers of India will be the future rulers, the future electorates for legislatures in self-governing India and very soon the Government will pass into their hands. And when that event happens, I think they will look back with some amount of satisfaction to the encouragement given to them by Sir Frank Noyce when he was a member of the Government.

THE HONOURABLE THE PRESIDENT : I hope you won't be long because the Honourable Sir Frank Noyce is the Leader of the other House and has to be there.

THE HONOURABLE MR. V. RAMADAS PANTULU : Therefore, Sir, I wish him every happiness in his retirement in England and I hope he will continue to take an active interest in the peasants and workers of this country.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Leader of the House) : Sir, on my own behalf and on behalf of the Members who sit on this side of the House I wish to associate myself with all that you have said about my Honourable colleague and friend, Sir Frank Noyce. Sir, he has spent the best part of his life in the service of this country, and I think he can be correctly described as a true and faithful friend of India and especially of the poor and lowly in India. (Applause.) And now that he is about to lay down his exalted office after 35 years in this country, I think he can look back with some satisfaction on a career in which he has earned the esteem, affection and gratitude of the people to whose service he has devoted so much labour and where he has achieved so much success. And what has been the secret of his success ? I think it will be recognised that the reason why Sir Frank Noyce has won such universal approbation and confidence is the integrity of his character, his sincerity of purpose, his simplicity, his freedom from racial prejudice, and his constant desire to be just and fair both in public and private life. And I think I would not be exaggerating if I were to say that Sir Frank Noyce has given a remarkable illustration in his person of how Indians and Europeans can work together in complete confidence and harmony for the advancement of this great country. I hope I am not using the language of convention if I say that his name will be gratefully remembered and that he carries with him our best wishes and that we trust that in his retirement he will still have warm memories of the country and the people to whom he has rendered such conspicuous service.

*THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern : Non-Muhammadan) : Sir, on behalf of our Party I would like to join in the good wishes that you have conveyed to Sir Frank Noyce on behalf of this House. Sir Frank Noyce has served the country well over 35 years. For five years he has been associated with the Government of India and I can say, Sir, with truth that there is no one who was more universally respected on the Treasury Benches than Sir Frank Noyce. (Applause.) Ability he has in plenty but it is not his ability that has endeared him to us. It is his goodness. We look upon him essentially as a

* Speech not corrected by the Honourable Member.

[Mr. P. N. Saprú.]

good man, a God-fearing man. Sir, as a Member who has taken some interest in labour questions, I consider it my duty to say that Sir Frank Noyce has served Indian labour and the Indian working class well. He was responsible for the Indian Factories Bill; he has been responsible for the Indian Mines Act, and many other legislative measures of a beneficent character. Sir, he has been a great public servant who has earned well of this country in his retirement. We hope that he will have long years of life, health and prosperity. We are glad, Sir, that he will be going as our representative to the International Conference at Geneva and we wish him many many years of life, health and prosperity. (Applause.)

THE HONOURABLE SIR FRANK NOYCE (Industries and Labour Member): Mr. President, Sir, it is difficult, indeed impossible, to find words in which to thank you, Sir, for the kind things you have said about such services as I have been able to render to India and to thank the House for its warm endorsement of what you were good enough to say. I know that this House entertained friendly feelings towards me. I have always felt that, but I must honestly confess that I am surprised and overwhelmed by the cordiality with which those feelings have been expressed today.

You, Sir, have referred to my long and varied career, but amongst the distinctions which I have been fortunate enough to obtain during my 35 years' service in India, one I specially value is the Leadership of this House, which I held for a brief but not entirely uneventful period. I had previously to that been a Member of this Council for a full session. I have always received the greatest kindness and courtesy from it and most—in fact after this morning I would say all—of its Members are my personal friends.

You, Sir, mentioned my long association with commissions and committees. It was perhaps specially fitting that during the last five years, when it was impossible for me to be a member of a Committee or Commission, I should have been very closely associated with the work of another Commission, the scope of which had previously lain outside my field of activities—I refer to the Labour Commission. Not the least important part of my work during the last five years has been the implementing of the recommendations of that Commission, and I have to thank this House very warmly for the generous support it has given to all the measures in connection with that Commission which have been laid before it. There is yet another measure—a small one—to come before it and I ought at this moment to be in the other House moving it. It will come to this House, I trust, next week, and I also trust that the House will give it the same measure of support as it has done its predecessors. I am glad to have this opportunity of referring to the work connected with the Whitley Commission because it enables me to pay a tribute to the invaluable assistance that I have received from the Member of this House who sits immediately behind me. I do not think that we should have got through half of what we did if we had not found ourselves in such complete agreement and had not been able to work so well together. I can only say in conclusion, Sir, that I feel that I have very inadequately expressed my deep thanks to this House for the kindness which it has shown me this morning. I have, during the last few weeks, been wished a happy retirement from many quarters. You, Sir, have mentioned—and I think you have been the first to mention—what is the only thing that could make that retirement happy, and that is, further work. (Hear, hear.) I much hope that some of that work, at any rate, will be in the service of this country in which I have spent 35 years

(Applause), which I have served to the best of my ability and which I shall ever hold in the warmest affection. (Applause.)

STATEMENTS LAID ON THE TABLE.

IMPORTATION OF CLOCKS, WATCHES AND MOSQUITO NETS INTO INDIA.

THE HONOURABLE MR. A. G. CLOW (Industries and Labour Secretary): Sir, I lay on the table the information promised in reply to question No. 34, asked by the Honourable Mr. Kumarsankar Ray Chaudhury on the 24th February, 1937.

Statistics relating to the quantity of clocks and watches imported into India during the years 1930-31 to 1934-35 will be found on page 84 of Volume I of the Annual Statement of the Sea-borne Trade of British India for the fiscal year ending 31st March 1935. For the following fiscal year particulars of the quantity are not yet available but the value of the imports of clocks and watches, including parts thereof, is given in the Accounts relating to the Sea-borne Trade and Navigation of British India for March, 1936. Both the publications referred to are available in the Library of the Indian Legislature.

Statistics of the imports of mosquito nets are not separately recorded in the official trade returns.

The statement below shows the quantity and value of clocks, timepieces, watches and mosquito nets purchased by the Indian Stores Department during the three years 1933-34 to 1935-36:

Article.	Quantity.	Value.
	Nos.	Rs.
Clocks and timepieces	1,671	19,088
Watches	712	10,385
Mosquito nets	150,230	3,70,028

Figures for the two preceding years are not available.

Information regarding the prospects for factories in any particular area may be sought from the Director of Industries for the province concerned.

CERTAIN RAILWAY PROJECTS ON THE EASTERN BENGAL RAILWAY.

THE HONOURABLE SIR GUTHRIE RUSSELL (Chief Commissioner of Railways): Sir, I lay on the table the information promised in reply to question No. 37, asked by the Honourable Mr. Kumarsankar Ray Chaudhury on the 4th March, 1937.

(a) (i) and (ii). No.

(a) (iii) The reply to the first part is in the negative.

The following are the alternative proposals that have at one time or the other been considered:

(i) Khulna-Barisal-Faridpur Railway.

(ii) Faridpur-Charmaguria-Barisal Railway.

(iii) A branch from Kalukhali-Bhateapara Railway to Barisal.

These projects have either been given up or not proceeded with for the reason given under part (b).

[Sir Guthrie Russell.]

(b) *Dacca Aricha Railway*.—Estimates were prepared. The decision to abandon the project was based on the views of the Bengal Government.

Ishurdi-Pabna-Shadhganj (B-ri) Railway.—Estimates were prepared but the project was given up, as it was found to be unremunerative.

Khulna-Barisal-Faridpur Railway.—Estimates were prepared, but the project was abandoned in 1916, as the Bengal Government apprehended that the project would be a standing menace to the general health of the population by interfering with the natural flow of the drainage of the country traversed.

Faridpur-Charmaguria-Barisal Railway.—Estimates were prepared of the portion between Faridpur and Bhanga, but the project was found to be unremunerative.

A branch from Kalukhali-Bhateapara Railway to Barisal.—No estimates were prepared. In the first instance a Reconnaissance and Traffic Survey from a point on Kalukhali-Bhateapara Railway to Syndia Ghat was sanctioned in October 1929, but the project could not be proceeded with on account of the financial situation.

(c) This is a matter for the Local Government.

(d) A representation was received in 1930 from the India General Navigation and Railway Co., Ltd., and the Rivers Steam Navigation Co., Ltd., claiming due consideration from Government in the event of the interests of the Inland Steamer Companies being jeopardised by any proposed new rail extension directly competitive with their operations.

CODE OF CIVIL PROCEDURE (THIRD AMENDMENT) BILL.

THE HONOURABLE MR. R. M. MAXWELL (Home Secretary) : Sir, I move :

"That the Bill further to amend the Code of Civil Procedure, 1908, for a certain purpose, as passed by the Legislative Assembly, be taken into consideration."

Sir, the object of this Bill is to remove certain doubts which have arisen in the interpretation of Order XXXII in the First Schedule to the Code of Civil Procedure. Sub-rule (1) of rule 3 of this Order, to which the present Bill refers, reads as follows :

"Where the defendant is a minor the Court, on being satisfied of the fact of his minority, shall appoint a proper person to be guardian for the suit for such minor."

Sir, it has always been held by the High Courts that the appointment of a guardian made in the manner provided by that sub-rule is not limited to the original trial but continues through proceedings on appeal and there is no doubt on that point. It has however been held by one High Court that on the passing of a final decree for the payment of money, there is no longer a pending suit, with the result that the appointment of a guardian for the suit does not hold good in the execution proceedings. Some Courts have therefore been insisting on the fresh appointment of guardians for execution proceedings. Although it is possible for different High Courts to place their own interpretation on the existing rule, it is generally agreed that the matter is one in which uniformity is desirable and that this can best be secured by legislation. We have consulted all Provincial Governments who in their turn have consulted High Courts, Law Officers, Advocates' Associations and Bar Councils and we find it to be their unanimous opinion that the appointment of guardian for the suit should endure throughout subsequent proceedings including those for execution of the decree. It will be noticed that appellate and revisional proceedings are expressly mentioned in the Bill as well as execution proceedings. Although in the absence of any specific rule on this subject no doubt has hitherto arisen in regard to appellate and revisional proceedings, this effect might conceivably follow if a sub-rule making specific provision for the continuance of the appointment of guardian were limited to execution proceedings and it has therefore been thought necessary to make the rule comprehensive

on this point. I am confident that the Bill, as passed by the Legislative Assembly, will commend itself to this House.

Sir, I move.

The Motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. R. M. MAXWELL : Sir, I move:

"That the Bill, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

INDIAN RED CROSS (AMENDMENT) BILL.

THE HONOURABLE MR. A. DEC. WILLIAMS (Government of India : Nominated Official) : Sir, I move :

"That the Bill to amend the Indian Red Cross Society Act, 1920, for certain purposes, as passed by the Legislative Assembly, be taken into consideration."

The main object of this Bill is to supplement the Red Cross Society (Allocation of Property) Act, 1936. That Act was designed, in view of the impending separation of Burma, to exclude Burma from the activities of the Indian Red Cross Society which, as Honourable Members are doubtless aware, is governed by the Indian Red Cross Society Act, 1920. The Act of 1936 also provided as an equitable measure for the transfer to a body of trustees to be set up in Burma for purposes analogous to those of the Indian Red Cross Society of a sum equivalent to 7 per cent. of the total property of the Society. When this Act was passed in 1936, through inadvertence the Second Schedule to the Indian Red Cross Society Act, 1920, was overlooked. That Schedule sets out a number of percentages of the annual income of the Society payable to any Branch Committees set up in various parts of India including Burma. Burma is in fact referred to in the Second Schedule. The Act of 1936 should have deleted from the Schedule the reference to Burma and Burma's percentage of the income and should have made consequential alterations in the other percentages. That is all that clause 3 of the Bill now before the Council does.

As regards clause 2 of the Bill, it has been considered reasonable to avoid constantly repeated legislation whenever any domestic changes are made by the Society amongst its Branch Committees. It seems unreasonable that in every case where change within the Society is carried out at the wish of the Society as a whole it should be necessary as in the present instance to come up with a Bill for an amendment of the Second Schedule. In view of the fact that the Society is governed by an Act of the Indian Legislature it was not considered appropriate to leave this matter entirely to the Society itself. Therefore clause 2 of the Bill provides a power for the Governor General in Council on occasions where the Society as a whole wishes to make changes within itself to effect the consequential changes in the Second Schedule to the Act of 1920. As this power cannot be exercised except with the consent of every Branch Committee of the Society in India, the Council will, I hope, agree with me that it is a reasonable one.

Sir, I move.

The Motion was adopted.

Clauses 2 and 3 were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. A. DEC. WILLIAMS: Sir, I move:

"That the Bill, as passed by the Legislative Assembly, be passed".

The Motion was adopted.

THE HONOURABLE THE PRESIDENT: Honourable Members, I may bring to the notice of the House that any Honourable Member who has been nominated for election to the Standing Committee for Roads and the Central Advisory Council for Railways, who desires to withdraw his candidature should give early intimation to the Council Office, as it is extremely inconvenient to correct the ballot papers if intimation of withdrawal is given at the last minute.

Before I adjourn the Council I wish to express to you my apologies for my inability to continue as President of the Council till the end of this session. My presence is required in England urgently in connection with my duties as the Leader of the Empire Parliamentary Delegation to England, and I have obtained His Excellency the Governor General's permission temporarily to leave my office. During my absence the work will be done by two Members of the Panel of Chairmen, the Honourable Sir Phiroze Sethna and the Honourable Sir David Devadoss. I may be allowed also to state that this session has been somewhat arduous and during the next week three or four days of public work still remain; but I have no doubt the work will be completed most probably by the 8th of April. Though the session has been arduous, you have all contributed to the best of your ability in the discharge of your duties, and with the exception of a few small unhappy episodes, which generally do happen, you will all part from each other in a friendly atmosphere. I wish you at the termination of your labours a safe journey to your homes.

The Council then adjourned till Eleven of the Clock on Monday, the 5th April, 1937.

COUNCIL OF STATE.

Monday, 5th April, 1937.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the Chairman (Sir Phiroze Sethna), in the Chair.

QUESTIONS AND ANSWERS.

ADMISSION OF MEMBERS OF THE UNIVERSITY TRAINING CORPS INTO THE INDIAN ARMY.

103. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH: Will Government be pleased to state whether Government proposes to admit at least five students of the University Training Corps as permanent salaried members of the Indian Army.

THE HONOURABLE MR. R. M. MAXWELL (on behalf of His Excellency the Commander-in-Chief): No.

RECRUITS FOR THE INDIAN ARMY FROM THE DOMINIONS.

104. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH: (a) Is there any proposal to obtain recruits for the Indian Army from the Dominions? Has any correspondence on this subject passed between Government and the authorities in England? If so, do Government propose to publish the correspondence in this connection?

(b) If the answer to (a) is in the affirmative, do Government propose to consult the Central Legislature before any decision is taken in the matter?

THE HONOURABLE MR. R. M. MAXWELL (on behalf of His Excellency the Commander-in-Chief): There is no such proposal nor has there been any correspondence on the subject. The rest of the question does not therefore arise.

INDO-JAPANESE TRADE NEGOTIATIONS.

105. THE HONOURABLE MR. G. S. MOTILAL: Will Government be pleased to state whether it is still their policy that the Indo-Japanese trade negotiations should not be utilized for securing a portion of the carrying trade between India and Japan for non-Indian shipping?

THE HONOURABLE MR. H. DOW: With your permission, Sir, I will reply to questions Nos. 105 and 106 together.

The information that Government are at present prepared to make public regarding the course of the Indo-Japanese trade negotiations is contained in the official communiques which have been issued from time to time. Copies of these will be found in the Library.

INDO-JAPANESE TRADE NEGOTIATIONS.

106. THE HONOURABLE MR. G. S. MOTILAL: Will Government be pleased to state whether they propose to secure in the Indo-Japanese trade negotiations at present in progress, a portion of the carrying trade between India and Japan for Indian shipping and other advantages and facilities for Indian nationals?

(See reply to Question No. 105.)

ENQUIRY BY THE IMPERIAL SHIPPING COMMITTEE INTO THE POSITION OF BRITISH SHIPPING IN THE FAR EAST.

107. THE HONOURABLE MR. G. S. MOTILAL: Will Government be pleased to state whether the Imperial Shipping Committee has been asked by the British shipping interests to enquire into the position of British shipping in the Far East in which both the Indian commercial and shipping interests are concerned?

THE HONOURABLE MR. H. DOW: The enquiry referred to by the Honourable Member is being undertaken by the Imperial Shipping Committee at the request of His Majesty's Government.

STEPS TO BE TAKEN AT THE ENSUING IMPERIAL CONFERENCE FOR THE PURPOSE OF SECURING A SEAT FOR A NON-OFFICIAL INDIAN EXPERIENCED IN SHIPPING ON THE IMPERIAL SHIPPING COMMITTEE.

108. THE HONOURABLE MR. G. S. MOTILAL: Will Government be pleased to state whether they propose to take steps at the ensuing Imperial Conference to secure a seat for a non-official Indian experienced in shipping on the Imperial Shipping Committee?

THE HONOURABLE MR. H. DOW: The nationalist element on the Imperial Shipping Committee is secured by the nomination of official representatives of the nine principal empire Governments concerned, including India, which is represented by an Indian who is the High Commissioner for India. There are only two non-officials on the Committee who sit as direct representatives of shipping interests, and these are not selected on a national basis but as members expert in the management of shipping. The High Commissioner has already been instructed to see that any claims that an Indian has for selection on this ground are not overlooked at the time such an appointment to the Committee is made.

PALMYRA SUGAR.

109. THE HONOURABLE MR. G. S. MOTILAL: Will Government be pleased to state:

- (a) the quantity of palmyra sugar produced in India during each of the last three years;
- (b) the amount of profits, the factories producing palmyra sugar have made in the last three years;
- (c) whether the factories producing palmyra sugar are owned by non-Indians; and
- (d) the reasons for exempting palmyra sugar from excise duty and the amount of revenue lost to Government by such exemption?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: (a) 12,485 tons in 1934 and 8,127 tons in 1935. The production in 1936 is estimated at 10,700 tons.

(b) Government have no information.

(c) Two of the six factories are owned by public companies but managed by European managing agents.

(d) It is apprehended that the imposition of an excise duty on palmyra sugar might result in the extinction of the industry and throw a large number of workers out of employment. At the rate fixed for excise duty on khand-sari sugar the amount of revenue involved would be about Rs. 2,14,000.

DEATH OF RAJA SIR RAMPAL SINGH.

THE HONOURABLE THE CHAIRMAN (SIR 'PHIROZE SETHNA): Honourable Members, before we commence the business of the day, I would like to refer to the death of Raja Sir Rampal Singh which occurred two days ago at Lucknow and of which we read in yesterday's papers. Raja Sir Rampal Singh was one of the leading figures in the United Provinces. He filled many roles of importance. He was a great business man and an educationist and took a keen interest in politics and in public life. Some of the Honourable Members may remember that as far back as 1916 he was appointed a Member of the Imperial Legislative Council. He filled that position till 1920 when the Montagu-Chelmsford Reforms came into existence and when he joined the Council of State. He was a Member of this House from 1929 down to 1933 when he had to retire owing to illness. Raja Sir Rampal Singh was a man with a very distinguished appearance, most courteous and affable and was a gentleman to the manner born. He took part in discussions on subjects of importance and was always listened to with great respect. As a former colleague, it is the duty of this House to convey to the members of his family our sorrow at his demise and I shall do so after the Honourable the Leader of the House has addressed you.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Leader of the House): Sir, on my own behalf, on behalf of the House and also on behalf of the non-official Members of the United Provinces, I wish to associate myself with what you have said about the late Raja Sir Rampal Singh. I had known him for a number of years; he was an old friend of my family. He was one of the most prominent Talukdars of Oudh and not only did he exercise a great influence in his own class but also in the whole province. His discernment and wise counsel were of the greatest use in dealing with provincial problems and it is a matter of the greatest regret that he should have died just when the province could ill-afford to lose a man of his ripe judgment and his knowledge of public affairs. It will indeed be very difficult to fill the gap which his untimely death has left in the province.

BILLS PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

SECRETARY OF THE COUNCIL: Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of the following Bills which

[Secretary of the Council.]

were passed by the Legislative Assembly at its meeting held on the 3rd April, 1937, namely :

A Bill further to amend the Indian Tariff Act, 1934, for a certain purpose ; and

A Bill to amend the Payment of Wages Act, 1936, for a certain purpose.

RESOLUTION RE CHECKING OF MALARIA BY INDIGENOUS MANUFACTURE OF QUININE—continued.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA) : We shall now proceed with the business of the day. The first item is the further discussion on the Resolution * moved on the last occasion by the Honourable Mr. Sapru. The Honourable Mr. Sapru.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern : Non-Muhammadan) : Sir, I have finished.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA) : Then we have before us for discussion Mr. Sapru's Resolution. If any Honourable Member desires to speak on it, he will do so.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Education, Health and Lands Member) : Sir, the debate was postponed because on that particular day the Honourable the Leader of the Opposition had got up to speak, but unfortunately he is away today. I shall now reply to Mr. Sapru's Resolution. I am very glad that this very important question has again been brought before the House, because there is no difference of opinion that malaria is one of the worst scourges in India, that it takes a heavy toll of life and that its ill-effects are widespread throughout the population. I had stated the position when the question was discussed in Simla last year. The main problems so far as quininisation is concerned is that the price at which quinine can be obtained at present is really too high for the ordinary man to afford. And unless we are able to reduce the price at which quinine can be sold to the people, a wide extension of the use of the drug is not practicable. I think the House will probably be interested to know what the Government of India themselves have done to deal with this very difficult problem. I should like to remind the House that from the 1st of April the question of fixing the price of quinine and its distribution in the provinces is entirely a provincial matter. The Government of India have now no powers in regard to these matters. But realising that this is a question which extends beyond provincial boundaries and that the Centre cannot dissociate itself from a problem of this magnitude, in anticipation of this the Government of India decided, as Honourable Members know, to form a Central Board of Health in order to co-ordinate provincial activities. And this is one of the questions which we hope to take up when the Board meets in Simla about the end of May. This will be one of the important items which we shall place before the Board in order that we may be able to co-ordinate measures to deal with this very important question. Apart from that, Honourable Members probably know that in the year 1935 the Government of India made a free grant to the provinces of

* " This Council recommends to the Governor General in Council that he may be pleased to take steps to check malaria particularly by encouraging the indigenous manufacture of quinine and its distribution at rates within the means of the rural classes".

45,000 lbs. of quinine, that they maintain through the Research Fund Association the Malaria Survey of India at a cost of about Rs. 2 lakhs a year, the object of which, apart from research, is to train public health officers to deal with malaria. Honourable Members also probably know that the Government of India made a grant in 1936 of Rs. 10 lakhs to the Research Fund Association mainly for the purpose of the prevention and cure of malaria. Honourable Members are also probably aware that the Government of India have taken up the question of the prevention of malaria in the Delhi Province. Stringent measures were taken last year to control malaria in Old and New Delhi. We spent over Rs. 70,000 in temporary measures and the Government of India made a grant of over Rs. 14 lakhs for permanent measures to deal with malaria. Grants have also been made to the rural areas, that is to say, the villages which form part of the Province of Delhi. I hope, therefore, that Honourable Members will recognise that the Government of India are fully alive to the urgent need for dealing with this problem. They have taken active measures for controlling this problem in the Imperial Capital and its surrounding areas and a good deal has already been done in the provinces, though it is recognised that a great deal more has to be done, and when the Central Board of Health meets we propose to take up this question in consultation with the provinces with whom now rests the power of executive action. I hope, in view of what I have said, my Honourable friend will not consider it necessary to press his Resolution to a division.

*THE HONOURABLE SIR DAVID DEVADOSS (Nominated : Indian Christians) : Sir, I wish to make only one or two observations. It is a pity my friend, Sir Nasarvanji Choksy, who is a great authority on quinine is not here. What I suggest is this, that if the price of quinine cannot be brought down to a level which would really be within the reach of ordinary people would the Government try and find out some substitute for it ? It is a common belief that *neem* or what is called *marg-sia religiosa*—that the sap of this tree would be a fairly good, if not an efficient, substitute. I would therefore suggest, Sir, that the Government should try its best through its research department to find out some substitute which would be cheaper than quinine but which would at the same time have the effects of quinine. *Margosia religiosa* is said to be one. I do not know whether the research department of the Government of India or the Agricultural Research Department has devoted any attention to it ? I think this is a suggestion which I hope the Government will be pleased to adopt.

THE HONOURABLE MR. P. N. SAPRU : Sir, I am thankful to the Honourable the Leader of the House for his sympathetic reply. There is no difference of opinion between him and us on the point that malaria is one of the worst scourges in India. So far as quininisation is concerned he has pointed out that the real difficulty is that the price of quinine is too high. I am glad, Sir, that Sir David Devadoss has suggested that we should try and find out if quinine can be replaced by some other medicine. I believe, Sir, that there are substitutes for quinine.

Sir, the Honourable the Leader of the House has assured us that this question will be taken up by the Central Advisory Board of Health. I happen to be, Sir, the representative of the House on that Board and I shall have an opportunity on that Board of discussing this matter. In view, Sir, of the assurance that the Honourable the Leader of the House has given us that this

* Speech not corrected by the Honourable Member.

[Mr. P. N. Sapru.]

matter will be taken up by the Board of Health, I would beg leave of the House to withdraw this Resolution.

The Resolution was, by leave of the House, withdrawn.

RESOLUTION RE EXCLUSION OF NON-INDIANS FROM APPOINTMENT TO COMMITTEES.

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras : Non-Muhammadan) : Sir, I move :

"That this Council recommends to the Governor General in Council that in future no non-Indian except those who are in the service of the Crown in India be appointed on a committee appointed by the Government of India".

Sir, the idea of tabling a Resolution of this nature first occurred to me while I was listening to the Commerce Member's speeches in this and the other House in defence of the all-white personnel of the now famous Wedgwood Committee appointed to enquire into the working of our Railways. The impression I gathered from the arguments urged by the Commerce Member was that the sentiments or wishes of the people of India had no place whatever in the Government of India making its choice of the experts whose advice they desire to obtain on matters relating to the administration of the affairs of this country. The Government holds that it is free to bring out to India, at the Indian taxpayers' cost an expert from any part of the British Empire, not only from Great Britain but also from the dominions and colonies, no matter even if the dominion or the colony from which the expert is imported is openly pledged to a policy of evicting Indians from its territory and has nothing but contempt for India and her people. This attitude of the Government of India in determining the personnel of its committees found its most aggressive manifestation in the appointment of a South African expert on the Railway Enquiry Committee from which Indians were totally excluded—

THE HONOURABLE SIR GUTHRIE RUSSELL : Sir, may I explain that Mr. Cheedle is an Englishman. I understand that he went to South Africa during the South African War in the Imperial Yeomanry and actually fought against the South Africans. As far as I know, he is still an Englishman.

THE HONOURABLE MR. V. RAMADAS PANTULU : I am not re-opening the question of the personnel of Wedgwood Committee. I am urging its all non-Indian character as a particular ground in support of my Resolution.

Now, Sir, the relations of that country with India, constitute the saddest commentary on the British imperialist policy towards the non-white races of the Empire. There never has been any attempt on the part of the Government of South Africa to conceal the fact that its avowed policy is to make the life of the Indian in that Dominion so intolerable as to compel him to leave that country. The other day the attention of this House was drawn to the reply which the South African Union Minister for Agriculture gave to a deputation of Indians in connection with the Marketing Bill which seriously affects the economic future of the Indian community. The Minister is reported to have said to the deputation :

"Gentlemen, you must realise that you Indians in South Africa will ever be a *tragic* community because of the temper and temperament of the people of South Africa. We have that temper and temperament because we are determined to keep this a white man's country".

Note the word "determined". It is to a country with the determination to exterminate the Indians from its soil that the Government of India goes to obtain its supply of an adviser to promote Indian interests. Can any one believe that it is an honest method of constituting committees of enquiry into matters relating to the administration of India? Railways are an important branch of the administration. Can insult to Indian temper and temperament be more deliberate or take a more aggravated form? Even if the South African in question was the best railway expert in the world, no Government which has the slightest regard for the wishes or the sentiments of the people over whom it rules, will stoop to perpetuate such an outrage on the public opinion of the country it governs. The real position is this. The India Government's "determination", to use the word of the South African Minister, to govern India not only in accordance with the wishes of the vested interests of Great Britain but with the help, guidance and even concurrence of the dominions and colonies as well. So Indians are a tragic community not only in South Africa, as the Union Minister said, but they are a tragic community in the whole of the British Empire including their own Motherland of India. This tragic fact must be patent to any casual observer of the way in which India is governed.

If the Wedgwood Committee had been a solitary instance, which is the outcome of some special circumstances or considerations, it would not have been necessary to labour the point at such length or with so much insistence. But the old policy of appointing mixed committees, with Britishers and Indians to collaborate in the investigation of matters of vital importance to India and her people, seems to have given place to a new policy of excluding Indians altogether from such committees. Some years ago, there was no attempt to exclude Indians from important committees and commissions. Take, for instance, the Inchcape Committee, the Linlithgow Commission, the Whitely Commission and the Central Banking Enquiry Committee, to name only a few. During the period when Sir Basil Blackett and Sir George Schuster held the office of the Finance Member of the Government of India, several committees to conduct important enquiries were appointed by the Government. Those committees were invariably composed of Indians in large proportions with some non-Indian experts included in them. In Sir George Schuster's time a number of committees were appointed to examine the scope for retrenchment in the several departments of the Government of India. They were mostly composed of Indians with an Indian as chairman in many cases. That policy was evidently the outcome of a desire on the part of the Government to inspire confidence in the minds of Indians in the committees and their recommendations.

That attitude and outlook of the Government of India have undergone a most regrettable change in recent years. Ever since Sir James Grigg set his foot on the soil of India, the Government, of which he became a member seem to have suddenly lost their faith in the capacity of Indians even to advise the Government on questions which had to be entrusted to committees of enquiry. Sir James and his Government seem to have exclusive faith only in white humanity and none in the black or brown variety. So they have come to disbelieve of late in the utility of including Indian experts or Indian publicists in committees as members thereof. On every conceivable subject which concerns any aspect of the life of the people of India—be it fiscal, financial, economic, scientific or educational—the Government has come to believe that the advice of a non-Indian expert from England or her dominions was indispensable and that such opinion should be obtained without the taint of that expert being associated with an Indian colleague. Instances of this nature

[Mr. V. Ramadas Pantulu.]

have become so numerous that it is not possible to remember them all without some amount of study and reference to records. But it will be sufficient to mention about half a dozen of them. The following experts to whom very important enquiries were entrusted were all foreigners and were not associated with Indians as colleagues to collaborate in any of their enquiries :

1. The financial expert who conducted the enquiry for the allocation of certain sources of revenue between the Centre and the provinces, —Sir Otto Neimeyer.
2. The two statistical experts who laid down how an economic enquiry in India should be conducted and how statistics should be prepared for the purpose,—Professor Robertson and Mr. Bowley.
3. The two experts who advised the Government on Indian educational problems.
4. The two experts who looked into our Income-tax system.
5. The three experts who conducted the enquiry into the working of our Railways and who have gone to England to draft their report which is awaited by expectant Indian taxpayers.
6. The two agricultural experts who are reviewing the scientific activities of the Imperial Council of Agricultural Research.

I leave out the broadcasting expert and other miscellaneous experts.

With the exception of the statistical experts all the others were brought out to India in the calendar year 1936. What did they cost India? According to a statement recently laid on the table of the Assembly the financial expert cost us Rs. 12,000, the two educational experts Rs. 39,000, the three railway experts Rs. 2,22,500, the two agricultural experts Rs. 80,000. The broadcasting and other miscellaneous experts perhaps a further sum of about Rs. 10,000. Figures for the cost of the income-tax experts and the two statistical experts are not available to me.

It is futile to expect any one in this country, to whatever political party he may belong, to have confidence in the investigation thus conducted solely by non-Indians or to acquiesce in the recommendations of committees from which Indians are wholly excluded. It is surprising to find that the Government of India has not benefited by the experience it had of the fate which the much advertised Simon Commission met with in this country. That Commission in which not a single Indian was included professed to have come out of this country to discharge the most altruistic mission of evolving for India a most suitable constitution which will ensure to her people genuine responsible government. But naturally no self-respecting Indian touched it with a pair of tongs, nay not even approached it. The ideology underlying the all-white-and-no-Indian type of committees is evidently this. The Indians as such have no right to determine how they should be governed or how any branch of the administration should be run. Their right ends with submitting their requests to British experts who are to recommend what is best for India and her people to the British master with whom the decision rests. This ideology of the Simon Commission had its recrudescence in the last two years, when India had been insisting on self-determination and refusing to accept the new constitution imposed on her by an external authority. It is evidently an answer and a reminder to them of the true place which Indian opinion occupy in the governance of this country.

Hitherto Indians were content to have problems affecting their country and which require solution investigated by mixed committees of Indians and non-Indians. They are no longer willing to do so. The new constitution and the recent policy of the Government of India of entrusting almost all important enquiries to foreigners has completely destroyed the faith of Indians in the impartiality and utility of investigations even by mixed committees. Hence my demand that all future enquiries should be conducted by all-Indian-and-no-white type of committees.

It will be found from the wording of my Resolution that I have made one exception in regard to inclusion of non-Indians in the committees appointed by the Government. That exception is in favour of British experts who are in the service of the Crown in India like my Honourable friends on the Treasury Bench. They have acquired experience and knowledge of Indian affairs and problems in the course of the discharge of their official duties for which they were paid by the Indian taxpayer, who has therefore the right to expect them to place such knowledge and experience at his disposal, when called upon to serve on any committee. They will be in the committee as our official experts whom we have a right to expect to keep our interests in the forefront. Their case therefore stands on a very different footing from that of the other non-Indians whether residing in India or the other parts of the British Empire. While such non-Indians will have undoubtedly the right to urge their special claims, rights and privileges on the Government and safeguard their interests where they conflict with those of Indians, they have no *locus standi* to claim the right to enquire into what is good or necessary for India. It is the business of Indians and Indians alone. After all the recommendations of most committees are only advisory. Even in that sphere of advisory functions why should not Indians have the right to ascertain by enquiries conducted by themselves what is best for them and advise the Government accordingly.

The struggle for India's political and economic struggle has reached a stage in which she is no longer in a mood to rely on foreign advice as to what is good for her and the children of her soil. In the investigation of any of her problems and in advising the Government of India in regard to the right solution of those problems Indians claim an exclusive right. An attempt to solve such problems on the advice of foreigners is an anachronism and political heresy. No one whose political and economic interests are not identical with those of Indians has a right to serve on any Committee to which any question affecting the welfare of the people of India is entrusted for enquiry and report. Committees composed of non-Indians will no longer command the confidence of Indians. We are unequivocally pledged to self-determination. I hope that my non-Indian colleagues in this House will be able to appreciate and understand the Indian view point.

With these words, Sir, I commend the Resolution to the acceptance of the House.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): A notice of amendment has been received from the Honourable Rai Bahadur Sri Narain Mahtha which does not comply with the rule which lays down that a notice of amendment should be sent in two days in advance. However, if the Government Member in charge, who in this case is the Leader of the House has no objection and if the Chair desires to waive Standing Order 64, it can do so. In view of this, I allow the amendment and call upon the Honourable Mr. Mahtha to address the House.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA (Bihar : Non-Muhammadian) : Mr. Chairman, I am very thankful to you and the Leader of the House for having waived the technical objection to which my amendment was subject on account of the very short notice I gave.

Sir, I move :

"That for all the words appearing after the words 'in future', the following be substituted, namely :

Committees appointed by the Government of India should always have a majority of non-official Indians".

The amended Resolution would read as follows :

"This Council recommends to the Governor General in Council that in future committees appointed by the Government of India should always have a majority of non-official Indians".

From the scope of my amendment, I hope it is clear that it is out of no antagonism to the underlying object of the Resolution moved by my Honourable friend Mr. Ramadas Pantulu that I have moved my amendment. In fact, I fully sympathise with what he said to be the grievance and aspiration of Indians. I am as strong an advocate of "India for the Indians" as Mr. Ramadas Pantulu would wish me to be ; but in achieving my ideal and in adhering to it, I want to be careful and fair. Nationalism when it is overstressed takes the form of Fascism. I feel sure that none would be more sorry than the Mover of the Resolution if our nationalism and love for India narrows down into intolerance for non-Indians. Let us not be oblivious of the fact that there are non-Indians in this land who have earned a status in this country by gaining entry into the learned professions of law, medicine, engineering, etc., who have acquired a stake in the country by sinking their capital according to the prevalent laws of the land in big industries, agricultural, commercial and banking concerns. While I fully recognise that the Indian in his own land shall preponderate, that he shall dominate all other shades of interests, I do not think it is fair to demand that none except the Indian shall be heard or that the Indian, notwithstanding the complex character of our social and economic fabric, shall rule *ex parte*. I have stated above the undisputed fact that a huge amount of foreign capital has been sunk in this land. I say we are not happy at this. We are painfully sorry at having been brought under the sway of the foreign capitalist. But there it is. Then, Sir, a large number of foreigners are in the services in this unhappy land, in the army and in the civil services, and also holding posts in Indian firms and States. I do recognise that this is what the Indian economist deplores and the Indian politician wants to remedy, and rightly so. We do want to throw away our subjection to foreign capital and exploitation. But while we want to fight, we want to be unfair to none. I would not wish to see the day when the Indian politician would say to the foreigner, "Well, although you are in India, you have opened a shop here in which you have sunk your capital, or you are a skilled artisan or mechanic and want to earn a living here by fair means and in fair competition, or although you are one who has settled down here to agriculture, plantation and mining I shall not hear you, I shall not look into your viewpoints, because, pray, don't forget, you are not an Indian ; you are a Britisher, you are a Chinese, you are a Burman". I shall be very sorry to see him talk to the non-Indian in the same strain as the Union Minister of the South African Government talked to the deputation of the South African Congress recently—a talk which was the subject-matter of interpellation in this House the other day.

Therefore, Sir, I urge that whereas it is perfectly reasonable to ask that the Indian non-official element shall preponderate in the personnel of all committees appointed by the Government of India to examine our economic

and political problems and to report on them, there should be no insistence on excluding the non-Indian altogether from being taken in to serve on the committees—either as an expert or as a lay member—merely because he is a non-Indian. At a time when India is gradually gaining her nationhood, when she is preparing to untie her shackles, I would not like her to imbibe or develop on lines of exclusivism.

The Montagu-Chelmsford Reform which died the other day "unwept, unhonoured and unsung" and the new Government of India Act that was ushered into life in its place, both, let me point out, show at least the fairness of enfranchising non-Indians living in this country if they are otherwise qualified. A Muhammadan, if he is otherwise qualified, of whatever race or nationality he may be, can legitimately get enrolled in the Muhammadan constituencies. Similarly, others of whatever nationality or race, if they are otherwise qualified have a right to be voters in the general non-Muhammadan constituencies. The same applies to special constituencies as well, like landholders', planting, mining, university, etc., besides there having been created constituencies exclusively for Anglo-Indians and Europeans. In my own constituency which is a general non-Muhammadan constituency, there are about 250 European and Anglo-Indian voters—everyone of whom if elected has a right to represent the constituency in the same way as I do today. I put it to you, Sir, and through you, Sir, to the House whether it would be fair to exclude such a representative from the possibility of his being chosen to work on a committee on the ground of his foreign nationality, if he is otherwise likely to prove helpful to the task before the committee. We have in this House as Members, the Honourable Mr. Parker and the Honourable Mr. Reid Kay, who are elected Members of this House, elected by the Bombay and the Bengal Chambers of Commerce. If the Resolution without my amendment is passed, then it will not be possible to appoint even such elected representatives to committees although they are the acknowledged and chosen representatives of particular interests.

When I have said all this I would not like the central fact to be lost sight of, even for a moment, *viz.*, that in this land of ours we shall not allow our interests to be subordinated to those of others. Committees are appointed to investigate and bring to light facts and factors relating to important problems which need careful shifting and weighing, and finally to offer recommendations which give the lead both to the executive authority and legislatures of the land. A work of this nature is certainly of vital consequence and deserves our fullest attention. I submit, therefore, that the personnel of the committees should always be such that its concern and outlook does not get clouded in balancing all reasonable counterclaims before it and the Indian viewpoint is not allowed unduly to be subordinated to those of any other. I suggest, therefore, that the committees should always have a majority of non-official Indians on them, who are likely to share our sympathies, needs and aspirations. I do not think I need many arguments to support my demand, for what arguments are needed after all to show that the Indian has the legitimate right to full and unfettered scope of being the arbiter in his own land. My amendment, Sir, seeks to relieve the original Resolution of its exclusiveness and to impart usefulness and workability to it. I may also point out, Sir, that if the Resolution is accepted as it is without my amendment it will prove to be our own handicap, if some day we want to appoint a foreign expert or adviser on any committee. There is nothing wrong in inviting a foreign expert or adviser if we stand to gain by his expert knowledge. Having said that to the Mover of the Resolution, I would say to Government, Sir, that in accepting the amended Resolution there need be no fear that a serious

[Rai Bahadur Sri Narain Mahtha.]

jeopardy will ensue. Committees, after all, have only power to examine and report. They cannot legislate or pass executive orders. Their reports are presented to Government for action as they may deem fit to take on them. If Government have no desire to subterfuge why should they fear the appointment of committees of the type we want? We are only stating axiomatic truths when we say that no committees that have not a majority of non-official Indians on them can assess facts and report on them in a manner which would carry with it the confidence of the people.

I have dealt with the question only on its broader aspects. I do not propose to take up individual committees so far appointed and try to argue one way or the other on the strength of individual names, nor do I think, Sir, it is necessary in the present instance to do so. I have stated my case detached from personalities. I trust, Sir, that both the Mover of the Resolution and the Government will accept my viewpoint and accept the amended Resolution.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): Both the Resolution and the amendment are before the House for discussion.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: I think it will perhaps facilitate discussion if the Honourable Mover of the Resolution will say at this stage whether he is prepared to accept the amendment.

THE HONOURABLE MR. V. RAMADAS PANTULU: If the Government say it is prepared to accept the Resolution as amended, then I will say what I intend to do; not otherwise.

*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhammadan): Mr. President, I rise to support the amendment moved by my friend Rai Bahadur Sri Narain Mahtha. Just as our Honourable colleague Mr. Ramadas Pantulu has pointed out, if the Government had given us an indication of their views, it would have much facilitated the debate. If the Government wish to keep us in the dark and be always accusing us, it does not matter. We shall proceed accordingly. The Resolution, as the Honourable Mover has shown, was moved primarily because of the exclusive nature which the Government has disclosed during recent times in appointing committees. It is in a measure a protest against the past actions of the Government. Whereas the amendment which my Honourable friend Rai Bahadur Sri Narain Mahtha has moved lays down a general principle which should not only be acceptable but I think should have been accepted, even without moving, by the Government.

Sir, let us consider whether it is unjust of Indians to demand to have a share and to have a say in matters which concern them primarily. We all know, Sir, that the present Government of India Act has not transferred powers to us. The powers to all intents and purposes are centred in the hands of the Secretary of State. I do not blame the Government of India because they are a subordinate organisation of the British Parliamentary Secretariat. Taking that in view, what is the status of the committees that you appoint? They are merely advisory bodies. The executive function centres in an authority outside it. Therefore what we demand, Sir, as a matter of right and justice is that we should be allowed to tell you what is our

* Speech not corrected by the Honourable Member.

opinion. At the present moment, the trouble is that the Government do not happen to know what India wants. They are more or less speculations. You have speeches from the Opposition Benches urging a certain point of view. The Government spokesman repudiates it, saying that it is not the general opinion of the country or it is not in the interests of India at large. Well, in a legislative debate you can have nothing more than this. It is only when you have committees who take evidence from all sides, who weigh questions on their merits, that you can come to a definite conclusion. Now, the idea which I wish to achieve is that the Government of India should know the true feelings of India and of its sons placed before them in a logical manner and with facts and proofs. It is not an unnatural desire that this should be the case. The only objection that the Government can raise to the other point of view is that it is not possible to have expert advice from a nation which has no experience of the management of things, a nation which has been deliberately kept in a state of minority cannot very well function as advisers to the guardians. I desire, Sir, to admit that there is force in this argument. We have been for so long excluded from every useful executive function that the Government has some right to tell us that we have not the necessary qualification. But may I ask, Sir, whether the blame lies with Indian intellect or Indian calibre, or with your own action? Is it not like a vicious circle, that you begin at one place and go on moving round and round? We think you are not prepared to assume responsibility, we will keep you in a minority administration, with the result that you can never come up to this standard. A better method for the Government would be, if they find that it is impossible to create experts inside the country, would be to have some sort of protection; and just as we are now manufacturing industrial goods because of the discriminating protection, we might also try to produce experts.

THE HONOURABLE SIR DAVID DEVADOSS: Manufacture them!

THE HONOURABLE MR. HOSSAIN IMAM: I will tell you how. You have the biggest State-owned railway system in the world. No other State—barring perhaps Soviet Russia—has more railways under its control than the Government of India and its Railway Board. Now that Railway Board is not able to produce an expert. Whereas small railway systems in other countries can produce experts whose view would be entitled to great respect. Now, is it not possible to arrange for our railway officials and those non-officials who are interested in railways to go on a trip to other countries to see how the railways are being worked there and to learn whatever there is to learn? Similarly, in regard to the other activities of the Government departments. If you send your officials and those whom you think capable of acquiring knowledge to go and find out what is the system prevailing in other countries, you can manufacture, as Sir David Devadoss put it, experts in India.

Another thing, Sir, is that the committee, if they have not a predominantly Indian outlook, may miss many of the points which ought to have been urged before the Government. Well, Sir, I am not a wholesale admirer or condemner of expert committees. There are certain expert committees which have done very well. For instance, the Honourable Sir Guthrie Russell called in Mr. Pope, and he had some advisers from the Railways. He did wonderful work. We have no complaint against him. Mr. Nixon's Department appointed the Income-tax Inquiry Committee, which has done very good work. But that does not mean that every time we will be as fortunate as we were in this case. It is quite possible that our point of view may not be sufficiently urged before committees, because committees tour and get

[Mr. Hossain Imam.]

evidence under the guidance of the departments concerned. Those departments being irresponsible, and sometimes irresponsible, you cannot have a guarantee that outside influences, I mean non-official opinion, will be urged with the same force before these outside committees as would be done with a committee which had a predominantly Indian majority. Because, Sir, if you had a non-official Indian majority the people on the committee would themselves know something about the matter. They will know the opinion of the people and they can, if they so desire, get the evidence from people who are supposed to know the facts of the question. If there was a commercial question, they would first of all call the evidence of the Federated Chambers of Commerce. But if it is a committee exclusively of outside experts it will know nothing about the Indian people who are capable of giving evidence. So it is in the interests of the Government itself that we should constitute committees of the nature which the amendment has suggested. The Government does not lose anything. Their liberty of action remains but at the same time they give consolation to the non-officials that their views are heard. Our complaint at the present moment is that, let alone acting according to our advice (that is a long way off), the Government do not even wish to acquaint themselves with the opinions of non-officials. Therefore, Sir, I support the amendment.

THE HONOURABLE HAJI SYED MUHAMMAD HUSAIN (United Provinces West: Muhammadan): Sir, I think that the question put to the Honourable the Mover by the Leader of the House, no doubt by implication shows that if the Honourable Mover would have accepted the amendment, in all probability the Government would have also accepted it. I am quite sure that the Honourable the Leader of the House cannot be so unreasonable as to ask his opponent to accept an amendment while he himself is prepared to oppose it. But, as usual, my Honourable friend the Mover attached a condition. No doubt the condition is not so impossible as some of the other conditions attached by the Congress.

12 Noon.

The answer also, by implication, admits that if the Government accept the amendment, he is also prepared to accept the amendment and move his Resolution as amended. If that is so, then there is no difficulty at all. The Honourable the Mover of the amendment, a member of my Party, has come in between the two. I think it is only fair that an amendment which is really very reasonable and fair both to Indians and non-Indians ought really to be accepted. No doubt, India, at its present stage, whether the fault is that of the Government or of the people themselves, requires the assistance of a good many foreign experts. We cannot with justification exclude foreigners from committees or institutions where expert knowledge and help is necessary. I do not like to say much, particularly in the atmosphere created by the question of the Honourable the Leader of the House. I also ask other members of my Party if they have to say anything, to say it in such a manner as not to excite the opposition of the Honourable Members on the other side, who, as the House is composed, can easily reject the Resolution and the amendment as a whole. I hope Honourable Members on the other side will see their way to vote for the amendment on its merits.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern: Non-Muhammadan): Sir, I may say at once that as between the Resolution and the amendment, I prefer the amendment, and therefore I shall support the amendment. The immediate provocation for the Resolution of the Honourable Mr. Pantulu is the composition of the Wedgwood Committee.

That Committee consisted entirely of foreign experts, and we registered our protest against it in our speeches on the Railway Budget. The Honourable Mr. Pantulu referred to the fact that one of the members of that Committee is a South African gentleman—

THE HONOURABLE MR. V. RAMADAS PANTULU: I am corrected.

THE HONOURABLE MR. P. N. SAPRU: The Honourable Sir Guthrie Russell says that in point of fact he is not a South African. Am I right in assuming that he is a South African official?

THE HONOURABLE SIR GUTHRIE RUSSELL: He is an official of the South African Railways.

THE HONOURABLE MR. P. N. SAPRU: Are Railways State property there?

THE HONOURABLE SIR GUTHRIE RUSSELL: I believe so, yes.

THE HONOURABLE MR. P. N. SAPRU: Therefore, Sir, I am right in saying that he is a South African official. May I take it that Sir Guthrie Russell has any hope that the South African Government, which is not very friendly to the Indian settlers in South Africa, will ever care to have the services, for any investigation there, of, say, Sir Raghavendra Rao? I doubt whether they would care to have the services even of our esteemed Railway Commissioner, Sir Guthrie Russell. But I am positive that they will never dream of having Sir Raghavendra Rao for expert assistance in South Africa! We have therefore to look at the question from the sentimental point of view.

I think the Honourable Mr. Pantulu was right in saying that in recent years there has been a tendency to appoint committees which are exclusively non-Indian. I may say that I am not opposed to foreign experts. I think that the foreign expert, on occasions, can bring to bear upon his task a broader outlook, a broader vision. I should be sorry if we excluded foreign experts altogether. I can give you the names of certain foreign experts who were really very, very good. There is the example of the Sadler Commission. We had as Chairman of the Sadler Commission, Sir Michael Sadler, who was one of the most distinguished educationists in England. Then, the Government of India some years ago got here Sir Arthur Salter, and he gave a most excellent report on the necessity for an Economic Advisory Council. My objection, therefore, to the Resolution is that it would exclude this class of foreign expert altogether. I think the foreign expert has a place in a country, situated as India is. I cannot approve of the language of Mr. Pantulu's Resolution. It would exclude all British professional men and British commercial men from committees appointed in India. If you are prepared to make an exception in the case of British civil servants, then you should be prepared to make an exception in the case of British professional and commercial men also. Supposing a committee was going to be constituted to enquire into the question of medical education or legal education. Would it be right to exclude eminent leaders of the medical profession or of the legal profession, who happen to be Britishers from it? Mr. Pantulu has overlooked these facts. I am not prepared for this reason to support the Resolution in its present form. The case for the amendment has been very ably put by my Honourable friend, Rai Bahadur Sri Narain Mahtha. He says, "Have foreign experts by all means, but give the Indians a majority in the committees

[Mr. P. N. Saprú.]

that you constitute. If Indians are not appointed in a majority on committees, then we cannot be certain that the Indian point of view will not be ignored by the committee". Foreign experts, when they come out, easily fall victims to their surroundings. They very often are inclined to take the British point of view if they are Britishers—and they are invariably Britishers. The value of mixed committees is this, that Indians in these committees get a chance of creating an impression on their British colleagues. Indians act as a check upon the very natural tendency of British experts to attach too much importance to the official point of view. I think, having regard to the fact that the committees that you are going to set up are intended to be for the benefit of this country, it is right and proper that Indians should claim and that you should recognise that claim that Indians should be in a majority on these committees.

Sir, with these words I would support the amendment of the Honourable Rai Bahadur Sri Narain Mahtha.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR (Madras : Muhammadan) : I may at once say that I am going to be very brief in my observations. All that I wish to say is that although I am in accord with the underlying motive of this Resolution, I feel that I shall not be justified in accepting it as it is worded, and that for the reason that the language in which the Resolution is couched would seem to exclude various classes of persons whom it will be neither fair nor prudent to keep out from these committees. As has been observed by the Honourable Mover of the amendment, one of the effects of the acceptance of this suggestion would be to deny to the non-official non-Indian Members of the Legislature the right which they all have of being members of such committees and of taking part in inquiries of this kind. Besides such Members of the Legislature there might be a number of individuals in the country who might happen to be non-Indians but who despite that might have lived here long enough and acquired experience which it would not be prudent on our part to deny to such committees as are appointed for special purposes, where expert knowledge and ripe and practical experience are of such great importance. But I am sure these implications were not aimed at by the Honourable mover. I am sure nothing was further from the thoughts of the Honourable Mr. Pantulu than to exclude from such committees esteemed friends of ours like the Honourable Mr. Parker and such like. I am sure in drafting the Resolution, if there has not been such felicity of expression as there might have been and of which Honourable Mr. Pantulu is perfectly capable, it was on account of the indignation which he felt owing to the tendency manifest these last two or three years on the part of the Government in selecting the personnel of special committees. I think he had sufficient excuse for the way in which he allowed himself to be carried away by his emotions. It was certainly unfair on the part of the Government to have appointed committee after committee on which they took care to see that there was no Indian at all. One feels at a loss to know why the Government deliberately kept out Indians from such committees, when Indians have been freely admitted to such important bodies as the Round Table Conference and so forth. It might be that the Government thought that Indians had not the kind of experience that was necessary for purposes of these special committees but, even if they had not the special kind of experience required, I am sure they would have been useful in bringing to the deliberations of the committees matters of no small importance which are within the peculiar knowledge only of the people of this country.

They would have brought to light the special interests of India and of the Indian people. They would have urged on the committees the necessity of keeping always in view the interests of the country and of the children of the soil. So, for all these reasons Government would have done better if they had taken care not to keep out Indians from such committees. As has been pointed out by the Honourable Mr. Pantulu, these committees are appointed not only for the purpose of coming to some definite conclusions about the subjects of inquiry, but also to satisfy the public that everything possible is being done by the Government to advance the interests of the Indian people. And if that is the object of the Government, nothing is so important as to see that everything possible is done to inspire confidence in the minds of the Indian people, both as regards the personnel and as regards their recommendations. The recommendations of such committees are intended to be put into effect, and if they are, Government have to ensure that they are acceptable to the people at large; and for this reason alone it is very important that Indians should find a place in all such committees and that both the Indian element and Indian interests should predominate on those committees.

With these words, Sir, I support the amendment.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Education, Health and Lands Member) : After my Honourable friend Mr. Pantulu had spoken I put a straight question to my Honourable friend and his reply was that his decision would depend on something that the Government would say to him in reply. I should have thought, Sir, that he would have judged the amendment on its merits, that he of all persons would not have based his final decision on what the Government would or would not do. And I think if he had accepted my suggestion to come to a decision immediately he would perhaps have been saved the embarrassment of all the Members sitting behind him tearing his Resolution to pieces and making my task all the easier.

As the debate has ranged over a wide field I hope the House will not consider that I am at all disrespectful if I confine myself strictly to the terms of the Resolution and to the amendment which is before us. I do not propose to discuss whether it was right or it was not right that the Simon Commission should have been constituted as it was. I may remind my Honourable friend Mr. Pantulu that the Simon Commission was not appointed, in any case, by the Government of India, and we are here concerned this morning with committees appointed by the Government of India. The same reply will cover the appointment of Sir Otto Neimeyer, who was appointed by the Secretary of State and not by the Government of India. I think Honourable Members have laid their finger on the right spot when they have said that the Honourable Mr. Pantulu was provoked into drafting this Resolution because of the personnel of the Wedgwood Committee. If that Committee had not included a servant of the South African Government, perhaps we should not have had this very interesting discussion this morning. As pointed out by the Chief Commissioner of Railways, the South African representative happens to be an Englishman. It is true that he is a servant of the South African Government, but he does not happen to be a South African. I do not think even Mr. Pantulu would in his calmer moments exclude all South Africans from assisting India, if he was certain that a particular South African was not objectionable on other grounds. I could mention for instance the name of a very eminent South African who has been of the greatest assistance to us throughout the recent delicate negotiations and I think it is wrong to say that no South African or no man of any other country should in any possible circumstances be appointed, because there you will again be laying down a racial bar against which we have

[Kunwar Sir Jagdish Prasad.]

been struggling so hard and so insistently. We would practically be doing the same thing about which we accuse the South African Government at the present moment. Now, Sir, what is the Resolution of my Honourable friend Mr. Pantulu? He does not object to mixed committees, so long as the non-Indian element is in the service of the Crown. My Honourable friend Mr. Sapru has already pointed out that if you have in India an eminent non-official—he has mentioned my Honourable friend Mr. Parker—or other non-official Europeans, if they can assist us, why should we not seek their assistance? I entirely agree with Mr. Sapru and I therefore do not wish to elaborate that side of the argument any further. Though the Resolution referred only to committees, my Honourable friend included within its scope experts and he criticised the appointment of a certain number of experts in recent years. Now, Sir, I will take up the question of the educational experts. My Honourable friends are perhaps aware that a definite recommendation that educational experts should be brought out from abroad was that of that very distinguished statesman and man of public affairs, the Right Honourable Sir Tej Bahadur Sapru. His recommendation that we should take advice from people from outside in regard to the system of secondary education in India was considered by the Central Board of Education on which were represented some of the most eminent educationists, Indian, largely Indian, and European, in India; and the suggestion of Sir Tej Bahadur Sapru was unanimously accepted by the Central Board of Education. We consulted then the Local Governments and bar one I think all Local Governments accepted the suggestion that we should have the advice of educational experts from outside. I think some Honourable Members on the other side themselves have admitted that, apart from education, in regard to other matters, seeking advice of people from outside, provided that they are experts, provided that they can give advice which is not available to us in this country, should not be barred. In India it would I think be a great misfortune if we were to lay down that in seeking advice we should not go outside this country even if we were satisfied that the advice that we would get from outside would help us in making an advance in any particular branch of administration or science. I think at this moment we should seek from all over all the best advice we can get in order to make the advance here more rapid than it is at present, that we should not shut out from ourselves the knowledge that is easily available outside India. I think that so far as the Resolution is concerned—I think I am correct in saying—that Mr. Pantulu has so far found no supporter for the Resolution as it has been placed before the House.

Now, I come to the amendment and I should like to emphasise what the amendment says. There is no question of European or Indian; the question is between official and non-official. The amendment says that on every committee there shall be a majority of non-official Indians. It does not matter what the object of the committee is, whether it is a technical committee or whether it is a committee dealing with highly scientific questions. What my Honourable friend wants is that on every committee when it comes to a question between the official and the non-official, he would prefer the non-official Indian as even against the official Indian. Now, Sir, we have recently had to appoint a certain number of committees and I should like the House to consider that if we had been bound by the terms of the amendment what would have been our position? We had recently a committee to go into the question of anti-malaria measures in Delhi. Naturally we tried to select the best experts in malaria and it so happened that they were largely officials. We had another committee to go into the question of the Delhi Sewage Disposal Enquiry and

there again a large number of officials had to be employed. We had the Quetta Reconstruction Committee, whose object was to examine and co-ordinate the requirements of the Departments of the Government of India concerned in the reconstruction of Quetta. Does my Honourable friend suggest that on a committee of that kind we could have had a majority of non-officials? Then we had other committees. The object of a committee is that it should be able—Honourable Members have already said that if the committees are advisory—the object of a committee is to be able to tender the best advice and in selecting our advisers surely there should not be any distinction as to whether the advisers are officials or non-officials? The criterion should be: who are the best advisers? If on a particular point, in regard to a particular subject, the best advisers happen to be Indian officials, I do not see why we should lay down that we should go to a non-official who knows nothing about the subject in preference to an official who is master of it and on which we want advice. I hope I have made out—

THE HONOURABLE RAI BAJADUR SRI NARAIN MAHTHA: May I point out, Sir, that my amendment allows the Government of India to appoint all the experts and all the foreigners they want, but only insists on a majority of non-official Indians?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: I have said so. I have said that the distinction is between the non-official and the official. What my Honourable friend says is that on a question on which we want advice, it does not matter whether the non-official knows the subject or not, you must put him in a majority, and then expect the Government and the public to receive the advice of this particular committee with all—shall I say—disdain or approval which it deserves. Surely if you are going to the expense of appointing a committee, you must have some regard to the subject with which the committee is dealing and if you find in regard to that particular subject that the officials are likely to give you the best advice, I see no reason why you should insist on a non-official Indian majority on that particular committee. I think, Sir, I may say at once that naturally the Government of India would desire when they appoint a committee that they should have the best advice, that naturally they would require that non-official views, where those views have to be ascertained, should be ascertained: that there is no desire on the part of the Government of India to confine all committees purely to officials on the ground that in no circumstances can non-officials give proper advice; and to illustrate my point here I would refer to the Income-tax Committee, about which Mr. Hossain Imam said that the report was excellent, that it was a committee in which he had full confidence and on that committee we had two people from outside and a very distinguished Income-tax Commissioner, Mr. Vachha. We are constantly associating Indians with these committees—non-official Indians where they can be found, to give advice, but what I would like the House to consider is that the issue before the House at the moment is the general proposition that in all circumstances and on all committees there should be a non-official Indian majority. I hope, Sir, that I have been able to convince the House that it is not possible for Government to accept either the Resolution or the amendment.

THE HONOURABLE MR. R. H. PARKER (Bombay Chamber of Commerce): Sir, I have this advantage that I do know what Government's view on the subject is. No previous speaker knew that and I was going to say that if Government was proposing to accept the Resolution or the amendment, I would have to vote against them. I have, of course, very much more sympathy with the amendment than with the original Resolution but there are definitely

[Mr. R. H. Iarker.]

cases where you cannot expect to find non-official Indians or Indians of any kind who can deal satisfactorily with some of these points. You might, for instance, have a committee of two experts which would be ample to deal with these subjects—both of them might be Englishmen or even South Africans. Supposing then you put in three non-official Indians who knew nothing about the subject—that is not a possible way of dealing with the subject at all.

I was rather hurt by one gentleman who referred to me as a foreigner. I do not feel that I come into that category. I would far rather come into the category referred to by the Honourable the Mover of the amendment.

The Honourable Mr. Hossain Imam rather suggested, I thought, that when you wanted an expert inquiry into something, you ought first to send three or four non-official Indians on a tour round the world for about five years at a cost of Rs. 5 lakhs or so, and turn them into experts. I do not think that is a feasible proposition and it certainly isn't my view.

If I may say so, there has been a lot of reference to this subject of South Africa, but, if my information is correct, South Africa is one of the best countries that we could possibly study with a view to getting some idea as to what is the best method of co-ordinating road and rail problems. That, I believe, is the reason why an Englishman from South Africa came here. I think, Sir, we must be logical in these matters and not sentimental.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern : Non-Muhammadan) : Mr. Chairman, I listened with great interest to my Honourable friend Sir Jagdish Prasad when he dealt with the Resolution of Mr. Ramadas Pantulu and the amendment of Rai Bahadur Sri Narain Mahtha. He eloquently pointed out the objections that could be urged both against the original Resolution and against the amendment. But he was arguing like an advocate whose business is always to present his own case. The House, I hope, will adopt a more impartial attitude and consider the question from all points of view. My Honourable friend dealt with the whole subject in a negative way. He pointed out objections against the courses urged on this side but did not say a word to indicate what the positive policy of Government would be broadly speaking in regard to the composition of committees that were non-technical. My Honourable friend who spoke so eloquently knows very well that the Resolution of my Honourable friend, Mr. Ramadas Pantulu, has been brought forward owing to the composition of the Wedgwood Committee. My Honourable friend said that he thought that, if it were not for the misapprehension that one of the members of the committee was a South African, no such Resolution would have been discussed today. How the Honourable Member got that impression I do not know for this subject has been indirectly before the House on more than one occasion. And the objection always taken to the Wedgwood Committee was more owing to the exclusion of Indians from it than to the inclusion of a South African official. We certainly did object to the appointment as a member of the committee of an official of a Government who would not choose the best man available to assist them if he were an Indian but that was not all. My Honourable friend asked us whether we would in India follow a policy which we objected to in South Africa and refuse to ask a South African official to assist us on the ground of his colour or nationality. It would be clearly desirable in our interests to do so. I am sure my Honourable friend is in no doubt regarding the character and qualifications of the Right Honourable Srinivasa Sastri. Would the South African Government agree to have the assistance even of so

distinguished an Indian in connection with any South African question? It is obvious that it would never think of doing so. Why should we then, when the question of national self-respect is before us and not merely that of the solution of any individual question, take a line which lowers our prestige and makes others think that we can be treated as a dependent nation and that our susceptibilities might with impunity be ignored? However, Sir, I have already said that it is clear from the opinions that have been expressed in this House on more than one occasion that, even if the Wedgwood Committee had contained no South African official, this House would have protested against it owing to the exclusion of Indians from it.

How was that committee to deal with questions of policy or with purely technical questions? Its terms of reference show that it was not a purely technical committee. It was also expected to deal with those broad questions of policy that have come repeatedly before us. Was there any reason then why no Indian was appointed to that Committee? I will, however, assume, Sir, for the moment that the committee was a technical one and that it had to deal with highly complicated technical questions both on the traffic and the engineering side. Would it not have been possible for the Government of India to get a competent non-official Engineer or a retired Railway Administrator who would have been a useful member of this committee? Had the will not been wanting, I am certain that no difficulty would have been found in the appointment of an Indian to the Committee, whether you regarded it as a technical committee or as a general committee. This question was raised in the other House some time ago, and the reply of the Government to the non-official attacks was that they wanted to appoint a committee which would consider questions before them from an entirely detached standpoint. They were anxious that the consideration of railway questions should proceed on entirely non-political grounds. This reply shows the real attitude of the Government of India in deciding on the composition of the committee. The Government of India made the Wedgwood Committee all-British, fearing that if Indians were appointed to it, they would be influenced by the political sentiments which appealed to Indians. Does this not in plain terms mean that the Government of India want men who would be politically biased in their favour? If so, it is no use urging technical objections against this Resolution and the amendment.

Let my Honourable friend look at the question in a broad way, and let him answer both as an official and as an Indian whether the exclusion of Indians from important committees, whether of a general or technical kind, can be justified. Suppose this country was self-governing. How would the Government then proceed to appoint committees that it might consider necessary to advise it on important points? Is it not natural to suppose that a majority of the members would be Indians? The Government appoints a committee to receive advice. The Government of this country being called Indian should naturally be expected to constitute their committees in such a way as to place Indians in a position to receive advice from foreign experts. Let Indians be assisted by the best experts that can be had from other countries, but let them in the last resort be in a position to decide whether they would accept that advice or not. This, I am certain, is the standpoint that should be adopted by an Indian Government. If it is not adopted now, it is because the Government is not ours. The Government of India do not identify themselves with Indian interests. They think that they should look after other interests that are non-Indian. This is at the root of the policy that has been followed in regard to the appointment of members of the Wedgwood Committee. The Government of India not being responsible to the people of this country and having to be responsible to some authority are inevitably responsible to the Secretary of State,

[Pandit Hirday Nath Kunzru.]

or in other words, to the British Government. They have consequently to think regarding every subject not merely what would be in the best interests of the people of the country but also what would meet with the approval of their masters in England. It is against this position precisely that we protest day in and day out, and the Resolution of the Honourable Mr. Ramadas Pantulu, as amended by the Motion of which notice has been given by the Honourable Rai Bahadur Sri Narain Mahtha, once more enable us to bring forward this particular matter.

Sir, my Honourable friend, Sir Jagdish Prasad, has shown himself to be a clever debater. But I am sure he recognises that the interests of his countrymen require something more than clever advocacy on behalf of the Government of India. He may be compelled because of his position to take up the cudgels on behalf of Government. He may be compelled to oppose both the Resolution and the amendment. But was there any reason why he should not make something like a positive declaration of policy which would show to Honourable Members that Government recognise the intensity of feeling on this side and that in appointing committees dealing with broad questions of general policy, they would take care in future not to flout Indian opinion? Was there anything to prevent him from saying that when general or technical committees were appointed, competent Indian assistance would not be scorned? But he has done nothing of the kind. He has taken up a purely negative attitude when he should have without the least difficulty understood the origin of my Honourable friend's Resolution and the justifiable and strong feeling that exists among the non-official members in connection with the appointment of the Wedgwood Committee.

Sir, my Honourable friend Mr. Parker, who is not here, dealt lightly with the suggestion made by my Honourable friend Mr. Hossain Imam for what he called "manufacturing experts". Is that process quite as novel as Mr. Parker supposes it to be? Is it not usual for the Governments of various countries to send Government officials and non-officials out in order to acquire experience of some problem in which they are interested? We see frequently committees and commissions sent out to foreign countries in order to study some question of importance to the country to which they belong. My Honourable friend Mr. Hossain Imam suggested that the same course should be followed in India, and if we had a Government of our own I venture to think that this course would be normally followed. But it is our misfortune that owing to not having full control over our affairs we have to submit to the guidance of people whose point of view may naturally be expected to be different from our own and who may be devoid of all sympathy for the causes that we plead. It is against this state of things that the Resolution and the amendment meant to protest.

I personally support the amendment moved by Rai Bahadur Sri Narain Mahtha. The arguments on which the amendment can be preferred to the original Resolution have been very well advanced, both by the Mover of the amendment and my Honourable friends Mr. Hossain Imam and Mr. Sapru. I will not therefore dilate on them. I am aware that neither the Resolution nor the amendment is perfect. But this objection can be urged against every course suggested by Government themselves. In a practical world where nothing is perfect, we have to take action notwithstanding the difficulties in which we might be placed, and in the situation in which we find ourselves. I think it is our duty to support the amendment brought forward by my friend Rai Bahadur Mahtha.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): The Honourable Member has exceeded his time-limit. Will he please bring his remarks to a close?

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: I will not therefore proceed any further but only say that if my Honourable friend Sir Jagdish Prasad who is in charge of Education wishes to correct our misapprehensions and to educate us properly, let him give a more positive, a more helpful and, from our point of view, a more self-respecting answer than he has given so far.

THE HONOURABLE MR. V. RAMADAS PANTULU: Sir, my Honourable friend Mr. Sapru felt that I overlooked something in framing my Resolution and that I was not quite careful in my wording. I assure him that I overlooked nothing, least of all I did not overlook the fact that he and his Party would oppose me. I was not only not careless but took particular care to word my Resolution in the way in which I think it ought to be worded. I was prepared for opposition from Indian as well as non-Indian Members. I therefore overlooked nothing.

Sir, I am thankful to Sir Guthrie Russell for the correction he made that Mr. Cheedle was a Englishman and not a South African. I accept the correction with some amount of pleasure, because it relieves to some extent our sense of humiliation; but it was not so much the personnel but the non-Indian character of the Committee that I urged in support of my Resolution.

I have now to deal with a few points raised by the Mover of the amendment. I assure him that no question of racial discrimination is involved in my Resolution because, I have not excluded Britishers altogether. A section of Britishers are admitted in my Resolution, those who have become experts in matters Indian by the services they have rendered to this country and by the experience they have gained in the discharge of these duties pertaining to those services. Therefore there is no question of any racial discrimination. The main objection taken to my Resolution is that I ignored the British capitalists, the foreign industrial and commercial magnates, who have contributed a great deal to the development of this country. I should have thought that those who listened to my speech carefully could not bring such a charge against me. I fully conceded that their rights, their privileges and their claims were entitled to the greatest respect and they had every right to urge those claims and privileges on the attention of the Government. All that I said was that in the present circumstances of India there was a certain amount of political and economic conflict of interests between that class of Europeans living in this country and Indians; and when investigations have to be made and recommendations have to be made to the Government, it is best in the interests of the country that Indians should have their own say in any inquiry affecting the interests of Indians. The European capitalists and commercial men have their own right to criticise those conclusions and to say what they have got to say in support of their rights to the Government. I do not want to mix up people with conflicting interests in any inquiry. It will not lead to any satisfactory result. An Englishman thinking of his own interests, the interests of British trade and commerce and industry in this country, cannot in my opinion honestly collaborate with an Indian who is thinking of promoting the interests of his trade and commerce and industry. It helps neither the Englishman nor the Indian to so collaborate on the same committee. When there is a fundamental difference in their point of view, when there

[Mr. V. Ramadas Pantulu.]

is a fundamental difference in their aims and there is an unquestionable conflict of interests, it is no use mixing them up in any committee. The conclusion I have come to after reading many reports of mixed committees is that those committees should not have been so constituted. Committees may be constituted purely of British interests if the British point of view is to be ascertained, and of purely Indian interests to elicit the Indian point of view. We are now having trade negotiations between India and England, and it is best that Indians should have their own committee and the British have their own committee to express their viewpoints. That is the spirit in which I have framed my Resolution, not in any spirit of racial antagonism or with the idea of excluding anybody. I have as such respect for the Honourable Mr. Parker and Mr. Kay as I have for my friends the Honourable Mr. Sapru and Mr. Kunzru. I know they are not enemies of Indian interests, though such interests may sometimes conflict with their own, and they are as much entitled to urge their own special claims and interests as we are. That is the spirit in which I have framed this Resolution.

Then the Honourable the Leader of this House asked me whether I would exclude a South African, however eminent he may be, however helpful he may be, for the conduct of an investigation, simply because he was a South African? My answer unhesitatingly is that I would, because the policy of retaliation is an accepted policy in every country. If the South Africans would not have an Indian, I would not have a South African; my self-respect and the self-respect of the country require that he should be excluded. However eminent his services may be, I would not allow him to set foot on this soil if I had my own way.

Sir, in defence of the importation of certain foreign experts, namely, the education experts, the Honourable the Leader has said that it was done on the advice of no less an eminent Indian than Sir Tej Bahadur Sapru. I have every respect for the eminence of Sir Tej Bahadur Sapru as a lawyer. I have not much respect for his politics. I think Sir Tej Bahadur's politics are very much out of date in India today and as a political guide or an adviser on political matters his advice does not count in the present-day India. If he has advised the Government of India to bring out foreign experts, I am prepared to say that it is very bad advice and advice wholly repugnant to the self-respect of Indians. Even if a more eminent man than Sir Tej Bahadur Sapru has given such advice or will give it in future, it will not be acceptable to nationalist India.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Sir Tej Bahadur Sapru has nowhere said that Indian experts should not be associated with foreign experts.

THE HONOURABLE MR. V. RAMADAS PANTULU: If Sir Tej Bahadur Sapru did not say that, the fault of attributing it to him is not mine, but that of the Leader of the House.

Sir, there is just one other point that I would like to meet. The Honourable Mover of the amendment said that when non-Indians settle down in this country and become citizens of this land and become entitled to be put on the electoral rolls of joint electorates, why should we exclude them from participating in such enquiries? When that day comes, when India becomes a self-governing country, and when minorities cease to think of themselves in terms of minorities and agree to be included in the general electorates then India will be a different country. When such a time comes probably

the definition of "Indian" would undergo such a change that my friends the Honourable Mr. Parker and the Honourable Mr. Reid Kay will be considered to be Indians and not foreigners. That time has, however, not come and therefore the contingency contemplated by the Mover of the amendment is very very far away indeed from now and if that contingency happens, I shall certainly be most happy to look upon foreigners living in this country as citizens of India and as citizens who have contributed to the achievement of freedom by this country and they will be entitled to the same consideration as any Indian citizen in this country. Therefore that question does not arise. There is just one other point, namely, that referred to by Mr. Parker and it is this; that the South African official in question had been brought out because in South Africa the question of co-ordinating railway and road policy had received greater attention than anywhere else and that logic and not sentiment should play a part in these matters. Even if we should forego that expert advice and even if we should forego the benefit of the experience of the South African official, sentiment will continue to rule me and my countrymen. I for one am not ashamed to own that my sentiment is the determining factor and I would exclude the South African expert from this enquiry in any event. At the same time I do not think that there is such a dearth of experts in the whole world that there is no one anywhere else to tell us something about the co-ordination of railway and road except in South Africa. Even if he was the only person available still I would exclude him for the same reason that I urged in answer to the same point raised by the Leader of the House.

Therefore though my politics, and my Resolution, are out of gear in this House, not only in the non-Indian but the Indian section as well of the House, I have no alternative but to press my Resolution. I regret that the Honourable Leader of the House has not seen his way even to accept the amendment moved by the Honourable Rai Bahadur Sri Narain Mahtha. The Honourable the Leader said that I should have given my answer to the amendment on its own merits and should not have based my reply on the attitude of the Government. Congressmen also are politicians, and I will remind him that our attitude will depend on the attitude of the Government as well in many matters. Therefore if I am going to regulate my attitude in accordance with the attitude of the Government in this matter, I shall be acting rightly. I should not have been asked to pronounce an opinion in advance as to how I would deal with an amendment. I will deal with it in the way which I consider right after knowing the way in which Government deal with it. The Honourable the Leader said that I would have been saved the humiliation of my Resolution being torn to pieces if I had only accepted the amendment a little earlier.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: I said embarrassment, not humiliation.

THE HONOURABLE MR. V. RAMADAS PANTULU: Probably so, but I have acted wisely, I think, in waiting to see what the discomfiture of the Progressive Party will be in having their amendment torn to pieces by the Government. The result is that both the amendment and the Resolution have been torn to pieces and both are opposed by the Government. I stick to my Resolution, which I press in the form moved.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: Sir, I now have no quarrel with my Honourable friend that he did not come to a decision. After listening to the speeches on all sides he feels that his Resolution should stand and he has now given his decision that he will oppose the amendment.

[Kunwar Sir Jagdish Prasad.]

No new points have been made by Mr. Pantulu. I should like to say again that he cannot expect the Government to accept the proposition that all non-Indians in India who do not happen to be officials should be excluded merely on the ground of office, that if they happen to be in office then they are acceptable, if they happen to be non-officials and not under the influence of Government, however competent they may be, however able, whatever confidence they may have inspired amongst all sections of the people, in all political camps, that we should exclude them. I do not think my Honourable friend would expect me to agree to that proposition.

Now I come to the speech of my Honourable friend Mr. Kunzru. He said that I had discussed this Resolution as an advocate. May I say that I fear I have to lay the same charge against him and that not only has he discussed it as an advocate but as a very experienced, a very able, and a very skillful advocate, for what has he done? He has left out of consideration the wording of the Resolution, of the amendment. He has seized on the Wedgwood Committee, knowing that when he dealt with that topic, he would have the support of all Members on that side of the House. The composition of the Committee has been discussed both in the Lower House and in this House twice, on the occasion of the Budget Discussion and when the Finance Bill was under discussion and replies have been given so far as the Government of India are concerned by the Member in charge, my Honourable friend Sir Muhammad Zafrullah Khan. I do not think my Honourable friend would expect me to cover the same ground again or to add any fresh reasons to what was said before. What I should like to point out to him is that his main objective is that Indian experts should also be associated with European experts. I wish to point out to him that under the Resolution of Mr. Pantulu as it stands we could have had all European official experts, and when we were discussing that Resolution I confess I did not interpret this Resolution of Mr. Pantulu—and I think Mr. Pantulu will correct me if I am wrong as meaning what Mr. Kunzru means. Under that Resolution we could have had a committee of three railway officials in India. So far as Mr. Pantulu is concerned he would have been perfectly satisfied. May I take it that he would have no objection, as the Resolution stands, as long as the three experts were three European officials.

THE HONOURABLE MR. V. RAMADAS PANTULU: If you are convinced that it is the best course to take, of course.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: That is not Mr. Kunzru's point. He says No, if you have a committee of that kind, there must be always mixed committees, but the point that I was pressing was that as the amendment stands and which Mr. Kunzru is supporting, the question is not, as he has said, that competent Indian assistance should be scorned. What the amendment says is that we should prefer the non-official Indian to the official Indian, even if the official Indian happens to be more competent in that particular regard than the non-official Indian. If the amendment is accepted, the Government of India would be driven when forming any committee, when weighing the claims of an official Indian as against a non-official Indian that the non-official Indian should be preferred even though he is quite incompetent to discharge his duties?

As regards the main point raised by Mr. Kunzru that it has been the policy recently of the Government of India to scorn competent Indian advice, I do not think that that charge holds—leaving aside the Wedgwood Committee. He has not given a single other instance—

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: I have referred to the contemplated appointment of an Economic Adviser.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: We are dealing with committees. In regard to no other committee has the Honourable Mr. Kunzru been able to show that competent Indian opinion has not been consulted or has not been associated. I would still ask my Honourable friend if he wants me to give a reply, to give me the name of any other committee appointed by the Government of India in regard to which Indians have not been associated or Indian opinion has been scorned. I am sure that except the Wedgwood Committee—and the whole of his argument was based on that—I do not think that he has any other committee in mind, and I can assure him that there is no desire on the part of the Government—there could be no desire to scorn Indian assistance, because after all whatever policy is determined on as the result of the recommendations of a committee has in the end to be acceptable to the Indian people. The matter has to come up before the Assembly and this House and would any Government try and constitute a committee which from the very start is likely to be regarded with suspicion and prejudice by the Legislature? I am sure that no Government would constitute a committee in regard to which there would be prejudice from the very start.

As regards the suggestion of my Honourable friend that I as Education Member should take up the task of educating him and the Honourable Members opposite, I hope I shall not be so arrogant or so imprudent as to take up a task for which I am not in any way qualified, and when I know that it is the other side who should when I go wrong point out the right path. I am sure that this duty of education I would leave in the competent hands of my Honourable friends opposite.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): Does the Honourable Mr. Mahtha wish to press his amendment?

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA: Yes, Sir.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): Then I will first put the amendment to the vote. Amendment moved:

“That this Council recommends to the Governor General in Council that any future committee appointed by the Government of India should always have a majority of non-official Indians”.

The Council divided:

AYES—9.

Hossain Imam, The Honourable Mr. Kunzru, The Honourable Pandit Hirday Nath.
Mahapatra, The Honourable Mr. Sitakanta.
Mahtha, The Honourable Rai Bahadur Sri Narain.
Muhammad Husain, The Honourable Haji Syed.

Muhammad Hussain, The Honourable Khan Bahadur Mian Ali Baksh.
Padshah Sahib Bahadur, The Honourable Saiyed Mohamed.
Sapru, The Honourable Mr. P. N.
Yuveraj Datta Singh, The Honourable Raja.

NOES—27.

Akram Husain Bahadur, The Honourable Prince Afsar-ul-Mulk Mirza Muhammad.
 Ataulah Khan, The Honourable Chaudhri.
 Basu, The Honourable Mr. Bijay Kumar.
 Bewoor, The Honourable Mr. G. V.
 Bita Singh, The Honourable Sardar Clow, The Honourable Mr. A. G.
 Devadoss, The Honourable Sir David.
 Dow, The Honourable Mr. H.
 Ghosal, The Honourable Sir Josna.
 Haidar, The Honourable Khan Bahadur Shams-ud-Din.
 Highet, The Honourable Mr. J. C.
 Hissam-ud-Din Bahadur, The Honourable Lieutenant-Colonel Sir Shaikh.
 Itisham Hyder Chaudhury, The Honourable Khan Bahadur Syed.

Jagdish Prasad, The Honourable Kunwar Sir.
 Kay, The Honourable Mr. J. Reid.
 Khurshid Ali Khan, The Honourable Mr. Maxwell, The Honourable Mr. R. M. Menon, The Honourable Diwan Bahadur Sir Ramunni.
 Nihal Singh, The Honourable Sirdar.
 Nixon, The Honourable Mr. J. C.
 Parker, The Honourable Mr. R. H.
 Ray of Dinajpur, The Honourable Maharaja Jagadish Nath.
 Russell, The Honourable Sir Guthrie.
 Siddiqi, The Honourable Khan Bahadur Shaikh Muhammad Bashir.
 Singh, The Honourable Raja Devakinandan Prasad.
 Todd, The Honourable Mr. A. H. A.
 Williams, The Honourable Mr. A. deC.

The Motion was negatived.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): I will ask the Honourable Mover if he desires to press his Resolution to a vote?

THE HONOURABLE MR. V. RAMADAS PANTULU: Yes, Sir.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): Then I will put to the vote the original Resolution.

The Question is:

"This Council recommends to the Governor General in Council that in future no non-Indian except those who are in the service of the Crown in India be appointed on a committee appointed by the Government of India".

The Motion was negatived.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): The Council will now adjourn till 2-30 P.M. I may inform Honourable Members that because Government have given us an extra day for non-official business, and also out of consideration for the Reporters whose number is limited in this House and on whom there will be a very heavy strain in having to report the proceedings of three consecutive days of non-official work, I propose to rise at the regular hour, namely, 4 P.M., or as soon thereafter as is convenient.

The Council then adjourned for Lunch till Half Past Two of the Clock.

The Council re-assembled after Lunch at Half Past Two of the Clock, the Honourable the Chairman (Sir Phiroze Sethna) in the Chair.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): The next item on the agenda is the Resolution in the name of the Honourable Mr. Narayandas Girdhardas, but he has sent a telegram that he will not be here and will not move his Resolution. I therefore call upon the Honourable Mr. Kunzru to move his Resolution.

THE HONOURABLE MR. P. N. SAPRU: May I know when the telegram was received? The Resolution appears on the agenda and we had all prepared our speeches.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): I know; I think it is wrong on the part of the Honourable Member not to have informed the Secretary earlier. The telegram was received only a quarter of an hour before we started work this morning.

RESOLUTION RE ESTABLISHMENT OF AN ALL-INDIA RADIO RESEARCH BOARD.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern: Non-Muhammadan): Mr. Chairman, I beg to move:

"That this Council recommends to the Governor General in Council that in view of the great importance of radio development to India an All-India Radio Research Board be established on the lines of the Radio Research Board of the United Kingdom".

Sir, the theatre, the cinema and the radio are the three most important agencies of public recreation and education. Each of them is useful in its own sphere, but I think I may say without exaggeration that the potentialities of the radio far exceed those of the other two put together. India is far behind other countries in the matter of radio development and of broadcasting. But there is a growing interest in this country in the radio and the programmes which the listeners are provided with and there is keen disappointment if the reception is not good or the programme not up to the mark. The usefulness of the radio as a means of education requires no emphasis at my hands. It is recognised by every country that it is one of the most potent instruments of public education, of breaking down the isolation of the villager and bringing him into touch with the larger world around him. This purpose is to a small extent being served in India also, but the number of licensees must considerably increase and the service, that is the reception, must be more efficient and cheaper before the radio will be a real factor in the enlightenment of the masses and in raising the standard of their lives. Further, the Education Department and the Industries Department are not the only departments that are concerned with radio developments. Meteorology may benefit greatly by the research work carried on in connection with radio. Aeronautics also may find the results obtained by research workers of considerable use. The defence services also may find radio developments of no little interest and service to them. Perhaps it was the defence services that recognized the importance of radio developments first. Now, Sir, it is true that the services to which I have referred are not under the control of any one department of the Government of India. They are scattered between several departments; but these departments are all departments of the Government of India and consequently their needs can be considered by Government as a whole.

Now, let us see what the condition of broadcasting in this country is as compared with England. In England I understand that about 7½ million persons possess licences for installing the receiving apparatus. In other words, one man out of seven possesses a radio set. In India on the other hand I gather from a statement made in the most popular British scientific journal called *Nature* last year that the number of listening licences issued by the Government of India amounts to 12,000 only. Obviously then India must travel a considerable distance before it can possess a radio service which can compare in extent or efficiency with the service that the people of England now possess. Now, in order to popularise the radio and to make it efficient, several problems have to be tackled. The programmes have to be attractive. The technical side has to be efficient, that is, there ought to be capable men to deal with the purely engineering problems that arise in connection with the

[Pandit Hirday Nath Kunzru.]

reception of the programmes, and finally there is the research side, which has to be tackled by academic workers. In England, or rather in the British Empire, all these three problems have received the attention of the authorities and those interested in radio development. Let us take England first. A Radio Board was established there in 1920 and one of its objects was—

“to bring into direct relationship with the practical advances of the art of wireless signalling physicists whose main interest in radio research had lain in work on the theoretical side and to place those concerned with the development of apparatus into closer contact with men of science well versed in the physical foundations essential for the satisfactory progress of the art”.

In other words, England recognised that the scientists and practical workers must act in close co-operation in order that the radio might develop fully and benefit the people at large. The example of England was followed many years later by the self-governing Dominions. I believe Australia was the first of the Dominions to have a Board of its own. It was followed by Canada. New Zealand which was the last of these Dominions to establish a Board of its own established one very recently. I will not go into the work done by these Boards, but I may say briefly that the Radio Boards both in England and in the self-governing Dominions are taking full advantage of the research workers in the universities. They are working in close co-operation with men engaged in the study and the solution of fundamental problems on which adequate development will ultimately depend. The example of England and the self-governing Dominions, I think, shows conclusively how useful the establishment of such a Board would be to India also. This, Sir, is not the opinion merely of a layman like me. I have no right, no qualifications, to have any opinion on such a subject. But I can cite in my favour the authority of some of the biggest men in the British Empire. Last year there was a distinguished gathering in England of scientists engaged in wireless work in the British Empire and they expressed themselves in no uncertain terms regarding the need of a Radio Board in India. I will acquaint the House with the opinion expressed by one or two of these scientists. I will first mention the opinion of Professor Appleton, who is probably the greatest worker in this line. He referred first to Great Britain and the Dominions and said :

“Radio research work was encouraged and organised under the auspices of Government Boards and carried out with the co-operation of universities, and everyone in close touch with the subject was aware that the great progress made since 1920, when the Board was first formed, could be attributed almost wholly to official encouragement and assistance”.

Then referring to India he said :

“It seemed to him that the formation of an Indian Radio Research Board, in which workers in universities would be associated to encourage and extend radio investigations, was necessary to make certain that facilities were adequate”.

Another distinguished scientist, who addressed the gathering I have spoken of, was Sir Frank Smith, Secretary of the Royal Society and also Secretary of the Department of Scientific and Industrial Research of the Privy Council, under which the Radio Research Board functions. He said referring to India :

“If in the near future a Research Board or a committee were formed in India to solve its own local problems it would undoubtedly be of help not only to India but to the international research work now being conducted in this and other countries. The Radio Research Board welcomes co-operation and it will undoubtedly be glad to co-operate with any research organisation which might be established in India”.

Sir Richard Gregory, Editor of *Nature*, spoke even more strongly on this subject. He said :

“From the scientific point of view as well as from the practical needs of broadcasting, it is most desirable that the valuable work already carried on at the Universities of Calcutta and Allahabad should be supported and extended by the Government of India. . . . It does not seem to be realised by people in power in India that every country has its own problems in regard to satisfactory transmission and reception of broadcasting and that these can only be solved by systematic studies of conditions in different parts of the country. . . . A Radio Research Board would afford valuable guidance in the development of broadcasting at suitable centres and might be the means of preventing the waste of vast sums of public money in scientific spheres of radio propagation”.

I do not think, Sir, I could quote more eminent authorities in support of my proposition. The need for academic research work seems to be recognised by the Government of India themselves. *The Indian Listener* referring to the proceedings of the gathering which I have just dealt with, in its issue of the 22nd May, 1936, said the Government of India had recently started a research section in the All-India Radio and that this research section—

“will be able to develop both its functions of practical development and academic research in co-operation with the various scientific and educational institutions, as well as the splendid band of enthusiastic individuals”.

The co-operation of the universities has not been sought at all so far, but, I think, Sir, I may conclude from this quotation that the need for research work by academic workers referred to by the authorities I have cited is recognised by the Government of India themselves. What is then the obstacle that prevents the formation of an All-India Research Board? The example of England and the self-governing Dominions shows the utility of such a Board. The most eminent scientists in the British Empire have strongly urged its establishment in this country. The Government of India themselves recognise the need for academic research. I should think, therefore, that there can be no argument against the establishment of such a Board in this country. It seems, however, that in the opinion of the Government of India the research section which they have started would be adequate to carry on research work of the kind needed in India. This view, I submit, is erroneous and not shared by the important scientists engaged in wireless work. I will not quote many authorities on this point. I will content myself with the opinion expressed by *Nature* to which I referred a little while ago. That opinion was expressed in its issue of the 9th January, 1937, and it is so appropriate to the occasion that I ask for your indulgence, Sir, to read it out before the House.

“It is reported”, said *Nature*, “that in the opinion of the Government, the research station attached to the All-India Radio organisation will be able to conduct all the research work required for the time being”.

THE HONOURABLE MR. BIJAY KUMAR BASU : Is it in order to quote from a newspaper?

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : It is not a newspaper—it is a scientific journal. Disagreeing with this view, it goes on to say :

“There is a great need for the setting up of a fully equipped Radio Research Board laboratory where more fundamental work can be conducted by experienced workers from the universities without in any way overlapping or interfering with the more applied work of the broadcasting organisation. In England”—and I would ask Honourable Members to listen carefully to this—“in England, the British Broadcasting Corporation conducts research on its own particular problems independently of the wider and more fundamental work of the Radio Research Board, arrangements are in force whereby close liaison is maintained between the two organisations as necessary, and this is found to be of mutual advantage”.

[Pandit Hirday Nath Kunzru.]

You could not, Sir, have a clearer or stronger testimony in favour of a Radio Research Board in India, which would direct scientific work and which would be the means of bringing into close touch the theoretical and the practical sides of radio development. The British Broadcasting Corporation, as *Nature* has pointed out, has a research section of its own, yet it finds the help of academic workers highly useful. I do not see why the experience of this country should be a different one.

I hope, Sir, I have dealt with all those questions that could from the scientific or the practical point of view be held to be relevant to the issue that I have raised. I hope I have shown that the Government of India, without abating their interest in the development of the practical art of broadcasting, without in any way underrating the importance of research work in connection with the apparatus needed for proper reception, can and should devote attention to the research side of the problem that we are dealing with this afternoon. Even from the practical point of view, as the British scientists have pointed out, it would pay the Government of India to encourage research work. Some of the problems which the practical worker has to deal with may not be solved with the limited intellectual resources at his disposal. They may not be solved even by one or two scientific workers working in isolation. They may require for their solution the work of many scientists looking at them from different points of view. It will however be said that this research work will require funds and that this is the crux of the matter. The Government is in considerable financial difficulties. It does not find money for its ordinary needs. How is it then at this time to set apart a substantial sum of money for academic work in connection with radio research? Now, Sir, I do not know that Government when they set their heart on any scheme ever find any difficulty in getting together the necessary funds. If Government could realise the importance of this matter, if they could be brought to see that practical broadcasting in which they are keenly interested depends for its success on research work, I have no doubt that the objections which they might be tempted to raise now would soon disappear and that notwithstanding all the difficulties which they see in their way now they would be able to find money to make a beginning in the direction suggested by me. But I shall suppose for the time being that Government are really unable to set apart even a small sum for the encouragement of scientific research work. Even then, I submit that the establishment of a Board would be greatly to the interest of this country. At present the Department—I mean the research section of the Radio Department—is working in isolation. It is not in contact with scientific workers in India. Would it not be useful to this section if a Board were formed so that the scientists engaged in research work might be brought into association with it. The workers here and the workers at the universities may easily be of help to one another. I submit, Sir, that this may be expected to be the natural result of the establishment of an All-India Board. Again, a Board of the kind that I recommend would enable Government themselves to receive well-considered opinions on proposals which may vitally concern the development of broadcasting. I cast no reflection on any of the workers that they have engaged. But I am sure they will not deny that a Board of the kind I have suggested will be useful in settling the nature of the problems to be dealt with, in allocating the work between the workers and in giving to Government well-considered and authoritative advice which they cannot receive at the present time. Sir, the example of the Imperial Council of Agricultural Research considerably strengthens my demand. I shall suppose for the time being that this Council

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has not been able to fulfil all the hopes that were raised when it was first established. I suppose this only for the sake of argument, but even those who are disposed to criticise it strongly will admit that at least some of the work done by it is of considerable value. The Provincial Governments have Agricultural Departments of their own. The Government of India too have a Central Agricultural Institute. It was open, therefore, both to the Central Government and the Provincial Governments to say that as they had their own research workers and laboratories they did not see the necessity of establishing an All-India Research Council. But, happily, they did not take that line. They recognised that all the ability in the country was not monopolised by the Services and that it would be a great advantage to them to take the help of the scientific workers scattered over the whole of the country. The example of this Council shows the useful purpose that an All-India Research Board might serve in the domain of radio development.

Sir, I do not wish to take up the time of the House any further. I have dealt with all objections that could be raised from the scientific, practical and financial point of view. I have shown that they cannot be held to have any substance in them. I have cited the opinions of eminent British scientists who have said in no uncertain terms that the establishment of an All-India Radio Research Board in this country would be useful both to this country and to the Empire Broadcasting Service. I do not think I can urge stronger arguments in favour of my proposition. I therefore command it to the House. I have a fear that Government, who have risen above routine in the case of agricultural research, might be unwilling to follow their own experiment and to show similar enterprise in another direction. I shall listen to the arguments that they put forth with great attention. But I doubt at this stage whether they can have much force in them. The eminent scientists to whom I have repeatedly referred in my remarks would have been the last to recommend the establishment of a Research Board if they had regarded it as unnecessary or impracticable. But if they thought that notwithstanding the practical development arrived at in England, notwithstanding the theoretical problems solved in England of which we can take full advantage, there is need for the establishment of a Research Board in this country. I submit that the case for its establishment is unanswerable.

THE HONOURABLE MR. A. G. CLOW (Industries and Labour Secretary): Sir, I am grateful to my Honourable friend Pandit Kunzru for saying that he will listen to my arguments with great attention, because he had just previously informed the House that he had disposed of all possible objections that could be raised to his proposal. With much of what he said at the beginning of his speech I am of course in agreement. I am in full agreement with him as to the potentialities which broadcasting offers in the educational and cultural spheres, and in bringing the villages out of the isolation in which they too often rest. Nor would I say anything, far from it, against the value of scientific research either in this or in any other sphere. I think most of us in this House recognise that research in a large number of directions offers promises of valuable results. We have, as my Honourable friend reminded the House, proved to a considerable extent the value of agricultural research. I hoped he would go on to refer to what we are doing in a smaller field, in industrial research. The days are long past when officials who had an imperfect understanding of what research was and were unable to appreciate something that did not give immediate results were apt to look askance at the demands of scientists for research work. And the field with which we are dealing this afternoon is one which has not been entirely neglected either by scientists or by Government. My Honourable friend referred to Allahabad, with which he is naturally

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[Mr. A. G. Clow.]

well acquainted. But he said nothing about Bangalore, to which we are making already a substantial grant annually through the Department of my Honourable friend the Leader of the House. I must admit that I have no personal experience of what is being done there, but I have in my hand a prospectus of the Indian Institute of Science and I find that after a list of subjects which includes "Radio wave transmission, and reception theory and apparatus design, Radio wave propagation phenomena, Radio telegraph and telephone systems, Broadcasting" it goes on to say:

"For carrying out experimental work in the above subjects, the following laboratories have been fully equipped:

Radio transmission and reception,
Broadcasting, etc."

I understand that my Honourable friend and some other Members of this House have taken the opportunity to see what we are attempting in a smaller way in our little research station in Delhi, where we are engaged in perhaps what academic scientists would hardly call research. But we are engaged in investigation into the more immediately practical problems that confront us, such as devising and providing cheap village reception sets, meeting the difficulties in the way of producing a cheap domestic receiver, investigating acoustic properties of certain materials, and subjects of that kind. These are naturally confined to the more immediate practical problems before us and do not soar into the ionosphere or other rarified strata which have a particular fascination for scientists in this field of work.

At one stage of my Honourable friend's speech I thought he was advocating a Board merely for better co-ordination possibly between Government work and that being done by academic workers. He alluded to England, but if I am rightly informed, the Research Board there is not in charge of the other research work to which he referred, which is being done by the British Broadcasting Corporation. And I think he will be disposed on reflection to agree with me that if we are merely going to call a lot of distinguished gentlemen together to form a Board for co-ordinating what is being done, we would be to a large extent wasting their time. We have not yet reached a stage in this country—and indeed that was part of the complaint that my Honourable friend made—at which the work being done justifies the creation of a Board merely for co-ordination. And I agree with my Honourable friend when at another point in his speech he said that the crux of the question is that of funds.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: I said it might be thought to be so. I did not say that this was my opinion.

THE HONOURABLE MR. A. G. CLOW: I understood him to say that that was the case in his opinion here.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: You will know my opinion soon.

THE HONOURABLE MR. A. G. CLOW: If the Honourable Member is not willing to disclose his arguments until after I have spoken—

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: The Honourable Member will be entitled to speak after me.

THE HONOURABLE MR. A. G. CLOW: I think it would save the time of the House if we had it now, but I do not press the point.

Well, whatever the opinion of my Honourable friend I entirely agree that the crux of the question is that of funds. As I say, I do not believe in the creation of a Board if it is going to be left in the cold and get no money to work with. At an earlier stage of my Honourable friend's speech he quoted a very distinguished British scientist with approval as suggesting that in the case of a Board being set up it would "prevent the waste of vast sums of public money". I find it hard to believe that, for it assumes that vast sums of public money are at present or in the near future are going to be wasted. If I could see these vast sums of public money in sight no one would be more pleased. But the position as I see it is as follows. In order to get the start necessary to make a Board operative, something real and something worth having, we have to get the money. One cannot get away from that fact. Now, we have a great many demands for money. My Honourable friend suggested that if we really believed in anything we could always get the money for it. Unfortunately that is very far from being the case. We have a large number of other schemes and let us suppose that money is available. I limit myself to the very limited field of research. I have the honour to be Chairman of the Industrial Research Council, a body which is financed by the Government of India and exists both for the co-ordination of such industrial research as is being conducted by different Governments and authorities throughout India and also for carrying on original research. And if money were available for research I am afraid that, knowing what I do of the needs in various directions—I may be mistaken but if I could get hold, let us say from my Honourable friend, Mr. Nixon, of another lakh a year, and if I had to choose between a Radio Research Board and the Industrial Research Council, I am afraid I would not hesitate between the two. And my choice would not be in favour of the Radio Research Board. Even if tomorrow my Honourable friend the Finance Secretary came to me and said he had discovered that he had made a small error in his budget and there was a crore lying about loose and I could have the interest on that for radio research, I am afraid I should not be prepared to advise devoting it to a Board. Broadcasting is, and is going to be, a very big thing in this country and its needs are multifarious, but there are in my view, and in the view also of those experts who are advising us on the subject, a good many other things that must come before the formation of a Board of this kind. We have needs in all kinds of directions. We could spend a great deal more money than is now being allowed to us and could spend it profitably. And it is not because I am in any way hostile to even the particular kind of research which I think my Honourable friend has mainly in view, but because I feel that we must retain some balance and must go for what are prior and more urgent needs, that I cannot agree with him that at this moment we should set up a Radio Research Board.

*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhammadan): Mr. Chairman, before I begin my remarks I should like to make a confession, that I am a listener and a listener alone and that I have no knowledge of the intricacies of radio or of the technical part of it. My interest is that we want a better service and a cheaper service and a more extensive service. These are the three things which we want, and I think the Honourable Mr. Clow would be in agreement with the fact that the demand should be met as far as the Honourable Mr. Nixon is prepared to allow him to do so. The whole question boils down to this: Where are the funds to come from? We will be accused that we are talking like irresponsible people when we say that the Government knows where to find funds, and we will be told that there are other more imperative needs which have to be financed first and that radio does not

*Speech not corrected by the Honourable Member.

[Mr. Hossain Imam.]

only come in a bad second but a bad third or a bad fourth. Sir, research in radio does not demand very extensive funds. It all depends on the way in which the Government proceeds. If they have more money with them they can be generous and donate a lakh a year and then this body would be functioning very well. But if they cannot afford to do that, is there any reason why there should be no expenditure at all under this head? There are instances even in the Government of India of big things having been started with a small initial sum. If the Government makes a beginning and we are again fortunate enough next year or the year after next to have a realized surplus, and the Honourable the Finance Member is in a generous mood, I think Mr. Clow can very well go to him and ask him for a donation for this Research Board. The trouble with us is that we have always to face the question of want of funds where nation-building matters are concerned. I have a great deal of sympathy with the Honourable Mr. Clow when he says that industrial research has a prior claim, but he will excuse me for saying that that concerns more the capitalist than the masses, and in this particular instance what we want concerns only the masses, because we desire to have cheaper sets, especially village sets. I do not deny that the All-India Radio is doing something to achieve this. I find from *The Indian Listener* that steps are being taken, work is in hand, but we have not yet succeeded in meeting the requirement. Now, if the question of funds arise, may we ask Mr. Nixon whether he is prepared to make a surcharge of say 2½ per cent. on the import duty of radio articles and devote it to this fund? You can earmark a source of income which would place the burden on the users, on the consumers, for their betterment and future advance. Then, Sir, the question may arise whether the expansion of radio will not pay the Government in another way. There will be more licences and the greater the facility offered now the greater would be the prospect of future income from licensing. It is not very long ago that licensing was in a very imperfect condition. Licences used to be very small. At the present moment those who have to live in Delhi have very great difficulty in listening to the programmes of Bombay and Calcutta in the medium wave length, because the Delhi station is so powerful that it almost annihilates the voice from other stations. The question of finding money does not loom so large in our outlook as it does in the case of the Honourable Mr. Clow, because he seems to be under the impression that Mr. Nixon would never allow him funds—

THE HONOURABLE MR. A. G. CLOW: He is allowing me funds. At present we are spending Rs. 66,000 on our own radio research branch.

THE HONOURABLE MR. HOSSAIN IMAM: If he could supplement it by Rs. 33,000 for the universities, we might make a beginning and have a round lakh. It is not a very huge amount. We do not want the Government to commit themselves to large sums of money. We want them to make a beginning. When we have a beginning, we are sure that the thing will recommend itself.

Now, I come to the question of cheap village sets. Cheap village sets would be of no use unless you have a programme which will really help to uplift the village. At present the village programme is anything but perfect. The lighter side has developed, but not the serious side. Education as such of the villagers is not so much catered for as it ought to be. The Resolution is a very modest one, although the analogy may make it appear a big one; but the basic demand that there should be an All-India Research Board would only mean that they will convert the present Board and give it this name

and they can make a beginning. The other part that the universities should be able to help is subsidiary and therefore I hope that Mr. Clow will accept the Resolution.

Sir, I support the Resolution.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern: Non-Muhammadan): Sir, I should like to give my hearty support to the Resolution which has been moved by the Honourable Mr. Kunzru. Sir, the point of Mr. Kunzru's Resolution is that he wants a rapid development of radio research in India. Sir, he has pointed out the necessity of practical and research work going hand in hand and he has quoted certain opinions of British scientists and British scientific journals. With your permission, Sir, I will quote from *Nature* of May 23rd, 1936. In an editorial, *Nature* says:

"The time would now appear to be very opportune for considering the establishment of a similar Radio Research Board in India".

—"similar" has reference to the Board in England—

"The time would now appear to be very opportune for considering the establishment of a similar Radio Research Board in India, where fundamental research in radio communication has so far been limited to the activities of quite small bands of workers in different universities, notably those under Professor S. K. Mitra at Calcutta and under Professor M. N. Saha at Allahabad".

I would also quote the opinion of Professor Appleton, who says:

"India has its own radio problems, the solutions of which depended upon workers in India. These cannot follow from work carried out in other parts of the world. It seemed to him that the formation of an Indian Radio Research Board, in which workers in universities would be associated to encourage and extend radio investigations, was necessary to make certain that facilities were adequate. A wonderful opportunity for serving science and the community was offered to such a Board, and he felt quite sure that the opportunity would not be missed".

Again, Sir, I would quote from *Nature*. *Nature* says:

"Indeed in so far as the British Broadcasting Corporation is already providing a part of its Empire service for English-speaking residents in India, a local organisation which could investigate and give advice upon the problems of reception in India would most certainly be welcomed by the broadcasting authorities in Great Britain".

And finally, Sir, the writer in *Nature* winds up by saying:

"It is surely time that India was able to take its place in such a world-wide scheme, and it is to be hoped that those in a position to do so will foster the inauguration of a suitable Radio Research Board and provide the necessary funds to initiate its work. The research already carried out in India indicates that the universities are ready to provide a programme of problems of a fundamental nature, and even the nucleus of a staff of trained personnel, keen and enthusiastic to continue their investigations, which are at present being limited through lack of resources".

Therefore, Sir, the point is that practical and research work must go hand in hand and that practical and research work cannot go hand in hand unless university teachers are offered greater opportunities than are provided for them at present. University teachers and professors have a grievance that in the matter of Radio research they are not being given enough facilities and if a Board is established the Board would help to bring the universities and university teachers into contact with living problems of Radio problem. That, I think, Sir, is the main purpose of Mr. Kunzru's Resolution, and so far as that main object is concerned I would say that that main object can be achieved without much finance. The financial difficulty, if I may say so, has been exaggerated. What is the difficulty in having a Radio Research Board on which universities will be adequately represented? So far as the present organisation of the Radio Department is concerned, it strikes one that it is

[Mr. P. N. Sapru.]

wholly official. Now, what Mr. Kunzru wants is that this Department which is almost entirely official should be brought more into touch with Indian universities and Indian university teachers. There are in Indian universities men of great eminence in the world of science, men who have been very much interested in wireless broadcasting and radio development. There is in our own university a very eminent professor, Dr. Saha, who is a Fellow of the Royal Society, and he has done much work on radio and wireless lines. And I think, if I am not mistaken, he has been taking a good deal of interest in this question of a Radio Research Board. Now, these professors have been taking an interest in this Research Board because they want opportunities provided for them for research work in this radio line. The importance of radio research cannot be over-emphasised. Broadcasting is certain to lead to great development in the future. If used properly it is certain to make the life of the villager more cheerful and more happy. I am not sure, Sir, whether, if I had a choice between industrial research and Radio research, I would choose industrial research. I would select something which would benefit the villager and which would advance knowledge and which would enable India to become respected in the scientific world. I do not know exactly what the functions of the Industrial Research Board are but I imagine it is primarily concerned with industries. Well, the Radio Research Board would be primarily concerned with a subject which has possibilities so far as the common man is concerned. Therefore, if a choice had to be made between industrial research and radio research, I would give the preference to radio research.

Well, Sir, therefore, we are not convinced that Government has made out a case against the establishment of a Radio Research Board. The present position in India is that there are only about 12,000 licences in the country. Well, in Great Britain one man in seven has a radio. Why should we not also have that as our aim in this country? We do not say that that aim will be achieved immediately.

THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY: Instead of having anything to eat?

THE HONOURABLE MR. P. N. SAPRU: Well, I don't know about that. We all want them to eat well. I do not think Mr. Ray Chaudhury is the only person who is interested in the solution of the problem of India's poverty. We also in our own humble way stand for a right solution of the problem of Indian poverty. Patriotism is not the monopoly of any particular individual or any particular group. We all claim to be patriots.

THE HONOURABLE SIR DAVID DEVADOSS: Will radio solve the problem?

THE HONOURABLE MR. P. N. SAPRU: I do not think, Sir, that radio will solve the problem. Life is a very complicated business and if you want to have a rich and varied life you must have radio development also. In a full and varied life radio must also be able to play an important part.

THE HONOURABLE MR. BIJAY KUMAR BASU: Make them all members of the Legislature!

THE HONOURABLE MR. P. N. SAPRU: I wish, Sir, they could all be members of the Legislature. They have the vote—most of all at all events—I wish all of them had it. I stand certainly for adult franchise and I should like them all to have the vote.

Sir, I think that the Resolution which has been moved by the Honourable Mr. Kunzru deserves the serious consideration of this House and as one who is interested in the scientific development of this country, who is interested in the work that the universities are doing and that they want done, I give my cordial support to this Resolution.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Mr. President, my Honourable friend Mr. Clow raised three points in dealing with my Resolution. He first of all charged me with not having given Government adequate credit for the development of research work which is being done at their expense.

THE HONOURABLE MR. A. G. CLOW: No.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Well, I understood the Honourable Member to say so and he will have an opportunity again of clearing up what he said. He said I mentioned Calcutta and Allahabad but did not refer to the work which was being done at Bangalore, the work that was being financed by Government. The other argument that he used was this. Government had not got the funds that would be needed for carrying on research work. But even if they were available, Radio research would have to compete with a good many other needs to which my Honourable friend Mr. Clow would decidedly give preference. So that even if the Finance Department were in a more generous mood than it is at present and were able to place some money at the disposal of the Industries Department, that Department would not be willing to devote any of it to Radio research work (*The Honourable Mr. A. G. Clow*: "The Radio Research Board.")—would not devote it to the establishment of a Radio Research Board. This being so, in my Honourable friend's opinion asking scientists to come together here merely to co-ordinate a work that was being done would be to waste their time. I hope I have summarised my Honourable friend's arguments correctly. Now, Sir, I shall deal with them one by one. Taking the first one, let me point out to him that it was not I who referred to the work done at Allahabad and Calcutta but Sir Richard Gregory from whom I was quoting. I took care not to mention the name of any single university where research work is being carried on at present for obvious reasons. I know that work of this kind is not confined to Allahabad and Calcutta. I have seen the pamphlet brought out by the Research Institute at Bangalore. I understand that some work has been done at Dacca and at one or two other places. If I did not refer to Bangalore, it was not because I was not aware of the work done there but because I did not wish to refer to any university or institution by name. Perhaps, my Honourable friend in making this statement meant to convey to me that I was largely under the influence of one or two men in moving this Resolution.

THE HONOURABLE MR. A. G. CLOW: I never said that, nor did I mean to convey it.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: I am very glad to have that assurance from the Honourable Member. I should however like to say something on this point, for there may be some Members here who might think that I had been influenced by one or two people to move this Resolution when I did not understand the scientific problems involved

[Pandit Hirday Nath Kunzru.]

in it. Sir, if it is a crime to go to competent men for advice, I gladly plead guilty to the heinous charge of seeking the assistance of qualified men that can be brought against me in this connection. I shall be prepared to sit at the feet of my Honourable friend Mr. Clow if he would give me as valuable material as the research workers at Allahabad and Calcutta have done to whom I am greatly indebted.

I come now to the financial argument. My Honourable friend said there was no money and that there were many schemes which were being held up for want of funds. I can easily believe him, for the Finance Committees, both in the Provinces and at the Centre, pass so many schemes every year that it is not possible to put them through even if you have unlimited funds at your disposal. But I am not prepared to follow my Honourable friend when he says that no money can at all be found at this stage for the work which the Radio Research Board might be formed to encourage. I do not know whether my Honourable friend was present when the Budget was discussed here or when the debate on the Finance Bill took place. But had he been here, he would have perhaps perceived that if only a few officers placed on special duty, who have practically no work to do, were sent away by the Government of India, they would be able to save money for very useful work needed in a good many directions. Nor can I agree with my Honourable friend when he says that radio research must come a long way behind other needs which he has in view. I do not know what he is thinking of—

THE HONOURABLE MR. A. G. CLOW: A Radio Research Board.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Yes, it is the Radio Research Board I refer to and I think I made it clear that radio research can be carried on effectively only under the auspices of a well-organised Research Board of the kind that exists in England, Australia, Canada and New Zealand. I quoted the opinions of scientists who have a right to speak on this subject with authority that such a Board was needed at the present stage of development in India. My Honourable friend seeks to make out that radio research is something different from the activities of a Radio Research Board of the kind I have in view. I am afraid he is wholly out of court there. I cannot allow him to set his own opinion on that point against the opinions of distinguished scientists whose views in private at least he would be prepared to respect. Sir, radio research is not connected merely with the needs of a few well-to-do people. It is required in order to further mass education, and in order to quicken the interests of the villagers in what is going on outside so that they may widen their horizons and learn those methods by which they might be able to add to their exiguous incomes. Surely research which is connected with so important a subject as the needs of the masses ought not to be spoken of as lightly as was done by my Honourable friend Mr. Clow.

Now, I come to the last argument which is that in the absence of funds it would be wasting the time of scientists to call them together here merely to give advice on general problems and to co-ordinate the work that is being done now. I do not think that if Government could easily establish an Advisory Research Board, they would not be prepared to do so. There is an Advisory Committee established in connection with Broadcasting. But this Committee probably consists entirely of local men. A Committee which has to meet frequently may well be composed only of local men. But a Research

Board of the kind that I have in view need not meet every week or even every month. It will be quite enough if it met quarterly. Perhaps it would be enough, to begin with, if it met only twice a year. The Board will therefore not be very expensive and will at the same time be very helpful. I am quite certain that if in the Departments of the Government of India there were scientists who could advise them in regard to research, they would not hesitate to form a committee consisting of these men. I suppose, they would themselves like to have the opinions of many competent men instead of depending on the advice of only one or two men concerned with the present Department. They may not have scientific workers in their own departments, but is that any reason why they should not welcome the co-operation and assistance which they can receive from scientific workers at the universities? Even at the present stage, even when funds are not forthcoming, it would serve a useful purpose if the scientific investigators and the practical workers could come together, stimulate one another and define clearly the problems which each section has to tackle. Sir, I am entirely unconvinced by the arguments used by my Honourable friend Mr. Clow. I am afraid that it is only want of will that prevent the Government of India from carrying out the object of my Resolution. I therefore ask Honourable Members on this side of the House at least to give it their full support.

THE HONOURABLE MR. A. G. CLOW: Sir, I was a little surprised to hear my Honourable friend Mr. Kunzru rebuking me for treating the subject lightly. I should be very sorry indeed if I gave to any Member the slightest impression that I was treating the subject lightly. There was no light remark in my previous speech at all.

If I may come to what fell from my Honourable friend Mr. Hossain Imam, I think he suggested that one of the main things needed was an improvement in the village programmes. Well, that may or may not be the case, but I suggest for his consideration that the formation of a Radio Research Board, even if we could give it fairly wide terms of reference, would hardly extend to the substitution of heavier items for lighter items in a village programme. I think I would be going outside the sphere of the Resolution if I deal with what ought or ought not to come into village programmes, a subject on which I am very far from being an expert myself. But I suggest that there is a limit to the amount of education that you can impart and that a certain amount of jam has to be given with the powder at times.

Then my Honourable friend Mr. Sapru dealt with the needs—I think he said the grievances—of university workers. He showed a strong reluctance to use the term “money”. He said that university teachers had a grievance that they were not being given enough “facilities”. He said they wanted “opportunities”. But I gather that both those expressions are euphemisms for “money”. Well, I wish I had the money to give them. It is not because there is any lack of sympathy with scientific research that I am not in a position to do so.

But it is clear that behind this Resolution, at any rate in some Honourable Members' minds, there is agreement that a Board that merely met—as the Honourable Mr. Kunzru suggested at the end—to demarcate the field and deal with things of that kind would be practically useless, and that if a Board is going to achieve results in this important field it must be provided with funds. I do not myself believe that it is of much value to set up a Board before any one can see the available funds. He said that the Board might be called to give advice on general problems. I have a great respect for professors of Physics, as of other subjects, but I do not think a Board of

[Mr. A. G. Clow.]

distinguished physicists would be a very suitable body for giving advice on general problems as opposed to scientific ones.

Now, I think my Honourable friend Mr. Hossain Imam said that we ought to make a small beginning. Well, I tried to say that we have done so. I find that we are spending on our own little research branch next year Rs. 66,000, and I do not think I am revealing a great secret when I say we wanted to get more than that and more could not be given to us. And the position really comes down to this, that if I were to agree that we should set up a Radio Research Board, even if we were to give only the small sum of Rs. 33,000 that Mr. Hossain Imam suggested, we should definitely be taking away from what we had available in other directions. I do not see how you can get away from that point. My judgment may be altogether mistaken, but I do see even within the broadcasting field, and I am sure other Honourable Members of this House will see too, many other things which can legitimately be regarded as having a prior claim.

As regards my Honourable friend Mr. Kunzru's appeal for co-operation, I entirely agree with him. I should like to see full co-operation between scientists, practical experts on this subject and all who are interested in broadcasting. But I suggest respectfully to this House that the setting up of a Radio Research Board of the type which exists in the United Kingdom, however useful it may be in the United Kingdom or here for other purposes, would not be the most suitable means, nor is it a necessary means, of securing that co-operation.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): The Question is:

"That this Council recommends to the Governor General in Council that in view of the great importance of radio development to India an All-India Radio Research Board be established on the lines of the Radio Research Board of the United Kingdom."

The Motion was negatived.

RESOLUTION *RE* INCREASE IN THE NUMBER OF INDIAN JUDGES IN HIGH COURTS.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA) (to the Honourable Haji Syed Muhammad Husain): Will you give me some indication as to the time you are likely to take in moving your Resolution?

THE HONOURABLE HAJI SYED MUHAMMAD HUSAIN: I will take some little time. If you would be pleased to take it up tomorrow I think that would be better.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): Very well. In that case you will move the proposition just now and make your speech tomorrow morning.

THE HONOURABLE HAJI SYED MUHAMMAD HUSAIN (United Provinces West: Muhammadan): I beg to move the following Resolution:

"This Council recommends to the Governor General in Council that the number of Indian Judges in the High Courts of India be increased to at least two-thirds of the total number of the Judges of that High Court."

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): You will make your speech tomorrow.

The Council then adjourned till Eleven of the Clock on Tuesday, the 6th April, 1937.

COUNCIL OF STATE.

Tuesday, 6th April, 1937.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the Chairman (Sir Phiroze Sethna) in the Chair.

STATEMENT LAID ON TABLE.

COMMERCIAL TREATIES AND NOTES AFFECTING INDIA.

THE HONOURABLE MR. H. DOW (Commerce Secretary): Sir, I beg to lay on the table a further list of Commercial Treaties and Notes affecting India. The Agreements mentioned under items 3 and 4 of Part II, together with the Inter-Governmental Agreement of May 7, 1934, regarding Rubber Production and Export, are also laid on the table.

PART I.

Agreements which provide for the grant of most-favoured-nation treatment to the products and manufactures of India on terms of reciprocity.

Nil.

PART II.

This part refers to agreements to which India is a party. The Anglo-Muscat Treaty of 1891 was extended up to February 10, 1937. The question of its further extension is under consideration.

The Notes Exchanged between His Majesty's Government in the United Kingdom and the Brazilian Government provide for the prolongation of the Agreement of 1932 between India and Brazil, the notice of denunciation of which was given by the Brazilian Government.

Country.	Nature of Agreement.	Description.	Date of Agreement.
1. Muscat . . .	Note . . .	Treaty of Friendship, Commerce and Navigation, 1891.	February 11, 1936.
2. Brazil . . .	Notes . . .	Commerce . . .	July 30/September 17, 1936.
3. Inter-Governmental (France, the United Kingdom, India, the Netherlands, and Siam).	Protocols (amending the Agreement of 1934).	Regulation of the Production and Export of Rubber.	June 27, 1935 and May 22, 1936.
4. Ditto . . .	Protocol (amending the Agreement of 1934).	Ditto . . .	February 5, 1937.

PART III.

This part refers to agreements denounced. India acceded in 1928 to the Anglo-Siamese General and Commercial Treaties, the notice of denunciation of which has been given by the Siamese Government (items 1 and 2 below). As regards item 3, six months' notice of denunciation of the Ottawa Trade Agreement, 1932, between His Majesty's Government in the United Kingdom and the Government of India was given to His Majesty's Government on behalf of the Government of India on May 13, 1936. Before the expiry of the period of notice it was agreed that pending the conclusion of a new agreement for which negotiations were in progress the 1932 Ottawa Agreement should continue in force subject to termination at three months' notice by either side unless it were replaced by a new Agreement.

Country.	Nature and date of Agreement.	Description.	Date of expiry of Agreement.
1. Siam	Treaty (July 14, 1925).	Revision of mutual Treaty arrangements.	November 5, 1937.
2. Siam	Treaty (July 14, 1925).	Commerce and Navigation.	November 5, 1937.
3. United Kingdom .	Agreement August 20, 1932.)	Trade	November 13, 1936.

PROTOCOLS SIGNED FOR THE GOVERNMENTS OF FRANCE, UNITED KINGDOM, INDIA, THE NETHERLANDS AND SIAM AMENDING THE AGREEMENT OF MAY 7, 1934, FOR THE REGULATION OF THE PRODUCTION AND EXPORT OF RUBBER

London, June 27, 1935, and May 22, 1936.

No. I.

Protocol of June 27, 1935.

THE Governments of the French Republic, the United Kingdom of Great Britain and Northern Ireland, India, the Kingdom of the Netherlands and the Kingdom of Siam :

Being desirous of introducing certain amendments to the Agreement signed at London, on the 7th May, 1934, for the regulation of the production and export of rubber :

Have accordingly agreed as follows :—

1. The table to Article 4 (a) of the said Agreement shall be amended to read as follows :—

	1935.	1936.	1937.	1938.
Siam	40,000	40,000	40,000	40,000

2. The Government of Siam declares that its signature of the Agreement of the 7th May, 1934, given subject to ratification, shall be deemed to be ratified and become effective as from the 1st July, 1935.

3. The present Protocol shall come into force immediately.

In witness whereof the undersigned plenipotentiaries, being authorised to this effect by their respective Governments, have signed the present Protocol and affixed thereto their seals.

Done at London, this 27th day of June, 1935, in a single copy, which shall remain deposited in the archives of the Government of the United Kingdom, and of which duly certified copies shall be communicated by the Government of the United Kingdom to each of the other contracting Governments.

For the Government of the French Republic :

(L. S.) CH. CORBIN.

For the Government of the United Kingdom of Great Britain and Northern Ireland :

(L. S.) SAMUEL HOARE.

(L. S.) MALCOLM MACDONALD.

For the Government of India :

Subject to the two reservations appended to the signature of the Agreement of the 7th May, 1934.

(L. S.) B. N. MITRA.

For the Government of the Kingdom of the Netherlands :

(L. S.) R. DE MAREES VAN SWINDEREN.

For the Government of the Kingdom of Siam :

(L. S.) PHYA SUBARN SOMPATI.

No. II.

Protocol of May 22, 1936.

THE Governments of the French Republic, the United Kingdom of Great Britain and Northern Ireland, India, the Kingdom of the Netherlands and the Kingdom of Siam ;

Being desirous of introducing certain amendments to the Agreement signed at London, on the 7th May, 1934, for the regulation of the production and export of rubber :

Have accordingly agreed as follows :—

1. The table to Article 4 (a) of the said Agreement shall be amended to read as follows :—

	1935.	1936.	1937.	1938.
India	12,500	12,500	12,500	13,000
Burma	8,000	8,500	9,000	9,250

2. The Government of India declares with reference to the reservations made at the time of signature of the Agreement of the 7th May, 1934, and of the Protocol of the 27th June, 1935, that the Indian States have undertaken to act in accordance with the provisions of that Agreement as amended by the present Protocol and that the Indian Legislature has already taken legislative action necessary to implement the terms of the Agreement.

3. The present Protocol shall come into force immediately.

In witness whereof the undersigned plenipotentiaries, being authorised to this effect by their respective Governments, have signed the present Protocol and affixed thereto their seals.

Done at London, the 22nd day of May, 1936, in a single copy, which shall remain deposited in the archives of the Government of the United Kingdom, and of which duly certified copies shall be communicated by the Government of the United Kingdom to each of the other contracting Governments.

For the Government of the French Republic :

(L. S.) CHARLES CORBIN.

For the Government of the United Kingdom of Great Britain and Northern Ireland :

(L. S.) ANTHONY EDEN.

For the Government of India :

(L. S.) B. N. MITRA.

For the Government of the Kingdom of the Netherlands :

(L. S.) R. DE MAREES VAN SWINDEREN.

For the Government of the Kingdom of Siam :

(L. S.) PHRA BOVARA SNEHA.

PROTOCOL BETWEEN THE GOVERNMENTS OF FRANCE, UNITED KINGDOM, INDIA, THE NETHERLANDS AND SIAM, AMENDING THE AGREEMENT OF MAY 7, 1934, FOR THE REGULATION OF THE PRODUCTION AND EXPORT OF RUBBER.

London, February 5, 1937.

THE Governments of the French Republic, the United Kingdom of Great Britain and Northern Ireland, India, the Kingdom of the Netherlands and the Kingdom of Siam;

Being desirous of introducing certain amendments to the Agreement signed at London on the 7th May, 1934, for the regulation of the production and export of rubber:

Have accordingly agreed as follows:—

1. The table to Article 4 (a) of the said Agreement shall be amended to read as follows:—

	1936.	1937.	1938.
Netherlands India	500,000	520,000	540,000

2. The present protocol shall come into force immediately.

In witness whereof the undersigned plenipotentiaries, being authorised to this effect by their respective Governments, have signed the present Protocol and affixed thereto their seals.

Done at London, this 5th day of February, 1937, in a single copy, which shall remain deposited in the archives of the Government of the United Kingdom, and of which duly certified copies shall be communicated by the Government of the United Kingdom to each of the other contracting Governments.

For the Government of the French Republic:

(L. S.) CHARLES CORBIN.

For the Government of the United Kingdom of Great Britain and Northern Ireland:

(L. S.) ANTHONY EDEN.

For the Government of India:

(L. S.) Y. N. SUKTHANKAR.

For the Government of the Kingdom of the Netherlands:

(L. S.) R. DE MAREES VAN SWINDEREN.

For the Government of the Kingdom of Siam:

(L. S.) PHYA RAJAWANGSAN.

(INTER-GOVERNMENTAL AGREEMENT.)

THE Governments of the French Republic, the United Kingdom of Great Britain and Northern Ireland (hereinafter referred to as the Government of the United Kingdom), India, the Kingdom of the Netherlands and the Kingdom of Siam;

Considering that it is necessary and advisable that steps should be taken to regulate the production and export of rubber in and from producing countries with the object of reducing existing world stocks to a normal figure and adjusting in an orderly manner supply to demand and maintaining a fair and equitable price level which will be reasonably remunerative to efficient producers, and being desirous of concluding an agreement for this purpose;

Have accordingly agreed as follows:—

ARTICLE 1.

The obligations under this Agreement of the Government of the French Republic apply to French Indo-China; those of the Government of the United Kingdom to Ceylon, the Federated Malay States, the Unfederated Malay States, the Straits Settlements, the State of North Borneo, Brunei and Sarawak; those of the Government

of India to India (including Burma); those of the Government of the Kingdom of the Netherlands to the Netherlands Indies; and those of the Government of the Kingdom of Siam to Siam.

ARTICLE 2.

For the purposes of this agreement—

(a) "Basic quotas" means the quotas referred to in Article 4 (a).

(b) "International Rubber Regulation Committee" means the Committee referred to in Article 15.

(c) "Control Year" means any calendar year during the continuance of this Agreement, or, in the case of the year 1934, the portion of that year between the date of the coming into force of the regulation under Article 3 (b) and the 31st December, 1934.

(d) "Rubber plant" means and includes plants, trees, shrubs or vines of any of the following:—

(A) Hevea Braziliensis (Para Rubber).

(B) Manihot Glaziovii (Ceara Rubber).

(C) Castilloa elastica.

(D) Ficus elastica (Rambong).

(E) Any other plant which the International Rubber Regulation Committee may decide is a rubber plant for the purpose of this Regulation.

(e) "Rubber" includes (a) rubber prepared from the leaves, bark or latex of any rubber plant and the latex of any rubber plant, whether fluid or coagulated, in any stage of the treatment to which it is subjected during the process of conversion into rubber, and latex in any state of concentration; and (b) all articles and things manufactured wholly or partly of rubber.

(f) "Replanting" or "replant" means planting during the period of the Regulation more than thirty rubber plants on any acre, or seventy-five rubber plants on any hectare of any area carrying rubber plants at the date the Regulation becomes operative.

(g) "Net exports" means the difference between the total imports of rubber into a territory during a period and the total exports of rubber out of that territory during the same period, provided that, notwithstanding the meaning attached to "rubber" elsewhere in this Agreement, imports or re-exports of articles and things manufactured wholly or partly of rubber and rubber consumed in the country of production shall not be included in arriving at net exports.

(h) "Owner" means and includes the proprietor occupier or person in the possession or in charge of a holding or such person as is, in the opinion of the Government concerned, the Manager or Agent of or entitled to act for or on behalf of such proprietor occupier or person.

(i) "Holding" means land on which rubber plants are grown which is in the ownership possession or occupation or is being worked by or under the control of the owner.

(j) "Person," unless the context otherwise requires includes a company corporation, partnership or other body whether corporate or not.

ARTICLE 3.

(a) The contracting Governments undertake to take such measures as may be necessary to maintain and enforce in their respective territories, as defined in Article 1, the regulation and control of the production, export and import of rubber as laid down in Articles 4, 5, 6, 8, 9, 10, 11, 12 and 13 of this Agreement, hereinafter referred to as "the regulation."

(b) The said regulation shall come into operation on the 1st day of June, 1934, and shall remain in force until the 31st of December, 1938, as a minimum period.

(c) Not more than twelve calendar months and not less than nine calendar months prior to the 31st December, 1938, the International Rubber Regulation Committee shall make a recommendation to the contracting Governments as to the continuation or otherwise of the regulation. The recommendation, if in favour of continuation, may

suggest amendments to the regulation and include proposals relating to the other provisions of this agreement.

(d) Each contracting Government shall signify to the International Rubber Regulation Committee and to the other contracting Governments its acceptance or rejection of the recommendation referred to in the immediately preceding paragraph within three calendar months after the date of the receipt of such recommendation.

(e) If the said recommendation is accepted by all the contracting Governments, the contracting Governments undertake to take such measures as may be necessary to carry out the said recommendation. The Government of the United Kingdom shall in this event draw up and communicate to all the other contracting Governments a declaration certifying the terms of the said recommendation and its acceptance by all the contracting Governments.

(f) If the said recommendation is not accepted by all the contracting Governments, the Government of the United Kingdom may of its own motion, and shall, if requested by any other contracting Government, convoke a conference of the contracting Governments to consider the situation.

(g) Unless a recommendation to continue the regulation is accepted under paragraphs (d) and (e) above, or unless an agreement for continuation is concluded between the contracting Governments at the conference referred to in paragraph (f) above, the regulation and all the obligations arising out of this agreement shall terminate on the 31st December, 1938. If at the conference referred to in paragraph (f) above an agreement for continuation is concluded between some but not all of the contracting Governments, the regulation and all the obligations arising out of this agreement shall terminate on the 31st December, 1938, in respect of any contracting Government not a party to the agreement for continuation.

ARTICLE 4.

In the case of the Straits Settlements, the Federated Malay States, and the Unfederated Malay States and Brunei (which shall be deemed to constitute a single group of territories for this purpose), and of the Netherlands Indies, Ceylon, India (including Burma), the State of North Borneo, Sarawak and Siam, the exports of rubber from the territory shall be regulated in accordance with the following provisions:—

(a) The following annual quantities in tons of 2,240 English pounds dry rubber shall be adopted as basic quotas for each territory or group of territories for the control years specified:—

	1934.	1935.	1936.	1937.	1938.
	Tons.	Tons.	Tons.	Tons.	Tons.
Straits Settlements, Federated Malay States, Unfederated Malay States and Brunei.	7/12 of 504,000	538,000	569,000	589,000	602,000
Netherlands India.	7/12 of 352,000	400,000	443,000	467,000	485,000
Ceylon.	7/12 of 77,500	79,000	80,000	81,000	82,500
India.	7/12 of 6,850	8,250	9,000	9,000	9,250
Burma.	7/12 of 5,150	6,750	8,000	9,000	9,250
State of North Borneo.	7/12 of 12,000	13,000	14,000	15,500	16,500
Sarawak.	7/12 of 24,000	28,000	30,000	31,500	32,000
Siam.	7/12 of 15,000	15,000	15,000	15,000	15,000

(b) The International Rubber Regulation Committee shall fix from time to time for each territory or group of territories a percentage of the basic quota. Except in the case of Siam, the percentage of the basic quota fixed by the International Rubber Regulation Committee shall be the same for each territory or group of territories. In the case of Siam, the percentage of the basic quota for that territory shall not

be less than 50 per cent. for the year 1934, than 75 per cent. for the year 1935, than 85 per cent. for the year 1936, than 90 per cent. for the year 1937, and 100 per cent. for the year 1938.

(c) In each control year the quantity of rubber, which is equivalent to the percentage so fixed of the basic quotas of each territory or group of territories, constitutes for that territory or group of territories the "permissible exportable amount" for such territory or group of territories.

ARTICLE 5.

The net exports of rubber from each territory or group of territories shall be limited to the "permissible exportable amount";

Provided that (1) in any control year the net exports may be permitted to exceed the "permissible exportable amount" by a quantity not greater than 5 per cent. of that amount but, if the "permissible exportable amount" is exceeded in any year, the net exports for the immediately following control year shall be limited to the permissible exportable amount for such year less the amount of such excess for the previous year;

(2) If any territory or group of territories has exported in any control year less than its "permissible exportable amount," the net exports from such territories or group of territories for the immediately following year may be permitted to exceed the "permissible exportable amount" for such year by an amount equal to the deficiency below the "permissible exportable amount" for the previous year if such deficiency was not more than 12 per cent. of such "permissible exportable amount," or equal to 12 per cent. of such "permissible exportable amount" if the deficiency exceeded 12 per cent.;

(3) In the case of the group of territories comprising the Straits Settlements, the Federated Malay States and the Unfederated Malay States and Brunei, the obligations arising under this Article may be executed (a) by controlling the actual production of rubber on the islands of Singapore and Penang (parts of the Straits Settlements), and (b) by controlling the exports of rubber from the remainder of this group of territories in such a manner that the total of the production of rubber during the control year in question in Singapore and Penang, together with the net exports of rubber during the said year from the remainder of the group of territories, shall not exceed the amount of the "permissible exportable amount" for the whole group of territories.

(4) For the purpose of the preceding proviso and of the provisions of Articles 9, 10 and 13 below, the entry of rubber from the remainder of the group into Singapore or Penang, or *vice versa*, shall be deemed to be an export or import as the case may be.

ARTICLE 6.

In the case of French Indo-China, the Administration (i) shall maintain a complete record of all rubber leaving the territory and will establish such control as is necessary for this purpose, and (ii) on the happening of the events specified in paragraphs (a) or (b) below, shall cause the quantities of rubber specified in those paragraphs [taken in conjunction with paragraphs (c) and (d)] to be delivered to the order of the International Rubber Regulation Committee in accordance with the provisions of paragraph (e) below:—

(a) If in any control year the total quantity of rubber leaving French Indo-China for any part of the world shall exceed 30,000 tons (of 2,240 English pounds), but shall be less than the total quantity of unmanufactured rubber entering and retained in France in that year, a quantity of rubber shall be delivered equivalent to 10 per cent. of the amount by which the total quantity of rubber leaving French Indo-China exceeds 30,000 tons.

(b) If in any control year the total quantity of rubber leaving French Indo-China exceeds the total quantity of unmanufactured rubber entering and retained in France in that year, a quantity of rubber shall be delivered equivalent to 10 per cent. of the difference between 30,000 tons and the amount of the retained quantity aforesaid, together with an additional quantity corresponding to a percentage of the difference between the total quantity of unmanufactured rubber entering and retained in France, and the total quantity of rubber leaving French Indo-China for any part of the world during that year, such percentage being the average percentage of reduction of basic quotas which shall have been applied in that year in the territories specified in Article 4, excluding Siam.

(c) The quantities above mentioned or referred to shall be reduced for the control year ending the 31st December, 1934, to 7/12ths of those quantities.

(d) Provided, however, that the quantity of rubber to be delivered by French Indo-China in any control year shall not exceed a quantity equal to the percentage of the total quantity of rubber leaving French Indo-China corresponding to the average percentage of reduction of the basic quotas which shall have been applied in that year in the territories specified in Article 4, excluding Siam.

(e) The quantities of rubber referred to in paragraphs (a) and (b) above [taken in conjunction with paragraphs (c) and (d)] shall be notified to and agreed with the International Rubber Regulation Committee and delivered free of cost and all charges in the form of Singapore standard sheets or Singapore standard crêpe, to the order of the International Rubber Regulation Committee in Singapore (or any other port or place selected by the International Rubber Regulation Committee) within three months after the expiration of the control year in question.

ARTICLE 7.

The International Rubber Regulation Committee may dispose of all rubber delivered in accordance with the provisions of the preceding Article in such manner as it shall deem to be most beneficial to the objects which are envisaged in the provisions of the present Convention.

ARTICLE 8.

The provisions of Articles 9, 10, 11, 12, 13 and 14 below apply to all the territories specified in Article 1 unless the contrary is expressly stated.

ARTICLE 9.

The exportation of rubber from a territory or group of territories shall be prohibited under penalties that will be effectively deterrent, unless such rubber is accompanied by a certificate of origin duly authenticated by an official duly empowered for this purpose by the administration of the territory or group. The penalties which may be imposed for this offence shall include (a) the destruction, and (b) the confiscation of the rubber. This Article does not apply to the islands of Singapore and Penang.

ARTICLE 10.

The importation of rubber into a territory or group of territories shall be prohibited, under penalties that will be effectively deterrent, unless such rubber is accompanied by a certificate of origin duly authenticated by a competent official of the Administration of the territory or group of origin. The penalties which may be imposed for this offence shall include (a) the destruction, and (b) the confiscation of the rubber.

ARTICLE 11.

(a) Every owner shall be prohibited, under penalties that shall be effectively deterrent, from having in his possession or under his control within a territory or group of territories at any time stocks of rubber exceeding 20 per cent. of the quantity of rubber wholly grown and produced and removed from his holding during the preceding twelve months, or, alternatively, a quantity equivalent to twice the amount he is entitled to export during any month.

(b) The total of all other stocks of rubber in the territory shall be limited to a quantity not exceeding 12½ per cent. of its "permissible exportable amount" for the control year.

(c) The preceding provisions of this Article do not apply to French Indo-China, India (including Burma), the islands of Singapore or Penang, Sarawak or Siam, but in India (including Burma), Sarawak and Siam the stocks of rubber shall be limited to normal proportions having regard to the amount of rubber internally consumed.

ARTICLE 12.

(a) Except as provided in paragraphs (b) and (c) of this article, the planting of rubber plants during the period of the Regulation shall be prohibited absolutely under penalties that shall be effectively deterrent, such penalties including the compulsory eradication and destruction at the expense of the owner of the plants so planted.

(b) In Siam the planting of an area not exceeding in the aggregate 31,000 acres may be permitted.

(c) In all territories—

(i) The planting of small areas for exclusively experimental purposes may be permitted provided that during the period of the Regulation the total area of such permitted plantings in any territory or group of territories shall not exceed the equivalent of one-quarter of 1 per cent. of that territory's or group's ascertained total area planted at the date of commencement of the Regulation.

(ii) The limited replanting of areas at present carrying rubber plants may be permitted upon the following conditions: An owner who desires to replant part of his holding shall be obliged first to notify the Administration of the territory or group of territories of his intention to replant and to give such particulars of the proposed replanting as may be required by the Administration, and he may then be permitted to replant in any control year to the extent set out in such particulars an area not exceeding 10 per cent. of the total planted area of his holding in the territory or group of territories at the date of commencement of the Regulation, provided that the aggregate of the areas so replanted during the minimum period of the Regulation [specified in Article 3 (b)] shall not exceed 20 per cent. of such total planted area of his holding.

ARTICLE 13.

The exportation from the territory or group of territories of any leaves, flowers, seeds, buds, twigs, branches, roots or any living portion of the rubber plant that may be used to propagate it shall be prohibited under penalties that shall be effectively deterrent.

ARTICLE 14.

The contracting Governments and the Administrations of the territories or group of territories to which the present Agreement applies will co-operate with each other to prevent smuggling evasions and other abuses of the Regulation.

ARTICLE 15.

(a) An International Committee, to be designated "The International Rubber Regulation Committee," shall be constituted as soon as possible.

(b) The said Committee shall be composed of delegations representing the territories or groups of territories to which the present Agreement applies, and the numbers of the respective delegations and the numbers of the persons who may be nominated as substitutes to replace members of delegations who are absent shall be as follows:—

	Members.	Substitute Members.
(1) Straits Settlements, Federated Malay States, Unfederated Malay States, Brunei	4	2
(2) Netherlands India	3	2
(3) Ceylon	2	1
(4) India, including Burma	1	1
(5) French Indo-China	1	1
(6) State of North Borneo	1	1
(7) Sarawak	1	1
(8) Siam	1	1

(c) The Government of the United Kingdom shall be informed as soon as possible by the other contracting Governments of the persons first designated as members of delegations representing their respective territories. All subsequent changes in the membership of delegations shall be notified by communications addressed to the Chairman of the Committee.

(d) The Government of the United Kingdom will convoke the first meeting of the Committee as soon as possible, and may do so when the members of six delegations have been designated.

(e) The principal office of the Committee shall be in London and its meetings shall be held in London. The Committee shall make such arrangements as may be necessary for office accommodation and may appoint and pay such officers and staff as may be required. The remuneration and expenses of members of delegations shall be defrayed entirely by the Governments by whom they are designated.

- (f) The proceedings of the Committee shall be conducted in English.
- (g) The Committee shall at its first meeting elect its Chairman and Vice-Chairman.
- (h) The Chairman and Vice-Chairman shall not be members of the same delegation.
- (i) Meetings shall be convened by the Chairman, or in his absence by the Vice-Chairman. Not more than three calendar months shall elapse between any two consecutive meetings. An extraordinary meeting shall be convened at any time at the request of any delegation within seven days of the receipt of the request by the Chairman.
- (j) The Committee shall perform the functions specifically entrusted to it under Articles 3 (c), 4 (b), 6, 7, 17 and 18 of this Agreement, and shall, in addition, collect and publish such statistical information and make such other recommendations to Governments relevant to the subject-matter of this Agreement as may seem desirable, in particular with reference to the disposal of any rubber which may come into the ownership of any Government as the result of the carrying out of Articles 9 and 10 of this Agreement. The Committee shall do all such other lawful things as may be necessary, incidental or conducive to the carrying out of its functions, and give such publicity to its actions as it may deem necessary or desirable.
- (k) Each delegation shall vote as one unit. In case of delegations composed of more than one member, the name of the member entitled to exercise the vote shall be communicated in case of the first meeting of the Committee to the Government of the United Kingdom and thereafter to the Chairman of the Committee. The voting member may in case of absence, by communication to the Chairman, nominate another member to act for him.
- (l) Each delegation shall possess a number of votes calculated on the basis of one vote for every complete 1,000 tons of the basic quota of the control year for the time being for the territory or group of territories represented by that delegation, and for the purpose of voting the territory of French Indo-China shall be deemed to have the following quotas, viz :—

	Tons.
1934	22,500
1935	27,000
1936	34,000
1937	44,000
1938	52,000

- (m) The presence of voting members of at least four delegations shall be necessary to constitute a quorum at any meeting; provided that if within an hour of the time appointed for any meeting a quorum as above defined is not present, the meeting may be adjourned by the Chairman to the same day, time and place in the next week, and if at such adjourned meeting a quorum as defined above is not present, those delegations who are present at the adjourned meeting shall constitute a quorum.
- (n) Decisions shall be taken by a majority of the votes cast; provided that—
- (i) A decision fixing or varying the permissible exportable percentage of the basic quotas, or making or modifying or abrogating the rules of procedure shall require a three-fourths majority of the total votes which could be cast by all the delegations entitled to vote, whether such delegations are present or not;
- (ii) The delegations representing French Indo-China shall only be entitled to participate in any discussion or vote on the permissible exportable percentage of the basic quotas if and so long as this territory is conforming to the Regulation on the basis of Article 6 (b).
- (o) The Committee shall at the beginning of each control year draw up its budget for the forthcoming year. The budget shall show under appropriate headings and in reasonable detail the estimate of the Committee of its expenses for that year. The budget shall be communicated to the contracting Governments and to the Administrations of the territories or group of territories to which the present Agreement applies, and shall show the share of the expenses falling upon each territory or group of territories in accordance with the provisions of Article 16.

As soon as possible after the end of each control year, the Committee shall cause to be drawn up and audited by a duly qualified chartered accountant a statement of

account showing the money received and expended during such years. The statement of account shall be communicated to the contracting Governments and to the Administrations of all territories or group of territories to which the present Agreement applies.

(p) The Committee may draw up, put into force, modify or abrogate rules for the conduct of its business and procedure as may from time to time be necessary, provided that its rules of procedure shall be at all times in conformity with the preceding provisions of this Article.

ARTICLE 16.

The expenses of the International Rubber Regulation Committee shall be defrayed by the Administrations of all territories or group of territories to which the present Agreement applies, other than Sarawak and Siam. One half of the contribution for the whole year of each territory or group of territories, as shown in the budget drawn up by the Committee, shall be paid immediately on receipt of the budget by the contracting Governments, and the balance of such contribution not later than 6 months after this date. The contribution of each territory or group of territories shall be proportionate to their respective basic quota for the control year to which the budget relates. The basic quotas of French Indo-China for this purpose shall be those specified in Article 15 (l).

ARTICLE 17.

(a) The Administrations of each of the territories or group of territories to which the present Agreement applies shall not later than the 1st January, 1935, communicate to the International Rubber Regulation Committee a declaration showing the total ascertained area in the territory or group planted with rubber on the 1st June 1934.

(b) Each Administration will furnish to the International Rubber Regulation Committee all reasonable assistance to enable the Committee properly and efficiently to discharge its duties. Such assistance shall include all necessary statistical information and ample facilities to duly accredited agents of the Committee for the investigation of the manner in which the regulation is being carried out in the territory.

ARTICLE 18.

The International Rubber Regulation Committee shall be empowered to, and shall within one month after the date of its first meeting, invite the body or bodies they consider most representative of rubber manufacturers to nominate three persons representative of such manufacturers, of whom one shall be representative of manufacturers in America, and such representatives shall form a panel who will be invited to tender advice from time to time to the International Rubber Regulation Committee as to world stocks, the fixing and varying of the permissible exportable percentage of the basic quotas, and cognate matters affecting the interests of rubber manufacturers.

ARTICLE 19.

The contracting Governments, recognising that a natural balancing of production and consumption can be hastened by research with a view to developing new applications and by propaganda, declare that they will consider the possibility of (i) levying and collecting a uniform cess on the net exports from their respective territories during the period of the Regulation for the purpose of supporting such research and propaganda and (ii) co-operating in the constitution of an International Rubber Research Board to plan the research and propaganda. If the proposals specified in this article are put into operation, no financial contribution will be expected in respect of Sarawak or Siam.

In witness whereof the undersigned plenipotentiaries, being authorised to this effect by their respective Governments, have signed the present Agreement and affixed thereto their seals.

Done at London this 7th day of May, 1934, in a single copy, which shall remain deposited in the archives of the Government of the United Kingdom, and of which duly certified copies shall be communicated by the Government of the United Kingdom to each of the other contracting Governments.

For the Government of the French Republic:

CH. CORBIN.

(L. S.)

For the Government of the United Kingdom of Great Britain and Northern Ireland :
JOHN SIMON. (L. S.)

P. CUNLIFFE-LISTER. (L. S.)

For the Government of India :

Subject to reservations annexed :

B. N. MITRA. (L. S.)

In signing this Agreement on behalf of my Government, I have been instructed to make the following reservations.

- (a) The accession of the Government of India is subject to the agreement and co-operation of rubber-producing "Indian States" in India, in which areas the Government of India has no power to maintain or enforce the restriction. The terms of the Inter-Governmental Agreement have been brought to the notice of the States concerned, and the Government of India has every reason to believe that they will act in accordance with its provisions.
- (b) In so far as legislative action will be necessary to implement the terms of the Agreement, the accession of the Government of India is subject to the approval of the Indian Legislature.

May 7, 1934.

(Signed) B. N. MITRA.

For the Government of the Kingdom of the Netherlands :

R. DE MAREES VAN SWINDEREN. (L. S.)

For the Government of the Kingdom of Siam :

Subject to ratification :

PHYA SUBARN SOMPATI. (L. S.)

STANDING COMMITTEE FOR ROADS, 1937-38.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): The next item is the elections.

The following Honourable Members have been nominated for election to serve on the Standing Committee for Roads:

The Honourable Mr. R. H. Parker,

The Honourable Rao Bahadur K. Govindachari.

The Honourable Mr. Abdur Razzak Hajee Abdus Sattar, and

The Honourable Sardar Buta Singh.

There are four candidates for three seats and an election is therefore necessary, which will be conducted by means of the single transferable vote. The Council will now proceed to elect three Members. Voting papers will be distributed to Honourable Members and I request them to vote in accordance with the instructions noted thereon.

(Voting papers were distributed to Honourable Members and the Ballot taken.)

CENTRAL ADVISORY COUNCIL FOR RAILWAYS.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): We will now proceed with the second election, i.e., to elect six non-official Members from the Council who shall be required to serve on the Central Advisory Council for Railways.

There were in all 15 candidates at first, of whom the following seven Honourable Members have withdrawn their candidature:

The Honourable Rao Bahadur K. Govindachari,

The Honourable Mr. V. V. Kalikar,

The Honourable Mr. Abdur Razzak Hajee Abdus Sattar,

The Honourable Pandit Hirday Nath Kunzru,

The Honourable Nawabzada Khurshid Ali Khan,

The Honourable Rai Bahadur Lala Ram Saran Das, and

The Honourable Mr. B. N. Biyani.

There now remain the following eight candidates for election:

The Honourable Haji Syed Muhammad Husain,

The Honourable Mr. Sita Kanta Mahapatra,

The Honourable Chaudhuri Ataullah Khan Tarar,

The Honourable Sir David Devadoss,

The Honourable Lieutenant-Colonel Sir Shaikh Hissam-ud-din Bahadur,

The Honourable Mr. Ramadas Pantulu,

The Honourable Kumar Nripendra Nath Sinha, and

The Honourable Sardar Buta Singh.

As there are eight candidates for six seats, an election will be necessary, which will be conducted by means of the single transferable vote. The Council will now proceed to elect six Members. Voting papers will be handed round and I ask Honourable Members to vote in accordance with the instructions noted thereon.

RESOLUTION RE INCREASE IN THE NUMBER OF INDIAN JUDGES IN HIGH COURTS.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): Yesterday afternoon the Honourable Haji Syed Muhammad Husain read out the Resolution* which he is going to place before the House to-day. I now request him to proceed with his speech in support of his Motion.

THE HONOURABLE HAJI SYED MUHAMMAD HUSAIN (United Provinces West: Muhammadan): Sir, yesterday after the Council had adjourned and I was going out one of my friends approached me and said that the Resolution did not go far enough and that I should have put down, instead of two-thirds of the total number of Judges in a High Court, that all the Judges should be Indian, and I said: "No, I wanted to put my demand in a very moderate form." Then he pointed out to me, "You have seen the fate of the amendment on the question of committees". I said to him that this is more moderate than even the amendment about Committees, and I want to impress the same thing upon this House.

*"This Council recommends to the Governor General in Council that the number of Indian Judges in the High Courts of India be increased to at least two-thirds of the total number of the Judges of that High Court."

[Haji Syed Muhammad Husain.]

namely, that the Judges of the High Court should be Indians to the extent of two-thirds of the total number of the strength in that High Court. Now, Sir, you will see that, so far as the Honourable Judges of the High Courts are concerned, it is impossible to say that it is necessary to have for expert opinion or for imparting some education a non-Indian from outside. The Indian Judges have proved in every High Court their worth and capacity to administer justice without fear and with the fairness which is needed for a Judge of the High Court in India. Litigation has tremendously increased and the number of Judges has almost doubled in some of the High Courts. The number of European lawyers has considerably reduced in every High Court. When members of the Bar were raised to the Bench, the claims of Englishmen who were practising at the Bar had to be considered along with the Indian members of the Bar. But now, such Englishmen as are practising at the Bar are hardly able to compete with Indian members of the Bar for appointment to the Bench. So, the number of Indian Judges appointed from the Bar should naturally increase. But what has happened? In a good many High Courts, instead of appointing Englishmen practising at the Indian Bar, Englishmen have been appointed direct from England. There must be some sort of ratio between the number of Indian and European Judges in the High Courts. So far, the number of Indian Judges is about half in High Courts. Now, when the number of Judges is increasing on account of increase in the litigation, I want that the posts should be filled by Indians. To fill them by persons appointed direct from England is neither judicious nor advantageous for the obvious reason that there is absolutely no similarity or connection between the civil law of this country and the civil law of England except in one or two branches. Gentlemen sent out from England have had their experience in English courts. They take a good deal of time in mastering the civil law and naturally they are handicapped, as anybody would be, for a considerable time, before they are able to decide important questions of civil law as a single Judge. If an Indian Judge is appointed, that time would naturally be saved. I do not mean to say that the gentlemen who come from outside to fill these posts are in any way inferior to Indian Judges. Some of them are men of great integrity, learning and wisdom. But the question is, why should in this country, when the Indian Judges are equally good and in some cases better in administering justice, there be more than a certain quota for non-Indians? There can be only one reason and that is to provide more places for these gentlemen. I do not mean to exclude Englishmen altogether from holding any such post in India. If India is an equal partner within the Commonwealth of British Empire, there should be no exclusion of people of one part from the other. I would even go to the extent of saying that if reciprocal treatment is maintained, I would not even object to a gentleman who is capable of holding a certain appointment coming from a colony if they have no objection to taking an Indian from India in their colony. But here the question is, what should be the percentage of non-Indian Judges in the High Courts? The number now in each High Court is about 12, and I think that four out of 12 is not a small number. In the High Courts many branches of law are dealt with which are absolutely peculiar to this country. I will give only a very few instances. There is the law of pre-emption; there are the customary laws. The Judges who have to decide cases as the members of the highest court of appeal in India should naturally be such persons who

know the social life and customs of the litigants whose cases come up before them for decision.

THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal: Nominated Non-Official): You want the Judges to exercise their personal knowledge?

THE HONOURABLE HAJI SYED MUHAMMAD HUSAIN: What I mean is that they should not be led away by the influence of social customs of their own which are entirely different from those of this country. A person is brought up in a certain atmosphere and environment, and naturally that person is influenced by those things. Now, it must be admitted that the conditions in this country and in European countries are entirely different, and in respect of certain branches of law, the law of England and other countries is different to the law in India. I will give one instance. In the law of evidence, although the principle applicable is exactly the same, yet there are differences in applying it. When a witness makes a statement on oath the presumption in England is that he is telling the truth. (*An Honourable Member*: "Is it otherwise here?") It is not only otherwise but it has been stated in case after case that in this country it is not uncommon for witnesses to perjure themselves; therefore it cannot be assumed that a witness on oath is telling the truth. If he is disbelieved on one point, he is believed on other points unless his evidence is discredited by other facts. That is not the case in England, where if you disbelieved a witness on one point you disbelieve the whole of his statement. (*An Honourable Member*: "Quite wrong!") In English law if a witness is found to have perjured himself he is not believed. And this was the view of the Chief Justice of the Punjab in a case which he decided in the Allahabad High Court, and that view was dissented from in a subsequent decision, and if my Honourable friend challenges this proposition I could give him not one but many authorities on this point. Not only that, I say that in every branch of law as administered in this country and in England there are differences on certain points, and that is due to the different conditions prevailing in the two countries. Then certain branches of law administered here are absolutely unknown to English people, namely, our personal laws. It may be said that a member of one community here is quite ignorant of the personal law of the other community. But that is not so. People live so close together and see each other's customs daily that nothing is new to them. In fact you often find the personal law of one community adopted by another. You will find some Muhammadan sects that still follow Hindu law and custom. Then again, the education imparted in Indian Law Colleges teaches both Hindu and Muhammadan law side by side, whereas a gentleman coming from England knows nothing about these. He has never heard of Mitakshara and Dayabhaga. He gets no chance of training and he is not examined before recruitment. The day he arrives in this country he sits on the Bench and decides cases. That is certainly a great handicap. He is generally put with a Senior Judge, and we are told it is a Bench of two Judges. To look at, there are two Judges, but in fact there is only one Judge. The other Judge is merely a dummy and signs the judgment which is delivered by his colleague. That is how many branches of civil law are administered by these people who come out without a study of our laws or practice at a Bar where laws of that kind are administered. There is another thing I want to point out. When we put down any Motion for increased Indianisation, say of the army or some other service, the excuse for keeping Europeans on in those

[Haji Syed Muhammad Husain.]

services is that it is absolutely essential that we should at this stage have Europeans to give us knowledge of a specialised kind, particularly where modern inventions and science are involved. But in a High Court nothing of that kind is necessary. And it is not only unnecessary but prejudicial to the administration of justice, because, as I have explained, before they learn Indian customs and laws, a good deal of time is wasted. Some Judges openly say in Court, "I do not claim to know Indian law very well; I hope you will kindly help me in this point or that". Well, it is very straightforward and honest, but what about the waste of time? Can you entrust important cases to the decision of such Judges at that stage? Now, so far as I. C. S. Judges are concerned, they certainly can be raised to the Bench of any High Court from the Service. Some of these Service men have no doubt proved very eminent Judges, and some of the men from England also. I do not mean to say that such Judges from England or from the Service are not competent Judges. Far from it. But it is their natural handicap and the situation in which they are placed. They are asked to administer laws about which they know nothing and have never had an opportunity of coming into contact with. Therefore I say by all means have as many as you think honestly consistent with the spirit of give and take, with the policy of co-operation and with no idea of exclusion, but I say give only a proper share and not an improper share. As I said before, to give, in my opinion, more than that would certainly be merely to provide for certain people who cannot get much in their own country but that is much too unfair for this country.

Sir, with these words I move my Resolution.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern: Non-Muhammadan): Mr. President, in the Resolution which the Honourable Haji Syed Muhammad Husain has moved he has urged that the ratio of Indian Judges in the High Court should be increased. Sir, it cannot be denied that Indians have distinguished themselves as Judges and Advocates. We have had great Indian Judges in the past. We have great Indian Judges in our High Courts today. In the past, Sir, we have had as Judges lawyers of the stature of Bhashyam Ayyangar and Muthuswami Ayyar in Madras, of Kashinath Trimbak Telang, Badruddin Tyabjee and Ranade in Bombay and of Mahmood and Promoda Charan Banerjee in our Court, Dwarkanath Mitter and Ashutosh Mukerji in Calcutta. They are honoured names in legal circles. The Privy Council has on many occasions expressed the view that the subordinate judiciary in India is exceedingly competent. Well, Sir, Indian Bars too are getting stronger and stronger every day: they are getting more efficient; their efficiency has increased in recent years and there is no denying the fact that in important centres the European Bar has almost entirely disappeared. We have in our Court fortunately still one European giant left. I am referring to our respected leader Mr. O'Connor who is the leader of the Barrister Section of the Bar in Allahabad. We have still one respected leader left, but the European Bar has almost disappeared from important High Court centres. The Provincial Service, Judicial Service, too is getting more and more competent. It is an exceedingly competent service. I think for the salary that we pay to our subordinate judicial service we get a very competent class of officer and the number of Indians in the I. C. S. is also increasing. These are factors that we should take

into consideration in deciding this question. Indians in the I. C. S. Judicial Service, have done very well; they have given a very good account of themselves. Now, Sir, having regard to these factors, the time has certainly come when the Indian element in the High Courts should be increased. In the Federal Court we find that out of three Judges you are going to have two Indians. Why should not the same rule—a rule which you are going to apply to the Federal Court—be applied to Provincial High Courts also? Then, Sir, the legal position also has changed after the Government of India Act. The Government of India Act has made it easier for the Indian element to be increased—I am not a supporter of the Government of India Act—but the Act in this particular respect has made it easier for the Indian element to be increased and I will explain how. There is going to be under the Act no reservation in future for Barristers or Civilians. I am glad that there is going to be no reservation for any class of men. Therefore you cannot say that one-third should be reserved for Barristers and we have got to keep one-third reserved for Civilians. You can therefore have efficiency only as the test for appointments to the High Court. I think I am not wrong in saying that so far as the Bars are concerned, they have not always been satisfied with the quality of their Civilian Judges. I do not deny that there have been some great Civilian Judges. We had some great Civilian Judges in our own Court, but it cannot be denied that the Civilian Judge has not the same grounding in law as the Barrister or the Vakil Judge. His approach to a complicated legal question is not the same as the approach of the lawyer and when you have more efficient Bars, then you must have more efficient Benches also. Bar reacts on the Bench and the Bench reacts on the Bar. It is not to the credit of a Judge that he should be discussed in Bar Libraries. Sometimes Judges do come from the I. C. S.; they exhibit their ignorance of important branches of law and they are commented upon in Bar Libraries. You cannot stop that comment and that sort of thing lowers the prestige of a Court. Therefore, having regard to the changed circumstances, and changing circumstances, there is need for an increase in the Indian element. Reference was also made by the Honourable Haji Syed Muhammad Husain to the quality of our English Judges. Now, Sir, I am not one of those who decry the Englishman in season and out of season in this country. I know that we have had in the past some very great English Judges. In our own court we had, Sir, Sir John Edge and Sir Douglas Straight. They were great Judges. They have left permanent impressions upon the case law of this country, but here again there is no denying the fact that the quality of the English Barrister Judge from England in recent years has gone down. We are not getting the right type of English Barristers now for our Courts. We do not get our money's worth. That is the plain truth of the matter. Then, why have second class and third class men from England when you can get first class men in India? That is the simple issue which has been raised by the Honourable Haji Syed Muhammad Husain and I would like the Government to approach this question from this standpoint.

Sir, before I close, I should like to refer to the fact that after the translation of the Honourable Mr. Shah Sulaiman to the Federal Court, there will be no Indian Chief Justice in India. Sir, rumour has it that the Honourable Mr. Justice Venkatasubba Rao of the Madras High Court—I think Mr. Pantulu knows him much better than we do—(An Honourable Member: "He has resigned I am told.") I saw something in the paper

[Mr. P. N. Sapru.]

to that effect. The resignation has not been confirmed yet, but rumour has it that Mr. Justice Venkatasubba Rao is going to be superseded. I do not know him personally, but I have read his judgments. He is a most able Judge; he is a first class Judge. I think he is one of the best Judges that the Madras High Court has. He is one of the best Judges that we have probably in India. Why should he be ignored? If that is not racial discrimination, what else is it? I should have thought that the proper course was to appoint him as Chief Justice. He has officiated as Chief Justice of the Madras High Court. I think I am not wrong in saying that he has acted as Chief Justice.

THE HONOURABLE MR. V. RAMADAS PANTULU: Twice.

THE HONOURABLE MR. P. N. SAPRU: He has acted twice as Chief Justice and yet his claims are going to be ignored, and I believe, Sir, the appointment will go to some K. C. who probably is not making both ends meet! (*An Honourable Member*: "The appointment has been made—a Puisne Judge of the Rangoon High Court.") A Puisne Judge of the Rangoon High Court. Well, he may be quite competent, but I am quite sure that Mr. Rao is more competent. He is a first class Judge. We read his judgments with great pleasure and profit, and lawyers admire the skill and ability with which he handles difficult and delicate cases. Well, here is an example of racial discrimination. Because he happens to be an Indian he is ignored and there is no getting away from that fact. Sir, I think the Resolution of the Honourable Haji Syed Muhammad Husain is a very moderate one. It takes into account all the relevant factors. It is not unfair to the Europeans. It might be criticised on the ground that it is not absolutely fair to the Indians but it cannot be criticised on the ground that it is unfair to the Europeans.

Sir, with these words I give my very strong support to the Resolution moved by the Honourable Haji Syed Muhammad Husain.

THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal: Nominated Non-Official): Sir, my difficulty, at the outset, is that I do not understand the scope of this Resolution. The Government of India Act lays down the constitution of High Courts and how Judges are to be recruited:

"Section 220 (3).—A person shall not be qualified for appointment as a Judge of a High Court unless he—

- (a) is a Barrister of England or Northern Ireland, of at least ten years' standing, or a member of the Faculty of Advocates in Scotland of at least ten years' standing; or
- (b) is a member of the Indian Civil Service of at least ten years' standing, who has for at least three years served as, or exercised the powers of, a District Judge; or
- (c) has for at least five years held a judicial office in British India not inferior to that of a Subordinate Judge, or Judge of a Small Cause Court; or
- (d) has for at least ten years been pleader of any High Court, or of two or more such Courts in succession."

These appointments under the Act are made by His Majesty. Sub-section (1) of the same section says:

"Every High Court shall be a Court of Record and shall consist of a Chief Justice and such other Judges as His Majesty may from time to time deem it necessary to appoint".

So I do not understand the request to the Governor General to increase the number of Indian Judges to two-thirds as has been asked for or any proportion, because, if I may say so with all respect, under the Act he is not competent to do so. It has to be done by His Majesty.

Then again, the proposition which was stated by the Honourable the Mover was that there was such a dissimilarity between the civil law in England and that in India. That may be. He is perfectly right when he talks about personal law. But so far as the civil law is concerned, either the commercial laws or the law of contract or the law of torts or the law of property, they are practically the same and our laws are based on the English laws on the subject. (*An Honourable Member*: "What about the tenancy and revenue systems?") Yes, the revenue law and the land laws are dissimilar—I was coming to that. But so far as other laws are concerned—the commercial law, the contract law, the law of torts—they are practically based simply on the English law.

THE HONOURABLE MR. P. N. SAPRU: How many cases of torts have we in this country?

THE HONOURABLE MR. BIJAY KUMAR BASU: I am not prepared with the statistics but there are cases in the High Courts and especially on the Original Side of the High Court of Calcutta, for example, quite a number of cases of torts is brought. It may be that in other High Courts, not having the Original Side, my friends do not come to know them. That class of cases are brought in in subordinate courts and perhaps my friends do not happen to take notice of them.

Then, Sir, the question is: Are we going to have (to quote my Honourable friend Mr. Sapru) racial discrimination on the High Court Benches? Whether a person is an Englishman or an Indian or an Anglo-Indian or anybody, so long as he is a competent and efficient man, I do not think there ought to be any question. All that I care for is that administration of justice should be pure and undefiled.

THE HONOURABLE MR. P. N. SAPRU: We have racial discrimination in the Services.

THE HONOURABLE MR. BIJAY KUMAR BASU: I am talking of the High Courts which we expect to be above such racial discrimination and should be treated as the palladium of justice.

THE HONOURABLE MR. P. N. SAPRU: We have racial discrimination in the High Courts today. Fifty per cent. of the judgeships are reserved for Indians and 50 per cent. for Europeans. If I am right, Sir, there was a statement in this House and in the other House some years ago to the effect that the policy of Government was that 50 per cent. of the judgeships in the High Courts should go to Indians. I can give the reference if I look it up but I am quite clear in my mind that there was a statement to this effect made in this House.

THE HONOURABLE MR. BIJAY KUMAR BASU: Anyway, Sir, if that is the policy I have got nothing to do with it, I am talking of the principle. Whatever the policy may be, if that is the policy, even if there is a discrimination in favour of Indians, I think the policy is wrong. (*An Honourable Member*: "You want India to be a dumping-ground for every nationality?")

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[Mr. Bijay Kumar Basu.]

I do not say that. So far as the High Courts are concerned I want the best men that are available. I do not care whether he is black, brown or white.

THE HONOURABLE MR. P. N. SAPRU: It is Indians who are running the High Courts today.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): Please do not interrupt to the extent that you have been doing. Will you proceed, Mr. Basu.

THE HONOURABLE MR. BIJAY KUMAR BASU: I can understand if my friend's Resolution wanted that foreigners—I am putting it in the widest terms—should not be made Judges of the High Courts unless they were practising members of the particular Indian High Court. I can understand that. But to exclude them would be to bring into the High Courts an element of racial discrimination nobody ought to tolerate. Apart from that, Sir, if we began by having these discriminations between Europeans and Indians, where would we be led to? The next question would be, how many of the Judges should belong to a particular community and how many to another? All sorts of difficulties would arise.

Then when my Honourable friend the Mover complained that Judges who were recruited from the I. C. S. were not conversant with particular laws I think he was shooting a little wide.

THE HONOURABLE HAJI SYED MUHAMMAD HUSAIN: I did not say anything about the I. C. S. I spoke about Judges imported direct from England.

THE HONOURABLE MR. BIJAY KUMAR BASU: Well, you also spoke of Judges from the Services. But they have many years' experience in the district courts where they have dealt with the same laws that they are expected to deal with in the High Courts and they are people who have done it for, say, 15 years. They are naturally expected to know as much of the local laws as a practitioner in a High Court for 15 years can possibly do. Please don't think that I am an apologist for the I. C. S. I am not. But at the same time I am free to admit that I am not prepared to condemn

12 Noon. a class even if they belong to the much maligned I. C. S. (An Honourable Member: "Much maligned?"). Yes, much-maligned and sometimes very unreasonably maligned. My Honourable friend Mr. Sapru mentioned about the constitution of the Federal Court. I do not think I have come across anywhere in the Government of India Act any rule that so many judges should be Indians and so many will be brought out from England or from Honolulu! Nothing of the sort. It happens now that the choice has fallen on two Indian Judges and one European Chief Justice. There is nowhere any rule on the point. It may very likely be that in the years to come, we shall have the High Courts manned entirely by Indian Judges (Hear, hear) just as at the beginning we had the High Courts manned entirely by European Judges. Mr. Sapru said that there was some such rule. But there is none.

THE HONOURABLE MR. P. N. SAPRU: You will go into mourning when the High Courts are entirely manned by Indians!

THE HONOURABLE MR. BIJAY KUMAR BASU: I do not think I shall go into mourning, but there may be reason for my Honourable friend Mr. Sapru as a practitioner to do so, although he advocates with the strongest voice the other view here! Mr. Sapru further said that he did not like Judges being commented on in the Bar Libraries. He specially found that the Judges belonging to the I. C. S., when they were in the High Court, were criticised and talked of and commented on in the Bar Libraries. But has my friend found in his experience any Judge who has not been criticised in the Bar Library—any Judge who has not been commented on in the Bar Library, be he a Barrister, Vakil, Advocate or an I. C. S. Judge? After all, the Bar Libraries are places where the Advocates of different parties congregate, and in all cases one party must win and the other party must lose, unless of course there is a compromise. Naturally, the losing party will come and say that the Judge was a fool, because he did not accept his arguments. So, I do not see there was much sense in the remark that because there were comments on them in the Bar Libraries, therefore they did not know enough law. In the appointment of Judges at any rate we ought to have no racial discrimination, because that is the one department which every one would like to keep above suspicion, and I, for one, would certainly oppose this Resolution because it will bar the development of ideas of pure justice.

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras: Non-Muhammadan): Sir, I did not intend to intervene in this debate but the immediate cause of the provocation is the speech of my Honourable friend Mr. Basu. There cannot be much of an argument between two Members of the House, one of whom does not feel or think like an Indian and the other who feels and thinks like an Indian.

THE HONOURABLE MR. BIJAY KUMAR BASU: I join issue.

THE HONOURABLE MR. V. RAMADAS PANTULU: You may.

THE HONOURABLE MR. BIJAY KUMAR BASU: I do.

THE HONOURABLE MR. V. RAMADAS PANTULU: I think Mr. Basu's advocacy against the Resolution is one which ought to provoke from the European Members of this House the exclamation, "Save us from our friends!". I do not think any Honourable Member of the European community who is in this House would have spoken in the strain and in the manner in which my Honourable friend Mr. Basu has spoken today. I am really sorry for the way in which he has dealt with this Resolution. He side-tracked the whole question. We are not really discussing the merits or demerits of any particular Judges of the High Courts, whether Indian or non-Indian.

THE HONOURABLE MR. BIJAY KUMAR BASU: That is what was done by Mr. Sapru.

THE HONOURABLE MR. V. RAMADAS PANTULU: No. What Mr. Sapru said, as I understood him, was that if it was a question of competency, the history of the Indian High Courts clearly showed that there were Indians in this country who could give as good an account of themselves as any European Judge.

THE HONOURABLE MR. BIJAY KUMAR BASU: I did not deny that proposition.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): Please do not interrupt.

THE HONOURABLE MR. BIJAY KUMAR BASU: I was heckled all the time.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): I prevented that too.

THE HONOURABLE MR. V. RAMADAS PANTULU: The other thing that the Honourable Mr. Sapru said was that if it was found necessary to import foreigners as Judges of the High Courts, it had not been always found that the men who were brought out were superior to Indians, and in that connection he said that some of the European Judges were inferior in calibre and were less fitted than Indians to occupy the places they did. Both propositions are true and I do not think anybody, whether European or Indian, can controvert the truth of either proposition. Sir, Mr. Basu thinks that so long as a man is competent, whether he is an Indian or European, he should be recruited without any objection. I join issue with him. I am one of those who think that even if there is no Indian who can compete with a foreigner in ability you must get on with the Government of this country with the Indians we have. That is my politics. I do feel that in every department of administration this country ought to be governed with the help of those Indians who are best fitted among Indians to occupy those places. I know it is out of tune in this House, but that is my politics.

THE HONOURABLE MR. BIJAY KUMAR BASU: Seems to be a tall order!

THE HONOURABLE MR. V. RAMADAS PANTULU: It is not a tall order. It is a modest order for any Indian to make. Keeping that aspect aside, and assuming that English Judges who are brought out to this country are equally competent with Indian Judges, is there any reason, when India can supply all the Judges that the High Courts require, for bringing out Europeans to fill these places? I think there is none. The present Government of India Act provides for four classes of persons who may be appointed as Judges, namely, (1) Barristers of England and Members of the Faculty of Advocates in Scotland, (2) the I. C. S. men who have had previous experience of three years as Judges, (3) the Advocates and Pleaders of Indian High Courts, and (4) members of the Subordinate Judiciary, who have occupied a place not below that of a Subordinate Judge for about ten years. These are the four classes from which High Court Judges can be recruited. By far the largest proportion of the Indian legal profession consists of pleaders and advocates of the present High Courts, and members of the Subordinate Judiciary. The I. C. S. men, and the Barristers of England and Scotland do not, at any rate nowadays, constitute any very large proportion of the legal profession in this country. The English element practising in the various High Courts has been fast disappearing. We have got one or two eminent men in each High Court. My Honourable friend Mr. Sapru referred to an eminent English Barrister in Allahabad. In my own province we have got Mr. Nugent Grant, a very eminent Barrister. Many of them do not

care to accept a Judgeship in the High Court. Such of them as still remain in India command a lucrative practice at the Bar and very few of them would care to accept a Judgeship. So, if you want a Barrister, you have to go to a third or fourth rate man or to another High Court where he is a Puisne Judge. At any rate, speaking with an experience of 25 years at the Madras Bar, I do not think any Barrister brought out from England as a Judge in the last two decades has proved himself to be more competent than any Indian Judge. In the High Court of Madras recently a gross injustice has been perpetrated to the legal profession in Madras. We have two eminent Indian Judges, one of whom is a Barrister, Justice Madhavan Nair, who acted as Chief Justice for some months with great distinction. The other Indian Judge, the seniormost, is Justice Sir M. Venkatasubba Rao, who acted twice as Chief Justice. Both of them are qualified under the Government of India Act to be promoted to the position of Chief Justice, in which place a vacancy is occurring very soon as our present Chief Justice is retiring after the summer vacation. But what has been done? Without taking advantage of the provisions of the new Government of India Act which permit Sir M. Venkatasubba Rao's appointment as Chief Justice, a Barrister, who is now a Puisne Judge of the Rangoon High Court, has been appointed as the Chief Justice of the Madras High Court in supersession of both these two eminent Indian Judges whose names I have mentioned. I ask Mr. Basu whether he is in a position to prove that the Rangoon import is superior to the two Madras Judges and where the racial discrimination lies? Is it with the demand made by the Honourable Haji Syed Muhammad Husain or is it with the Government of India, or Government of Madras on whose advice the King made the appointment? Of course as a lawyer Mr. Basu will argue that because the Act says that the King is to make the appointment, the Governments in India are absolved of all responsibility in the matter. But he knows that is not correct, or he ought to know it. It is on the recommendation of the Provincial Governors and sometimes of the Government of India that these appointments are made. To import them partly from England and partly from the European I. C. S. is not now necessary under the Act of 1935.

THE HONOURABLE MR. BIJAY KUMAR BASU: Not always the European element. There are Bengali I.C.S. High Court Judges.

THE HONOURABLE MR. V. RAMADAS PANTULU: That satisfies the Honourable Haji Syed Muhammad Husain's Resolution. If two-thirds are Indians even if Indians are recruited from Indian I.C.S. men, that would satisfy him. He does not discriminate between Indian and British I.C.S. men. Therefore there is no point in Mr. Basu's interruption. The Governments in India which are really responsible for the appointment of High Court Judges are observing clearly a policy of racial discrimination. In the High Court of Madras where there are 14 Judges, only six are Indians, not even 50 per cent.; and I think if statistics are taken, in every High Court the number of Indian Judges will be found to be half of the total number. The question is, are we not to take advantage of the Government of India Act in the interests of India and recruit largely from the Indian element of the Bar, or are we to keep the number of the European Judges on the old level or even increase it when there is no necessity to do so? I think the old Government of India Act in force till 1935 laid down that one-third should be Barristers and one-third should be I.C.S. men. Under that provision there was no escape from keeping the British element at a high level, but that provision has been abrogated under the

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present Act. Up to 1st April, 1937, the Government of India was under obligation to recruit Judges of the High Courts from two particular branches, one from the Service and the other from the Barristers, in both of which Europeans preponderated. That is the reason for the preponderance of the European element. Now that restriction has been taken away. Mr. Basu ought to have welcomed this Resolution as a step in the right direction, as the Government of India has liberty, if so minded, to appoint all the Judges of the High Court from the Indian section of the Bar.

THE HONOURABLE MR. BIJAY KUMAR BASU: There was no occasion for the Resolution, because the Act does not provide for the appointment of Europeans.

THE HONOURABLE MR. V. RAMADAS PANTULU: The Act does not provide, but still they are working the Act in such a way as to perpetuate the European element. That is precisely my complaint. There is no use arguing with a gentleman who does not feel or think like an Indian. I must leave him there.

With regard to the other aspect of the question of the necessity of possessing a knowledge of Indian customs and laws, I think there is a great deal to be said in favour of the view expressed by the Mover of the Resolution. I have practised before many European Judges. I think they were very intelligent men. Their training at their public schools and also as Barristers no doubt equipped them with the necessary qualifications to interpret laws, and once you explained things to them they readily grasped the point, and there was no lack of desire to do justice as between man and man. But the process of teaching a Judge on the Bench after he has assumed his responsible office is not always a very pleasant one. Indian taxpayers are paying for European Judges to learn the Indian law after being brought out here. An eminent lawyer once told us in the Bar Association that when he was citing the *Mitakshara*, one of the Judges asked him who Mr. *Mitakshara* was or rather what does Mr. *Mitakshara* say! On another occasion when he was referring to a certain provision of law, instead of looking at the Transfer of Property Act, the Judge was searching the provisions of the Civil Procedure Code. Judges must have some previous acquaintance with the law codes of this country. There are any number of instances in which the European Judges imported into this country, eminent men in other ways, have shown gross ignorance of Indian laws and customs. So there is every justification for the Honourable Haji Syed Muhammad Husain saying that a larger proportion of High Court Judges should be drawn from men who knew Indian law and customs. This is a case which does not require argument. I have supported the Resolution because of the fact that the words occur "Indian Judges in the High Courts of India be increased to at least two-thirds of the total number of the Judges of that High Court". That does not preclude the Government of India from increasing the number to cent. per cent. I want all the Judges in India to be Indians and no foreigners at all. At any rate I wish that in no case a South African should be brought out as a Judge of an Indian High Court. We may be told tomorrow that in South Africa lawyers and judges specialise in a particular branch of law with which they are very familiar, namely, how to discriminate against other people and how to promote anti-Indian

legislation! And if a specialist on that subject is wanted, you have to go to South Africa! To be serious, our self-respect requires that our Indian High Courts should be manned by Indian Judges, especially at a time when Indian Judges can give as good an account of themselves as any foreign Judge brought out to India. I would only appeal to Mr. Basu and to men of his way of thinking to cultivate a little more of the Indian mentality in their outlook.

THE HONOURABLE MR. J. C. NIXON (Finance Secretary): I did not intend to intervene in this debate and do not intend to discuss the merits of this particular question, but I would like to summarise in one sentence what I conceive to be the opinion in this matter of Mr. Ramadas Pantulu. It seems to me that he would sooner be hanged by an Indian Judge than acquitted by a European one!

THE HONOURABLE MR. R. M. MAXWELL (Home Secretary): Sir, I feel a certain amount of difficulty in speaking to this Resolution in this House because, as already pointed out by my Honourable friend Mr. Basu, the matter is not within the competence of the Governor General in Council to whom this Resolution is addressed. Although several speakers including Mr. Basu have already touched briefly on the point, I might refer to the position under the old Act and the new Government of India Act. Under section 101 of the 1919 Act all High Court Judges were to be appointed by His Majesty, and that provision is continued. But under the 1919 Act additional Judges if required in any Court were to be appointed by the Governor General in Council, and to that extent the Resolution was the concern of the Governor General in Council at the time when the Honourable Mover gave notice of it. Since the 1st April however that ground has disappeared. Similarly, under the 1919 Act temporary vacancies in the posts of High Court Judges were to be filled by the Local Government. Now that position has changed entirely under the Act of 1935. Under section 220 of the Government of India Act, 1935, the substantive provision is this:

"Every Judge of a High Court shall be appointed by His Majesty by warrant under the Royal Sign Manual and shall hold office until he attains the age of sixty years".

That is the substantive provision, that is to say, the appointment is to be made by His Majesty alone. As regards temporary and additional Judges, there are certain provisions corresponding to those in the 1919 Act, but they are not the same provisions. Under the 1935 Act, both temporary and additional Judges are to be appointed by the Governor General in his discretion. That is the whole change; that is to say, the matter is removed entirely from the purview of the Governor General in Council and the Governor General in Council, for whom I have to speak in this House, cannot be held answerable for functions which he does not and will not in the future perform. Nor is it in my province, or even proper for me, to attempt to justify the discretion used by the Governor General or the appointments made by His Majesty himself. No doubt the position resulting from the 1935 Act is one which on reflection will commend itself to this House. It is necessary in fact that appointments of High Court Judges should be removed entirely from the sphere of political influence or from any sphere of controversy and the whole idea underlying these appointments is that they should be made by an authority which is not in any way influenced by political considerations or other considerations of a local character. However, I recognise that this House has a legitimate

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interest in the subject. I do not wish to stifle the debate on the Resolution entirely, but I shall endeavour as far as I can to place a few very simple considerations before the House which may help it in forming an opinion. One thing, however, which I would bring to the attention of the House is that more particularly under the 1935 Act the High Courts are primarily an affair of the provinces, apart from the actual method of making the appointments. It might be interesting to quote to the House a remark made by the Joint Parliamentary Committee in this respect. In discussing the provisions relating to High Courts the Joint Parliamentary Committee remarked:

"The High Court is, in our view, essentially a provincial institution: indeed we seek to secure for each High Court an administrative connection with the Subordinate Judiciary of the province which we regard as of the highest importance, and which we think could not be maintained if the Court were an outside body regarded (as it would probably be) as an appanage of the Federal Government".

Therefore, although, as I say, this House naturally and legitimately feels an interest in the general question of the High Courts, we must remember that a Resolution of this kind would more nearly concern the provinces than the Federal Legislature of the future or the Indian Legislature of today, and in so far as we seek to take up a point of view implying that High Courts in the provinces are in any way an appanage, as the Joint Parliamentary Committee expressed it, of the Central Government, we are getting on to some wrong ground.

Now, Sir, this Resolution more or less reproduces a Resolution which was moved in the Council of State in 1922 by the Honourable Mr. Sethna, whom I think I am right in identifying with the gentleman who occupies the Chair today. That is another reason why I feel myself at some disadvantage in trying to controvert such a Resolution. However, I have here the account of the debate of 1922 and I find that in the course of the discussion the view was expressed—and I think accepted by the Honourable Mr. Sethna as he then was—that a proportion of 50 per cent. Indian High Court Judges would be desirable. I do not say that he limited himself to that percentage, but that figure was mentioned as one which was desirable.

THE HONOURABLE MR. V. RAMADAS PANTULU: Under the old Government of India Act that was probably what could be done. As the law then stood it was all that could be done. The law is now changed.

THE HONOURABLE MR. R. M. MAXWELL: It was pointed out even in that debate that the matter of making substantive appointments did not primarily concern the Government of India. Even then under the 1919 Act the substantive appointments of High Court Judges vested with His Majesty, but, as I have explained already, temporary and additional appointments were to be made by other authorities. So the matter could possibly be discussed in the House of that day. However, the 1922 Resolution was withdrawn by the then Honourable the Mover, because Government expressed their sympathy with the idea underlying the Resolution and promised to consult Local Governments and High Courts with a view to giving any possible effect to it. I should like to tell the House what became of that Resolution, or at least how far it has been implemented. I have got figures showing the numbers and percentages of Europeans

and non-Europeans in all the High Courts of India on various dates. I have the figures for 1910, 1921, 1933 and the present year, 1937. I find that taking permanent and additional Judges together—because there is no reason for distinguishing them, they all form part of the substantive strength of each High Court as it works—taking permanent and additional Judges together in 1910 the number of non-European High Court Judges was 26 per cent. of the total number. In 1921 the percentage was 35; in 1933 the percentage was 48 and in 1937 the percentage is 51. That is to say, in the year in which the Honourable Mr. Sethna moved his Resolution in the Council of State, the number of European High Court Judges was 65 actually—the actual number was 65—and the number of Indian Judges was 35. In the present year the number of European Judges is 47 and the number of Indians is 48.

THE HONOURABLE MR. P. N. SAPRU: Do these figures include the Chief Court and the Judicial Commissioner's Court?

THE HONOURABLE MR. R. M. MAXWELL: They do include those Courts. The House will therefore see that the actual figure mentioned in the 1922 debate has been more than realised. We have actually now got to a figure of 51 per cent. Indians on the Benches of the various High Courts. Now, as regards the future, the probabilities of the future, some of the Honourable gentlemen who have spoken to the Resolution have referred to the qualifications laid down for appointment as High Court Judge in the present Act and the old Act. As a matter of fact, the qualifications (a), (b), (c) and (d) quoted by my Honourable friend Mr. Pantulu are for practical purposes the same in both the 1919 Act and the 1935 Act though there is a minor difference in the standing required of a Barrister appointed from England, Northern Ireland or Scotland.

THE HONOURABLE HAJI SYED MUHAMMAD HUSAIN: May I ask, Sir, whether according to Government's information the efficiency increases on account of the increase of Indian Judges, or decreases?

THE HONOURABLE MR. R. M. MAXWELL: I have remarked already, Sir, that it is not my province to defend the actual appointments and I should regard it as highly improper for me in this House or anywhere else to express an opinion on the efficiency of this High Court or that High Court, and I think the House will agree with me that it is a thing which could not very properly be debated in this House.

But I was referring to the qualifications which are now required for appointment as High Court Judge. Although the qualifications (a), (b), (c), (d) as required by the 1919 Act and the 1935 Act are substantially the same, the crucial difference between the two Acts is the fact which has already been noticed that sub-section (4) of the old Act has been dropped entirely in the new Act. That section reads:

"Provided that not less than one-third of the Judges of the High Court, including the Chief Judge but excluding additional Judges, must be such Barristers or Advocates as aforesaid," that is to say, "a Barrister of England or Ireland, or a member of the Faculty of Advocates in Scotland, of not less than five years' standing".

One-third of each High Court were required to be appointed from among such Barristers and another provision of the sub-section says that not less than one-third must be members of the Indian Civil Service. That provision has been entirely dropped in the new Act and the result is that

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there is nothing legally to prevent a High Court Bench from being constituted of 100 per cent. Indians. It may be interesting to the House if I refer briefly to the remarks of the Joint Parliamentary Committee on the omission of that provision. Speaking of the omission of Barristers, they say:

"We need hardly add that our acceptance of the proposal to abrogate the statutory proportion so far as Barristers are concerned implies no doubt as to the necessity of continuing, in the interest of the maintenance of British legal traditions, to recruit a reasonable proportion of Barristers or Advocates from the United Kingdom as Judges of the High Courts".

Now the Honourable Mover dwelt on the need of familiarity with social customs and Indian law as a reason for not recruiting Barrister Judges from England. It will be interesting to quote in answer to him the remarks made by the then Dr. (now Sir) Tej Bahadur Sapru, in a debate in the Legislative Assembly in 1921 on a Resolution of a very similar character to this. I think no one will question his right to speak on a subject of that sort. He said:

"Having regard to the manner in which our judicial system and our entire legal system has developed during the last fifty or sixty years, the English Barrister-Judge has even today his own value".

And he goes on to say:

"So far as the essential features of our law of property are concerned, they are closely allied to the English system and an English Barrister who comes out from England does no doubt contribute substantially to the elucidation of those intricate principles with which we have got to deal every day of our lives".

And he goes on to add:

"And he also brings out with him those high traditions of independence and freedom which we all value and which we all expect from members of the Bench in any part of India".

He goes on to remark that he fully expects the same qualifications from Indian High Court Judges, but he ends up by remarking:

"I do not think that it would be right for us, having regard to the larger interests of justice and law, to entirely dispense with the services of the English Barrister Judge".

I think I can leave my case on that point in Sir Tej Bahadur Sapru's hands.

THE HONOURABLE MR. V. RAMADAS PANTULU: We prefer the son to the father!

THE HONOURABLE MR. BIJAY KUMAR BASU: We do otherwise!

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: May I ask, Sir, if Sir Tej Bahadur expressed this opinion as a non-official Member of the Legislative Assembly?

THE HONOURABLE MR. R. M. MAXWELL: I think he was a non-official Member at the time. I was not there.

Now, Sir, as to the other change that has been made in the existing law in regard to the omission of the statutory reservation of certain posts in the High Court, the other thing that has been omitted is the requirement

that one-third of the Judgeships of the High Courts should be recruited from the I. C. S. That point again has been taken up by the Honourable Mr. Sapru who said that the Civilian Judge has not the same grounding of law as Barrister Judges and he shows ignorance of certain important branches of law. I might remark in passing there that one of the branches of law in which I. C. S. Judges are and have always been found of great assistance to High Courts is the criminal law. Their experience as Magistrates and Sessions Judges in the country has given them a grasp of the criminal law and the customs and habits of the people. (An Honourable Member: "The revenue laws too".) Also the revenue laws which make them of special help and assistance to High Courts. But I might again quote what the Joint Parliamentary Committee remarked on that subject. They said:

"The I. C. S. Judges are an important and valuable element in the judiciary, and their presence adds greatly to the strength of the High Courts. It has been suggested that their earlier experience tends to make them favour the Executive against the subject, but the argument does not impress us; we are satisfied that they bring to the Bench a knowledge of Indian country life and conditions which Barristers and pleaders from the towns may not always possess, and we do not doubt that the Crown will continue to appoint them".

I might remind the House that the Joint Parliamentary Committee had on it such great legal authorities as Mr. M. R. Jayakar, who is now coming to the Federal Court, Sir Abdur Rahim, the President of the Legislative Assembly—

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Are you quoting from the Report of the Joint Parliamentary Committee?—because these gentlemen were not signatories to it, and are not responsible for the opinions expressed in it.

THE HONOURABLE MR. R. M. MAXWELL: Other members were the Right Honourable Sir Tej Bahadur Sapru, Sir Nripendra Nath Sircar, and in fact the Honourable the Chairman of this House was also one of the members.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): The question is—are you quoting from the Report of the Committee, Mr. Maxwell?—because none of the British Indian delegates had anything to say in regard to the preparation of the Report. That Report was purely the work of the Members of the House of Commons and the House of Lords who formed the Committee.

THE HONOURABLE MR. R. M. MAXWELL: I am quoting from the Report of the Joint Select Committee. These names appear as Delegates from Continental British India and presumably they saw the Report.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): No, Sir. That Report was prepared after the British Indian delegates left England.

THE HONOURABLE MR. R. M. MAXWELL: Very well, Sir. At any rate, this Report is one of our chief authorities on the meaning and intention underlying the present Act and I commend it to any Honourable Member who wishes to get an insight into the principles underlying the 1935 Act. It throws a great deal of light on those principles and those who discuss the new Act and the Constitution might find a great deal of assistance also if they frequently studied it.

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Well, Sir, my conclusion then, from the facts which I have laid before the House is this. So far as the new Act stands, there is no reason whatever to suppose that the present predominance of Indians in the High Courts is not likely to continue and even to increase in the ordinary course. I have shown from actual figures the extent to which it has increased even since the last occasion on which the matter was debated in this House. It now stands at 51 per cent. There is no reason at all why that percentage should not go on increasing. But in so far as the House forms an opinion on the matter, I should like it to remember the quotations which I have just read, and which show that it is possible that the Indian Bench might not altogether gain if a deliberate policy were ever followed of excluding from it Barristers from England or members of the I.C.S. As regards the I.C.S. there is no obstacle in any case, because, the judicial branch of the I.C.S. is at the present moment very largely staffed by Indians and it is probable that in so far as the High Courts draw upon the I.C.S., in the future, the proportion of members whom they so draw will to a very large extent be Indian. In any case, Sir, I regard this Motion to some extent as a vote of no-confidence in the High Courts, because if the House is fully satisfied with the performance of the present High Courts, then there is no reason to recommend to the Governor General in Council that a certain change is essential. I was under the impression myself that if there was one department of administration or one institution at present established in this country which commanded the confidence of the Indian public generally, it was our High Courts. I was under the impression that the Indian public generally recognised the independence of view of these High Courts including their European members and that they valued the assistance on problems of Indian law which those members have been able to render. I was also under the impression that the public generally recognised and valued the determination of those High Courts to uphold everything connected with the liberties and rights of the subject and that it would be against the sense of the majority of this House—and I think of the country as a whole—to say, as is implied in this Resolution, that we are not satisfied with what High Courts are doing today. But in any case, the Governor General in Council, while in no way hostile to the spirit underlying this Resolution, must feel obliged to oppose it on the ground that if the Resolution were passed, it would be beyond the power of the Government, that is to say, of the Governor General in Council, to implement the recommendation. I hope that the House will see from the figures I have actually given and the present position under the Act that any such recommendation is really, in present circumstances, unnecessary and superfluous.

*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhammadan): Mr. Chairman, I have not much to say on this question because I am not intimately connected with the High Courts. The only reason why I intervene, Sir, is to say something about the speech of the Honourable Mr. Basu and that of the Honourable Mr. Maxwell. We are very grateful to Mr. Maxwell for having been generous enough to allow the House to discuss this Resolution. If he had so desired, he could have stifled discussion by taking legal objection that the matter is not primarily

*Speech not corrected by the Honourable Member.

the concern of the Governor General in Council under the present Government of India Act. Sir, he has said that there has been a great deal of progress of the Indian element in the High Courts and so we need not worry about it. As far as it goes, this is very satisfactory. We also recognise the difficulty of the Government at the present moment, when the whole thing is in the melting pot, and when new rules have come into effect. The Governor General in Council is no longer responsible for the appointment of even Additional Judges. Therefore, strictly speaking, this Resolution cannot have any effect under the present law. But what we desire to say is that it is not unnatural that Indians should desire that their proportion in the Services under the Crown in India should increase. There is no reflection on anybody in making this demand. We have not heard of English High Courts being filled by Judges either from the Dominions or other countries. This does not mean that other countries do not possess capable men. It only means that England has independence and she does not want to go abegging to get men. It shows an inferiority complex that we should always think in terms of what England can do for us and that everything that comes from England is good. I least expected that from the Honourable Mr. Basu.

THE HONOURABLE MR. P. N. SAPRU: I expected it.

THE HONOURABLE MR. BIJAY KUMAR BASU: Not disappointing!

THE HONOURABLE MR. HOSSAIN IMAM: Mr. Basu is a class by himself and I think it is forces from outside that pull him, not forces from inside. The Honourable Mr. Maxwell and the Honourable Mr. Pantulu said that there are four avenues for taking Judges for the High Courts, the Subordinate Judiciary consisting entirely of Indians, the Advocates consisting entirely of Indians, the I.C.S., in the judicial branch of which the majority are Indians. In the Bar too the proportion of Indians predominate. Even if you keep the Bar divided up between Indians and those practising from outside, the proportion that has now been proposed is not unreasonable. It wishes to give a fair deal to every one. If the Honourable Haji Syed Muhammad Husain has erred, I think he has erred on the side of moderation in demanding that only two-thirds should be Indians. Under the old Act one-third were to be Barrister Judges. Under the new Act there is no reservation. But even if you keep that proportion by means of a convention, you would not be going out of your way in trying to reach this standard. And it is very proper that today when we are discussing the subject again you should be in the Chair. Your demand has been fulfilled. We have 51 per cent. Indian Judges in the High Courts, and as the world progresses, from one step we can go higher and higher. The Government of India is trying to give us responsibility and with responsibility a greater share in the public services. There is nothing unnatural in this desire, and I specially hope that Honourable Members who are nominated here would at least in cases of this kind give greater play to their own sentiments than they do.

THE HONOURABLE SIR DAVID DEVADOSS: Irrespective of merits?

THE HONOURABLE MR. HOSSAIN IMAM: A High Court Judge, Sir, questions the merits of Indian Judges.

THE HONOURABLE SIR DAVID DEVADOSS: He said sentiment ought to prevail irrespective of the merits of the question.

THE HONOURABLE MR. HOSSAIN IMAM: The merits of a question are different from different angles of vision. If you have coloured glasses you will always look at things in that colour. If you only put on white glasses you will see things in their true colours. It is the universal practice that the Benches of the High Courts are filled by Europeans. We, Sir, on this side of the House are not as advanced as Mr. Pantulu wants us to be. He wants us to give up efficiency for the sake of inefficiency. At least we do not go so far. We say, let there be inefficiency but do not make a fetish of inefficiency. Efficiency is a thing for which there is no criterion, no touchstone where you can find out whether it is or is not. It is a matter of opinion, and with different persons opinions differ. The reason why this debate has been carried on as it has is because it is impossible for us to discuss Judges who have not come up to the mark, because, as Mr. Maxwell said, Indians have a very high opinion of the High Courts; they have a soft corner in their hearts for these Courts because it is in that place alone that we can get some show of injustice. (*An Honourable Member*: "Only show?") Well, Sir, there are some places you get real justice and some places you get show. But the fact that some of our members have been loud in their praises of European Judges shows that we are not actuated by any discourtesy or disrespect or animosity towards the English Judges. Where honour is due we are prepared to give it. But we are not prepared to give it to every person who has a white skin. If there are merits in the European Judges we will gladly accept them, but we are not prepared to say that we cannot obtain a similar competent article in India if we try to find it. Our contention is not that we do not get good enough Judges from England, but that people with similar qualifications are available in this country, and they have a prior claim to the people outside. That, Sir, I think the Government will concede. For these reasons I support the Resolution.

THE HONOURABLE HAJI SYED MUHAMMAD HUSAIN: Sir, I do not really know whether my friend the Honourable Mr. Basu really meant what he said. I am in doubt because as a lawyer I had expected from him better reasoning and arguments than he has given us. The weakness of his argument makes me wonder whether he was compelled to say something, good, bad or indifferent, or whether he really meant what he said.

THE HONOURABLE MR. BIJAY KUMAR BASU: I can assure my Honourable friend that there was no compulsion of any sort from any quarter.

THE HONOURABLE HAJI SYED MUHAMMAD HUSAIN: I did not mean to say compulsion on the part of anybody else but compulsion by his own spirit. Now, Sir, the whole of the argument of my Honourable friend revolves round two or three points. One was that under the Government of India Act it is His Majesty alone who has the power to appoint Judges and not His Excellency the Governor General in Council. There is no doubt that under both the English and Indian constitutions there are a good many things which His Majesty does. But on whose advice? On whose recommendation? Who are the people who guide the policy and make the recommendations? When an Indian Judge is appointed in India does His Majesty personally know anything about him? Does he come to investigate the merits of the person? No, it is the other people who guide the policy and make recommendations. I am much obliged to the Honourable Mr. Maxwell for expressing his sympathy with the spirit of

the Resolution. What I mean to say is that it really should be the policy which should be taken into consideration in the appointment of Judges under the Government of India Act. It is all right on paper; there is nothing objectionable so far as this matter goes; it is only when policy is formulated and put into practice that one has to see the spirit in which an Act is interpreted and acted upon. So far as my Honourable friend Mr. Basu is concerned—he has expressed his inability to support on that ground—I say that he was under no disability. This Resolution does not propose to amend the Government of India Act. It merely asks that a policy should be pursued and I am glad the Honourable Mr. Maxwell has shown that the Government of India has been pursuing it.

THE HONOURABLE MR. BIJAY KUMAR BASU: That is nowhere in the Resolution.

THE HONOURABLE HAJI SYED MUHAMMAD HUSAIN: My friend does not expect that everything should be put down in the Resolution. I think my Honourable friend ought to understand the spirit of the Resolution. There is nothing in this Resolution which requires the amendment of the Government of India Act and therefore it was impossible for my Honourable friend to oppose it. I am glad that the Honourable Mr. Maxwell expressed his sympathy and he was good enough to point out to the House that the policy of gradual increase of Indians in the High Courts is being pursued. But here is my Honourable friend who goes further and opposes without even expressing sympathy with the spirit of the Resolution. He wholly opposed this Resolution and on what ground? He says one of the grounds is racial discrimination. Is there anything in this Resolution which indicates racial discrimination? What this Resolution demands is an increase in the present number of Indian Judges. Now, who discriminates? This Resolution does not say that European Judges should be excluded. This Resolution does not throw any slur on European Judges. I said that before and so did the Honourable Mr. Sapru and he mentioned some very eminent names.

THE HONOURABLE MR. BIJAY KUMAR BASU: Is it seriously suggested that even if we wanted a 100 per cent. there would be no exclusion?

THE HONOURABLE HAJI SYED MUHAMMAD HUSAIN: That would have come if the Resolution had been sent by Mr. Pantulu; a hundred per cent. would have been demanded. But, as I say, I have put forward a very modest and moderate demand. I can now prove to my Honourable friend Mr. Basu that since 1910 the number has been doubled. There were 26 per cent. and there are now 51 per cent. and the number in 1921 was 35 per cent. I ask, is it not time that the assurance given in this House in 1922 should be reconsidered, and it would be exactly consistent with the figures, as pointed out by the Honourable Mr. Maxwell. Therefore this Resolution ought to be supported by every one. My Honourable friend in his argument blamed us for creating racial discrimination. He said that it is the principle on account of which he really opposed the Resolution and that if the policy was against the principle he condemned it. Now, which is the principle which he advocates—

THE HONOURABLE MR. BIJAY KUMAR BASU: There should be no exclusion of anybody, but only the most efficient men should be selected.

THE HONOURABLE HAJI SYED MUHAMMAD HUSAIN: I understood him then and I understand him now. So far as the Act is concerned,

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there is no discrimination. But so far as the policy is concerned, the fact is that people do not get their proper share. Is that a policy which my Honourable friend applauds?

THE HONOURABLE MR. BIJAY KUMAR BASU: I was not talking of the policy at all. I made that perfectly clear.

THE HONOURABLE HAJI SYED MUHAMMAD HUSAIN: Simply because there is no exclusion, is he going to import men from America, from South Africa or somewhere else?

THE HONOURABLE MR. BIJAY KUMAR BASU: I am afraid I have not been properly understood.

THE HONOURABLE HAJI SYED MUHAMMAD HUSAIN: There is no exclusion, and therefore there should be importation from New Zealand or from Zululand. Now, what I say is this. Give them a share certainly but give a proper share. Are we going to abdicate in favour of the gentlemen from outside who may be competent? It is an Indian High Court after all. We can justly claim that in Indian High Courts you should have as many competent Indians as you can. There is no necessity of having one Englishman if you do not need him. We do not exclude him. We give him one-third of the total strength.

The next thing that my Honourable friend said was that he opposed the entire Resolution because it is against justice. Now, I ask my Honourable friend to reconsider his views and see whether a demand of two-thirds is quite consistent with the progress which is being maintained from 1910 to 1937 or not. Is it unjust to ask that two-thirds of the number of Judges should be Indians? If really that is the sense of justice and if that is the type of Indians who have to go to the High Court Benches, I would rather have a man from Honolulu or South Africa or anywhere else than India itself. I would not go to the extent of saying that my Honourable friend really felt also what he said as it will do no credit to his sense of justice and that is why I felt doubtful. I hope the gentlemen on the other side will think of him when giving appointments in the Federal Court. I am really much obliged to the Honourable Mr. Maxwell for what he said in sympathy. The quotations that he gave from certain observations of Sir Tej Bahadur Sapru support my view under the circumstances. He only said that it is not advisable to entirely dispense with gentlemen from England. It was his duty to say that as a lawyer holding the brief for Government. He was putting the case of the Government. He was not expressing his personal opinion as a lawyer. To the extent that he went it supports my view. Then, my Honourable friend Mr. Maxwell said that this Resolution amounts to a vote of no-confidence in the High Court. I say it is nothing of the kind and in moving this Resolution I had no intention of expressing no-confidence in the High Court or any institution. What the Resolution asks is the increase in the number of Indian Judges. Either in the Resolution or in the speeches, it has nowhere been said that no European is competent enough to hold a Judgeship of a High Court. If you fill all the posts of Judges in the High Courts by Indians, people will still have the same confidence as they have today. If there are six Indian and six English judges and the public has

confidence, it will still continue to have confidence if there are four European and eight Indian judges. We say that however competent the Englishmen may be, and however capable they may be to administer justice, we want an increase in the number of Indian judges in the Indian High Courts which is paid out of the revenues of India. That is what we want. It is not the competence alone which is in question. As an assurance was given in 1922, if an assurance had been given to us in clear terms by the Honourable Mr. Maxwell, I would have withdrawn my Resolution. But as that assurance in clear terms is not forthcoming, I am obliged to press my Resolution.

THE HONOURABLE MR. R. M. MAXWELL: Sir, there is very little left for me to say but I would refer to the point last mentioned by the Honourable Mover that, just as the 1922 Resolution produced fruits in the shape of an increase in the number of Indians in High Courts, so this Resolution should be expected to produce similar fruits. I have already explained to the House the difficulty of my position, namely, that it would not be possible for me to give any assurance in a matter which does not concern the Governor General in Council but I have also given the House, I hope, good reason to suppose that whatever the position may have been in the past, in the future there is no obstacle in the existing Act to the increase of Indian Judges to any percentage in the High Courts. In 1922 the Governor General in Council had, as is well known, powers of superintendence, direction and control which made it possible for him to deal with matters of this kind to some extent. Now the executive authority of the Governor General in Council is the same as the executive authority of the Federation under the new Act and the constitution of the High Courts is not a matter for the executive authority of the Governor General in Council. It is therefore clearly not possible for me to do anything about this Resolution or to give any undertaking at all. But I trust that the House and the Honourable Mover will be satisfied that the position is such that there is every reason to expect that their expectations will be fulfilled in the normal course. The only thing is that the Governor General in Council has no competence to interfere in the matter.

THE HONOURABLE HAJI SYED MUHAMMAD HUSAIN: In these circumstances, Sir, I am perfectly satisfied and I do not press my Resolution.

The Resolution was, by leave of the Council, withdrawn.

The Council then adjourned for Lunch till Half Past Two of the Clock.

The Council re-assembled after Lunch at Half Past Two of the Clock, the Honourable the Chairman (Sir Phiroze Sethna) in the Chair.

HINDU WOMEN'S RIGHTS TO PROPERTY BILL.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern: Non-Muhammadan): Sir, I beg to move:

"That the Bill to amend the Hindu Law governing Hindu Women's Rights to property, as passed by the Legislative Assembly, be taken into consideration".

Sir, the Bill was introduced in the other place by Dr. Deshmukh and he is to be congratulated on having successfully piloted a Bill of far-reaching importance for the women of this country.

THE HONOURABLE MR. BIJAY KUMAR BASU: Hindu women.

THE HONOURABLE MR. P. N. SAPRU: Yes, for the Hindu women of this country. It is a measure of far-reaching consequence for Hindu society and Hindu women. Sir, the Bill will to some extent improve the position of Hindu women. One of the tests by which we measure the progress of a society in the modern world is the status which that society assigns to women. There was a time when Hindu women had a good deal of freedom. They had, at one time of our history, some economic independence. But woman's position in India deteriorated when decay set in in Hindu society. Sir, one of the more hopeful features of the Indian renaissance through which we are passing is the awakening among our women. With increase in education has come a demand for the recognition on the part of women of their individuality, and their personality. Founded as our society is on the possessive instinct in life, it is not surprising that our women are claiming now a greater measure of that economic freedom without which it would not be possible for them, in the world constituted as it is today, to develop the uniqueness of their own personality. Sir, I am myself a strong feminist and I would like women to have equal rights and opportunities. I recognise, however, that progress towards this goal can only be, in a society constituted as our society is, a gradual one. We have to fight prejudices which have become as it were part of our mental structure and it is perhaps only through gradual stages that we shall be able to reach the goal of an emancipated womanhood. This, Sir, is what I have to say by way of answer to those who might think that the Bill does not go far enough.

The Bill, Sir, I would say, is a small step in the direction of greater freedom for women. Sir, the present position, as the House knows, is that in a divided Hindu family and in cases of separate property, women can claim a share when sons or brothers partition the property. Women get on partition what is known as a limited estate. But, Sir, on the death of the husband, the widow does not become a coparcener. She is entitled, if the family happens to be a joint family, to maintenance. She becomes entitled to a share in the property if the family is a divided one and the sons wish to divide the property, but she has not the status of a coparcener. The effect of this Bill will be to make the widow a sort of coparcener on the death of her husband, in other words, she would be able to claim the coparcenary right of partition. That is the most important right which a coparcener has and the Bill gives her that right—the right of claiming a partition. Therefore, upon the death of the husband, the widow would become like any other male coparcener. No doubt, she has the right of maintenance today. No doubt she gets a share when her sons partition the property. But, as I just pointed out, she has not got all the rights of a co-parcener, and the purpose and object of this Bill is to give to women co-parcenary rights. The nature of the estate the widow will get is not affected by the Bill. The estate she will get will be a widow's estate and will remain subject to all the limitations of a widow's estate. The Bill affects parties governed both by the Mitakshara and the Dayabagha schools of law. But of course it has particular reference to those who are governed by the Mitakshara system of Hindu law. The object of this Bill is therefore a limited one. It is to remove this defect in Hindu law as we know it today. If this Bill becomes law women will get an independent right of enforcing partition. In other words, the

mother will get an equal right with the sons of enforcing partition. Sir, rationally, nothing can be said against the proposals which are to be found embodied in this Bill. These proposals, Sir, had the support in other House of the Government. They had the support of a very, very eminent lawyer. I am referring to our respected Law Member, Sir N. N. Sircar. I had hoped that he would be here to help us in piloting the Bill. But we know, Sir, that he has not been well and we regret his absence. I feel, Sir, that he would have given me much help if he had been present here. But he has not been very well. We are grateful to him for the great support that he has given to this Bill in the other place. Now, Sir, as I said, nothing can be said against the proposals which are found embodied in this Bill. I will not argue the case for the change because I think there is nothing that can reasonably be urged against it. I will wait to hear what the opponents of this Bill, if there are any, have to say. But there are just one or two criticisms that I might answer by way of anticipation. It may be said that the change that is proposed in the Bill is against Hindu religion and Hindu law. My answer to this line of criticism is this. First of all, so far as I am concerned, I maintain the view that religion has nothing to do with social laws. Religion is a purely personal matter which regulates our relations with the Maker of the universe. Law and religion are not the same. They become more and more distinct with the advance of society. Therefore the argument that this law is against either the letter or the spirit of Hindu law makes no appeal to me. Secondly, my answer to this line of criticism is that Hindu law is an evolving and developing process. The capacity of us Hindus to adjust ourselves to changing conditions is one of the merits of our society. We do not look to any particular revelation or to any one Law-giver as our guide. We Hindus believe in a continuous revelation. Therefore, I would say that there is nothing in the Bill which goes against either the letter or the spirit of Hindu law. I do not propose to formulate any legal conundra. The Bill is a simple one and I would ask the House to look upon it as a measure of social justice. I would make an appeal to the more orthodox Members of the House. I would say to them that world conditions are changing, that we are entering a modern world, and it has been the great glory of Hinduism, it has been the great glory of Hindu society that it has shown itself generally capable of adjusting itself to changing conditions. Our women demand the recognition of their status in life. They want a greater measure of economic freedom. Are we going to deny them this greater measure of economic freedom? Are we who want in the political world freedom for our country going to be unjust to our women, to our wives, to our sisters, to our daughters? That is the simple issue that is raised by this Bill, and I have confidence in the sanity of the orthodox community. I am quite sure that the orthodox section of the Hindu community will be just as prepared to support this Bill as we on this side of the House are. We Hindus have shown great capacity in the past to adapt ourselves to our environment, and I have no doubt that it is this capacity which has preserved us from destruction. I would also make an appeal to my Muslim friends. Fortunately they belong to a society which knows what social justice is. Their laws in the matter of women are more humane than our laws, and I am confident that we shall have their support. I would make a similar appeal to my European and Christian friends. We should like to have their support. They have supplied us with new ideals. May it be given to them to help us to realise those ideals?

Sir, with these words, I move.

THE HONOURABLE MR. BIJAY KUMAR BASU: On a point of information, Sir. Clause 3, sub-section (1), says "devolve upon his widow along with his lineal descendants, if any, in like manner as it devolves upon a son". In Malabar no property descends to lineal descendants at all, and if a widow is left she will not share it with the lineal descendants because the law of succession is the sister's sons. I just want to find out how that is affected.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: If my Honourable friend Mr. Basu had any amendment to make there was the Bill before him and he ought to have put in an amendment. If my Honourable friend was not satisfied he ought to have put in an amendment, and then the House would have been in a position to deal with it.

THE HONOURABLE MR. A. DEC. WILLIAMS: I have only very briefly to state the attitude of Government to this Bill. Government do not propose to participate in the debate. They will support the Bill in the form in which it came from the Legislative Assembly, but they are not prepared to accept any last-minute amendment to the Bill.

*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhammadan): Mr. Chairman, I intervene in the discussion of this Bill just to make clear the position of the Muslim Members in this House. We are very grateful to our Hindu colleagues of this House that in the last Simla session when a Bill affecting our own religion alone was before the Council they very generously promised to abide by the decision of the majority of Muslim Members. It was a conventional thing done voluntarily. By legislation we cannot deprive any part of the House from exercising its vote, but a convention can grow up that in certain things a certain class of people who are primarily concerned with it should have complete liberty of action, and that whatever line of action they decide to take should have the general support of all other communities. In accordance with that convention I think we would not be keeping the spirit of the convention if we were in any way either to oppose or support this measure. But we can say this that every measure which has for its object greater social justice will have the entire sympathy and support of all sides of this House. My only regret is that this Bill does not go far enough. I do hope that in the other House people will be more venturesome and bring in a Bill which will bring Hindu women at least into line with the women of Islam. (Another thing to which I wish to give particular emphasis is that every measure which wants to give rights to Indian people, whether male or female, should not be objected to because it does not provide for every imaginable case.) The point which the Honourable Mr. Basu has made is a very pertinent point. Probably this question does not arise in Malabar, because the question of injustice to women is non-existent there. It is more or less a question of injustice to men. Probably the Honourable Mr. Basu will bring forward a Bill to equalise the position of men with that of women. Sir, after having stated that we, Muhammadans, have every sympathy with the motive of the Bill, I resume my seat.

THE HONOURABLE MR. P. N. SAPRU: Sir, I am grateful to the Honourable Mr. Williams and the Honourable Mr. Hossain Imam for the support that they have given. I have nothing more to say. Sir.

*Speech not corrected by the Honourable Member.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): Motion moved:

"That the Bill to amend the Hindu Law governing Hindu Women's Rights to property, as passed by the Legislative Assembly, be taken into consideration."

The Motion was adopted.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): We will now proceed with the Bill clause by clause.

Clause 2 was added to the Bill.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): Clause 3.

THE HONOURABLE MR. BIJAY KUMAR BASU: Sir, I am very sorry that I was misunderstood. When I asked for information it was not that I wanted to propose any amendment at all. As a matter of fact when I read it, I just thought if any explanation would be forthcoming; perhaps there was a debate about it in the other House and we might have been enlightened about it. I simply wanted information. There was no question of amendment at all.

Clause 3 was added to the Bill.

Clause 4 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. P. N. SAPRU: Sir, I move:

"That the Bill to amend the Hindu Law governing Hindu Women's Rights to property, as passed by the Legislative Assembly, be passed".

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras: Non-Muhammadan): Sir, I rise to express the gratitude of a large section of the Hindu community to Dr. Deshmukh for having piloted this Bill successfully through the Assembly and also to my friend, the Honourable Mr. Sapru, for having taken up this Bill in this House. The position of the Hindu widow at present is very lamentable, and though this measure has not gone as far as it should have gone to give her legitimate rights in a joint Hindu family, it has done something for her. In the other place it was said that the original Bill, which was more progressive, was cut down and 15½ annas had been taken away and only half an anna had been left. Even the half anna is not worth neglecting. The Bill gives to the Hindu widow the right to claim partition in a joint family property and to separate the share of her husband and to enjoy it as a Hindu widow for her life. That is a great concession, especially because Hindu co-parceners, though they may become separate, do not usually do so and are not in the habit of making wills. Under the Hindu Law as it stands it is open to a co-parcener by unilateral act to declare that he becomes separate from his co-parceners, without the concurrence of the other co-parceners, and to become separate and to execute a will bequeathing his property to his widow. Very few people take advantage of the provisions of the Hindu Law and therefore the result is

[Mr. V. Ramadas Pantulu.]

that Hindu widows are left in a very pitiable condition. Therefore this Bill really advances the position of Hindu women to a considerable extent. I do not think there is anything revolutionary in this Bill. I may draw the attention of the House to the two sub-clauses of clause 3. Sub-clause (1) of clause 3 deals with the system of Hindu law which is governed by Dayabagh, which is prevalent in Bengal, and sub-clause (2) with the school called Mitakshara school which is prevalent in Madras—it speaks of schools other than Dayabagh. The most predominant school is Mitakshara. I may tell the House that Dayabagh and Mitakshara are merely schools which are based on one original text, the same Smriti, only the commentators are different. The commentary by one author is called Dayabagh and by the other author is called Mitakshara. The same original text is interpreted in two different ways in Bengal on the one hand and Bombay and Madras on the other. There is nothing in the original Smriti which will justify any Hindu saying that this Bill is a revolutionary one. We are trying to bring the law in Madras, for instance, into conformity with the law in Bengal. Therefore it is really a question of accepting one commentator as against the other commentator. Though this Bill is only a small measure of relief to Hindu women, it is a welcome measure. I have no doubt that in course of time as public opinion is educated in favour of giving larger rights to Hindu women, more progressive measures will be introduced in this House and the other House and will be passed without much difficulty. The beginning is a very good beginning, and I have said that my object in speaking at this stage is really to congratulate the author of this Bill and thank him for the help he has rendered to Hindu society.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Sir, I should not like to give a silent vote on this occasion. (I am not satisfied with this Bill. I should have liked it to go further. For instance, I should have liked that the property which a woman inherits or the interest which she acquires in property should be made absolute and that she should become the owner of the property. Unfortunately, owing to the opposition of the vested interests the Bill was so whittled down in the other House that we are compelled to take it as it is or to go without any law which would give the slightest relief to women. I have therefore no alternative but to vote for it.) I am, however, glad to know that the Honourable the Law Member stated in another place that he himself would have liked the Bill to go further. I hope, therefore, that before his term of office comes to an end, he will help in putting through another measure which will give further economic rights to women.

With these words, Sir, I heartily support the Bill before us.

THE HONOURABLE DEWAN BAHADUR SIR RAMUNNI MENON (Madras: Nominated Non-Official): Sir, I have no desire to take part in the discussion on this Bill. My only object in rising is to get one particular point cleared, if I may get it cleared, and that is this. I should like to know whether this Bill would apply to the Marumakkattayam Law of Inheritance, in regard to which there is a special Madras Act, Madras Act No. XXII of 1933, the Madras Marumakkattayam Act. Special provision is made in that Act for the devolution of intestate property. I should like to know whether this Bill, if passed, would apply to the Marumakkattayam Custom on law of inheritance.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: May we ask as a special case that Mr. Pantulu, who is fully familiar with the circumstances of the case, be allowed to answer this question?

THE HONOURABLE MR. RAMADAS PANTULU: I think, Sir, there is nothing in this Bill which will justify the apprehension that it abrogates the provisions of the Madras Act of 1933. Section 3 (1) applies to cases "When a Hindu governed by the Dayabagh school of Hindu Law dies intestate" and "when a Hindu governed by any other school of Hindu Law or by customary law dies intestate" possessing separate property. The clause is only dealing with the textual and customary laws of Hindus and is not dealing with any particular Legislative Acts. There are particular Acts which deal with succession not only in Madras but also in some other Provinces as well. They are not affected by this Bill. Similarly section 3 (2) applies "when a Hindu governed by any school of Hindu law other than the Dayabagh school or by customary law dies intestate" as a member of a joint family. Therefore that sub-section also deals only with the textual law and the customary law of Hindus and the whole Bill is so framed as not to touch any particular law governing succession enacted in the provinces by means of local Acts.

THE HONOURABLE MR. P. N. SAPRU: Sir, I am grateful to the House for the support that it has given to this Bill. The Honourable Mr. Kunzru said that he would have liked this Bill to go further. I would have liked it myself. I would have been glad if the property which a woman inherits had been made absolute. I agree that the property which a woman inherits under this Bill will not be absolute. It is, however, not possible for us, having regard to the social prejudices of the country, to go further and therefore, Sir, while I would say that I agree with Mr. Kunzru in hoping that it might be possible for the Bill to be improved at some future time, I would also say that I want the Bill even as it is because it represents an improvement over the existing position.

Sir, I am grateful to the Honourable Mr. Ramadas Pantulu for coming to my help in answering the question that was raised by Sir Ramunni Menon. I would also say, by way of answer to Sir Ramunni Menon, that in the Assembly when this Bill was discussed there were Malabar Members and I think that if there was any substance in his point it would have occurred to them and they would have raised some objection.

THE HONOURABLE SIR RAMUNNI MENON: I am not aware that there is anybody in the other House who is governed by this Act. All the people in Malabar are not governed by this law.

THE HONOURABLE MR. P. N. SAPRU: Well, Sir, I do not know what the position of the Madras Members is. Still, my answer would be the same as that given by the Honourable Mr. Ramadas Pantulu. This Bill is not concerned with special statutory enactments. I am quite sure that the sympathies of Sir Ramunni Menon are with this Bill. He always stands for justice for women and I think, Sir, that the question put by him was merely a legal conundrum.

Sir, I move:

"That the Bill, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

CRIMINAL PROCEDURE CODE-AMENDMENT BILL.

THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY (East Bengal: Non-Muhammadan): Sir, I beg to move for leave to introduce:

"A Bill to provide for jury trial in sedition cases".

"Historical writers"—as I once quoted before, says D. G. E. Hall in his English constitutional history—"are probably amply justified when they aver that the use of the jury system; which means the co-operation of ordinary men in the securing of justice, was the real beginning of self-government amongst us".

Now that self-government is alleged to have been introduced in this country it is time that we should have the law of sedition so amended as to make sedition cases triable by jury. Offences against the State have been made triable by jury except sedition. The reason for this was perhaps that the prosecutor in such cases happens to be the judge, particularly in India where there is no separation of the judicial from the executive functions in criminal trials. The offence of sedition, Sir, is very difficult to define and has to be differently interpreted in different High Courts from time to time.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): It is not necessary for the Honourable Member to make a long speech in asking for leave to introduce a Bill. Standing Order 68 says:

"If a motion for leave to introduce a Bill is opposed, the President after permitting, if he thinks fit, a brief explanatory statement from the Member who moves and from the Member who opposes the Motion, may without further debate put the question".

THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY: Then I move, Sir.

The Motion was adopted.

THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY: Sir, I introduce the Bill.

RESOLUTION RE PROHIBITION OF THE IMPORT OF VEGETABLE OIL, VANASPATI, ETC., INTO INDIA.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Sir, I rise to move the following Resolution:

"That this Council recommends to the Governor General in Council that:

- (a) the import into India of solidified vegetable oil, *vanaspati* and other similar products be entirely prohibited unless they are given such permanent harmless colouring as may readily distinguish them from and render them unfit for readily mixing without detection with natural pure ghee;
- (b) the manufacture in India of solidified vegetable oil, *vanaspati* and other similar cheap products be entirely prohibited unless they are also permanently coloured in the same way as suggested in clause (a) for imported articles, in order to render them unfit for readily mixing without detection with natural pure ghee."

Sir, to start with I might mention that I have moved similar Resolutions in past years in this House and I might say, Sir, that when I had the privilege of moving this Resolution on the 27th February, 1929, in this House, although that Resolution was slightly different from this, it had the approval of this House and it was passed and adopted. Since then, Sir, the number of factories for the manufacture of *vanaspati* ghee has

grown up in India and they have very nearly replaced the import of *vanaspati* ghee. As far as my information goes, we have 7,35,00,000 of milch cattle in India, and in case we take half that number as being under milk we are producing 17,79,000 maunds roughly of pure ghee. Sir, I heartily thank His Excellency the Marquess of Linlithgow for the kind interest that he is taking towards improvement and research in the dairy produce of India. His Excellency was good enough to appoint Dr. L. C. Wright, Director of Hanna Dairy Research Institute, to report as regards the improvement and the betterment of Indian dairy products. He will be shortly submitting his report to the Government of India. As far as my information goes, when he was travelling in the rural areas, the agriculturists complained to him bitterly as regards the adulteration of vegetable compound with their pure ghee, which affected their income adversely.

Sir, I do not want to repeat the arguments that I put forward in favour of this Resolution in my previous speeches. But in order to refresh the memory of this House, I will repeat a few of the salient facts. Some time back, Sir, I put a question in this Honourable House as to why pure ghee was being used in rationing the Indian Army. His Excellency the Commander-in-Chief then replied that as *vanaspati* was practically devoid of useful vitamins and in order to keep up the strength and physique of the soldiers and the sepoy, it was necessary that pure ghee should be rationed. He said that for that reason they were not using adulterated ghee. Before the war, the demand for pure ghee from the army was 28,000 maunds. During the war, this quantity rose to as much as 9,00,000 maunds a year. When these 9,00,000 maunds of pure ghee was required for the army, India could only find 5,00,000 of maunds, and the balance of 4,00,000 was imported from Persia, Mesopotamia, and other countries. Now, Sir, I understand, the annual demand of the army for their rationing the Indian Army is 70,000 maunds a year. The total consumption of pure ghee, as far as my information goes, is 20,00,000 maunds a year in our big cities. India produces, say, 17,79,000 maunds of ghee. So, the difference of about 3,00,000 maunds is being met by adulteration of *vanaspati*. Sir, I might mention that in 1928-29, the import into India of *vanaspati* ghee and similar vegetable products was of the value of Rs. 1,26,00,104 and the quantity was 31,105 tons. That quantity dwindled down to 4,181 tons in March, 1932. We find that there has been a further dwindling in this figure and the value of imported *vanaspati* has fallen down practically by over a crore of rupees. The value of *vanaspati* ghee is practically nil as far as its food value is concerned. An experiment was made at Lahore by the Chemical Examiner, Captain Thomas, I. M. S., on cats and kittens, and his report said that those cats and kittens which were fed on *vanaspati* ghee grew weak and lean while those which had pure ghee improved in physique and strength. Sir, the Honourable the Minister in charge of Local Self-Government in the Punjab, in 1929, made certain observations in the Punjab Legislative Council, and for the information of this House, I will again quote them, though I quoted them in speaking on my Resolution on the 27th February, 1929. The then Minister for Local Self-Government in the Punjab, Sir Feroz Khan Noon, who is now High Commissioner in London, said:

"If you wish to find out as to what the Indian mind feels about the effect of *vanaspati* ghee you have got to go to the streets and see the labourers who eat simple *chappatis* and *dal* and have nothing more to eat. You will find there are many in that class in this country with whom natural ghee is the only stuff which gives them

[Rai Bahadur Lala Ram Saran Das.]

the necessary vitamins. If you cut ghee out of their *dal* or out of their *chappatis*, you will find that their food will not be as nourishing as it ought to be.

It has been argued that *vanaspati* is not directly injurious. I certainly agree that it is not injurious, as arsenic, for instance, is injurious. On the other hand *vanaspati* has not got that effect. It has this effect, that it greatly reduces a man's vitality and the effect of that article of food in the long run is, I think, as injurious as that of any poison. I have been trying to study this question as minutely as possible. I have thought of the question of prohibiting the import of *vanaspati* into this province. I am sorry to say that to prohibit the import of this article into the provinces was not within my power and not within the power of this Government. Then I further went into the question of requesting municipal committees to prohibit the sale of this article within their limits and of prohibiting it being disembarked at certain railway stations. This method again was found defective, because a man who wishes to cheat the public need not necessarily detain *vanaspati* ghee at a particular railway station where there is a municipal committee. For instance in the case of Lahore he can easily detain at some 10 or 15 miles out and then bring it into Lahore by motor lorry. So even that method cannot be effective".

In another place he says:

"With the support of your speeches in this Council we at once proceeded to address the Government of India on the subject and tried to bring about some sort of legislation or executive order by which all *vanaspati* produced in India or imported into India should be coloured in such a way that if it is mixed with real ghee it is spotted at once".

Then he also said again:

"It is my intention as well to keep the danger away as far as possible".

Sir, the result was that the Provincial Governments and Legislatures passed certain legislative measures, but in practice those Acts have made no effect on the adulteration of ghee. In the first place small committees and notified areas are not rich enough to employ a proper analyst. An analyst costs not less than four to five hundred rupees a month and they cannot afford that salary. The result is that the only places where that law can apply in practice is within the limits of the big towns. Now, in the big towns there are a few prosecutions in a year, and those people who are defrauding the public by adulteration of ghee go on cheating. I asked one of them who was punished why he sold mixed ghee and got convicted and thus dishonoured. He said, "During the year I am profiting by so many thousands of rupees and even if I am convicted and fined Rs. 500 it pays me to go on adulterating ghee". So, so far as the practical side of these measures goes, we find no practical relief. I think it is the duty of the Government to see that the public is not cheated in the way it is. In 1928 I suggested that some sort of harmless colouring should be given to this artificial ghee. Many years have passed since that Resolution was passed in this House, and no information has been given to the Central Legislature as to whether or not the Government has succeeded in finding a suitable harmless colouring which may make detection easy. *Vanaspatis* factories in India are increasing, which shows that the cheating is also on the increase. Now, the cheating is done in the ghee producing centres. First people started mixing *vanaspati* with ghee in the various markets (*mundis*), but now the evil has spread to the pure ghee-producing centres, with the result, so far as the Punjab is concerned, it is very very difficult to find pure ghee in markets. The Punjab and the North-West Frontier Province, as the House is aware, regard ghee as a necessity. These people do not use oil so much as Bengal, Bihar, and certain other provinces do. So it is these provinces who are suffering worst from the

vegetable oil products that are being forced upon them. These two provinces are the main recruiting centres for the army, and as His Excellency the Commander-in-Chief then observed, it was not in the interests of the strength and physique of the Indian sepoys that they should be given adulterated ghee. I find now and even the Recruiting Officers find that the physique of the people in the Punjab comparatively has gone down. (An Honourable Member: "Only on account of ghee?") Mainly on account of ghee, yes. And therefore I consider that it is essential that some sort of real protection should be given to the masses against this invasion of adulterated ghee. I might mention for the information of this House that the present price of a tin of pure ghee which contains about 18 seers or 36 lbs. is Rs. 18, while the price of a tin of vegetable compound containing 19 seers or 38 lbs. is only Rs. 7. I would say further that if no suitable harmless colouring has yet been found by the research chemists of the Government, then artificial ghee or *vanaspati* should be mixed with *sarson* oil or with *til* oil, *moongphali* oil. If 10 per cent. of these oils are mixed with the *vanaspati* it will not materially affect the value of that vegetable ghee as far as its vitamin content is concerned, though I hold myself that vegetable ghee has no useful vitamins at all. But if this 10 per cent. of these oils is mixed it will add nutritious value to the vegetable compound and it will enable the masses to detect that ghee either by taste or by smell.

Sir, the Government when I moved this Resolution last held that they did not want to stop the import of *vanaspati* ghee because I suggested that a prohibitive import duty be imposed upon it. Now, of course, there is no question of an increase in import arising. That has been reduced by over a crore of rupees a year. The local vegetable factories are practically meeting the demand for *vanaspati* in India, and in every *mundi* you will find that so many thousands of tons of this *vanaspati* comes in for adulteration with pure ghee to various places of pure ghee production. I think, Sir, that Government is failing in their prime duty to protect the health of the people by allowing this stuff to be mixed. In Bengal, as my Honourable friend Mr. Basu interrupted me, I found while I was there that even the fat of snakes was being added to pure ghee. That was the fact which the ghee merchants themselves admitted there. They said that fat of pythons was being mixed with ghee. However, as Bengal is generally an oil-consuming province, perhaps they do not realise the admixture as much as those provinces do whose staple food is pure ghee. I therefore submit that my proposal is a sound one and it is the paramount duty of Government to see that their subjects do not suffer in health. Sir, a number of Indian States have entirely prohibited the import of this *vanaspati* ghee into their various States, and they are adding in number. For instance, Sir, I might cite a few States which have already taken such measures, and they are: Jammu and Kashmir, Porbandar, Navanagar, Junagadh, Wadhwan, Palitana, Rajkot, Idar, Soyia, and so on. So far as the production of pure ghee per province is concerned, I have no up-to-date figures, but the figures which I prepared some time ago prove that in Central India as much as 1,00,000 maunds of ghee was produced every year, and Central India itself consumed only 10,000 maunds. So there was a surplus in Central India of 90,000 maunds. Gwalior State, which is one of the biggest in Central India, was the first in the field to absolutely stop the import of artificial ghee. I therefore commend this Resolution to the favourable consideration of this House. I have divided it into two parts

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COUNCIL OF STATE.

[6TH APRIL 1937.]

[Rai Bahadur Lala Ram Saran Das.]

(a) and (b), because the Government may say that from 1st April Provincial Governments have been given financial autonomy and they can look after themselves. Therefore in case Government are unable to accept part (b), they ought to accept part (a). I therefore submit that my Resolution may be put in two parts to the vote.

With these remarks, I commend this Resolution for the favourable consideration of this House.

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras: Non-Muhammadan): Sir, I should like to say a few words. Between the years 1925 and 1929, vegetable ghee was a hardy annual and I remember to have myself participated in the debate on that question in 1929. Our thanks are due to the Honourable Rai Bahadur Lala Ram Saran Das for the persistence with which he is pursuing this question. In the old days there used to be only one clause to his Resolution to prohibit import. At that time all the vegetable ghee was coming from Belgium and Holland and there were difficulties in the way of the Government of India imposing prohibitive import duties on those imported articles, for the reason that those countries supplied articles of food to England which did not want to antagonise them; my Honourable friend now finds that imports have greatly decreased, because it is now manufactured in India as well; and therefore we find today two clauses to the Resolution instead of one as in the old days.

Sir, on the question of the prohibition of importation or the manufacture of vegetable ghee, I am not so sure whether, on its own merits, its use ought to be prohibited. It may not be nutritive, but in the absence of evidence that it is deleterious to health, and unless medical opinion favours the view that the consumption of vegetable ghee is harmful, there is no case for prohibiting its manufacture. If medical opinion favours the view that it is bad to health then there is a case for stopping its manufacture. On the previous occasion when I was in this Council some eminent medical men—the Surgeon-General of Madras—spoke on it and said that it was not deleterious to health. It may not be quite nutritious, it may not be quite as good as ghee as an article of consumption. Still poor people who cannot pay for the ghee may well like to have something for flavour, though not for nourishment. For example, in the villages which I have visited, I know people who manufacture ghee sell their ghee because it fetches a good price and buy *vanaspathi*, because it is cheaper, for the sake of flavour or for frying some vegetables and so on. Therefore it is a question of economics with the poor people. But I support the Resolution for the reason that this particular article is being largely used for adulterating pure ghee. My objection is not to the manufacture of this article, but to its being used in adulterating with it genuine ghee. As my Honourable friend has pointed out, it is a very dangerous article. In scientific language it is colourless, tasteless and odourless, and these qualities make it particularly suitable for adulteration. Therefore, I think one direction in which the Government of India and the Provincial Governments can help us in this matter is to make the laws regulating adulteration of food articles more stringent and also calling upon the local authorities and other people connected with the detection of adulteration to be stricter in punishment of the offences. My friend Rai Bahadur Lala Ram Saran Das may take some steps to address Local Governments and also local and municipal bodies to be more watchful in the matter of adulteration. That

is the suggestion I would make. To punish adulteration no doubt some fine is imposed under the various Provincial Acts. My friend has urged that the fines have not proved deterrent. The illicit gain made by the adulterators is much more than the fine they are called upon to pay, like the fine in the case of marriages under the Sarda Act in my part of the country. The dowry is fixed at such a level as to include the fine also if parents are prosecuted for offence under the Sarda Act—so much dowry plus the fine which will be imposed by the magistracy. It is like that—not deterrent. Therefore there is a case for examining the Provincial Acts in regard to adulteration of articles of food and to take proper steps to see that genuine ghee is not adulterated with this artificial ghee.

On the question of the permanent colouring, I do not know whether any research has been conducted in the Departments of the Government of India. We will be glad to have some information on the question whether this particular subject has been referred to any of the research departments of the Government, either the Agricultural Research Council or any other research body. In any case I would advise my friend, the Honourable Rai Bahadur Lala Ram Saran Das, to offer a prize for one who finds a material which will give permanent colouring to this without affecting health. In some instances I know when research is not very encouraging the offer of a prize to scientists who carry out research in such matters is productive of good results.

These are some of the observations I have to make. I have entire sympathy with the Resolution so far as it purports to fight the present practice of adulterating ghee. I am not, however, quite in sympathy with the recommendation that its manufacture in this country should be prohibited. I know many kinds of seeds which we used to export to countries which manufactured vegetable ghee because they were thought useless, have now been a source of profit as vegetable ghee is manufactured in India. From that point of view also I am not in favour of prohibiting its manufacture but I am strongly in favour of the Provincial and Central Governments taking suitable action for the prohibition of its import and for prevention of adulteration.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Education, Health and Lands Member): Sir, my Honourable friend Rai Bahadur Lala Ram Saran Das told the House that this is not the first time that he has brought up this question. I think I am correct in saying that this is the fifth time that he has brought up this question. The first Resolution was moved so far back as 1926. This is a striking example of perseverance and patience in regard to a matter which so deeply affects the health not only of the people of the Punjab but of the people in other provinces. I think it would be superfluous for me after the elaborate description of the virtues of pure ghee that my Honourable friend has given to say anything more about it. I think there is no question in this House that pure ghee has a value of its own as a food product in India, but I should like the House to consider what the Resolution demands. The first part says that the import of certain vegetable products into India should be prohibited unless they are coloured in such a way that they cannot be used for adulteration. Then the second part says that the manufacture of these articles should be entirely prohibited unless they are permanently coloured in order to prevent adulteration. Well, I think my Honourable friend will agree as regards the second part that since the 1st April this is a matter which is now entirely within the powers of Local Governments. If, for instance,

[Kunwar Sir Jagdish Prasad.]

the Government of the Punjab are satisfied—and I believe that there is a factory for the manufacture of this kind of oil at Lyallpur—well suppose my Honourable friend is able to convince the Punjab Government and the Punjab Legislature that it is necessary to prohibit the manufacture of this particular article at Lyallpur unless it is coloured in the manner that my Honourable friend desires it should be, it is now entirely within the competence of the Local Government to do so. I hope the House will agree that, when the Local Government has now got the power to take such action as it desires, it is unnecessary now for this House—nor has it got the authority—to issue any directions to the Local Government. I do not quite understand now what my Honourable friend's difficulty is as regards part (b) of the Resolution in having his scheme carried out in the Punjab. During the course of his speech my Honourable friend has not explained to the House why it is that he has brought part (b) to be discussed here when I believe he agrees that the Punjab Government has got complete authority to take such action as it likes, to take the action which he has described in part (b) of his Resolution, or any other action in regard to the manufacture of this particular article.

Now I come to part (a) of the Resolution and the House is perfectly entitled to inquire whether action more or less on those lines can only be taken by the Centre or by the Provinces. I understand that the constitutional position is that, if a province considers that the entry of a product of this kind is likely to be used for adulterating a food product like ghee, it is entirely open to the Local Government to regulate the entry of that article or to lay down rules that when it is sold it should be coloured in a particular manner. Therefore, so far as action by a particular Government is concerned, part (a) and part (b) are more or less on the same footing. It is quite open to the Punjab Government as far as I understand the constitutional position to make regulations to see that this imported article is not used for the purposes of adulteration. That being the position, I think now, after the passing of the new Act, the forum for a discussion of this kind is now the Local Government concerned and it is there that action can properly be taken. It would not serve any useful purpose if I were merely to say that I am prepared to forward a copy of the debate to Local Governments. I suggest in all sincerity that the real thing needed is to get the Local Legislatures interested in the subject and if they are really impressed with the importance of the action which my Honourable friend has been persistently advocating for a number of years, I do not see any reason why action should not be taken. I do not for a moment wish to dispute the importance of a pure supply of ghee nor do I desire to say that this particular vegetable product is not used for adulteration. I am saying that, assuming that all the facts stated by my Honourable friend are correct, my only difference with him is that the action on the facts which he has suggested is now for the Local Government and not for the Central Government or the Central Legislature.

As regards the suggestion made by my Honourable friend, Mr. Pantulu, that the Local Government should be asked to tighten up their Adulteration Acts, I think a good many Local Governments have passed these Adulteration Acts and action has been taken, possibly in some provinces not as effectively as in others, but even there it is entirely a matter of provincial administration. For these reasons I hope that, now that the constitutional position has changed so much to the advantage of my

Honourable friend, the Leader of the Opposition, in regard to this particular matter, I suggest that he should now devote his energies and enthusiasm to educating and persuading the Provincial Governments. So far as the Centre is concerned, he has devoted nearly 12 years to the advocacy of his case, but I am sure that a much shorter period of advocacy in the provinces will meet with the success which it deserves.

THE HONOURABLE MR. KUMARSHANKAR RAY CHAUDHURY: On a point of information, Sir. May I ask the Honourable the Leader of the House whether it is open to the provinces to raise subsidiary tariff walls against the Government of India tariff?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: I am not prepared to answer a question of tariff now.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, I find that the Honourable the Leader of the House seems convinced as regards the necessity and the desirability of the object which has led me to move this Resolution for the fifth time. Sir, it pains me to find that although I have pursued this question for practically 12 years, nothing much has come out of it. Sir, the Honourable Mr. Ramadas Pantulu seemed to have misunderstood the position as far as prohibiting the manufacture of *vanaspati* was concerned. My Resolution never aimed at the stopping of the manufacture of *vanaspati*. Let this manufacture go on, but in order to save the masses from being cheated, I say that the product should have some sort of harmless permanent colouring so that it can easily be detected. The Honourable Mr. Ramadas Pantulu supports me that this *vanaspati* unfortunately has no colour, no smell and no taste, and so it is easily mixed with pure ghee. He has also observed that I should set up a prize for research work on this chemical permanent harmless colouring. Sir, I hold that for such a research, Government should find the money. As far as agriculture is concerned, Government have always declared that they have the best interests of the agriculturist at heart. This matter is one which vitally concerns the agriculturist, and it is a matter of necessity. His Excellency the Viceroy, the Marquess of Linlithgow, has deputed a specialist and an expert to go into the question of the dairy products in general and to find ways and means to improve their quality and quantity. Sir, my Honourable friend Mr. Ramadas Pantulu has also observed that it will restrict the sales of cotton seeds and other seeds the oil from which is readily mixed with the *vanaspati*. I might mention that agriculturists generally pass all their produce to the merchants, and so, as far as the seeds are concerned, he is not directly interested. The cotton seed is a very useful food for cattle. In the Punjab, all the milch cattle are daily given a quantity of cotton seed in their food. That improves the quality of the butter and the proportion of the butter in the milk. If the agriculturists keep seeds with him, that will be instrumental in improving the quality and the yield of milk.

Sir, the Honourable the Leader has asked me why I have moved part (b) of the Resolution. I very well knew that this question will naturally arise. But my fear was—and I understand it is also now the fear of the Government—whether the new Provincial Councils will actually work long and what their fate will be. From recent developments we find that perhaps these Councils will not last long and that in a great number of provinces “no confidence” Motions will be moved every time, and the Congress will try to wreck the Constitution.

THE HONOURABLE MR. V. RAMADAS PANTULU: If the Councils meet at all.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: My Honourable friend, the Leader of the Congress Party, says, "If the Councils meet at all". That, Sir, makes my position stronger in saying that as the Councils and Assemblies will not last long, it devolves on the Government of India to look after this matter. My Honourable friend the Leader of the House is also in charge of the Department of Health in the Government of India and as this question vitally concerns the health of the people, I hold that it is the duty of his Department to see that the object of my Resolution is fulfilled. The second reason which led me to move part (b) is that the lead should be given by the Government of India. In case the Provincial Legislatures work for a longer time, and in case Government do not accept part (a) of my Resolution, they will say that there is not much use their prohibiting the manufacture of *vanaspati* at Bombay or Calcutta or elsewhere. So, it is the duty of the Government to give them a lead by enforcing the prohibition on the import of *vanaspati* into India unless it is coloured in the manner desired, i.e., that it cannot be readily mixed with pure ghee. Unless this is done, the Local Legislative Councils of the various provinces will not be able to achieve the object aimed at by this Resolution. Sir, it is imperative that the Government of India should move in such a manner as may result in the adulteration of ghee being stopped.

Another point, to which the Honourable the Leader of the House has referred to. There are other Local Governments under the Central Government. I mean the Government of Ajmer, the Government of Coorg, and so on. What about these areas? Government at the centre must have some legislation for these areas as well. That is another reason which has led me to move part (b).

As regards forwarding copies of the debate of this House to the Provincial Governments, it is not much use sending them now, 4 P.M. because as I have observed the Punjab Government as well as the Punjab Legislature are for it, but they cannot succeed even if they pass such a Bill in their province unless there is some restriction imposed upon the import of colorless *vanaspati*. Sir, it has been asked whether the food value of pure ghee is likely to be affected by the addition of this *vanaspati*. On that I have cited authorities His Excellency the Commander-in-Chief who had his research institute at Kasauli behind him, and I have also given the authority of Dr. Thomas, the Chemical Examiner of the Punjab that this *vanaspati* has practically no food value at all. It simply adds weight. Anything else might equally well be mixed with ghee, mud even, for all the value it has. (An Honourable Member: "Is it harmful to health?") It is not harmful as it is not poisonous. It simply has no food value at all. It is a makeweight which is depriving people of real nourishment. I, therefore, request the Government to kindly accept anyhow the first part of the Resolution, because if they don't it will mean that after accepting the principle in the Resolution I moved here in 1928, now instead of Government stopping the cheating they are for it and do not care for the health of the people. So I request that if part (b) is not acceptable, part (a) may be accepted in full, so that when the proceedings are forwarded the provinces may be quite clear about the

position. I consider that Government should accept part (a) and forward (b) to Provincial Governments for their favourable consideration.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: I think my Honourable friend was in a somewhat pessimistic mood. He started by saying that after 11 years of persistent effort he finds himself practically where he was at the beginning. And in that pessimistic mood he said what is the point of thinking about Provincial Governments and Legislatures; they may not meet at all. As far as the Punjab is concerned, I think my Honourable friend will agree that his pessimism is a little exaggerated.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: As far as the Punjab is concerned I said that unless (a) is accepted there is no use in accepting (b).

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: Will my Honourable friend allow me to proceed. I think I have followed his argument and I hope I shall be able to make my reply quite clear. I was going to say, as far as the Punjab Government is concerned I do not think he need be in any very great apprehension that the Provincial Legislature will cease to function. He has put the question, why should not part (a) of the Resolution be accepted, and in the course of his speech he has already pointed out that since he last spoke on this subject the bulk of this vegetable product is now manufactured in India and that very small quantities are now imported from abroad. Further, as I said when I spoke in replying to him, even in regard to those small quantities if a Provincial Government were convinced that it was necessary to regulate the entry of that article or to regulate its sale in order to prevent adulteration, they had got full power as far as I gather under the present Government of India Act. Then my Honourable friend went on to say that if I did not accept the Resolution I should be going back on what the Government of India did in 1929. I think my Honourable friend is under a misapprehension as to what the attitude of the Government of India was in 1929 and I think it is only fair that I should refresh his memory as to what the spokesman of the Government of India said in 1929. If he will kindly look at page 129 of the proceedings of which he has got a copy in his hand, he will find that this is what Sir Geoffrey Corbett said:

"We have only received the opinions of a few of the Local Governments so far and the major Local Governments and commercial bodies have not yet replied. In these circumstances I am sure the Honourable mover will understand that it will be improper for the Government of India to express an opinion or indeed to hold an opinion until they have received and considered what the Local Governments have to say".

Then he goes on to say:

"We will take no further part in the debate and we will not vote, but we shall be very glad to hear what the views of the Members of the House are in order that when we come to consider the opinions of the Local Governments we may have the considered opinions of members here too".

That is what the Government of India said in 1929.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: On a point of personal explanation, Sir, I know that Sir Geoffrey Corbett said that he had not got the opinions of Local Governments. But he had practical sympathy with the object which my Resolution had in view. And in the

[Rai Bahadur Lala Ram Saran Das.]

number of years which have since elapsed the Government of India must have received the opinions of Local Governments. The Honourable Leader did not say whether those opinions had been received or not, and as he has said nothing about it I presume they were all for it.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: I think the latter part of his presumption also, if I may inform my Honourable friend, is not correct. The opinions were received. Many Local Governments did not want any action at all. But I hope I have been able to convince my Honourable friend that the Government of India did not accept his Resolution in 1929. On the other hand, they very clearly said that they formed no opinions at all; and subsequently when this subject was again debated in 1931 on another Resolution by my Honourable friend, Sir Frank Noyce stated the position of the Government of India then.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: May I know what is their opinion now?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: If my Honourable friend will allow me to complete my argument. I have said that the Government of India never accepted this Resolution of my Honourable friend, in making the statement I did I was not going back on any decision of the Government of India. I have, I hope, been able to convince the House that the action which my Honourable friend desires can now be taken by Provincial Governments. I do not for a moment wish to say that the Government of India are in any way indifferent to the production of pure ghee. As my Honourable friend has already stated, we have taken steps to improve the breed of cattle, we have asked for a specialist to advise us in regard to milk products. The particular action which my Honourable friend suggests is a matter really for the Local Governments concerned. In the first place he ought to try and convince them. I do not quite know what view they are likely to take, and I have said that so far, I think I am correct in saying, they have not asked us to take the action which he now proposes. I hope my Honourable friend agree that this is a subject really now for the Provincial Governments and that action can be taken by them if they are convinced by his arguments or if they think that any other action is required in order to ensure a pure supply of ghee and it is for that reason that I have to oppose his Resolution. I myself was going to support the suggestion of my Honourable friend, Mr. Pantulu, that the Honourable Leader of the Opposition should offer a prize, but as that suggestion was not considered favourably I would not like to press it.

I hope the reply that I have given will not be regarded by my Honourable friend as in any way unsympathetic. I am in full sympathy with the object of my Honourable friend that there should be an ample and pure supply of ghee for the people, that it is good for the cultivator and it is good for the populace, but the exact measures which he suggests for preventing the adulteration of ghee by this particular product can I think only be taken adequately by Provincial Governments.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): Has the Honourable Leader anything to say in regard to the suggestion made

by the Honourable Mover that the Resolution be put to the House in two parts?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: No, Sir, I have no objection to its being put in two parts.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA) (to the Honourable Rai Bahadur Lala Ram Saran Das): Do you wish to press your Resolution?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Yes, Sir.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): In regard to the suggestion made by the Honourable Mover that the Resolution be put in two parts, I am not in favour of the same for the good reason that the remedy he proposes both in the case of imported solidified vegetable oil is exactly the same. Therefore I put the Resolution as a whole.

The Question is:

"That this Council recommends to the Governor General in Council that:

- (a) the import into India of solidified vegetable oil, *vanaspati* and other similar products be entirely prohibited unless they are given such permanent harmless colouring as may readily distinguish them from and render them unfit for readily mixing without detection with natural pure ghee;
- (b) the manufacture in India of solidified vegetable oil, *vanaspati* and other similar cheap products be entirely prohibited unless they are also permanently coloured in the same way as suggested in clause (a) for imported articles, in order to render them unfit for readily mixing without detection with natural pure ghee."

The Motion was negatived.

The Council then adjourned till Eleven of the Clock on Wednesday, the 7th April, 1937.

COUNCIL OF STATE.

Wednesday, 7th April, 1937.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the Chairman (Sir Phiroze Sethna) in the Chair.

RESOLUTION *RE* GRANT FOR IMPROVEMENT OF COTTAGE INDUSTRIES IN ORISSA.

THE HONOURABLE MR. SITAKANTA MAHAPATRA (Orissa: Non-Muhammadan): Sir, I beg to move:

"That this Council recommends to the Governor General in Council that he be pleased to make a substantial grant to the Government of Orissa for the improvement of cottage industries in that province."

Sir, the poorest of Indian provinces which I have the honour to represent here has been for decades and decades past simply a consumers' province. Since the advent of British rule we have all along bled white to fatten other provinces to a large extent. During the last decade the Government of India decided upon a plan of discriminating protection to industries. Now, this is in name only and protection is going on indiscriminately. Walls of protection are going up higher and higher, thereby making the people of a purely consuming province poorer and poorer day by day. We have got no industry and no commerce—nothing of the sort. But it was not so before the advent of British rule. There was a time when Orissan merchantmen used to sail on the high seas. Oriya merchants and traders had their trade connections with China, Java, Bali, and even certain parts of South America.

When the British came to Orissa they found that the best salt was manufactured in Orissa. Due to this salt industry my province was once a very prosperous country. But this industry was sacrificed at the altar of the avarice of British merchants interested in Liverpool and Cheshire salt. Orissa was tagged to the tail of Bengal for over a century. Orissa was looked upon as the Cinderella amongst her many divisions for over a century. No attempt was ever made to revive industries in Orissa. Government salt factories have all along been working in the adjoining province of Madras but the Government of Bengal never established a salt factory in the then Orissa division. Orissa is a coastal country with many big rivers therein. But due to neglect by Government the mouths of those rivers became silted up and impassable for steamers. Then Orissa was tagged to the tail end of the new province of Bihar with a view to find an easy opening for her. The Government of Bihar also never cared for the Orissa division. They too treated her like Cinderella amongst her many divisions. Now Orissa has been forged into a separate province and losing parts of the country from Madras and the Central Provinces have been added to her. The Government of India have been giving Orissa some subventions but, thanks to the great financier Sir Otto Niemeyer's greater ingenuity contained in his award, Orissa is being treated in a niggardly manner in the matter of subventions with the result that after meeting the cost of the provincial paraphernalia little is left to be spent on nation-building departments. So, unless the Government of India come to our rescue not only

[Mr. Sitakanta Mahapatra.]

as a matter of favour but also as a matter of justice by making some earmarked grants to the Government of Orissa to be specially utilised for the improvement of cottage industries in Orissa, the Government of Orissa will be able to do nothing in this direction from the funds at their disposal. During the past year practically nothing was done, not I must admit due to want of will but due to want of funds and the situation has not improved this year. Sir, since the time the Honourable Mr. Nixon gave out his mind to improve the finances of the Government of India by imposing a poll tax on Oriyas I have been terribly afraid of him! But one thing I am tempted to say. If a poll tax on Oriyas is the only method known to the Honourable the Finance Secretary to balance this year's budget, I hope he will soon become the Finance Member. I shall pray to the Goddess Kali for that. Sir, I do not want to dig a hole of a crore or two in the Government of India's budget. My idea is this. There is expected to be a surplus of a few lakhs in the Government of India budget for this year according to the present calculations. In anticipation of that surplus, the Government of India can make a grant of a small portion of the sum for the improvement of cottage industries in Orissa. The Government of India have during the last decade robbed the poor Oriyas of a large sum of money in the shape of protective duties on industries. Will the Honourable Mr. Clow conscientiously say in which way the protective duties have benefited Orissa? The Government of India will only do justice to the Oriyas if they take some steps themselves for the improvement of the industries of that province. And no other industry can be improved there in Orissa except cottage industries. A substantial grant by way of encouragement to cottage industries in Orissa is not an impossible problem for the Government of India. For these reasons, I would request the Honourable Mr. Clow to accept my Resolution.

THE HONOURABLE MR. A. G. CLOW (Industries and Labour Secretary): Sir, I think I can say that we have to some extent anticipated my Honourable friend's request. I confess I was a little confused by his picture of Orissa because he began by saying it was entirely a consumers' province by which I took him to mean that it consumes freely and produces nothing; and then he went on to say that they had been bled white in times gone by. Well, I think he is being unfair both to his own province and to the rest of India. But as regards the matter immediately under consideration the position is that we have already made grants and are making grants to Orissa for the purpose of what is by far the most important cottage industry—the handloom industry. The province began its career with the last financial year and we made in that year a grant of Rs. 9,400. At the Industries Conference at Lucknow its claims were specially pressed, not precisely on the same grounds as those given by my Honourable friend, but on the ground that it was a small province which probably had been a little neglected in this matter. And the Conference agreed to give an extra grant, over and above the proportion to which it would have been entitled on the basis of allocation that we have adopted, of Rs. 4,000. The Government of India have accepted that recommendation which applied also to some other smaller provinces. The grant we are making for this year consequently amounts to Rs. 13,400. Then, apparently there were some savings from the balances of the grants for the combined Province of Bihar and Orissa at the end of the year 1935-36. Out of that, a little over Rs. 1,900 will go to Orissa, so that the grants made or promised so far amount to

Rs. 24,700. There will be a grant for the year after this also. I cannot promise what the Industries Conference will do but I may say that I see no reason why it should not be at the enhanced figure adopted for 1937-38. I hope, therefore, my Honourable friend will see that the province has been a good deal more fortunate than he thought and will agree to withdraw his Resolution.

THE HONOURABLE MR. SITAKANTA MAHAPATRA: After what has fallen from the lips of the Honourable Mr. Clow I think I should withdraw the Resolution. I request the permission of the House to withdraw it.

The Resolution was, by leave of the Council, withdrawn.

RESOLUTION RE PURCHASING POWER OF INDIANS.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhammadan): Mr. Chairman, I rise to move:

"That this Council recommends to the Governor General in Council to take practical steps in all possible directions to increase the purchasing power of Indians".

Before I commence my remarks on the Resolution, Sir, permit me to express my sorrow for having caused any pain to the Treasury Benches by my words on the 31st March. I think it my duty as a gentleman to say that I am very sorry if I have given pain to anybody.

Sir, the question of the purchasing power was an academic question during the pre-war days. It is only in the post-war period that it has loomed large in the discussions of politicians and of the man in the street. The question of purchasing power becomes very important when we are in the midst of depression. In days of prosperity no one bothers to study such things. Everything goes on merrily, but as soon as we encounter difficulties, it is natural that we should go to doctors, and ask them to give some medicine. Similarly, when we are in economic trouble, we ask economists to study the question. Economics is different altogether from the ordinary sciences. There we deal with natural phenomena, while here we deal with human beings, and correlate their actions with things. The deductions are liable to fluctuate with different circumstances. The fundamental principles of economics are no doubt axiomatic, and they do not change; but the subsidiary conclusions are liable to change with different circumstances. The regularity in the capitalistic system with which you have booms and depressions, or what are more commonly called trade cycles, illustrate that this system contains some parasites and micro-organisms which even in days of prosperity, though lying dormant, have a habit of developing and becoming terrible menaces. So, after booms you have depression. But depression also produces anti-toxins and anti-bodies which lead to the elimination of depression as well, but in God's own time. What we want to do is, that the Government should take the initiative in the matter of ending the depression. No doubt depression will go away, and we will have prosperity again, but if we intervene now we can accelerate the pace of the coming recovery. If we do not, we will be in difficulties for a longer period than we need be.

In India, Sir, there are two backgrounds against which we must consider everything. The first is the huge population of India. The economics of Australia, for instance, and that of India would differ greatly because in Australia you have a sparse population and there you want more mecha-

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nisation than you need in India. Secondly, Sir, 80 per cent. of the population in India is dependent directly for its well-being on agriculture. In other countries like England, agriculture is a subsidiary industry. Therefore, whenever we consider the question of India, we have to consider it against these two backgrounds. Unless you take that into account, you will not be able to do anything tangible for the good of India.

The fact remains that the creators of wealth are only two classes of persons, either the agriculturists or the makers of industrial goods, whether you take mechanised or cottage industries. All the rest of us, including all the gentlemen on the Treasury Benches, live upon these two classes. The legal profession, the business men, all prosper with the prosperity of these two classes, or rather I may say one class, the *producers*. Every effort made to bring prosperity to the producers will mean prosperity for the rest of India. There is a class of person whose prosperity is independent of the prosperity of the producers, and that is the salaried people, and those who are entitled to receive interest on their lendings—those who receive interest from Government securities and other public bodies—because their interest does not become compounded with the principal and lost some times as is the case with the ordinary money-lender.

The strongest weapon for bringing prosperity is devaluation, or as I should more properly call a standard of currency in which stability of prices at 1930 figures would be the criterion. This leads me to the question whether India's currency is over-valued or under-valued. The Honourable the Finance Member in his Budget Speech said that the present condition of the trade made it appear that instead of the currency being over-valued, it seemed more like under-valued. Now, the basis of his argument is that the balance of trade in merchandise in the first 10 months of the year just ended was much more favourable to India than in the previous year. That was a correct statement of fact. But it did not give us a true picture. I should say the picture was so over-painted that it did not require a connoisseur to say that it was a fake. He lost sight of two material factors. The export of Gold and import of Silver. If you couple our merchandise and treasure together you will find that in 11 months our import trade has dropped by only Rs. 2 crores. Does that show that the currency is under-valued? Our export trade has improved no doubt. Including treasure it is only Rs. 14 crores better than it was last year. But if you take the favourable balance of trade I can show you that even before this devaluation of September 1931, in the year 1931-32 our balance of trade for the first 10 months was Rs. 71.17 crores and this year it is Rs. 73.85 crores. So even without the devaluation which we had by being linked with sterling we were no worse off than we are at the present moment. And I shall show you from facts and figures from unimpeachable sources that our currency is overvalued. The first factor which makes me come to this conclusion is our share in world trade. The share of India in world trade in the year 1929 was 3.05 per cent., but in the year 1935,—for which alone I can get the figures from the League of Nations Publication,—the figure was 2.7 per cent. Our proportion this year in amount of quantum is 30.5 per cent. of our trade of 1929. But if this were the only picture, it might not give us the correct idea. Take the case of the United Kingdom. Their share in world trade in 1929 was 13.05 per cent. from which they have

improved to 13.93 per cent. There is an improvement in the proportion of the United Kingdom in world trade while there is a distinct fall in the share of Indian trade. Now, the United Kingdom had devalued its currency to a certain extent. Japan, who went on better than the United Kingdom, has improved its position in world trade much more than the United Kingdom. Japan's position in 1929 was 2.86 per cent. of world trade, and in 1935 they had 3.53 per cent., which means almost a rise of one-third. This has been brought about by their different gold parity. If you take 1913 as 100, the gold parities of the currencies of three countries is as follows. India has 68.4 per cent., the United Kingdom has 59.8 per cent. and Japan 33.8 per cent. The smaller the percentage the greater the rise of trade in quantum shows that there is a great deal of sense in saying that the devaluation of the currency stimulates trade. I am quoting the figures of total trade, not only of export trade. These figures are of the total trade from the Review of World Trade by the League of Nations. This, Sir, is one thing I can say in proof that our currency is overvalued. Now, there is another factor. We know that sterling is not linked with gold. There is no measure by which you can say what is the absolute value of sterling. In terms of the dollar or in terms of the franc its parity is not constant. It has varied much and at the present moment it is at a certain figure. Now, the Honourable the Finance Secretary can perhaps tell us the secret of the British Government. What is the basis on which they manipulate their exchange value of sterling in terms of the franc and dollar? The price of gold too is variable in sterling. After being fairly stabilised at 108s. to the ounce it is now 142s. Well, if he is prepared to give us the secret we will be very grateful, but if he does not I shall try to prove by facts and figures what I deduce the standard to be on which the value of the pound is fixed.

Now, I should like to present to the House another proof that all is not well with Indian currency. I have tried to find out from the League of Nations publications the index number of wholesale prices of commodities in different countries. I have taken 1932 as the basic year because it was at the end of 1931 that we delinked the rupee from gold, and therefore 1932 is the earliest period to find out the effect of devaluation, and the last figure I was able to get was for November, 1936. In the League publication the index number of 1929 has been taken as 100. From that we find that in the United Kingdom in 1932 the average was 74.9 per cent. and in November, 1936 it had gone up to 86.1 per cent., or a rise of about 16 per cent. in this period. In the United States of America the position was that in 1932 they were 68 per cent. and they have gone up to 85.5 per cent. In Japan the position was 73.7 per cent. and it is now 91.2 per cent. That is the country which devalued to the extreme limit. And what is the condition of India? Our wholesale index number was 64.5 per cent. in 1932 and in November, 1936 was 66 per cent. Against a rise of 16 per cent. in the United Kingdom we have a rise of 1½ points or 2.4 per cent. in India. Does it not show clearly that we are working under a handicap of 12 per cent.—the increase in the value of the rupee from its former level—because it is the only country in the world which has increased its value in gold after the war. The gold content of the rupee, if I may be pardoned for using that American phrase, has been increased and this is the only benighted country in the whole world that has done this; and yet our Finance Member says that there are reasons to believe that the rupee is under-valued, in spite of the fact that prices are not looking up, in spite

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of the fact that our position in the world trade is becoming worse and worse. We were the sixth country in the world trade and now we are the ninth. This is the improvement which we have made on account of this high value placed on the rupee.

Now, Sir, the question is, how would a devaluation help our prices and our trade? We are prepared to tell you that it is very elementary. Take, for instance, the case of cotton. If it is selling at the rate of 6d. per lb. in Manchester, it is impossible for us to export cotton if the price in terms of the local currency goes above 5½ annas; but if the currency had been devalued to 1s. 4d. it would have been possible to export even if the price were 5 annas 11 pies. So you indirectly help the trade or you give a bounty to export trade. The only reply will be that the Government of India are primarily dependent on customs for their income and therefore any fall in the imports would materially affect the finances of the country. It is natural that with the devaluation there may be a decrease in the import trade; but that is not a correct way of stating facts, it deliberately hides a material fact. Automatically the value of imported goods in terms of local currency would go up, and as most of our duties at the present moment are *ad valorem* we would reap the advantage. Even if there is a reduction in the quantum of the trade, the quantum of the customs duty need not go down. For instance, take a concrete case. If a thing is worth £15 and it is subjected to 25 per cent. customs duty—and that is about the average rate of duty in India at the present moment—you get Rs. 50; but if the rupee is devalued to 1s. 4d. you will be getting Rs. 56-4-0 at the same rate, at the same value, because the price would vary. £15 would be worth Rs. 225, whereas they are at present worth only Rs. 200. We need not bother about the reduction in the customs income; that will make itself up. The second argument will be that it will increase the burden of foreign indebtedness, the sterling debts that we have contracted. That too is not exactly the case, because directly we increase our burden of external debts we will also increase the value of our sterling and gold reserves which are more than 40 per cent. of our indebtedness at the present moment. In the Reserve Bank Issue Department as well as the Banking Department, the Silver Redemption Fund and other places we have enough resources to cover 40 per cent. of our operative sterling liabilities. I do not count the £16 millions of war debts remaining unpaid, because that is as good as written off.

Now, Sir, I should like to refer to the losses that we have suffered on account of maintaining this exchange at the present rate. We have contracted currency to the tune of about Rs. 59 crores. This contraction has been to a large extent made good by borrowed capital mostly £ sterling and therefore we are still paying more than Rs. 1½ crores as interest for our former follies. It is essential if you want to maintain the rupee at a certain level that you must manipulate your currency circulation in order to keep up that standard. What I advocate is not a change from 1s. 6d. to 1s. 4d. I want, Sir, the standard of England to be adopted. England is maintaining the sterling not by any given parity to any other currency or to gold. The ideal before the English currency authorities is the increase of prices. If you study the prices of England you will find that there is a steady improvement from year to year in the wholesale price levels and this they have achieved mainly because they have adopted the alternate source of stabilisation of currency, in which the aim is more to regulate

the prices than to maintain any rigid relationship between currency and the gold or foreign currencies. We also want the same, nothing more nothing less; our Index number of prices should go as high as they are in England. Even at the same basis—I mean 1929 or 1913, whatever year you like to have as your basic year—our prices too should rise up to the same amount as they have gone up in England. We will be told that it is difficult of achievement. England has the exchange equalisation fund to fall back upon, but, Sir, it is forgotten that just as England has a very strong position it is more vulnerable too. It deals in international currency affairs. All the settlements are made mostly in sterling. Therefore, on account of its great position, it is always open to attacks from other countries, whereas in India we are in a sheltered position. No one asks us, we are too small fry to be bothered about by anybody else. The only people with whom we have to deal are our own people. I think the Finance Department is strong enough to counteract any attacks, bear or bull, that might be made by the operators in Bombay and Calcutta. If need be, we would not be wrong if we devalue our gold stocks instead of having academic prices of gold stocks. If you value them at present rates you will have Rs. 30 crores to play with. Then, Sir, one thing which has not been realised by the British people is that the policy at present adopted by the British Government is a wrong policy about restriction in trade. I was studying the figures of the trade of Great Britain with India before the slump and I find that continuously, Sir, England was exporting to India much more than she was importing. I think the proportion was about 10 to 6. The imports from England were much larger than the exports to England. And this was being paid for, because we were able to sell our goods to other countries and thereby get a substantial balance of trade. The balance of trade of India with countries other than Britain was more than Rs. 100 crores on the average during eight years before the slump. That was covered by an excess payment to England for the imports and our disbursement in sterling as well as the price of gold paid by us and then there used to remain over something as balance of account. All this was paid, Sir, because other countries were prepared to buy more Indian goods than England was prepared to buy, England did not suffer. Why did we have a good market in other countries? Because we had no restrictions in our country. Strangely enough as soon as restrictions were imposed against foreign countries, the result was that England was the first to suffer by it as we were unable to buy more goods from England because we had no money to pay for them. So in the long run it is better that everybody should participate, England is suffering by trying to monopolise India for itself.

Now, Sir, the second way of increasing the price level is what I may call utilisation of man power. In India, Sir, the most important question is of finding employment. I do not wish to discuss in this, Sir, either the question of educated unemployment or even the question of the totally unemployed industrialist, because though they are of importance the question of unemployment which I want to discuss, Sir, is the partial employment of the agriculturist. Agriculture by the nature of things is a seasonal affair. At times you have too great pressure of work. We find that we have not enough man power to cope with all the work in the countryside. At others we have a redundant surplus which we do not know what to do with. They migrate to coalfields and other places to find some work and

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yet they do not get sufficient work in India because the employment offered in the industries is very small. In India, Sir, the question of the employment of leisure hours, of what I should call the unemployed hours of the agriculturist, is of primary importance. Until they acquire some means of getting money for their spare hours you will have no prosperity in India. The cottage industries need to be developed. I do not deny that Government has been doing something but the method adopted of giving expert advice and other subsidiary aids are not enough to do anything. We have found, Sir, that this sort of things did not result in establishing industries in India and the one thing which has established industries in India was protection. And therefore it is only protection to the cottage industries from mechanised industries that can set them up again. Now, consider for a minute some small points which are not of great importance but which will help to illustrate the matter. The people in the countryside, Sir, had three subsidiary occupations. They used to husk paddy, press oil and mill flour. Now, all these industries have been monopolised by capitalists. In every mofussil town you find there are one or two rice mills, there are one or two oil-pressing mills and there are any number of flour mills. Now all these things, Sir, do cause trouble to the masses. And it is a factor which has not been realised that the proportion of the income spent on the consumption of goods of the kind in which we specialise the agricultural goods, varies in inverse ratio to the income. Now, a man having an income of Rs. 10 spends Rs. 6, or 60 per cent. of his income on the purchase of agricultural goods. Whereas a man having an income of Rs. 1,000 a month spends barely Rs. 120, which is 12 per cent. of his income. As the income rises, the disbursement of the rich on the production of the poor country people is smaller in India than it is in industrial countries. In industrial countries you have this difference that the country purchases both kinds of things. The wage-earner buys agricultural as well as industrial things. Therefore the disbursement of the rich and the poor on the national produce is more evenly distributed than it is in India. The question in India is not so much of having a few people with Rs. 1,000 per month as of having hundreds of thousands of people with few rupees income increased, and this cannot be tackled in this country until you find ways and means of giving employment for the leisure hours to the agriculturists in the villages. I am not going to be rigid about it. I would trust in the Government if they want to do things. But I am afraid the present policy of the Government is that they allow things to drift. They have a horror of planning. And this, Sir, seems to me strange at the present moment when the old conservative England is planning everywhere. Right and left we have planning in England though not under the name of planning. We have the Distressed Areas Bill. What is that? A measure of help to the industries of the country. We had, Sir, the Manchester Reorganisation scheme. We had, Sir, the Electric Grid system. We have, Sir, the Agricultural Marketing system. There are any number of things, mostly on the lines of America but adapted to the British temperament. The one great point about the British temperament is that it does more things voluntarily than would be possible even under compulsion to do in other countries. We have a great deal of planning in England but mostly on a voluntary basis, because the temperament of the people is such that they can by convention do miracles. Whereas in India you want rigid methods. Even that would need some strength of hand to carry out. Therefore, Sir, what I wish to

ask the Government is to have the good of the people behind their fiscal policy and their currency policy. It is not, Sir, that I deny that Government have done anything. I say, Sir, that they have not gone far enough and they need not be afraid that their efforts to organise and stimulate industries or productions or trade will meet with opposition from the Indians. There may be opposition from vested interests but the rest of India will support them.

Sir, with these words, I commend my Resolution to the acceptance of the House.

THE HONOURABLE DIWAN BAHADUR SIR RAMUNNI MENON (Madras: Nominated Non-Official): Sir, the Honourable Mover tried in the early part of his speech to explain what indeed must have been obvious to most people that the justification for bringing forward a Resolution of this kind at the present juncture was to be sought in the deterioration in the economic condition of the masses brought about by the recent fall in prices. It is perfectly true that the fall in prices has produced widespread distress in this country, and it has hit the agriculturists with special severity. The ryot's income has fallen, but his expenditure has not gone down proportionately, while the burden of his debt and land revenue obligations has become heavier, with the result that his purchasing power has been reduced very considerably. Any measure which is calculated to increase the purchasing power of the agriculturist in this country on which the economic prosperity of the whole of India so largely depends is entitled to very careful consideration. But I think no presentation of the case for the adoption of remedial measures can be regarded as adequate or just which does not in fair measure recognise the activities of the Government which have in recent years been directed to this end. I am sorry to say that the Resolution, as worded, produces the impression that the Government have been remiss in this matter, and though the Honourable Mover towards the end of his speech tried to give some credit to the Government, he seemed to think that the Government were not sufficiently keen in their efforts. I do not propose to take up the side of the Government. There are people on the Government Benches who are quite competent to deal with that aspect of the question. I shall content myself with barely mentioning certain subjects, such as the suspension or remission of land revenue, debt conciliation, the provision of rural credit through co-operative societies and land mortgage banks, improved marketing, encouragement of cottage industries, to which it is well known the attention and efforts of the Government have been directed in recent years. I shall now come to the suggestion which the Honourable Mover has made in the course of his speech as to how the purchasing power of the masses can be increased. But before doing so, I should like to make one or two general observations. What is the cause of the fall in prices which has taken place? It is well known that this phenomenon is not peculiar to this country. It is in fact a world wide phenomenon and therefore its causes must also be world-wide. These causes have been stated by economists to be of two kinds, monetary and non-monetary. I do not think we need bother ourselves about the monetary causes at the present time for the simple reason that most countries are off the gold standard now. The other causes, the non-monetary causes, are over-production and decrease in demand caused by the creation of obstacles to international trade. If these are the causes, it seems to me that no genuine remedy can be found which does not deal with them, that

[Diwan Bahadur Sir Ramunni Menon.]

is to say, the permanent recovery of prosperity in this country, as in any other country, can only be brought about by facilitating freedom of trade and by removing all the obstacles which have so far stood in the way of that freedom. That is a general observation which I thought I should make before dealing with the particular proposal of the Honourable Mover.

I have listened with very great attention to the Honourable Member's speech and I must confess that I found it was nothing more than a very elaborate argument for devaluing the rupee. The greater part of his speech was devoted to that subject. No doubt, towards the latter part of his speech, he did say something about the encouragement of cottage industries. That is a subject which, as I said, is already engaging the attention of the Government and has our whole-hearted support. With regard to the subject of the devaluation of the rupee, I confess I am not qualified to speak on it and it is with very great trepidation that I approach it. This subject has engaged the attention of economists quite recently, and it has also formed the subject of comments and leading articles in important newspapers. It is an extremely complicated subject and I feel it is a subject which can only be dealt with adequately by economists. But there are certain aspects of it which can be appreciated by laymen, and it is to one or two of these aspects which I as a layman would request the attention of the House. Evidently, the Honourable Mover thinks that devaluation will be the best way of raising prices in this country. Devaluation will certainly raise prices. But from all the discussions that I have been able to study on the subject, I gather that the effect of any devaluation can only be temporary. It cannot have any permanent or lasting effect. Another point, which I would like to raise is whether there is any need for devaluing the rupee at all at present. It is argued that the rupee is over-valued. That argument may have been valid at one time. I believe the present ratio was fixed in 1927, and it is probable that the rupee was over valued at that time. But we have gone on for ten years now, and it is extremely unlikely that world prices and internal prices have not now adjusted themselves to the present rupee ratio. Whatever might have been said in favour of devaluation at that time, there can be no case for devaluation from this point of view now. That is to say, the rupee ratio must now be regarded as something to which prices have adjusted themselves.

There are certain other aspects which I should like to place before the Council. One of the most outstanding features of India's relations with outside countries is that India is a debtor country. It has to pay, I do not know what the exact amount is, approximately about 50 crores worth of rupees to England in sterling. Now, if the value of the rupee is going to be lowered it is quite obvious that we shall have to pay very much more than 50 crores every year. Where is this additional sum, which will probably be about Rs. 6 crores, to come from? It can come only by additional taxation. [The Honourable Mr. Hossain Imam: "Customs."] Customs is a kind of tax. Again, I do not see how raising prices by devaluing the rupee is going to benefit the agriculturist. While it is probable that he may get a little more by selling his produce, he will certainly have to spend more on buying the things he needs, and it is far more probable that the benefits of any rise in prices will not reach him at all, as they will be intercepted by the middleman.

On the whole I believe I am right in saying that the general opinion among economists is that rupee devaluation at present will not help the agriculturist materially. That is the only or chief measure which the Honourable Mover has put forward for increasing the purchasing power of the masses and I am sorry to say that in my opinion it is not a measure which will bring about the desired end. As I said in the beginning of my remarks, real improvement will come only when by the recovery of international trade and by increasing demand in this country we are able to secure better prices for our foodstuffs and raw products. While, therefore, I have every sympathy with the general object of his Resolution, I regret I am not able to support the actual measure which he has proposed to secure it.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA (Bihar: Non-Muhammadan): Sir, the last speaker cast some doubts about the purpose and the scope of the Resolution. I want to clear those doubts. I have no hesitation in saying that the Resolution is rather wide. But it is in no way confusing. To my mind the purpose of the Resolution is to rouse Government to a better realisation of their grave responsibilities and obligations to the vast population of the people who are under their sway. It gives them also an opportunity of stock-taking and of finding out their shortcomings and trying to remedy them in future. For mass uplift of any kind I am a believer in proper education being the panacea for all evils. A people properly educated are a people conscious of their requirements, a people constantly in unrest in order to remedy their needs. Illiteracy in India is appalling. Do Government feel that they have done all they could to fight the demon of illiteracy? I shall only say that a sincere introspection will reveal to them that they have not done all they could and that their methods are much too expensive and unadapted to this country.

I will divide the speech of the Honourable Mover into two parts, the first being what he said about the rupee being overvalued and the second being his suggestions for ameliorating the condition of the villager. I shall principally confine myself to the second, which I call the popular half of his speech. India principally lives in villages. The social structure of the Indian village is very different from that of the English countryside. In fact the social background of Indian society is so materially different from that of the West that we cannot usefully aim at an economic transformation of rural India on western lines. Our aim should be the economic development of India on the most natural lines. Sir, the economic unit in India is not the individual, it is the joint family. This joint family lives, breathes, and has its being within several circumscribed rings, the caste, the village, and the community. Here families follow their traditional vocations which are handed down from father to son. Therefore, my submission is that without shutting out the adoption of improved methods of agriculture and craftsmanship our aim should be to make the village a self-supporting unit. Our aim should be to enable the village smith to make the ploughshares needed for the village agriculturist, the potter to supply the pots, the village weaver to supply the cloth, and the oilman the oil. But, Sir, I would like to draw the attention of the Members of this Honourable House to what is happening today. Most village industries are dying out, or at best only

[Rai Bahadur Sri Narain Mahtha.]

a few are having a very slow and chequered existence or revival. Manchester, and, I may add, Ahmedabad, send their cloths to the village, New York and Burma threaten the oilman; brass and copper which had been used for vessels are threatened by cheap enamel iron ware from Europe. These not only create temporary embarrassment to village industries but tend to kill them permanently by transforming *pari passu* the taste of the consumer. The purpose of the Resolution is to make the Government alive to these difficulties and to move them to help village industries, to help the credit of the villager, to find out markets for his products, to give him more useful education and to bring that education within his easy reach. I would like just to supplement what the Honourable Mover of the Resolution said by mentioning here some industries which could be given foremost attention as they are suited to our village conditions and the genius of our people. I would mention, lac culture and manufacture, apiculture, i.e., collection of honey and extraction of wax; bamboo work and basket making; rice and wheat manufacture; oil pressing industry; handloom weaving; the silk industry; tussore and endi rearing and weaving; leather industry; bangle making and metal work. It is not possible for me at this stage to take up, within the time allotted, these industries one by one and to show what Government can do in these respects. I will only content myself by saying that more and more efforts should be made on co-operative lines to help these industries, that Government should provide peripatetic instructors who can go from village to village, open temporary classes, give instruction and then move on to another village. I would emphasise, Sir, that at present there is too much burden on the land. This burden must be relieved. People must be led and helped to increase their resources by taking to auxiliary occupations which can be linked with agriculture so as to make agriculture more paying. Sir, I will not go into the question in detail about overvaluing the rupee which has, to my mind, been very fully dealt with by the Mover. The Mover has shown how much the position of India in the world trade market has suffered recently. I hope, Sir, that when the Mover rises up next he will assure Government that it is not the intention of his Resolution to censor them, but only to emphasise what is their obvious duty. The Resolution propounds only a basic principle with which the Government of India cannot claim to be at variance.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern: Non-Muhammadan): Sir, Sir Ramunni Menon has said that his sympathies are with the Resolution of the Honourable Mr. Hossain Imam, but that he is not convinced that the method which Mr. Hossain Imam has suggested is the right method of tackling the problem of purchasing power in this country. Sir Ramunni Menon's difficulty is that his sympathies are generally with us, but his vote is with the other side and anticipating that there would be opposition to the point of view of the Honourable Mr. Hossain Imam, he has taken the line which he has. Now, Sir, I am not like Mr. Hossain Imam a financier and therefore I cannot go very closely into the very delicate and difficult questions of Indian currency. But there is no doubt that the question of the purchasing power has an intimate connection with the question of unemployment. Indeed one of the members of a Committee which was appointed in our province to go into this question—

I mean Sir Tracey Gavin-Jones—took the line that the question of educated unemployment was essentially a question of raising the purchasing power of the masses. The Honourable Mr. Hossain Imam has suggested certain ways in which the purchasing power of the masses can be raised. Now, Sir, the Indian view has been—and he has stressed the Indian view—that the rupee is overvalued, it is overvalued in relation to the sterling area, including the Dominions; it is overvalued in relation to our chief competitors, England, Japan and the United States; and our view has been that it has been overvalued since 1924. Now, it is true that there has been a rise in prices in recent months. But the general view among Indian economists at all events is that this rise in prices is due to the war scare and increased armament activity in European countries. Now, Sir, the Honourable Sir James Grigg in this House the other day took the line that the rupee was not overvalued and he seemed to suggest that the monetary position was getting steadier and clearer. If the monetary position is steadier and if the monetary position is clearer, then why not have the enquiry which is contemplated by the preamble of the Reserve Bank Act? I have not got the Reserve Bank Act before me, but I have a sort of recollection that in the preamble the present ratio is regarded as a temporary ratio and that the idea contemplated in the preamble is that the position will be resurveyed when the financial and monetary position becomes clearer. If you think that the monetary position is getting clearer, then why shirk an independent enquiry, why shirk an enquiry by economists of reputation, integrity and independence of thought? The Honourable Sir Ramunni Menon said that the general view among Indian economists was that the Government's view in regard to the rupee was correct. Well, Sir, I do not know who the economists are who hold this view, but I thought that the general view among Indian economists at all events was that the Government view in regard to this ratio question was not right. I have been reading certain papers which have been written on this question of Indian monetary policy by a very able professor in our University, Mr. Adarkar, who had a very distinguished career at Cambridge, and I think that there was a discussion on this question at the Economic Conference at Agra, and, generally speaking, Indian economists were of the opinion that the monetary policy of the Government of India was not in the interests of the country, that the monetary policy at all events could be better than it is today.

THE HONOURABLE DIWAN BAHADUR SIR RAMUNNI MENON: I do not think that the Conference came to any conclusion on the matter, but I gathered that the general opinion was in favour of the existing ratio. I may have misunderstood the position.

THE HONOURABLE MR. P. N. SAPRU: I had a talk with certain economists who attended that Conference and I rather gathered the impression from that that the general view was that the monetary situation should be reviewed and that the rupee should be either delinked from sterling or the ratio changed to 1s. 4d. I am just giving you, Sir, what an economist of some standing and reputation who attended that Conference told me. I was not present at that Conference myself and I think Sir Ramunni is right in saying that no actual resolution was passed. There is no doubt that one way in which prices can be stimulated is by changing the ratio. The Honourable Sir Ramunni Menon himself admitted that temporary

[Mr. P. N. Saprū.]

stimulus to prices could be given by a change in the ratio. The line that we take is that even this temporary stimulus is worth having, that this temporary stimulus might have eventually the effect of giving a permanent stimulus. Then, Sir, another method which is suggested by Sir Tracey Gavin-Jones in the note which he appended to the Report of the Unemployment Committee is that there should be currency expansion. Well, Sir, I hesitate to speak on that question but he has dealt with that question very exhaustively. Currency expansion has its dangers but it has been adopted by other countries and also by us in India.

The third method by which we might be able to increase the purchasing power of the people is reduction of home charges. I think, Sir, if our home charges could be reduced more money would remain in the country. It may be the old mercantilist view but it is a view which appeals to common-sense. This money would be available for development. The question of home charges is connected with our financial obligations and the question of Indianisation of the services and the army. It is a vast question and I do not want to go into it but I am just indicating that one method by which the purchasing power of the people could be raised is the reduction of home charges.

Then, Sir, another way in which the purchasing power can be raised is by organising production on a vast scale. We hold, Sir, the view that the State, in a country constituted as India is, should take a more active part in industrial development. We are not afraid, Sir, of State intervention and we think there ought to be more definite planning in regard both to industrial and agricultural activities than is the case at present. Sir, I think about four or five years ago the Government of India sent for Sir Arthur Salter. He came out to this country and submitted an excellent report in which he recommended the formation of an Economic Advisory Council. Now, Sir, I do not know what has happened to that Report. It has been published, but no action has been taken on the lines suggested by Sir Arthur Salter. We are going to have an Economic Adviser but, Sir, so far as the Economic Advisory Council is concerned, the idea of the Council seems to have been dropped by the Government. Sir, I am a very staunch believer in an Economic Advisory Council. An Economic Advisory Council would stimulate economic thought in the country, would act as a centre for the formulation of right views on economic questions. Well, Sir, the question of increased purchasing power is vital for us. 80 per cent. of our people are agriculturists. It affects them. We desire the pressure on the land to be reduced. We know, Sir, that industrialisation is not going to prove a panacea for unemployment. We have unemployment even in highly industrialised countries. If our country becomes highly industrialised we shall have the problem of over-production, the problem which is troubling capitalist Europe today. We know all that, Sir. But what is the alternative to industrialisation? At all events increased industrialisation would make our present lot better. It would reduce the pressure on the land. It would provide more opportunities for our growing population and therefore, Sir, there is need for a more liberal fiscal policy. There is need for a more determined policy of industrialisation.

With these words, Sir, I give my support to the Resolution of the Honourable Mr. Hossain Imam.

THE HONOURABLE MR. J. C. NIXON (Finance Secretary): Sir, you cannot always discover what is in a book from its title. You cannot always discover what my Honourable friend Mr. Hossain Imam is going to say by the wording of his Resolution. He has given us very rich fare today which is not easy to digest at one sitting. In order to pass over all of the ground that he has covered I should require beside me the whole of the Viceroy's Executive Council and besides that a panel of Economics professors. I myself this morning can only browse over the rich pasture but would say in passing that I think he must realise that some of his ideas have been a little distorted by some of his own friends.

I would prefix what I want to say, Sir, by one or two general observations. It has been recognised by associations of the lower classes all over the world that it is no solution of their difficulties to place in their hands larger sums of money than they formerly had if accompanied with that circumstance is a general rise of prices as the result of which they may relatively at the end be worse off than when they started. And inasmuch as prices are liable to rise higher and faster than wages, the lot of the ordinary labourer in the towns is often likely to be worse rather than better. Also inasmuch as industrial prices, prices of manufactured articles, are liable to rise higher and faster than prices of agricultural products, a general rise of prices does not necessarily benefit the cultivator. That, I think is particularly the case in a country like India where the cultivator, owing to his ignorance, is robbed of many of the benefits which ought to accrue to him.

The second general observation which I should like to make is this,—that any interference in the economic machine creates its own repercussions, and owing to the complicatedness of the machinery, repercussions of which only a few can be predicted. The whole thing is an endless chain and we do not really know which is cause and which is effect. But it is dangerous to meddle with any one link in this chain without very clearly foreseeing what are going to be the more immediate consequences. You cannot in fact slow down only one wheel of a clock.

The third general observation that I want to make is that leaving aside the matter of debtors and creditors, the trouble at present in India and in the world generally is not so much the fall of prices as the relatively greater fall of prices in the case of primary products than in the case of secondary products. India does not require a general rise of prices but requires a rise in the value of the primary products of the land.

Then I would add a fourth general observation which is called to my mind by something the Honourable Mover said when he remarked that salaried people and people whom he called rentiers were not concerned one way or another with the prosperity of what he called the producing classes. I wonder if he was a person on a fixed rate of pay in the years towards the end of war, when there was a terrific increase in prices, and whether he would have then said that he was unaffected by the prosperity of the producing classes. Even in the last two or three years—let us leave out the last year, but in the two or three years preceding that—people on fixed salaries or who were living on fixed incomes from securities, owing—if we may put it so—to the plight of the producing classes, found themselves very much better off than before.

But the fact is, my Honourable friend has put his Resolution in the very general form that he has today for the purpose of discussing that all

[Mr. J. C. Nixon.]

engrossing topic, the ratio. The remarks which I propose to make about the ratio will be few. It is a little difficult to follow ratio arguments even by people who are trained in studying theories of exchange. But as far as I can gather, his argument is this. He says that if the rupee were devalued, internal prices in India would, at any rate for the moment, go up. But he also says that besides that effect—but he was not so clear—exports from India would increase. Economists would agree with me that in some sort of sense these two effects are opposed to one another. If internal prices rise proportionately to the fall in exchange, there is no reason to suppose that Indian exports would increase. He went on to a further consequence of devaluation, in order to combat in advance the obvious criticism which my Honourable friend Sir Ramunni Menon made, namely, the increase in our sterling charges, by saying that although the quantity of goods imported into India might diminish by reason of the devalued rupee, their rupee value would go up. He must assume that it would go up so much as to produce not only the same revenue as at present but that revenue *plus* Rs. 4 or Rs. 5 crores which might be needed to meet our extra remittance charges.

My Honourable friend, with no intention to deceive the House, has been looking on this subject of the rupee ratio on what economists describe as the short-term basis, and on the short-term basis each of those consequences would to some extent—not to the full extent—follow. But no country in the world is really concerned with the short-term results of a policy of this sort. They are much more concerned with what is going to be the eventual position in regard to the situation, and I would mention to the House the example of America and England. England, in competition with America in 1930-31, devalued her currency. There was a competition, let us put it, for currency benefits between Britain and America. Where do they stand relative to one another now? They stand relative to one another now exactly where they started except that during the process the cost of living in both the countries has, unfortunately for some people, gone up.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: What about France?

THE HONOURABLE MR. J. C. NIXON: I have got friends who live in France and if my Honourable friend thinks that the cost of living has not gone up in France, I should like to put him into touch with some of them.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Why did France devalue her currency?

THE HONOURABLE MR. J. C. NIXON: Exchange manipulation, Sir, is a game that other countries can play at. In the last negotiations with Japan, as with the former one, it was necessary for India to reserve to itself the right to take special steps if anything untoward happened to the Yen exchange. I have no doubt that the Japanese themselves also feel at liberty to take any retaliatory measures *vis-a-vis* India if India were to start—better not to use the old word!—playing with its exchange.

There are three general conclusions to which I come in considering this subject of exchange. It is well known to economic thinkers and even to

genuine industrialists but of course kept in the background by speculators and by the capitalist classes, that devaluation is a veiled manner of imposing an extra burden on the consumer. The second general deduction which I draw from a study of the exchange situation is this. By no manipulation of exchange can you in the long run affect how much of an import exchanges for a certain quantity of an export. If at the present rate of exchange X pounds of raw cotton exchange for Y pounds, or whatever be the unit, of some import, let us say betel nuts, these relationships will stand whether exchange is at 2*d.* or at 2*s.* The third axiom that I would like to put before the House is an adaptation of a remark by Mr. Bernard Shaw and it is to the effect that we can never make India prosperous by merely calling an eight-anna piece a rupee.

Passing on, Sir, as my Honourable friend did, to the kindred subject of currency, his argument seemed to be somewhat as follows. Government have deflated their currency. They have withdrawn some of their currency from the market, in the process reducing the internal price level, merely for the purpose of keeping the rupee at 1*s.* 6*d.* As a consequence of that process they have had to incur sterling borrowings. I think I have got his argument correct. One consequence of sterling borrowing, he says, is an increase in debt charges, and he thinks that India, by that means is incurring extra expenditure. But he fails to take into account the corresponding amount that we save by a reduction in our rupee borrowings. His suggestion is—which, if I may say so, he did not explain to the House quite clearly—that Government should modify the price level of commodities by manipulating the amount of internal currency in circulation—by the process of inflation. I suggest that the process of inflation or the process of deflation is one which one cannot without disaster carry to any extreme lengths. The limits within which a Government or a Central Bank are at liberty without undue risk to add to the amount of currency or reduce it are restricted by circumstances. And if there is one thing that the present slump has demonstrated in regard to banking practice more than another, it is that although a Government or a Central Bank may make extra currency available to the market, it is not able to make the market absorb the extra currency and therefore it is not able to ensure a corresponding rise of prices. The object of a Central Bank is so to adjust the amount of currency in the market that a slight reduction or a slight addition to that currency will very quickly affect the credit situation. As my Honourable friend himself observed, the first effect of inflating the currency is a gamble on the Bombay Stock Exchange.

He himself remarked that the Government over a certain period had reduced the amount of currency in circulation by, I think he said, Rs. 59 crores; but the more pertinent fact of which I suggest this House should take notice is that during the past five years the currency in India has been expanded by Rs. 30 crores.

THE HONOURABLE MR. HOSSAIN IMAM: Total currency or the note circulation?

THE HONOURABLE MR. J. C. NIXON: The note currency has been expanded by Rs. 30 crores. The total currency must have expanded by immensely more than that.

THE HONOURABLE MR. HOSSAIN IMAM: Total currency including rupees as well?

THE HONOURABLE MR. J. C. NIXON: Yes. In fact so far as I know there is no reason to suppose that the currency needs of India have not at all times been fully met. Fortunately the matter is now for the Reserve Bank and not one for the immediate attention of Government. In any event, I suggest that in view of the present rates at which Banks are willing to lend money it is a little difficult to credit the suggestion that there is a dearth of currency about. I would admit that these benefits do not leak down to the village. But I suggest that this is not a currency matter at all, but a question of banking facilities, perhaps of banking integrity and certainly of banking habits.

My Honourable friend then dealt with the subject of cottage industries, in doing which he played me, if I may say so, a dirty trick, because he has a Resolution down on the subject which I was depending on my Honourable friend Mr. Clow to answer. But assuming that he will still move that Resolution, I shall not attempt to deal with it here at any great length. The theory, with which my Honourable friend Mr. Sapru apparently agreed, was somewhat like this: that the industrialism of India will not lead to Arcadia but that the rural population needs to be more productive. And I gather, at any rate from the wording of the subsequent Resolution in the name of the Honourable Mr. Hossain Imam, that he considers that the proper manner of dealing with this situation is to put some control on the larger industries for the benefit of cottage industries. I gather that my Honourable friend Mr. Sapru did not altogether approve of that theory. But in any case, if these are the views of the Honourable Mr. Hossain Imam, I hope he will press them on those other representatives of India who, whatever may be their motives, lose no opportunity of castigating Government when they do not intensify the process of protecting large scale manufacture. Certainly, as other countries have exemplified, large scale manufacture is not necessarily a cure for poverty. It is probably true that over a large part of India there is scope for more productive use of the agriculturists' time. There is some truth in the statement that the small agriculturist is worse off and not better off owing to the existence of large scale industry; and certainly if large scale industry is maintained by artificial methods I am inclined to think that he is. On the other hand, personally I am doubtful whether the economy of the nation in the long run is to be improved by deliberately selecting a less efficient method of production in the place of a more efficient method.

Then some of my friends got on to their old subject of planning—that wonderful word! Russia has planned as we all know. Those plans are directed to large scale production. That is the sort of planning with which of course my Honourable friend Mr. Hossain Imam would not agree. Grandiose planning of any sort is at present the pastime of quite a number of cranks. Practical planning, looking ahead as far as one can reasonably see, is the sort of thing any one who has to frame a yearly budget has to do; and it is exactly when the Finance Department start to do that sort of planning that it apparently comes in for most criticism. When the Finance Department decide to look ahead and not to penalise the future

generations in the matter of re-constructing Quetta, the matter calls for criticism. When the Finance Department decide to put aside a revenue equalisation fund and not distribute surpluses in the form of a reduction of taxation, criticism. When the Government of India protests against exasperating the consumer beyond endurance, a hornet's nest. When the Government of India suggest measures to check cut-throat competition in the sugar industry, most of my Honourable friends opposite ask Government to stop this sort of planning. All the Governments in India are planning, Provincial Governments as well as the Central Government. It needed a considerable amount of planning to work out the Lloyd Barrage in Sind, which has taken 10 years to construct. Tube wells all over the eastern United Provinces required, I think the House will believe, very extensive planning. The civil aviation capital programme on which we have embarked is a matter which needs to be worked out ahead in very great detail. In fact, individual bits of planning are the *raison d'être* of most of the Departments of the Government of India. I suggest however that planning on any considerable and sudden scale can really only be done by a form of government following the Dictatorship model. Any considerable planning, such as that undertaken in Russia, or, shall I say, at the moment in America, is really incompatible with democratic government. And even when planning is pursued, it can only be done by demanding a very considerable sacrifice on the part of certain sections of the population; and I observe planning of the type which has been followed in recent years in Russia demands those sacrifices from the peasant classes.

As regards the desirability of increasing the purchasing power of the millions of India there is no difference of opinion between this side of the House and the other. But I for one believe that if a solution were so simple as the Honourable Member believes it is, Governments in the world would not be so perverse as to set themselves against introducing some of these measures in order to achieve prosperity for their peoples. I myself believe that there is no short-cut to prosperity. A country cannot be made prosperous either by currency, exchange or credit tricks.

As my Honourable friend Sir Ramunni Menon stated the problem is not an Indian one at all, it is a world one. The Honourable Mr. Sapru said that Sir Ramunni Menon's sympathies were always with his side of the House and his vote with my side of the House. What he really meant was that Sir Ramunni's sympathies were with the Honourable Mr. Sapru's side of the House but that his intelligence was with my side of the House. I should be wrong to pretend that the Government of India believe they have in their own hands any large or theatrical manner of immediately increasing the purchasing power of India. The purchasing power of India has increased beyond measure in the last hundred years. It has increased phenomenally since the year 1900. I hold that the Government of India have been taking and will continue to take all the practical steps possible to increase the purchasing power of Indians. If the Resolution were merely intended to remind the Governor General in Council that he should not relax his efforts in this direction, I could have accepted it, but inasmuch as it implies criticisms of the past—as my Honourable friend Sir Ramunni Menon immediately observed—and, if I may say so, extremely doubtful expedients for the future, I am afraid I must oppose it.

*THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY (East Bengal: Non-Muhammadan): Sir, I am not an economist and am therefore not in a position to offer any comment on the currency policy of Government, but all that I know as a layman is that currency is but a token of exchange of the wealth that the country produces. No one can doubt that India is a rich country in agricultural and industrial resources and in man power, but our grievance is that wealth thus arising is not being properly utilised and distributed among all classes on an equitable basis and is being drained out of the country in the condition of pure raw materials and what is called invisible export, and nothing but a change of policy of industrialisation, whether it be urban and more preferably rural, and an equitable distribution of the wealth it produces is necessary. Other countries are adopting similar methods and trying to be self-supporting as much as possible, and I think India being a vast country, rich in many kinds of resources, has greater chance of success in this line. The Honourable the Government Member is quite naturally afraid of interfering with the monetary system as it upsets many calculations, and gave us a long dissertation on what would happen, but all Governments are trying to tackle the problem and we must sooner or later have to do the same. The needs of India have so long been neglected that they should not be neglected any more and it is necessary that her economic policy should be seriously considered in such a way as to take the Indian public into their confidence so as to be assured of their support, for they have reasons to suspect that it is being so long conducted in the interest of Great Britain. The Honourable the Finance Secretary quoted various objections raised by the public against various constructive planning adopted by them; that is quite natural and all criticism should be welcomed, specially so long as the people are not taken into confidence. When that is done and they feel that the Government is theirs and carried on in their interest, they will readily make sacrifices that may be necessary.

THE HONOURABLE MR. HOSSAIN IMAM: Mr. Chairman, the reply of the Honourable Mr. Nixon was so much of a general character that I did not till the end realise whether the Government favoured my case or opposed it. He adumbrated to us certain very good principles, but when it came to translating them into action, I found he was rather trying to avoid the application. I would like to begin with the remarks of our Honourable colleague Sir Ramunni Menon. First of all, he went into the question whether devaluation was the real thing for India or not. As for conjectures and mere expression of opinions are concerned, I am not going to touch them, but when we come down to facts then I am ready to join issue with him. He did not produce any evidence. His presumption was that the rise in price would be temporary. But against that we have definite proofs, as I gave in the beginning, of the continuous rise in prices in England, in the United States of America, in Japan, to show that the rise was permanent and one for which all these countries were prepared to work. I do not think even Sir Ramunni Menon would attribute so much wisdom to the Government of India as to say that the rest of the world does not know this game and every one is a fool excepting the Government of India. America, a country which is famous for its wideawake and get-rich-quick methods, even they have gone in for devaluation. The latest recruit to

*Speech not corrected by the Honourable Member.

the cause of devaluation is France, which held out and carried on a policy of stable currency as long as it was humanly possible for them to carry on.

THE HONOURABLE MR. J. C. NIXON: France was one of the first, not one of the last.

THE HONOURABLE MR. HOSSAIN IMAM: France was one of the first in the beginning, when they devalued to one-fifth of their former value. But then when they stuck to the gold at one-fifth of the pre-war value, it was 25 francs to the £, and they stabilised it at 125. Well, even that was not good enough. In the end they were not able to maintain this, and within the last few months they had devalued again by nearly 40 per cent. That shows which way the wind is blowing in the independent countries and how the wind blows here. Even our mentality is dulled and we do not realise what is good for us. Then, Sir, he described the cause of the slump—that increased production and impediments of the Governments of the world in international trade is the cause of depression. Now, Sir, as far as increased production is concerned, according to the economic theory that cost of production equals the consumer's income there ought not to have been any difficulty. If you produce more and the wants of the world are unsatiated, you create purchasing power for the consumer, but that does not happen. Sir Ramunni Menon is perfectly right that to some extent this was brought about by increased production. But the reason is not the mere fact of increased production, the real reason is the increase in the share which goes to capital, than the share which goes to labour. Efficiency and false economy is made a bogey to increase the capital expenses of industries and wage bills are reduced. All the trouble in the capitalist

I P. M. economy is due to the fact that the share of the workers is being reduced per capita of the product. At the present moment, Sir, we have two systems of economics working in the world. You have on the one side the Soviet system where there is no capital and on the other hand you have the capitalist system. Now, the main cause which will bring down this capitalist system is its avidity to devour as much of the cost of production as it possibly can. I venture to say that the most economic and efficient production is only that which gives a greater proportion to the worker and not that which gives less, it does not matter what the cost comes to. The business of the Government is to make a better distribution of the wealth of the nation and it is not the business of the Government to help wealth to become bigger and bigger in some hands and allow the other side to get poorer and poorer. This is what happened in France before the revolution and this is what is happening in the whole world, I am not blaming the Government of India as the only culprit. The present capitalist economy is serving its allotted span and all the nations of the world are paying homage to it.

Sir, then the other argument of Sir Ramunni Menon was that we have been too long on this system and it is too late in the day to amend it. I had heard, Sir, that it was never too late to mend but we have now been told that even mending is barred by limitation and that the period is 10 years. Well, Sir, as I said in the beginning, France is a new recruit to devaluation. After its first devaluation it has again brought down the value of the franc by nearly 40 per cent.

Then his third argument was—and this was repeated by the Honourable Mr. Nixon—that on account of devaluation we should be called upon to

[Mr. Hossain Imam.]

impose more taxation to meet the additional expenses. I had tried to anticipate part of this by stating that our customs income will rise. Well, Sir, the Honourable Mr. Nixon tried to cloud this issue by bringing in the question as to how we will be able to maintain the present state of importation. There is no doubt about the fact, that if there is a devaluation the imports might be reduced to a certain degree but it is a well-known factor that the price rise and the exchange devaluation never correspond and there is a distinct lag between the two. If you study devaluation of the sterling from 1931 up to the present time you will find that in terms of gold, it has caused a fall in prices, and a rise in the sterling prices. It is possible, Sir, that with the fall of 20 per cent. in the exchange value you may have a rise in price of 10 or 12 per cent, but never of 20 per cent. And that is the point where an equilibrium is established between a falling exchange and rising prices. It is a very well-known thing, Sir, that prices and exchange falls do not go hand in hand. There is a great deal of difference left which is called the balancing of the two.

Now, Sir, my point is that the prices of Indian commodities, of the primary products as the Honourable Mr. Nixon puts it, is to a great extent fixed by the prices that the articles or similar articles command in the world market. As I illustrated in the case of cotton, Sir, the Honourable Mr. Nixon doubted how we could have both the opposite results, i.e., a rise in prices and an increase in export. My reply is, I am now selling my cotton at 6d. per lb. at Manchester getting at 5 annas 2 pice per lb., leaving aside two pice for the cost of carriage and profit to the dealer. Then I will be able to sell cotton at 5½ annas and still be able to sell it in England at less than 6d. So we will have a greater market by our reduction of prices in the English market. At the same time we will have a rise in terms of internal currency. It is exactly what is happening in Japan. In spite of their buying raw material from India they are still able to sell cheap. With the two drawbacks of purchasing cotton at higher cost and paying high taxation to the Indian Government it is able to sell things at a cheaper price than other people are able to do in the Indian market. That shows, Sir, that instead of causing hardship there is some sense in this.

The Honourable Mr. Sapru made a very good suggestion, Sir, that the Government of India should submit the question of the exchange ratio to an independent body of experts. Sir, in the course of my study of economics I have come across a table which is very instructive and this table was given, Sir, by a very great authority on finance, an English authority on finance whom I think Sir James Grigg knows and respects. This gives, Sir, the Calcutta index number of prices and the United Kingdom (Statist) Index of prices and exchange ratio. This I think will carry conviction. This list was prepared by a very high authority in finance and it was not made in support of devaluation, let me tell you. Taking July 1914, as the basic year of the Calcutta index number and the United Kingdom number as 100, he traces the course of prices in India and the United Kingdom. In 1914 the exchange was 1s. 4 1/16d. We find, Sir, that in 1919, the Calcutta index number rose to 198 whereas the United Kingdom index number had gone up to 242—the exchange in that year was 1s. 8 15/16d. Now, Sir, there was a fall in 1922. Our prices were 18 points down to 180, whereas English prices

had tumbled down 88 points to 154, and at that time the average exchange rate was 1s. 3 19/32d. In 1924 we find, Sir, that while our prices fell from 180 to 177, the prices in England went up 10 points from 154 to 164—and at that time the exchange rate was 1s. 5¼d. That shows, Sir, in a very convincing manner, that exchange does have an effect on the rise and fall of prices inside a country. The Honourable Mr. Sapru said that the question should be submitted to an independent enquiry. This has not been replied to, probably because the Honourable Sir James Grigg is convinced without reason that we should keep our hands off the exchange. I think his services are more required in other parts of the world than in India. France should have utilised his services instead of his being in India.

Last year the Honourable Sir James Grigg expressed horror in the other place at the very idea of expansion of currency. It was left to another Sir James, Sir James Taylor,—whom we welcome as Governor of Reserve Bank—to expand the currency enough during the last four months to satisfy Indian opinion. I gather that at the present moment even the Finance Department does not look at it with that terror which it had for it during last February and March. Even a talk of expansion was enough then to bring before the Finance Member's eyes the mental picture of the tumbling down of the Empire. The Honourable Mr. Nixon showed solicitude for the primary producers but did not give us anything definite as to how he proposed to do that. The way which I suggested is the one which is being adopted by all the countries of the world. It seems that monopoly of currency wisdom has descended only on the Finance Department of the Government of India, and all the rest of the world are fools. He quoted a very good sentence of Bernard Shaw "that it is no good calling half a rupee a rupee". I ask him whether he is right in calling a rupee as worth 18 annas? That goes against him. At the present moment he is calling a rupee as worth 18 annas. I am really surprised at the currency statistics which the Honourable Mr. Nixon quoted. I cannot find it in the books. He has said that currency has been expanded by more than Rs. 30 crores in the last five years. I am sorry to say that from the Report of the Controller of the Currency I only find that there was a contraction of Rs. 12.68 crores in 1932-33 to 1934-35 and during the two years that the Reserve Bank has been operating, our information is that up to the 30th November, 1936, they had maintained equilibrium and they had not expanded currency by anything. I treat the rupee and currency notes together. Rupees in circulation have gone back and been replaced by notes, without increasing currency absorption.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): Will you please bring your remarks to a close?

THE HONOURABLE MR. HOSSAIN IMAM: At the present moment, Sir, the reply of the Honourable Mr. Nixon was rather vague. In the long term he is prepared to accept my Resolution, because that is the policy which he has adopted, but if it is short term he is not prepared to accept it. Do I take it that this is his reply to my Resolution?

THE HONOURABLE MR. J. C. NIXON: No.

THE HONOURABLE MR. HOSSAIN IMAM. Then he is definitely against any measure to increase purchasing power. If that is the policy of the Government, then we have no alternative but to press the Resolution.

THE HONOURABLE MR. J. C. NIXON: I have very little to say, Sir. When my Honourable friend makes quotations of index prices, I think he must bear in mind what I said during my speech. I said that the real trouble with the world was the differing falls and differing rises in the prices of primary products and the prices of manufactured goods. Inasmuch as England is a manufacturing country and India is a country more particularly interested in primary products, that variation between price indices is natural and the sort of thing that one would expect.

I will supply the Honourable Member personally within a few days with the figures, year by year, leading to my assertion that the currency has been expanded over a period of about five years by Rs. 30 crores.

The real objection that I have—as I said before—to accepting the Honourable Member's Resolution is the implied criticism in it. I can show that that criticism exists by referring to the remarks of the Honourable Kumarsankar Ray Chaudhury who said that the needs of India had been neglected. Again, he said that we had dealt with the currency and credit situation in the interests of Great Britain. My Honourable friend Mr. Mahtha said that the object of the Resolution was to rouse Government, to the realisation of its shortcomings.

But, Sir, when my Honourable friend Mr. Hossain Imam comes out into the open and speaks like a Socialist, I find him accepting all my arguments. I would ask him who were the people recently in the gold block countries who objected or put up an opposition to devaluation. He will find, if he makes enquiries, that it was not the capitalists, and not the rich men, in France and such like countries who objected but it was the left wings of each of the Legislatures who opposed devaluation. I feel somehow, knowing some of the principles for which my Honourable friend stands, that it is a little disappointing to find him lending his authority to this exchange agitation, and I cannot help feeling in the heart of hearts of me that it is either due to some confusion of thought or some confusion of principles.

He asks me to reply explicitly to the suggestion of the Honourable Mr. Sapru as to why the exchange ratio should not be submitted to the investigation of some independent body. The House knows that it is a statutory obligation on the Reserve Bank to submit a report on this subject. Since there is a statutory obligation on some well qualified body to report in this matter, I have not any intention, and the Government has not any intention, of taking the matter out of their hands. I would remind the House that the Reserve Bank are asked to report on this matter—I have not got the exact words before me but this is the purport—when international financial circumstances are clear and stable." The two words "clear" and "stable" are certainly correct.—I personally am by no means surprised that the Reserve Bank has concluded that the international financial situation at the moment is anything but clear and stable.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): The Question is:

"That this Council recommends to the Governor General in Council to take practical steps in all possible directions to increase the purchasing power of Indians".

The Motion was negatived.

The Council then adjourned for Lunch till a Quarter to Three of the Clock.

The Council re-assembled after Lunch at a Quarter to Three of the Clock, the Honourable the Chairman (Sir Phiroze Sethna) in the Chair.

ARYA MARRIAGE VALIDATING BILL.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern: Non-Muhammadan): Mr. Chairman, I move:

"That the Bill to recognise and remove doubts as to the validity of inter-marriages current among Arya Samajists, as passed by the Legislative Assembly, be taken into consideration."

Sir, this is a non-controversial Bill. In the other House it was allowed to go through as an agreed measure and I would like to congratulate the father of this Bill who is a Member of the other House, Mr. Ghanshyam Das Gupta, on what he achieved there. 'The Arya Samaj, as the House knows, is a protestant movement in Hinduism. Its founder was Swami Dayanand Saraswati, one of the greatest Hindus of all ages. The Arya Samaj has today many adherents. It attracts also many people who are not exactly its adherents. They do not accept its theology but they admire its educational and social work. The Arya Samajists do not believe in caste in the sense in which our orthodox Hindu friends believe in it. They think that all men by birth are Sudras. It is only by work—*Karma*—that they become Brahmans. Sir, inter-caste marriages among the Arya Samajists are getting common. The Samaj is also a proselytising faith. Therefore, inter-religious marriages are not uncommon among the Arya Samajists. Now, the Bill only affects the Arya Samajists. It does not affect any one else in the Hindu community, and the Arya Samajists want a disability from which they are suffering to be removed. It is a very small Bill and there is only one important clause. The Bill says that a marriage between Arya Samajists shall not be invalid by reason only of the fact that the parties at any time belonged to different castes or different religions. The clause says nothing about any other disability affecting the marriage. A marriage invalid because of any other disability is not validated by this clause. Of course the amendment which stands in the name of the Honourable Mr. Hossain Imam has not yet been moved. I do not know whether he will move it, but I would say that in view of the wording of the clause the amendment is unnecessary. The Bill was an agreed measure in the other House and I hope that this House will accord to it the support which the other House accorded to it.

The Motion was adopted.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): The Question is:

"That clause 2 do stand part of the Bill."

*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhammadan): Mr. Chairman, I rise to move:

"That to clause 2 of the Bill the following proviso be added:

'Provided that nothing in this section shall of itself invalidate a previous marriage'."

This amendment has been moved by me to remove a doubt which exists in our minds that perhaps this Bill might be used, though that

*Speech not corrected by the Honourable Member.

[Mr. Hossain Imam.]

may be from the intention of the framers, to hide a purpose for which no decent man would allow the law to be used. I refer to a standing shame of India that there are people who use conversions merely to hide immoral desires, and as far as that desire is concerned it is damnable and I do not think any party in the House, Hindu, Muslim or Christian would give their support or sanction to it. If, Sir, my doubts are groundless I might be prepared to reconsider the question.

Sir, I move the amendment.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR (Madras: Muhammadan): Sir, I would give my support to the amendment and my reasons are the same, that we should discourage all such attempts at these things when we find that conversion is sought merely as a device to secure divorce from the former husband. (An Honourable Member: "How will this secure that?") Because under the clause under consideration it seems as though people who might be parties to the marriage, whether one or both belong to a religion other than the Hindu religion, if they get converted to Arya Samajism and then contract a marriage, then the former marriages become invalid. Therefore there is a doubt in the minds of people which affects not only the Arya Samajists but also people outside the pale of that faith. I should therefore very much like this doubt to be cleared, and if the clause does not clear that doubt it would be better to have this proviso added to it, in order to clear the air and put this matter beyond all doubt, that the mere fact of a marriage contracted under the provisions of this Bill will not go to invalidate a previous marriage.

THE HONOURABLE MR. A. DEC. WILLIAMS (Government of India: Nominated Official): Sir, I think there is very little question that the amendment is unnecessary. Clause 2 of the Bill seems to have been very carefully drafted. Indeed, the Bill has been to a Select Committee. We must presume that they devoted care to this question of drafting. The Official Draftsman as usual was at the Select Committee and it seems to me that the words of the clause are very clear. The use of the words "by reason only of the fact" certainly preclude any interpretation against which the proposed amendment could be a safeguard. There is little question that the amendment is already covered by the clause and if the amendment is put into the clause there is another danger—the danger that the courts, seeing that the obvious sense of the amendment is already contained in the clause, will feel constrained to attach some meaning to it other than the meaning intended; the courts in fact will not wish to hold that the proviso is meaningless. I think there is very little question that the clause as drafted does contain the intention underlying the amendment. I am convinced that the amendment is unnecessary; and there is the danger that some further meaning may be imported which was not intended by the Mover of the amendment. I therefore do suggest that the Honourable Member should not press it.

THE HONOURABLE MR. HOSSAIN IMAM: Is the Honourable Mr. Padshah satisfied with the reply?

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR: I am not quite satisfied, because I find that the amendment is necessary.

THE HONOURABLE SIR DAVID DEVADOSS (Nominated: Indian Christians): Sir, the amendment is unnecessary. This is only an enabling provision. If we read it carefully, all it says is:

"Notwithstanding any provision of Hindu 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 or shall be deemed ever to have been invalid by reason only of the fact that the parties at any time belonged to different castes or different sub-castes of Hindus or that either or both of the parties at any time before the marriage belonged to a religion other than Hinduism".

This does not at all invalidate a marriage validly contracted. This is primarily intended for validating the marriage of Hindus who profess the Arya Samaj religion. Arya Samajists call themselves Hindus and it provides for the validation of marriages between sub-castes, because according to strict Hindu law, a valid marriage cannot be contracted between different castes. This Bill says that the marriage between sub-castes should be valid. The words:

"By reason only of the fact that the parties at any time belonged to different castes or different sub-castes of Hindus or that either or both of the parties at any time before the marriage belonged to a religion other than Hinduism"

do not mean that a person who is party to a subsisting marriage can become an Arya Samajist tomorrow and then contract a second marriage. Take the case of a Muhammadan. A Muhammadan can get a divorce by saying *talak* three times. Take the case of a Christian. Supposing he wants to get rid of his wife. Can he become an Arya Samajist for that purpose? I do not know what the ceremonies of initiation are. But supposing he says, "I have become an Arya Samajist". Can he say that he can marry again?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: There is no initiation ceremony in the Arya Samaj.

THE HONOURABLE SIR DAVID DEVADOSS: I am very glad to hear it. All that he says is, "I am an Arya Samajist". Can he get rid of a Christian wife by becoming an Arya Samajist? This does not at all provide for it. I do not think in the circumstances that this amendment is necessary. As the Honourable Mr. Williams has rightly observed, the courts would attach some meaning to it and I am afraid that if this Bill is passed into law the effect of that would be nullified by this amendment. There must be some meaning attached to words in a legislative enactment which are solemnly introduced by means of an amendment. The courts would ask what is the idea? Would they say all this is taken away by the effect of the amendment? We must give some reasonable construction to the words in a legislative enactment. I think, taking everything into account, the amendment is unnecessary, if not injurious, to the Bill itself.

THE HONOURABLE MR. P. N. SAPRU: I have got very little to say by way of reply to the Honourable Mr. Hossain Imam. I agree with him that we ought to discourage fraudulent conversions. I would say that so far as fraudulent conversions are concerned, this Bill will not encourage and the present absence of this Bill does not discourage them. We are all I

[Mr. P. N. Sapru.]

think at one with the Honourable Mr. Hossain Imam in condemning fraudulent conversions and religion being used as a cloak for immorality, fornication and adultery. Well, Sir, so far as the legal position is concerned, it has been explained very clearly by Mr. Williams and by Sir David Devadoss. The Bill only removes a disability which exists today. If a marriage is invalid for any other reason, it will not validate that marriage. Supposing a Muhammadan woman has a husband living and she becomes an Arya Samajist and she marries again in the Arya Samaj form, then according to my interpretation of the clause as it stands in the Bill, she would be committing bigamy and the marriage would be invalid. Sir, there is a Shariat Bill in the other House promoted by Mr. Kazimi. I think it will help to remove many of these difficulties. There is no reason why our Hindu friends should not lend their support to it. I hope, Sir, in view of the explanation that I have endeavoured to give to the House the Honourable Mr. Hossain Imam will see his way not to press the amendment.

THE HONOURABLE MR. HOSSAIN IMAM: Sir, I would like the permission of the House to withdraw the amendment in view of the assurance given.

The amendment was, by leave of the Council, withdrawn.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill. ▲

THE HONOURABLE MR. P. N. SAPRU: Sir, I move:

"That the Bill to recognise and remove doubts as to the validity of inter-marriages current among Arya Samajists, as passed by the Legislative Assembly, be passed."

The Motion was adopted. ✓

CONTROL OF COASTAL TRAFFIC OF INDIA BILL.

THE HONOURABLE MR. P. N. SAPRU: Sir, I move for leave to introduce:

"A Bill to control the Coastal Traffic of India."

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): The Question is that leave be granted to introduce:

"A Bill to control the Coastal Traffic of India."

The Motion was adopted.

THE HONOURABLE MR. P. N. SAPRU: Sir, I introduce the Bill.

THE HONOURABLE MR. HOSSAIN IMAM: Sir, I do not intend to move the Resolution* standing against my name. I have informed the Government Member.

*"That this Council recommends to the Governor General in Council to consider the possibilities of helping the cottage industries by imposing excise duties on large scale mechanised industries that compete with them".

RESOLUTION RE TAKING OF STEPS FOR STARTING STEAMER LINES OVER THE RIVER SYSTEM OF BENGAL.

*THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY (East 3-5 P. M. Bengal: Non-Muhammadan): Sir, I beg to move:

"That this Council recommends to the Governor General in Council to take steps for the starting of steamer lines over the river system of Bengal in conjunction with the Eastern Bengal Railway system with a view to make it a profitable concern".

The Bengal District Administration Committee of 1913-14 described Bengal as follows:

"Communications are more precarious, more scanty and more inefficient than those of any part of India known to us. Traversed by mighty rivers and tributary streams, visited by abundant rains, these eastern districts are mainly a water country which yields rich harvests of rice and jute to a teeming population, partly concentrated in a few towns, but mainly scattered over a number of villages. In the rains vast tracts of the country are completely submerged and only a few of the more important roads are out of water. Boats are the ordinary means of transit and markets spring up on the banks of the waterways".

The Road Development Committee at page 14 of their report also say:

"In Bengal and Assam the country is almost impassable during the heavy rains and the network of waterways would make the cost of bridged roads almost prohibitive while the waterways themselves provide an alternative system of communication. The old system of communication prevailing in Bengal was by means of these waterways and wherever that was not available, feeder communications by means of what were called halats or subsidiary canals and not raised roads were constructed. These served not only as a means of communication during the rains, but as feeder drains to clear up the accumulating waters of the rainy season as quickly as possible instead of locking them up as in the case of the roads subsequently constructed by the British Government".

This river system served as a means of communication not only in Bengal but was the main artery of communication between Assam and Bengal on the east, between Bengal, Bihar and the United Provinces on the west, and by the Buckingham canal between Bengal, Orissa and Madras on the south. The diversion of the waters of the Ganges and Jumna and other rivers of India by an intensive policy of canalisation without utilising those canals as means of communication as could easily have been done and the construction of roads and railway lines have destroyed this easy and the most cheap mode of transport available to the country and jeopardised the health of the people thereof, so that malaria has extended its ravaging grip over the entire length and breadth of Upper India wherever the system of canals has been introduced as also in the lower provinces of Bengal silted up river-beds and water-logging has followed in its train.

Sir, the development of railways being a Central subject and the Government of India having also taken up in its hand the development of the arterial roads between the provinces, it is they who are therefore responsible for bringing about this state of affairs in the country, and it does not lie in their mouth now to say that this is a provincial question to be dealt with by their depleted revenues.

Sir, this question of the development of the waterways is an old one and had been brought before the Legislature several times before. On a previous occasion "the debate on this subject was not pursued because the report of the Agricultural Commission" was awaited. That Commission recommended to the earnest consideration of the Bengal Government the

*Speech not corrected by the Honourable Member.

[Mr. Kumarsankar Ray Chaudhury.]

desirability of appointing a committee of experts, one of whom should be familiar with the management of the deltas of large rivers such as the Mississippi, to report upon the advisability of setting up a Provincial Waterways Board. They also pointed out that the Irrigation Department of the Government of Bengal had not been competent to deal with the questions of navigation and drainage. They therefore recommended the creation of a separate department in Bengal to be called the Waterways and Navigation Department. These duties were however all thrown upon the Bengal Government, but there was one recommendation made to the Government of India, viz., that the Council of Agricultural Research should take up the question of research about the eradication of water hyacinth as one of their first questions and I would ask the Honourable Member in charge to enlighten us about what has been done by him in this matter.

On another occasion when the matter came up in the Council of State for discussion Mr. McWatters had to admit the necessity of a Central organisation and it was stated that the Waterways Committee which existed in Bengal should be expanded and developed and that opportunity should be taken to enlist upon it representatives from other adjoining provinces where subjects came under discussion in which more than one province was interested. But when the Mover of the Resolution pressed upon him the question of a Central Committee being appointed on the analogy of a Central Committee for Roads, he said:

"The development of roads in one province has an intimate connection with the development of roads in other provinces. The arterial communications cannot be developed in one province and neglected in another without affecting the value of the whole scheme and therefore there is as regards roads a strong case for co-ordination. In the second place, in connection with roads there is an extra problem due to the development of motor transport and the still greater developments which we expect in the future. It was felt desirable that these users up of the road should be made to pay something more for their upkeep, and this could only be done by the imposition of a petrol duty which was a central subject".

The Government have themselves, as I have shown before, been responsible for the destruction of the arteries of India and I wonder what contribution do they get from the Steamer Companies for the using up of the waterways of the country which are deteriorating day by day through their neglect and that of the Government.

So far as the creation of committees are concerned, it is all right according to our old adage of "a fool must be filched of his wealth in any case". The Waterways Committee of Bengal which was already there has been expanded. The Grand Trunk Canal Committee held its protracted sittings all right and the Government could find money for all that, but when the question of putting their recommendations into effect came, then of course there was no money available in the hands of the Bengal Government—thanks to the provisions of the Government of India Act.

The Acworth Committee long ago pointedly drew attention to the necessity for the creation of an office in the Government of India, namely, a Member for Transport. Sir George Godfrey representing the Bengal Chamber of Commerce also said on the last occasion in this House:

"If he had proposed that there should be created a central ministry of transport to take charge of railways, roads and inland waterways, I might possibly have welcomed it because I do consider that the maintenance and development of inland water traffic is of the greatest importance to the country. It is greatly to be deplored that many of the old natural waterways are fast dying Unfortunately the

Government of Bengal is in such a financial condition that there seems very little prospect of their being able to undertake that scheme in the near future and the Government of Bengal is faced with a rapid deterioration of the existing routes and the impossibility of raising money to construct the new route".

If there had been a Central Ministry of Transport upon whom fell the duty of taking charge of all measures of transportation, namely, railways, roads and waterways, one cannot but help thinking that such a Ministry would have faced the situation and would have said that the problem is of national importance—a great deal more than provincial—feeding as these do the great port of Calcutta. As I say, I feel that a Ministry of Transport would have taken upon itself to come forward with financial schemes, causing neighbouring provinces to co-operate and bringing about co-operation between the central finances and provincial finances. But now that the Ministry of Transport is about to come into existence, I am sorry to find the same Chamber of Commerce suggesting and pressing for the omission of the inland waterways from the portfolio of that Minister and I am almost afraid that their objection will ultimately prevail.

Sir, on that occasion I also moved on the same day the present Resolution of mine in a somewhat wider form, and as that is not the case on the present occasion, I felt myself compelled to dilate upon the matter and to stray beside my point to some extent. Sir Geoffrey Corbett in replying to my Resolution raised several objections. He said, section 51 (e) of the Indian Railways Act permits a railway to provide any other means of transport to or from a railway system only as part of a journey where it is required only for the reasonable convenience of the public, that is, if sufficient services are provided from other sources, it would not be justifiable under the Railway Act for the Governor General in Council to sanction the provision of services by a railway company. This, I submit, is too narrow a construction of the section and is not warranted by its actual interpretation, for he himself drew the attention of the House to the fact that "forty years ago there were a certain number of services run by the railways in Bengal; the most important, I think, were Goalundo to Naraingunj and Goalundo to Serajgunj". Now, Sir, both these lines when they were established did not connect a railway system existing on both sides of those services and continued to be so for a long time afterwards. The next objection raised was that these steamer lines proved unremunerative in competition with private enterprise, but the Honourable Member gave us no figures. I had tried to ask some questions for the details, but the Honourable the President has thought fit to disallowing questions. I then wrote to the Secretary of the Railway Board to give me the details, but he also has not vouchsafed any answer to my letter yet. But the next ground urged by the Honourable Member took away all his points from this second objection when he stated that if State Railways were allowed to extend their activities over these public highways, they might ultimately with all the resources of the State behind them destroy private enterprise. So it was not because the steamer lines were unremunerative but because they would kill the British Steamer Companies that they were handed over to them upon terms and conditions most of which were most flagrantly broken by the steamer companies in spite of the grave objections of the railway authorities which the Government do not dare to disclose. And to crown all, the unremunerative railway system had been taken charge of by Government to the great relief of the private company by which it was being run and is being all along run at a considerable loss to Government, while the steamer

[Mr. Kumarsankar Ray Chaudhury.]

companies are carrying on their business at great profit to the shareholders and by fair means and foul, like a Loch Ness monster, rummaging the waters of Bengal, killing and devouring all private enterprise.

The next point raised was want of funds. I do not think the Government was serious when it said that the employment of pilots and other people stood in the way of opening steamer services. But the supply of capital to be employed in opening such lines is no doubt an important matter. The Central Government has taken upon itself the charge of supplying quicker means of communication and transport to the people of India and has invested large funds for the construction of railways in the different provinces. Bengal, unhappily circumstanced as she is, stands at a disadvantage so far as railway construction is concerned. Only the other day, in reply to a question of mine, a statement was laid on the table of this House showing how 5 or 6 railway projects had to be abandoned on account either of heavy cost necessary for constructing bridges or of the line traversing across the country in such a way as materially to affect the health of the countryside. But on the contrary, she has got her natural means of communications through the rivers which are being neglected by the steamer companies and brought to a state of ruinous condition, although they are earning huge profits out of it. Nor can private companies be expected to do the needful in this connection. Moreover, the money required to resuscitate the dying rivers and to keep them in good condition has to be recouped by some means or other which can only be done by taking the transport over them under Government control and this can best be done by the Member in charge of transport of the Government of India in order to avoid duplication, and I hope the other provinces cannot justly grudge the diversion of railway funds to communication on the inland waterways of Bengal, when Bengal has not its just share of the capital invested in railways in the other provinces.

With these words, Sir, I commend my Resolution to the acceptance of the House.

THE HONOURABLE SIR GUTHRIE RUSSELL (Chief Commissioner of Railways): Sir, I must admit that the first part of the Honourable Member's speech entirely fogged me. As I read the Resolution, its object is that the Eastern Bengal Railway, by starting steamer services, should improve their financial position. For a quarter of an hour the Honourable Member discussed improving waterways in Bengal and digging, as far as I can make out, canals. That, I believe, is a purely provincial subject. But I feel gratified that he has paid the Railways a compliment. Apparently he thinks the Railways could run better steamer services than private interests. Whether this is his actual opinion or not, I do not know. But I think I can take it that it is so. I am afraid, however, that the only justification for Railways running steamer services is if they are going to be remunerative or if the existing services are not meeting the needs of the public. The Eastern Bengal Railway did run steamer services on the rivers of Bengal. Admittedly, that was 40 years ago. Conditions may have changed, but I think the conditions now would be even less favourable to Railways than they were 40 years ago. During these 40 years private interests have improved their services and I believe that they are giving a reasonably efficient service. But let us assume for the sake of argument that it was decided as a matter of policy that the Eastern Bengal Railway should run steamer services, how are they going

to do it? We can open new services, but as steamer services have been in existence for 60 years I do not think there are many places left to exploit. Secondly, we could start services in competition with existing services. Now, existing services would obviously object to this and it really comes to this that public money would be used to fight private interests. The net result would be a rate war, and a rate war cannot be in the interests of anybody, certainly not in the interests of the steamer services and certainly not in the interests of trade. The other point is, are the present services giving a reasonable service to the public? Well, as we all know, any transport service makes a very good cockshy, but I do not think you can take all that is said against a transport service as a true measure of the efficiency or inefficiency of the service. But it may give you some idea, and on this basis I do think the steamer services in Bengal are meeting the reasonable needs of the public.

Then of course there is a third possible course that might be adopted and that is for the State to buy up the existing services. Now, that would cost a very great deal of money and surely that money could be more usefully utilised by improving communications where there are no communications or for improving our services where these already exist.

The object of the Resolution as far as I can make out is to improve the finances of the Eastern Bengal Railway. Admittedly the Eastern Bengal Railway is not paying its full interest charges. In other words, it is not really a paying concern. But we have already tried steamer services. These were a failure. Surely it is not going to improve the situation if we increase the capital of the Eastern Bengal Railway, increase their interest charges, with what is going to be an unremunerative concern. In fact, Sir, I think the last state would be worse than the first.

I have said nothing about the development of rivers and canals in Eastern Bengal because, as I have said, it is purely a provincial subject and does not I think come within the terms of this Resolution.

Sir, I oppose the Resolution.

*THE HONOURABLE KUMARSANKAR RAY CHAUDHURY: Sir, the Honourable Chief Commissioner of Railways has said that the opening of steamer companies will bring in a rate war. Rate wars have been prevalent from before and it is rampant between Indian and British companies running in competition. Just before I moved my Resolution another Bill has been introduced to prevent rate wars. So I submit that that need not stand in our way. The Honourable the Chief Commissioner has admitted that the E. B. Railway is not working properly and it is running at a loss. Should not this motion be adopted to recoup this line? He says the opening of steamer companies will be unremunerative, but he has not said whether the present steamer lines are being run at a loss. If they are making profits, I do not see why if they start similar companies or buy up the existing companies that will bring about a loss to Government.

THE HONOURABLE SIR GUTHRIE RUSSELL: Sir, the Bill the Honourable Member referred to is for the control of coastal traffic. It has nothing to do with river traffic.

*Speech not corrected by the Honourable Member.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): The Question is:

"That this Council recommends to the Governor General in Council to take steps for the starting of steamer lines over the river system of Bengal in conjunction with the Eastern Bengal Railway system with a view to make it a profitable concern".

The Motion was negatived.

RESOLUTION RE SCHEME OF PENSIONS AND GRATUITIES TO THE FAMILIES OF GOVERNMENT EMPLOYEES.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Sir, I rise to move the Resolution which stands in my name:

"That this Council recommends to the Governor General in Council to institute a scheme of pensions and gratuities payable to the families of all officers and servants of the Government of India in the event of the death of such officers and servants whether before or after quitting Government service".

Sir, this Resolution has already been moved in this House in 1924 and then in 1931 and 1932. In the year 1924 the Honourable Mr. Vedomurti moved a similar Resolution regarding the substitution of a provident fund for the existing pension system. That Resolution was passed as amended by the Honourable Mr. Khaparde—

"to consider the possibility of substituting either wholly or in moiety or in such proportions as may be found desirable a scheme of a contributory provident fund basis for the existing pension system for all Government employees Gazetted and non-gazetted, under the Government of India and the Provincial Governments and Administrations".

And the Resolution, as so amended, was accepted by the Government. The need of my moving this Resolution is that the duration of the life of Indians is progressively becoming shorter. To prove this I would cite the figures which were given by the Honourable Mr. Vedomurti in 1924. The average duration of life in India in 1924 was 22.59 for males and 22.36 for females, while in England the corresponding figures were 50.02 for males and 46.4 for females. Sir, in the pre-British period in India, the average life of a person was 100 years. (Laughter.) As far as the Punjab is concerned, that was the average life but after the starting of the British rule the average life came down to 75 to 80 years. I can say that my own uncle died at the ripe age of 86 years and in that age he was so strong he could fight a bear and that with success.

THE HONOURABLE MR. BIJAY KUMAR BASU: Was it the average age?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: The average age was between 75 and 80. My uncle's age was 86. So I am not taking 86 as the average, but only 75 to 80. Sir, since the standard of living in India has increased and the amenities of life have swelled up, people have got accustomed to luxurious habits, the average life has then gone down and the result is that the number of people who die before earning pensions has considerably risen. It is therefore necessary that those people who have done loyal service to the Government must be helped when they die before they earn their pensions, so that their families may not be left destitute, and that some relief should be given to them. Sir, for the Indian Civil Service, Indian Civil Service Family Pension Rules and the Provident Fund Rules have been introduced, and under these rules if an officer of that service dies before earning a pension a gratuity or a family

pension is given as is detailed in the rules, which I have before me. The book I refer to is the India Office List, 1936, pages 146 and 446 and 452. I wish that similar rules are adopted for the other services than the Indian Civil Service. I need not repeat the arguments which were put in favour of this Resolution at the time when these Resolutions were moved in this House a few years back. But, Sir, even the Government will realise that, as was defined by the Government spokesmen, this pension is regarded as deferred pay. When this Resolution was moved in this House previously our Honourable President, Sir Maneckji Dadabhoy and our Honourable Chairman now presiding supported that Resolution, and as our Honourable Chairman is an expert on insurance matters and is as expert as an actuary, his opinion carried great weight. It is now a fact that most of the people die before earning pensions and a great hardship is being caused to the families which are left destitute. This is a humane Resolution and asks, for active sympathy and not lip sympathy, I hope that the Government will be able to accept this Resolution and to devise any means which they consider fit. I am not limiting them to any particular method or particular proportion of the salaries in pensions, but leaving the matter entirely in their hands, so that those who have served the Government well should in return get help for their families when they are left destitute. With these words, I commend this Resolution for favourable consideration of this House.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): Before I read the Resolution, I should like to ask the Honourable Mover, because he has quoted me, whether he means to imply that on the previous occasion I said that the expectation of life today is shorter than what it was before in India.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: What I said was that your goodself supported the Resolution and I did not go into the details. If you like, I can—

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): All I want to know is if I said that the expectation of life today was shorter than before.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I do not think so, Sir.

THE HONOURABLE MR. J. C. NIXON (Finance Secretary): Sir, the matter which forms the subject of the present Resolution has been before Government for a very long number of years. At least 16 years ago when I was Under Secretary in the Finance Department, the matter was under the consideration of that Department and I myself played some part in the calculations done on that occasion. I came back to the Government of India in about the year 1931 and was working with the Honourable Mover of this Resolution on the matter of attempting to reduce the expenditure of the Central Government. Even at that stage a certain number of problems were thrown at me in regard to schemes on the lines of the suggestion of the Honourable Mover. I had at that time to turn to the officers who were sending me these problems to say that it was rather an inappropriate time to ask someone to work out schemes for increasing expenditure at the same time as I and the Honourable Mover of this Resolution were engaged in trying to find ways and means of reducing existing expenditure.

[Mr. J. C. Nixon.]

The matter has also come before both Houses, I believe, in the course of the last 10 years or so on more than one occasion. And indeed this House has in the past been given some sort of hope that Government would, or would be able in due course to, work out a scheme suitable for meeting the circumstances. I am afraid that now I must take away that hope altogether. During the last year or so we have been over the whole field again and we have come to the conclusion that there is nothing both acceptable and suitable to the circumstances to be done.

Provident Fund terms are given, as the House probably knows, to employees of the Railway Department of Government, and it is also the normal practice of business concerns to pay deferred benefits to their employees in the form of a Provident Fund. Those terms are given, I understand, in order to facilitate getting rid of superfluous men. On the other hand, the ordinary practice of Government and of quasi-Government bodies is to engage their officers on pensionary terms, the supposition being that that sort of service is more consonant with security of tenure. Incidentally in speaking of pensions I would like to allay the misapprehension if the Honourable Mover of this Resolution has succeeded in conveying it when he said that most people, presumably in government service, die before earning their pensions. As the person responsible very largely for paying them, that statement, I might almost say unfortunately, is not true.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: On a point of explanation, Sir. What I said was that their number was on the increase.

THE HONOURABLE MR. J. C. NIXON: I beg your pardon, then I must have misunderstood you. I thought I took down what you said: "Most people die before earning their pensions".

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I said: "More people die".

THE HONOURABLE MR. J. C. NIXON: There is always a certain amount of controversy, Sir, between people who are on pensionary terms and people on provident fund terms each accusing the other of being the better off. Of course each would like to have the advantages of the other for each system has some advantages and some disadvantages. At times of high interest rates it is probable that the man on provident fund terms is intrinsically better off than the man on pensionary terms. The probability is that when rates of interest are low, as they are at present, the pensionary officer is in a better position than the man on provident fund terms. In any case, there is always a danger in paying a Government official when he retires a lump sum as it is well known that all we Government people are very simple souls and are very liable to have our money filched away from us in some manner or other and be left destitute!

The Honourable Member referred to certain existing family pension funds and particularly to the I. C. S. Family Pension Fund. I think he mixed up the I. C. S. Family Pensions Fund and the I. C. S. Provident Fund. But, I would like to acquaint him in regard to them both that I pay for them. There is in the case of the I. C. S. Family Pension Fund a comparatively small contribution by the State but the other family pension funds run by the Government are funds which are completely

self-supporting. They are run on an insurance basis from the subscriptions of the contributions.

I confess that it does seem hard when a man has done many years of pensionable service and dies either just before earning his pension or just after earning it. We did, as I say, devote many years to trying to devise possible schemes to meet this state of things. There were three main lines on which our minds were working. One was to turn over altogether from pensionary terms to provident fund terms and to have a contributory provident fund. If a man died at the end of 10 years' service, whatever sum he had put in himself together with the Government contribution would go to his family. The second scheme which we investigated was one also of getting rid of pensions altogether but guaranteeing a man upon death or retirement a lump sum ordinarily represented by so many months' pay at the time. And we also investigated a third scheme where the pension was not entirely washed out but a proportion was taken away and converted into a lump sum payable either on death or retirement. The third system is one which is kindred to the system current in England. The only trouble is that, owing to the fact that the expectation of life in India is confessedly not as long as it is in western countries, the amount by which you have to reduce the pension in order to obtain relevant lump sum payments is much more than it needs to be in England.

Well, as I say, we worked out schemes on each of these lines. But we imposed one condition and that was that the alternative schemes should not cost more to Government than the present pensionary scheme does. And having worked this out in very considerable detail we sent the schemes round to Provincial Governments (who are mainly concerned in this matter inasmuch as they employ a much larger number of people than we do) and asked them to take into account the wishes of the services and say whether they would like a change over to one or another of these systems. I believe I am right in saying that the Provincial Governments were unanimous in declaring that none of these schemes were of any use to any of their Government servants. It is no secret to the House that Government are not in a position forcibly to make a major change in the conditions of service of Government people. We could not force people to become subject to completely different conditions. For present incumbents we could only make a change if they were willing to accept it. And certainly into none of the schemes that we put before them were they willing to exchange, and I am afraid it is a fact that must be faced—a fact which is pretty well known to insurance companies—that it is only a small proportion of people who are prepared to give up present benefits for future ones.

But, Sir, none of these propositions apparently would have been acceptable to my Honourable friend Rai Bahadur Lala Ram Saran Das. He according to the terms of his Resolution apparently does not want any of the present pensionary benefits of Government servants reduced. He wants them to continue in receipt of all this but in addition requires that the relatives of those that have the misfortune to die in service should obtain benefits also. Of course, that is going to cost us more. But he goes further than that. Not only if a man in service dies should his family be eligible for pensions or gratuities but even when a pensioner dies his family should also be eligible. Well, Sir, this sort of thing obviously is going to cost a lot of extra money and it seems to me to be a strange proposal to emanate from an Honourable Member who a few

[Mr. J. C. Nixon.]

weeks ago advocated in this House a cutting down of the cost of the Services by lopping 10 per cent. or so off their pay. It is a mistake, Sir, to believe that because a man in service dies and does not earn a pension that Government thereby makes a profit out of him. The pensionary bill presupposes a certain number of Government servants dying every year and certain others not living through the full length of life. We do not make a profit out of it.

Then again, Sir, in order to work out the possible liabilities that may be involved in a scheme such as is in the mind of the Honourable Member we should need a great deal of actuarial statistics. He seems himself to have more faith in the existence of accurate actuarial material in India than I have. But I think he must have made a mistake in reading some of it if he really does believe that the average expectation of life in India is decreasing, because, as far as I know from talking to people in the insurance line, the contrary is the case. However, I would state that the actuarial material at our disposal is not sufficient to allow us accurately to estimate what this sort of liability might mean to us.

There is another uncertain element in this question. In order to ascertain our liability we should have to make certain assumptions about long term interest rates—a particularly uncertain factor at the moment. Further still, Sir, I suggest that it is a particularly dangerous process for a Legislature to undertake that type of liability which will not fall on the estimates during their time but will fall with all its force on a generation or so ahead.

And finally, while I am on this subject, I would point out to him that, as I said before, the main body of Government servants who are interested in this proposition one way or the other are people who are serving Local Governments.

I have to say quite frankly that Government are not prepared to spend more on the Services by virtually revising their emoluments. The leave terms of Government servants in India are more generous than they are in any country in the world. There are more public holidays in India than I suppose there are in any other country in the world. The salaries, I think, I can say, in all grades and other conditions of service of Government officials are above, and in some cases well above, market rates in India. And finally, there is no dearth of applicants for Government service on the present terms.

As a matter of fact, Government did consider two alternatives, (1) of making all Government servants compulsorily contribute to a provident fund with nothing contributed by Government except interest on the money and (2) of requiring all entrants to Government service compulsorily to take out insurances. The second idea has its attractiveness, but as most Honourable Members know, it is not difficult to encumber an insurance, while another difficulty from the point of view of Government is that we can hardly, in the present circumstances of India, encourage Government officials to take out policies with some of the existing companies, and we should have to undertake the somewhat undesirable and invidious task of trying to discriminate between companies. There would also be open the alternative of State insurance—to insist that all Government servants should insure with the Post Office Insurance Fund, but I think there are plenty of interests in India at the moment who would not encourage that idea. As regards compulsory subscription to the provident fund, my

Honourable friend Mr. Hossain Imam pointed out that there was a certain amount of cost and risk involved in that, and he suggested that we in the Centre should try and get out of such liabilities. It is true that even Provident Funds involve Government in expense, both of management and sometimes in the matter of interest. But neither of these conditions could be imposed forcibly on the existing personnel.

I suggest too, Sir, that the making of provision for one's family after death is really no different an obligation from that of educating your children or arranging for medical attention for your wife and children, and for that matter, even in obtaining clothes and food for your family. I do not think that Government will ever assume full responsibility for providing all the social necessities of Government servants.

Government servants at present have certain opportunities. When a Government servant retires on pension, he is permitted to commute a portion of his pension into a lump sum. During the course of his service he is permitted voluntarily to contribute to a provident fund. He can take out, if he wishes, a voluntary insurance either in the Post Office Insurance Fund or in an Insurance Company. And further than that, Sir, we do provide every year in our Budget certain sums of money to constitute a compassionate fund, which we use perhaps a little stintingly, for relief of the very worst of the type of case in the mind of the Honourable Member. The amount which we set aside at the moment is Rs. 50,000 for employees of the Posts and Telegraphs Department, and Rs. 40,000 a year for the Civil Departments. We do not restrict the cases, which we may meet from this fund, to people who die actually in Government service. We do, at times, consider people who have only just recently gone on pension and who die very soon after getting their pension. I admit that we weed out a number of cases that make applications to that Fund, but I have no reason to believe that the really deserving cases are not at present sufficiently dealt with through the existence of the compassionate fund. Further than to continue that principle and to augment it when they are able and when it is found necessary, I am afraid Government are not prepared to go.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, I have heard the Honourable the Finance Secretary with great attention and I am glad to learn that I was wrong when I said that the average life was on the decrease. He says it is not on the decrease. If so, it will not cost the Government so much as it would have otherwise. Sir, I had the pleasure of working with the Honourable Mr. Nixon on the Retrenchment Committee and there his advice was always very valuable. But I will remind him that that Committee never desired to reduce the scale of pensions. That was never contemplated even. But all the recommendations which the Retrenchment Committee made and which were then partly accepted by the Government have now been substantially changed. Many recommendations which were then adopted have been now turned down and thus expenditure has been increased. Sir, I did propose a cut in salaries because I thought that the people who have got a fat salary could, at the time of economic depression, manage to live on a little less salary. But in the case of widows and orphans, who are left entirely destitute, it is very difficult for them to find money even for their existence. It is therefore very necessary that Government should look after particularly the orphans and widows of persons who die before earning pension. The Honourable Mr. Nixon observed that the various unions or associations of employees to whom the various schemes were referred

[Rai Bahadur Lala Ram Saran Das.]

did not approve of any of them. I might mention that while replying to Mr. Khaparde's Resolution on the 3rd March, 1932, the Honourable Mr. Brayne observed that the employees preferred the Railway Provident Fund system. So, I have not either followed the Honourable Mr. Nixon carefully or he is not aware of this statement of the Honourable Mr. Brayne's. There are more people now who die before earning their pension and it is necessary that some money should be found for their destitute family. We are not pressing for expenditure, Sir. I might mention that the little skirmish now in Waziristan will cost Government at least a crore of rupees, if not more, and the Government will easily find that money, without increased taxation because they must as this is not a question of their pleasure but a question of necessity. But when that much money is required for the Frontier skirmishes and little expeditions, Government can easily find money. I do not say to give them lump sums.

4-5 P.M. Give them some sort of monthly allowance, so that the money involved may not amount to so much as to discourage Government from taking on the responsibility. This, Sir, is a very reasonable Resolution and it is in the interests of the services. As the standard of living has gone up generally, the people who retire do not possess much money and they do not leave decent sums of money behind as they did in the past. So I consider that it is essential for the Government to protect these orphans and widows of their loyal servants who have been left to their care by Providence.

THE HONOURABLE MR. J. C. NIXON: There is not much I need say. The Honourable Member said that Mr. Brayne in this House in 1932, or thereabouts stated that Government servants at that time would have been willing to accept railway provident fund terms. That is true. As rates of interest were then they would have been willing to accept it. But I am pretty certain if you made the same offer to them now they would turn it down, as I myself should.

Then the Honourable Member also stated that more people died before earning pensions now than formerly. I have no doubt that that also is true, but it is because more people are in Government service. But there is no reason to believe that a bigger proportion of people die before earning pensions now than previously.

I am rather sorry that the Honourable Member did not try and explain to the House his inconsistency in advocating a fortnight ago a 10 per cent. cut in pay and his present suggestion that we should undertake an additional obligation on behalf of the public services.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): The Question is:

"That this Council recommends to the Governor General in Council to institute a scheme of pensions and gratuities payable to the families of all officers and servants of the Government of India in the event of the death of such officers and servants whether before or after quitting Government service".

The Motion was negatived.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): This concludes the non-official work of the Council during the current session. We will now adjourn till tomorrow to take up the remainder of the official work.

The Council then adjourned till Eleven of the Clock on Thursday, the 8th April, 1937.

COUNCIL OF STATE.

Thursday, 8th April, 1937.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the Chairman (Sir Phiroze Sethna) in the Chair.

SHORT NOTICE QUESTION AND ANSWER.

CLOVE CULTIVATION IN INDIA.

110. THE HONOURABLE SIR RAHIMTOOLA CHINOY: Have Government considered the desirability of having an inquiry made at an early date into the question of the feasibility of growing cloves in India?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: Government will consider the suggestion.

STATEMENT RE EMPLOYMENT OF WHITE GIRLS BY INDIANS IN SOUTH AFRICA.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern: Non-Muhammadan): Sir, may I ask the Leader of the House whether his attention has been drawn to the Report of the Select Committee on the Bill relating to the employment of white girls by Indians in South Africa and whether he is in a position to make any statement on the subject? It is a matter of considerable importance to Indians and as this is the last day of the session I hope, you, Sir, will permit me to put this question to the Leader of the House and I trust that he will be prepared to make a statement.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): If the Honourable Leader is in a position to make a statement, will he be good enough to do so?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: I shall be very glad to make a statement to the House, because I know that this is a subject which is deeply interesting Indians in the country.

The House is aware that, last February, a private Bill to prohibit the employment of Europeans by Asiatics in South Africa was referred to a Select Committee of the Union Legislative Assembly. The Government of India protested against the principle of the Bill, both directly and through the Agent-General, and the latter was instructed to give evidence before the Select Committee himself and to assist the Indian community to present their case. The Select Committee has recommended that only the employment of European females by Asiatics should be restricted, the restriction not to apply to Cape Malays or to Japanese, while the trade agreement between Japan and the Union of South Africa is in force. The Government of India are still profoundly opposed to the principle of the Bill, and, in particular, to the differentiation sought to be made between

[Kunwar Sir Jagdish Prasad.]

Indians and others of Asiatic race. They are instructing the Agent-General to make vigorous representations to the Union Government. The House may rest assured that they will spare no means open to them in order to safeguard the self-respect and the interest of Indians in South Africa. (Applause.)

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: May I put a further question to my Honourable friend? Is the Honourable Leader in a position to state whether the Bill has been improved in any respect by the Select Committee?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD: Yes, Sir. As my friend probably knows, the original Bill prohibited the employment of all Europeans, whether male or female. Now the Bill is restricted to females only and to the conditions under which they can be employed. To that extent there has been a change in what may be regarded as a favourable direction.

DEATH OF MR. MAHMOOD SUHRAWARDY.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): Honourable Members will have noticed in this morning's papers that a former Member of this House, Mr. Mahmood Suhrawardy, passed away yesterday. Mr. Suhrawardy was a Member of this House for two full terms, the Second Council of State and the Third Council of State. In fact he was a Member for nearly 11 years. He has been cut off in the prime of life at the age of 43 and I am sure the Council would like me in their name to convey our condolences to the bereaved family.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhammadan): Sir, on behalf of the Progressive Party, I wish to associate myself with the remarks made by you.

THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal: Nominated Non-Official): Sir, on behalf of Members from Bengal, I would like to associate myself with the sentiments expressed.

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras: Non-Muhammadan): Sir, on behalf of the Congress Party, I associate myself with the sentiments expressed by you. Mr. Suhrawardy was a Member of the Second Council of State when I was a Member of this House. He was a lovable young Member of the House and contributed to the utility of the debates.

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Leader of the House): Sir, I wish to associate myself and this side of the House with what you have said about the late Mr. Suhrawardy.

STANDING COMMITTEE FOR ROADS, 1937-38.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): I have now to make an announcement in regard to the elections that took place the other day. As a result of the election held on the 6th April, 1937, the following three Members have been elected to serve on the

Standing Committee for Roads which will be constituted to advise the Governor General in Council in the administration of the Road Fund during the financial year, 1937-38:

The Honourable Mr. R. H. Parker;

The Honourable Mr. Abdur Razzak Hajee Abdus Sattar; and

The Honourable Rao Bahadur K. Govindachari.

CENTRAL ADVISORY COUNCIL FOR RAILWAYS.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): Again, the following six non-official Members have been elected to serve on the Central Advisory Council for Railways:

The Honourable Lieutenant-Colonel Sir Shaikh Hissam-ud-din Bahadur;

The Honourable Haji Syed Muhammad Husain;

The Honourable Chaudhuri Ataullah Khan Tarar;

The Honourable Kumar Nripendra Narayan Sinha of Nashipur;

The Honourable Sir David Devadoss; and

The Honourable Mr. Sitakanta Mahapatra.

REPEALING AND AMENDING BILL.

THE HONOURABLE MR. A. DEC. WILLIAMS (Government of India: Nominated Official): Sir, I move:

"That the Bill to amend certain enactments and to repeal certain other enactments, as passed by the Legislative Assembly, be taken into consideration."

Sir, this is a *bona fide* repealing and amending Bill; that is to say, it effects no change whatsoever in the substantive law applying before the introduction of this Bill. I can assure Honourable Members that 95 per cent. of the Bill is entirely formal. It either makes necessary verbal or consequential changes, or it repeals enactments which are spent, or it repeals enactments the repeal of which will have no effect. The remaining 5 per cent. does no more than repeal enactments which, though they are not technically spent, are a dead letter, which have now no force and have been of no force for such a number of years that their continuance in the Statute-book would be useless. I will say no more at this stage. If Honourable Members would like any part of the Bill explained, I shall be very ready to do so; but I warn them that they are likely to be detained here some time and to be extremely bored.

Sir, I move.

The Motion was adopted.

Clause 2 was added to the Bill.

Clauses 3 and 4 were added to the Bill.

The First and Second Schedules were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. A. DEC. WILLIAMS: Sir, I move:

“That the Bill to amend certain enactments and to repeal certain other enactments, as passed by the Legislative Assembly, be passed.”

The Motion was adopted.

INDIAN TARIFF (AMENDMENT) BILL.

THE HONOURABLE MR. H. DOW (Commerce Secretary): Sir, I move:

“That the Bill further to amend the Indian Tariff Act, 1934, for a certain purpose, as passed by the Legislative Assembly, be taken into consideration.”

This Honourable House will not expect, and still less will it desire, that I should recapitulate at any great length the origin of the measure before us. The Bill seeks to re-impose on imports of broken rice the duty of 12 annas a maund which expired on the 31st of March last, and which was imposed for the first time two years ago. At that time very considerable and rapidly increasing imports of foreign rice were giving great trouble, and were accumulating the difficulties felt by the rice growers of India, and particularly those of the Madras Presidency, in view of the low prices which were then prevailing. In the preceding year, something like 400,000 tons of foreign rice had been imported into India, mostly from Siam and Indo-China. Government were advised that of these imports 75 per cent. at least were imports of broken rice, and that it was these particular imports of broken rice which were the real danger to the Madras producer. They resolved therefore to exclude, or at any rate to very much reduce, the imports of this particular class of rice by the imposition of a duty. The fixing of the correct figure of this duty was a matter of some difficulty, and was gone into with considerable care, and Government finally arrived at the rate of 12 annas per maund.

Last year, when the question of the duty came up again, there was a certain amount of criticism from rice-growing interests to the effect that this duty ought to be extended to imports of whole rice and of paddy. Well, the figures of three years are now available for examining the effect of the duty and I think Honourable Members will agree that these figures show very conclusively that the extension of the duty to whole rice or paddy is unnecessary.

In 1934 the imports of broken rice amounted to 232,000 tons. In the following year, 1934-35, they had gone down to 61,000 tons, and in the 11 months ending February of this year, which is the latest date for which figures are as yet available, the imports of broken rice had gone down to less than 3,000 tons,—that is, from a figure of 232,000 tons to 3,000 tons in the course of two years. If you take the figures of whole rice the imports in 1934-35 were 51,000 tons. They went down to 29,000 tons in the following year, and in the 11 months ending February of this year, they are no more than 15,000 tons. Again, if you take the figures of paddy, in 1934-35 the imports were 112,000 tons. In the next year there was a very slight increase,—they went up to 119,000 tons,—and in the 11 months ending February of this year they have gone down to 68,000 tons. I think it is clear from these figures that the duty has not only been effective in almost excluding imports of broken rice, but that the support given by this measure to the local market has been effective in keeping

the imports of other varieties—whole rice and paddy—down to a very low figure indeed.

At the same time, I should say that there has been a considerable rise in the price of rice over these last few months and this fact, coupled with the decrease in imports into India, might have suggested that there was some scope for the reduction of the duty this year. It has, however, been noticed that the price of some of the local varieties in the Madras Presidency has not increased very rapidly, and we have also had regard to the fact that the final figure of the rice forecast of this year, while it shows some reduction in the Madras crop, show for India as a whole a very considerable increase. So, taking all these facts into consideration, Government think it as well to maintain the duty at its old figure of 12 annas a maund, and that this rate of duty will be sufficient and not excessive for the purpose which Government has in view.

Lastly, I would remind the House that this duty is classed as a protective one, which Government are empowered to vary under section 4 of the Indian Tariff Act. And I would like to give the House the assurance that Government will watch the situation very carefully, and will not hesitate to take action under that section if there is any reason to fear, owing to the course of events, that this duty is not likely to prove sufficient for its purpose.

Sir, I move.

*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhammadan): Sir, we welcome this measure although it is a half-hearted measure. The Honourable Mr. Dow himself admitted that there was a demand for protection of indigenous rice, but the Government are thinking that there is no need for it because there is not any extensive import of paddy or rice into India. May I remind the Honourable Member that coupled with this is the question of the export duty on Indian rice? That is an impediment in the way of expansion of our rice trade. The reply might possibly be that India is not very much concerned with the export of rice inasmuch as it imports rice from Burma. The question cuts both ways. While it may not be true that we are on the balance an exporting country, there is no doubt of the fact that there is some export of Indian rice. The income derived by Government does not now amount to the same total of Rs. 45 lakhs as it used to be when Burma and India were together. Now, it is a minor duty, and it may be hoped that just as the Honourable the Finance Member found it possible to forego the Rs. 5 lakhs of duty on hides and skins, it will be possible for the Finance Department to see its way, next year at least, to eliminate this export duty on rice. It is against the principles of development of trade that there should be an export duty on any article which is not a monopoly product. We are perfectly justified in imposing a duty on jute, because it is a monopoly product and incidentally giving a measure of protection to the jute mills, because the raw material for Dundee and other places is taxed and thereby you place an impediment in the expansion of the trade of persons who compete with us in outside markets. But here, there is no monopoly product, and therefore I earnestly appeal for this.

*Speech not corrected by the Honourable Member.

[Mr. Hossain Imam.]

The second point I wish to refer to is this. I was expecting the Honourable Mr. Dow to say something about wheat. We had both the duties combined in the last Bill.

THE HONOURABLE MR. H. DOW: I was afraid to say anything about wheat, Sir, because if I had done so, I should very properly have been ruled out of order by you, Sir.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): That is not before us now.

THE HONOURABLE MR. HOSSAIN IMAM: Sir, the reason why I am bringing up the question of wheat is, that the Bill, which we passed last year and which contained the rice duty proposals, had also the wheat duty proposals. Will the wheat duty continue?

THE HONOURABLE MR. H. DOW: The wheat duty expired on the 31st March last. The present Bill is merely to extend the rice duty.

THE HONOURABLE MR. HOSSAIN IMAM: When we considered this Bill, broken rice and wheat figured together and although—

THE HONOURABLE MR. H. DOW: Excuse me, Sir. We were considering at that time another Bill. This is a separate Bill. Last year there was a Bill dealing with both wheat and rice. On this Bill, the question of wheat duty does not arise at all.

THE HONOURABLE MR. HOSSAIN IMAM: We on this side of the House are not competent under the constitution to impose any duty, and therefore, when the Government have pledged themselves to support agriculture, we are entitled to some explanation whether they have forgot about this or whether they have deliberately decided not to impose a duty on wheat and the reasons which have forced them to their decision. I want to know the explanation why they have eliminated the wheat duty and why no extending Bill for wheat has not been brought forward.

THE HONOURABLE SIR DAVID DEVADOSS (Nominated: Indian Christians): Sir, I have much pleasure in supporting this measure. Coming from Madras, as I do, I feel that even a 12-anna duty is not quite sufficient to improve the conditions there. The Honourable Mr. Dow said that the price has considerably increased. Probably he has got the latest information. But, so far as I know, prices have not considerably increased. There has been an increase—a very slight increase—in one or two districts, but on the whole, I do not think there has been a considerable increase. I would ask the Government not to reduce this amount at any time, at least for another year, and then we can consider next year whether this 12 annas would do, or it should be more.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR (Madras: Muhammadan): I also support the Motion, Sir. I am also forced to enter my protest as regards the inadequacy of the relief given to the cultivators in Madras. Even when the duty was first imposed, I was of the opinion that the duty was thoroughly insufficient and that it was much lower than the rate that was recommended by the Crop Planning Conference, which recommended a duty of Rs. 1-4-0 per maund. As we

expected, this duty has not gone far enough to give the needed relief to the cultivators in Madras. Even though it has tended to improve the prices in some districts, the improvement has been very slight and almost negligible. I feel, Sir, just as Sir David Devadoss has said, that this duty should on no account be reduced at any time. Besides, I am of opinion that Government should try and see their way to impose the same duty upon whole grain rice and also paddy and try in that way to afford some relief to the cultivator who is in great distress in my province.

THE HONOURABLE MR. H. DOW: Sir, there is not very much that I need add. In reply to the Honourable Mr. Hossain Imam's request that the removal of the revenue export duty on rice should be considered, that is of course a revenue duty, and it is more a matter for the Finance Department than for me to consider. I have not the slightest doubt that the Finance Department will be prepared to consider this suggestion, especially as, since the separation of Burma, it is not a duty from which we shall get a great deal of money.

The Honourable Sir David Devadoss referred to the increase in prices and said it was not very considerable. Well, I admitted in my opening remarks that in some districts the increase was not very considerable, and that that was one of the reasons why Government were not prepared to consider a reduction of the duty at this stage. I have before me a statement giving the course of prices at various centres in the Madras Presidency—Madras City, Cochin, Calicut and Cuddalore—of various varieties of rice. Some of these varieties of rice show a very marked increase in prices, but others do not.

Then, as regards the Honourable Mr. Padshah's contention that the duty was insufficient, I really do not see how he can maintain that in view of the figures which I gave him. The utmost that an import duty can do is to exclude entirely all commodities on which it would be leviable, and when it is remembered that the imports into India of broken rice have gone down from 232,000 tons to less than 3,000 tons in two years, that is, they have practically been excluded altogether, I do not see how it can be maintained that the duty is insufficient.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): The Question is:

"That the Bill further to amend the Indian Tariff Act, 1934, for a certain purpose, as passed by the Legislative Assembly, be taken into consideration."

The Motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. H. DOW: Sir, I move:

"That the Bill, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

PAYMENT OF WAGES (AMENDMENT) BILL.

THE HONOURABLE MR. A. G. CLOW (Industries and Labour Secretary): Sir, I move:

"That the Bill to amend the Payment of Wages Act, 1936, for a certain purpose, as passed by the Legislative Assembly, be taken into consideration."

This Bill is designed to remedy a small defect in the Act which we passed last year. I might remind Honourable Members that the scheme of that Act depends largely on the definition of "wages", and wages are defined, to put the matter in a paraphrase, not as what a man earns but as what a man would earn if he fulfilled his contract in its entirety. In consequence there has to be a clause providing for deductions for absence from work. That clause was designed, as I think I said in this House, to express the principle of "no work, no pay", which the House, I am sure, will agree in regarding as equitable. But the wording of that clause enables the employer to make deductions only in respect of a person who is absent "from the place or places where, by the terms of his employment, he is required to work". The clause therefore does not appear to cover the man who, although present at the place where he is required to work, declines to do any work, and the House will, I hope, agree that that case ought also to be covered. The point is of course automatically covered in the case of a piece-worker, but in the case of a worker on salary it is not so covered, and such cases, as recent events, particularly in other countries, have reminded us, can occur. Honourable Members will see in the form in which the Bill has been presented to them a reference to stay-in strikes, and that undoubtedly is one of the more difficult cases justifying the passing of this measure. Were it only for individual refusals, there would be no great difficulty, because a workman who individually refuses to work is liable to dismissal. That expedient is still open in the case of a concerted refusal to work, but it raises two difficulties. In the first place it would render the employer liable at very short notice to pay off his staff, and in the second place it would almost certainly have the result of embittering the relations between him and his employees if he were to dismiss them all, and probably of prolonging the dispute.

The Motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. A. G. CLOW: Sir, I move:

"That the Bill, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

The Council then adjourned *sine die*.

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