

18th March, 1921

THE
LEGISLATIVE ASSEMBLY DEBATES
(Official Report)

FIRST SESSION
OF THE
LEGISLATIVE ASSEMBLY, 1921



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LEGISLATIVE ASSEMBLY.

Friday, 18th March, 1921.

The Assembly met in the Assembly Chamber at Eleven of the Clock. The Honourable the President was in the Chair.

MESSAGE FROM THE COUNCIL OF STATE.

The Honourable the President: I have received a Message from the Secretary of the Council of State as follows:

'I am directed to inform you that the Council of State have, at their meeting of the 17th March 1921, agreed without amendment to the Bill to determine the salary of the Deputy President of the Legislative Assembly, which was passed by the Legislative Assembly on the 22nd February 1921.'

BILLS PASSED BY THE COUNCIL OF STATE.

The Honourable Mr. H. Moncrieff Smith: Sir, in accordance with rule 25 of the Indian Legislative Rules, I lay on the table two Bills which were passed by the Council of State at its meeting yesterday, the 17th March 1921. They are:

(1) A Bill to validate certain indentures transferring properties formerly held by certain Enemy Missions in Trustees and for the incorporation of such Trustees and for other purposes.

(2) A Bill further to amend the Land Acquisition Act, 1894.

THE BUDGET—THE INDIAN FINANCE BILL—*contd.*

FINAL STAGE—*contd.*

The Honourable the President: The Assembly will now proceed to the consideration of the Finance Bill. Before we do so, for the convenience of Members I had better announce that the ballot which was fixed to be held to-morrow in this Chamber will, if the business of the Finance Bill is not disposed of to-day, be held at the hour fixed in Committee Room A.

The first amendment on the paper in the name of Mr. Venkatapathiraju, as well as the two which follow, deal with the title and preamble of the Bill. Until we have dealt with the clauses of the Bill and know what amendments may be moved and carried, we can not tell what will be either the preamble or the title of the Bill. Therefore, consideration of these first three amendments in the paper must be postponed. We will proceed with clause (1).

Mr. N. M. Samarth: Sir, I propose that to clause (1), the following be added, namely:

'It shall remain in force only till the 31st March, 1922.'

Well, Sir, the object with which I have proposed this amendment is, that so far as possible, this House should develop the traditions and conventions of the House of Commons. Yesterday there was a debate upon a question

[Mr. N. M. Samarth.]

which raised a similar matter for disposal before this House. I will not refer to it, but I will say this, that every Member of this Assembly, whether official or non-official, European or Indian, will, I hope, be imbued with the idea of developing in this Assembly the conventions and traditions of the mother of Parliaments. No precedent should be created, as far as possible, which will thwart and not facilitate the development of these conventions. I have placed this amendment before the House in order that, in course of time, we may have in this House something like a Consolidated Fund Bill, an Appropriation Bill and an annual Finance Bill. In the House of Commons, certain taxes are annually voted, giving to the Members of the House of Commons an opportunity of bringing practically a vote of censure on those in power. If their policy has been such as not to be in accordance with the general public interests, then it is open to the Opposition to throw out their annual Bills with the result that they go out of power. I wish that this Assembly, although it has not the power to turn out the Government by a vote of censure, will develop at any rate this, namely, that every year the Finance Member and the Government will come before this House and render an account of their stewardship, so that if the taxes that they have levied during the year are justified, and their financial arrangements are justified, we may renew them or modify them just as may seem proper. It is with that view that I have brought forward this amendment, and I trust that it will commend itself to the Assembly.

The Honourable Mr. W. M. Hailey: I wish to draw the attention of the House to the items of which this Bill is composed. There is the Tariff Act, the Post Office Act, the Income-tax Act, the Super-tax Act and the Freight Act. Now I can quite see the attraction of forcing us to render a full account of our stewardship every year, though I may say that I was under the impression that the existing Budget procedure already forced us to do so. And I quite see the attraction to this House of the proposal that our taxation shall be renewed at the will of the House every year. I see no reason, for instance, why the procedure of renewing income-tax every year should not be followed. That suggestion seems to me to be unobjectionable, because people do not enter into large commitments or expectations on the basis of the prospects of the rates of income-tax for the coming year. Then, again, Sir, I see no reason why such a charge as that on freight should not, if necessary, be renewed every year; indeed, as I pointed out in my Budget, we hoped that the freight sur-tax would be of a temporary nature only and that the revision of goods freights would take its place before the end of the year. There would in any case seem to me no reason why this should not be of a temporary nature because, here again, I do not think it would disturb greatly the course of trade if it were so arranged. Again, as regards the Post Office, I see no reason why rates taken under the Post Office Act should not be fixed year after year as long as reasonable notice is given to people in advance.

I have taken the items of the Bill in inverse order because I desired to leave the most difficult item to the last; that I mean relating to tariffs. That is a question on which the opinion of the commercial members of this House would be very valuable, both to us and to the House itself. Would it, or would it not, be embarrassing to trade if it realized that our tariff duties were fixed definitely only 12 months ahead? Would merchants, or would they not, be able to make their commitments well in advance as they always

desire to do? Would it, or would it not, mean that towards the end of the year people so far from taking their goods out of customs, would leave them there in the hope, that Government having been forced to retrenchment, might reduce the tariff? I say that these are the doubts that occur to me and I should like to hear what the commercial members in this House have to say in the matter. My own view is, that it will lead to a very great state of uncertainty on the part of trade if our tariff came definitely to an end at the close of the year and the whole scheme of charges were open to revision every twelve months.

We have heard a great deal regarding the disturbance of trade due to exchange; I am not at all sure that an addition to these uncertainties due to the indefinite duration of the tariff might not seriously damage the trade of the country. It cannot again be a very welcome prospect to this House that those differences of opinion that are being voiced as between Lancashire and India should be repeated year after year when the tariff comes under reconsideration. I am perfectly prepared as regards the remaining items to admit the suggestion put forward for annual legislation, but I say that there are very grave doubts as to the wisdom of fixing the tariff charges on a temporary basis.

Mr. A. D. Pickford: Sir, I respond as promptly as I possibly can to the invitation that has been extended to the commercial members of this House by the Honourable Mr. Hailey.

I endorse in as strong a manner as possible and I am quite sure I will have with me all those members, who are connected with industry and commerce in India,—every word that has fallen from the lips of the Honourable the Finance Member.

Already the element of uncertainty with regard to the alterations in tariffs is one of the disturbing factors in the commercial and industrial operations in this country, and, if I may say so, I think the House should be very careful before adding any further uncertainty to the difficulties which at the present time are in any case abnormal.

It is not merely the direct effect of possible cataclysmic changes hanging over commerce for the last few months of the financial year, but there is a subtle sense of uncertainty involved in a proposal of this sort which will undoubtedly act to the detriment of commerce and industry in this country. At the present time when everybody, whether engaged in business or otherwise, is especially concerned in encouraging commerce and industry as being the great hope of the economic future of the country, I say that in these circumstances, a proposal of this sort should be very carefully considered, indeed, before it is accepted and I can say that it is beyond all question that those engaged in commerce and industry in India will be very deeply disturbed should any such proposal be carried.

Rao Bahadur T. Rangachariar: Sir, I can see that there are advantages as well as disadvantages in this question. But the question which we have to consider is as to whether the advantages outweigh the disadvantages. The first point which occurs to me is that we are now passing through a transitional stage and it is necessary for the Assembly to learn by the experience of one year or more as to how far the finances of this country can be kept under control. With that view in mind we must see exactly where we are financially. We must also see whether the new rates which we are enforcing as regards

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customs duties are suitable or not. We cannot foresee what the effect of the imposition of those rates will be on the imports and exports of the country. If we work on a permanent basis, we may not be able to review the question as easily as we could if the rates were enforced for one year only. After all we are imposing a higher rate on customs duties because of our financial stringency and not as a matter of protection of our commerce and industry, it is only a question of improving our financial position. If our financial position improved in the course of a year in the sense that we could cut down expenditure, then it would not be necessary to impose such a high tariff on goods. And whereas now we are willing to impose a certain tariff on goods which we consider to be luxuries, we may be inclined to renew the rates at the end of a year and in certain cases we may be able to abolish the tariff.

At a time like this when we are learning our business in this Assembly, I think it should be considered that we are making an experiment and that we should try these rates for the time being and see how they act; especially as regards customs duties—take tea for instance—it would be much better if the rates were renewed annually by legislation as in England.

And as many of these goods are imported, and as our industries in the country have not progressed as fast as we could wish, and as we have to see whether the trade of the country, the industries of the country are going to suffer or benefit by this new taxation, I think it is highly desirable that we should keep it in force for one year only. And one great thing which I have in view is this, as I have mentioned already, that it will put a check upon the growth of expenditure if the Finance Member knows he will have to come to the Assembly again and give an account of any extravagant expenditure either on the military or the civil side—he will have to give a true and full account of his procedure. I, therefore, Sir, strongly support the amendment of Mr. Samarth and I have given notice of a similar one myself and I will ask the Assembly to accept the amendment.

Mr. Manmohandas Ramji: Sir, I beg to support the views expressed by my Honourable friend, Mr. Hailey, especially on the Tariff Act, that if it is going to be an annual thing to come before us, it will upset the trade considerably, because, orders have to be placed months before the season commences especially with regard to piece-goods, and it is very difficult for the people to foresee what changes are going to take place at the time of the Budget. I think if the Tariff Bill is not disturbed for some time, it would be much better and, therefore, it should not be compulsory to disturb it annually. In case of need, it is open to either the Finance Department or the Members of this Assembly to bring in propositions to make any alterations which they desire, at the time of considering the Budget.

Dr. H. S. Gour: Sir, as I have given notice of a similar amendment which is on the agenda, I may be permitted to justify it in connection with the Honourable Mr. Samarth's amendment. I congratulate the Honourable the Finance Member on simplifying the issue. He has conceded, that so far as our amendments relating to post office, freight, income-tax, and super-tax are concerned, there is no objection to the Finance Bill being limited to a year. But he says, that so far as the Tariff is concerned, the matter is one which could not be readily conceded without reference to the commercial

interests of the country. And the Honourable Mr. Pickford and the other speakers have pointed out, that if the Tariff Bill is to become an annual Act, it will disturb the piece-goods trade. Now, Sir, the Honourable Members who have spoken on this subject have taken it for granted that the Tariff Bill will *ipso facto* cease to exist and it will not be renewed. But that is not the purpose of the amendment. All that the amendment demands and desires is that at the conclusion of one year the Tariff Bill should be subject to the review of this House and, if this House comes to the conclusion that a continuance of the Tariff Bill is necessary, it will be as a matter of course renewed. The only difference between the Bill as it exists and the Bill as we wish it to be amended is this. The Bill as introduced will continue to be law till it is modified or rescinded. Whereas by limiting it to a period of one year, it will come up for revision at the conclusion of one year. I do not see any difference, therefore, so far as the commercial members are concerned. The commercial members apprehend disturbance of their trade if the Tariff Bill is limited to one year but I would beg to ask them what difference would it make if the Tariff Bill continues as it is and next year this Assembly moves for its revision. The difference is not a difference in principle but a difference merely in procedure and the difference in procedure is this, that while, in the one case, it will continue till it is amended or annulled, in the other case, it will *ipso facto* come up before this Assembly for the purpose of reconsideration. That is all the difference between the original motion and the amendment.

Then, Sir, one speaker remarked that this Bill at the end of the year will cease to have any effect and that, after that, people who have placed contracts in advance will be losers. But I have just pointed out that that is a contingency which exists in all cases, whether the Bill is limited or is not limited to one year. So long as the Budget is subject to a vote of this House, it is for this House to decide as to what extent the demands made by Government should be made and in what manner. Therefore, all measures of taxation are subject to the review of this House and I therefore submit that there can be absolutely no objection to this measure being limited to one year, so far as the Tariff itself is concerned. One word more, Sir, and it is this. The Honourable Mr. Samarth has made his amendment somewhat more rigid. He says it shall remain in force only till the 31st March 1922. My amendment is, that it shall remain in force for only one year, that is to say, from the date of its enactment. I submit, Sir, the more elastic provision contained in my amendment would probably be accepted by the Honourable the Mover of the amendment, Mr. Samarth, and, if he does accept it, the two amendments might be discussed and voted on together.

Mr. E. L. Price: Sir, I should like to support the appeal of Mr. Pickford and Mr. Ramji, both commercial men, to this House not to press this amendment. It is not quite the fact that it is purely a matter of procedure. If this Tariff Act is looked on as something that comes up for complete revision every year, the Finance Member will be assailed from all parts of the compass, and other Members of this House too, by all those interests which seek to shift their natural burdens off their own shoulders on to those of other people. This does not apply merely to the piece-goods trade, Sir. Probably, Mr. Ramji mentioned that trade because it is an interest of his. It applies equally to the importers of sundries, of wines and spirits, of silver and every other commodity. There will be a determined effort at lobbying for months in advance, because

[Mr. E. L. Price.]

all will look at the Tariff as something open to them every year by the manipulation of which they might lift the load from their own shoulders and place it on other peoples'. So, I suggest, there is a certain amount of psychological importance attaching to this method of procedure, and that, though the Tariff Act is subject to revision every year by this House, to hold it out for twelve months as a sort of 'Aunt Sally' for everybody concerned to have a knock at would be, I think, a tactical mistake, and I am assured also, that it would have a very disturbing effect on the ordinary course of trade. Therefore, I ask these legal gentlemen not to press a point like this for political purposes, however worthy, dead against the consensus of commercial opinion.

Sir P. S. Sivaswamy Aiyer: Sir, I wish to support in principle the amendment which has been moved by the Honourable Mr. Samarth, though I should personally prefer the form in which it has been announced by Mr. Venkatapatiraju, namely, that it 'shall remain in force till the end of March 1922.'

If we say 'till the 31st March', it may give rise to some doubt as to whether the 31st of March is included or not. The point taken seems to me to be a very much more substantial one than the one about which Honourable Members were very keen yesterday. I think it is a matter of great constitutional importance that a certain proportion of the taxes and the revenue of the State should not take a permanent form but should be in this manipulable and annual form. It has the great advantage of compelling the Government to come to us year after year and seek our sanction to the continuance or alteration of the annual and revisable taxes as opposed to the permanent taxes. It is quite conceivable that the Government may plead that some inconvenience may possibly be caused if steps are not taken at once to continue the taxes at the expiry of a year. But I have no doubt that measures can be taken to avoid any inconvenient results either by legislation of the kind which has been enacted in the Provisional Collection of Taxes Act or in some other manner. I would, therefore, strongly support this motion.

Mr. T. V. Seshagiri Ayyar: Sir, I feel some little difficulty in voting with my friends, with whom I am generally in agreement, on this particular occasion. There is already an agitation in England set up by the Lancashire merchants and by the Manchester people against this customs duty, and if we make it clear that at the end of a year, the Finance Member will have to come here to review that taxation, it may be adding flame to the agitation which is already spreading in England and the position of the Finance Member here will become more difficult. And I also think that the voice of the commerce members who have spoken on this subject ought to have greater weight in determining a question of this kind than the voice of what Mr. Price called the legal men. Now, Sir, if it is possible for my Honourable friends to so word this amendment as to leave out the question of Customs Duties I would have no objection to vote for it. But, as their amendment is not worded in that way, I feel great difficulty in supporting the amendment in the form in which it has been moved.

Mr. B. Venkatapatiraju: Sir, I have given notice of a similar motion. We are thankful to the Honourable Mr. Hailey that he has no objection to exempt the Indian Post Office Act, the Indian Income-Tax Act, the Super-Tax Act, and the Freight (Railway and Inland Steam-Vessel) Tax Act.

The only objection he has taken is with reference to the Indian Tariff Act. It is true, Sir, that the practice is both ways with reference to this measure. There are cases where these are annually voted, and there are cases also where permanent provision is made. We have also seen a notice given by Mr. Rangachariar that if we did not approve at the end of a year the tariff which we are now imposing by this Act, the old duties would remain. There is another amendment suggested, that is, he suggests that at the end of a year, we should revive the old tariff. The question is, whether we should make a permanent provision by imposing this high tariff which we are now asked to impose on the several goods which are imported into the country. It may be advantageous or it may be disadvantageous or disastrous. I respectfully urge that it is not at all wise to tie our hands and impose a burden on the country, because, after all, the person who actually pays is the consumer who will be liable to pay very heavy taxes. Perhaps, with facilities, we may rather increase or decrease the duties. The only objection taken by the Honourable Mr. Ramji and the other friends who spoke on behalf of business was, that there would be difficulty in trade, that goods would not be taken delivery of at the close of a year because of the uncertainty whether there would be a reduction or an increase in the duties, and that there would be difficulty also in entering into contracts as it will be necessary to take into consideration the rates that may have to be paid. Sir, it is perfectly well known that the tariff is liable to change, and that the increase or decrease will be taken as a separate addition to the price which will be contracted for by the parties. With reference to not taking delivery of goods, I am sure, Sir, that demurrage will have to be paid by the parties concerned if they refuse to take delivery. Besides, I do not see why we should tie our hands and not have the power of rectifying any mistakes we may have committed by this high imposition. Are we to say, Sir, that we are for ever going to be bound by this? The saving clause to this Bill says that it should have temporary effect under the provisions of the Provisional Collection of Taxes Act, 1918. In these circumstances, Sir, I would suggest, it is far better in the interests of this country as well as of the countries which are exporting merchandise to this country that we should take into consideration, year after year, what is necessary for our own purposes in the interests of our own country. I therefore strongly support the amendment moved by my Honourable friend, Mr. Samarth.

Mr. C. A. Innes : Sir, in reply to what Mr. Seshagiri Ayyar said, I wish to say that Government are quite prepared to agree to an amendment which will be in the following form :

* That clause 1 be renumbered sub-clause (1) of clause 1, and that to the said clause, the following sub-clause be added, namely :

(2) Sections 3, 4, 5 and 6 shall remain in force only up to the 31st day of March 1922.

The effect of this amendment will be that the Finance Bill, in so far as the Indian Post Office Act, the Indian Income-tax Act, the Super-tax Act and the Freight (Railway and Inland Steam-Vessel) Tax Act are concerned, will remain in force only for one year. But we do think it most important that this amendment should not be carried in respect of the Indian Tariff Act. In this matter I do appeal to the House to trust to commercial experience. The amendment of the tariff is a matter of vital importance to trade. I do not agree with what Dr. Gour said. I would like to point out that if this

[Mr. C. A. Innes.]

amendment were accepted, the effect of it would be that the Act would remain in force only till the 31st of March 1922. That is to say, on the 31st of March 1922, as far as our tariffs are concerned, we shall have an absolute *tabula rasa*. As pointed out by Mr. Price, all the interests in the country who have anything to gain or anything to lose by an amendment of the Tariff Act will be up here lobbying in this House. The whole of the trade will be upset and disorganised. Everywhere business will become very difficult. Mr. Rangachariar said that if the Tariff Act were put in force only for one year, it would act as a check upon the growth of expenditure. What I say, Sir, is that if the Tariff Act is put in force only for one year, it will act as a check upon the growth of trade, and will do vital damage to the country. Moreover, we shall not get our money.

I think that is all I have to say, Sir, and I again appeal to the House to listen to those gentlemen in this House who are representatives of trade and commerce and accept their view that as far as the Tariff Act is concerned, it should not be enforced for one year only.

The Honourable the President: The Honourable Member, I understand, has moved an amendment, or is it only thrown out as a suggestion?

The Honourable Mr. W. M. Hailey: I felt that we could only throw that out as a suggestion, in answer to the proposal put before us by Mr. Seshagiri Ayyar. If, however, I am in order in putting it forward as a definite amendment, I should like to do so; but I place myself entirely in your hands in that respect.

Dr. H. S. Gour: May I ask the Honourable Finance Member a question? Are the Government prepared to give an undertaking to this House that on the conclusion of one year they will submit the whole question of tariff for the consideration of this House? If the Government are prepared to give an undertaking to that effect, the Honourable Members,—I, at any rate—will reconsider my position as to whether I should persist in bringing my amendment.

The Honourable the President: There seems to be some confusion as to the bearing of the amendment moved by Mr. Samarth. Mr. Venkatapatiraju several times used the expression 'to tie our hands.' That is precisely what he proposes to do. The amendment makes it inevitable that the tariff should be brought up next year. If the amendment is not carried, it is left open whether it shall be done or not.

The Honourable Mr. W. M. Hailey: With regard to the question which has been put to me, I cannot undertake that we shall put the whole question of tariff before the House before the 1st March next year. As the House knows, we are about to assemble a highly important fiscal commission, which will deal with the whole question of India's fiscal relations. If they present us with an interim report in time for us to bring the question before the House next year we shall be able to do so. But I think the House will agree with me that it would be unwise for us to attempt to reopen the whole question with the House while that commission is still sitting, and until we had received the result of their labours. As soon as we have received their recommendations, I need not say, that the Government will take the earliest opportunity of bringing the whole matter before the Legislature.

The Honourable the President : Further amendment moved :

'That the following words be substituted for the amendment moved by Mr. Samarth :

'That clause 1 be re-numbered sub-clause (1) of clause 1, and that to the said clause the following sub-clause be added,' namely :

(2) Sections 3, 4, 5 and 6 shall remain in force only up to the 31st day of March 1922.'

Question put :

'That that amendment be substituted for the amendment of Mr. Samarth'.

Mr. N. M. Samarth : Sir, having regard to the expression of opinion of the Members of the commercial community here and the motion which has been introduced in favour of retaining the tariff undisturbed for more than one year or, to any rate, until the Tariff Commission brings out its report, I think it is under the circumstances advisable for this Assembly to accept the proposed amendment. At the same time, I will say this, that if the arguments advanced by some of those Members of the commercial community who spoke on the subject are sound, they would logically lead to the conclusion that there should be no disturbance of the tariff at any time and as such they do not, at any rate, convince me or convince those who think with me. But I accept the proposed amendment as the Honourable Mr. Hailey has given us an assurance that when the Tariff Commission meets and the whole question is gone into afresh and their recommendations are placed before the Government of India, the tariffs will be remodelled in accordance with the view that the Government of India and this Assembly and the Secretary of State may ultimately take. One more point, Sir. Reference was made to the Lancashire agitation. Well, I may be pardoned, I hope, for telling this Assembly that I put forward before the Crewe Committee in my memorandum and in my evidence the proposal that whenever the Government of India and its Legislature agreed there should be no interference by the Secretary of State, and, therefore, none by Parliament. That proposition was accepted and approved of by the Crewe Committee. I again urged it before the Joint Parliamentary Committee, and as everybody knows, that Committee also accepted the view that ordinarily whenever the Government of India and its Legislature agreed there should be no interference by the Secretary of State and, therefore, none by Parliament. I am not afraid, therefore, of this Lancashire agitation in the House of Commons or anywhere else, so long as you and I and all the rest of us, including the Government of India are of one mind and speak with one voice on the subject.

Mr. T. V. Seshagiri Ayyar : Supposing this amendment is accepted, and sometime later section 3 in the Bill which refers to the Indian Post Office Act is altogether deleted, what is the effect of it? If we accept the amendment and say, that all these sections shall remain in force until the 31st March 1922, and if what I have said happens in consequence of a discussion in the House, will that in any way affect the position?

The Honourable the President : I think means can be found for that. I hesitate in view of the circumstances at the moment, to make the suggestion, but there is 'another place' in which any necessary amendment can be inserted.

[The President.]

The motion :

'That that amendment* be substituted for the original amendment'

was adopted.

The motion :

'That that amendment* be made in clause 1'

was adopted.

The motion :

'That clause 1 as amended stands part of the Bill'

was adopted.

The Honourable the President: Clause (2).

The Honourable Mr. W. M. Hailey: Sir, I venture to put it to you that it would be more convenient if we considered the postal section of our proposals before the tariff section. In the course of the various debates that we have had hitherto, it is clear that many Members of this House have feelings which may eventuate in considerable financial changes in regard to postal charges, and we should be glad to have an opportunity of calculating the exact effect of such votes as the House may give on the subject before we proceed with the matter of tariffs. It is, therefore, purely as a matter of convenience that I will suggest to you that we should take clause (3) before we take clause (2) of the Bill.

The motion :

'That consideration of clause (2) be postponed'

was adopted.

The Honourable the President: Clause (3).

Rai Sahib Lakshmi Narayan Lal: Sir, the amendment which I have the honour to move, runs as follows :

'That clause (3) and Schedule III be omitted'.

The country is already overtaxed and the people are mostly not in a position to bear any further taxation; their pecuniary troubles which are too many to be told, need not be reiterated here. Suffice it to say, that most of them have not even the good fortune of enjoying two full meals a day. In order to make both ends of our finance meet, we should not take any step against those who themselves do not know how to make both ends meet. The war which has caused this trouble in our finances has also added much to the already numerous existing troubles of the poor masses and classes of the country and has driven them into the most pitiable pecuniary position beyond all the power of description. The poor masses and classes are already sufficiently taxed and in any case if they are subjected to any further taxation by the Imperial Government for Imperial Revenue, they will be unable to bear any further taxation by the Local Governments and Local Bodies for adequate education, sanitation, medical relief, industrial and agricultural

* 'That clause 1 be re-numbered sub-clause (1) of clause 1, and that to the said clause the following sub-clause be added: (2) Sections 3, 4, 5 and 6 shall remain in force only up to the 31st day of March 1922'.

improvement, or any other moral and material development. To secure a steady and speedy success of the Reform Scheme, Imperial taxation should never be such as may directly or indirectly touch the pockets of those who cannot bear more than the local taxes. The success of the Reforms depends very much upon uplifting these poor masses and classes as much as possible and any taxation, which is likely to further deteriorate their present pitiable position, will not pay in the long run. It will be like a stimulant which may give some temporary relief, but which will surely and certainly so undermine the system as to admit of no further cure. It is difficult to carry on the administration, at the present level of efficiency, with our credit impaired. It is equally, if not more, difficult to maintain that efficiency if, instead of the moral and material development of the country, there is any further cause for deterioration, inasmuch as these masses and classes are the very sources of the constant and adequate supply of Civil and Military recruitments, so essential for efficient administration. The policy of meeting growing expenditure by ever-increasing taxation creates a permanent danger in respect of the very objects for which money is raised. If a cultivator takes as much milk from a cow, as he stands in need of, without leaving sufficient quantity for the support of the calves, he is sure to have in future weaker bullocks for his plough, and weaker milch cows and sooner or later, he finds out his mistake and realises that this policy does not pay in the long run and ultimately frustrates the very object in view. The principle of meeting financial necessities by fresh taxation is a remedy which is worse than the disease and should be religiously avoided. I venture to suggest, that retrenchment and retrenchment alone is the surest remedy and I fully trust that the Imperial Government will be most graciously, pleased to introduce the policy of retrenchment by Indianising the Civil and Military administration as soon and as much as possible.

Even maintaining the present strength of the combatant rank of the army, if only 40,000 Indian soldiers be substituted for British combatants, we save about 6½ crores.

The Honourable the President: Order, order. This is not relevant to the motion before the House.

Rai Sahib Lakshmi Narayan Lal: I was going to suggest how we could save in order that we may not be under the necessity

The Honourable the President: The Honourable Member must assume the necessity for saving without going into detail.

Rai Sahib Lakshmi Narayan Lal: My ray of hope is already shining in a corner of the Budget. It is to be found in the significant sentences to the effect that His Majesty's Government would not be prepared, *without the most careful examination* to agree to reduction under the present political situation in and outside the country and that the British troops were in a semi-contractual relation. Having regard to the terms offered to the Turks . . .

The Honourable the President: The Honourable Member must confine himself strictly to his motion that clause (3) and Schedule III be omitted. Clause (3) does not deal with the Army or with the Turks.

Rai Sahib Lakshmi Narayan Lal: The Post Office tax, as well as the railway freight tax, will directly affect the poor masses and classes who shall

[Rai Sahib Lakshmi Narayan Lal.]

also be indirectly affected by the other proposed taxes which will not only further deteriorate their financial condition but will prove a great obstacle to the healthy growth of their decaying industry. The Honourable the Finance Member himself admits that the justification, on business grounds, for raising the postal rates, does not hold good. With due deference, I regret, I cannot agree with him in his statement that the postal rates as cheap as they are at present are a luxury, which appears to have been made without taking into due consideration the economic condition of the different countries compared. There is no good in seeking, by means of such taxation, to show a substantial surplus or to embark on costly new schemes which can be safely postponed for the present, or at least for which money can be raised by loans. Taking all these facts and circumstances into consideration and the reduction recommended as well as the assurance given regarding the lump provisions for revision, which can, at least be partly put off there is hardly any necessity for such taxation.

The Honourable Mr. W. M. Hailey: I do not wish to meet Rai Sahib Lakshmi Narayan Lal's arguments in detail because I desire to keep within the terms of the matter which is immediately before the House; and I shall make no attempt whatever to follow him in his wanderings outside the Eastern hemisphere. But, Sir, I think it is necessary that I should point out to the House the exact purport of his amendment, which has a parallel in the subsequent amendments of Mr. Reddiyar and Mr. Raju. The acceptance of his proposition would mean that we should be unable to obtain any increase at all of our postal rates in any department of the work of the post office. I quite see that the House may, when it comes to discuss the postal Schedule, wish to make modifications, perhaps considerable modifications, in the scheme which we have put before it. But my immediate point is, that if this amendment is accepted, the House will then be unable to take up any of the detailed matters referred to in the Schedule, and will be unable to raise by a single anna the sum which is already taken in respect of the post office. Now, Sir, as these proposals of ours have been so much criticised, I think it is only right that I should place the House in possession of the reasons which were in our minds when we put them forward, and which moved us to what many Honourable Members have described as a deliberate attempt to place fresh burdens on the poorest of the population.

I think I can prove that we were right in thinking that our proposals were not of that heartless nature; that they were far less harmful indeed than any taxation such as would be involved in an increase, shall we say, of the Salt Tax.

Now, I take it as a first and primary axiom that the Post Office ought to pay its own way. There is no reason why we should run this important Government Department at a dead loss to the community. Admitting that it is of the greatest value to the community that it should have cheap means of communication, there is, I conceive, no reason at all why we should pay out of our own pockets for those who use the Post Office. What are the facts? I leave out of consideration for the minute what we make from our Telegraphs, because our postal service, although united for administrative reasons to our telegraph service, is in effect a separate service. In 1917-18, we made 46 lakhs; in 1918-19, 38 lakhs; in 1919-20, which was a year of trade boom, we made 75 lakhs. Well, we could hardly expect, even if we were

paying our postal staff the same as last year, to make 75 lakhs again. Suppose that we were to raise slightly the average expectation of returns, allowing for the progressive development of the use of postal facilities, and estimate for a return of 50 or 60 lakhs. What do we now pay to our postal staff in increased wages? I think it is 113 lakhs. And what is the result going to be? The result is going to be that we are going to work this year at a certain loss of 58 or 63 lakhs, more or less.

Now, Sir, my first proposition was that we should lose nothing over the Post Office. I will be bold enough to go further, and to suggest that it is very reasonable that we should make something out of the Post Office. There is nothing novel, abnormal or irregular in so doing. We have made a revenue out of the Post Office in the past; nearly every country has admitted the reasonableness of so doing. Look what England expects to make this year, namely, £3,500,000. Or again, take Canada, a democratic enough country. Canada is going to make 2,300,000 dollars. Or again, take Australia, £387,000. Or turn again to the East. Japan expects to make no less than 73½ million francs. So that it would not be unreasonable if I were to put it to the House, that we are not without precedent in the most advanced countries, in demanding that we should make a moderate revenue from our Post Office. And I claim that we can make that revenue fairly, because the burden we propose to place upon people in so doing is not a heavy one. It is in the first place distributed over the whole population. Take the population of India as roughly 300 millions. Take the number of postcards. How many were they? 600 millions, that is to say, each person in India—I am not going to pretend that each man, woman and child actually does so, for the moment I am only making an arithmetical calculation—sends two post cards a year. Then again the number of letters written is 500 millions; that is to say, each person sends rather less than two letters in the year. If we double the cost of post cards, it would, on the figures I have given, cost the population exactly one half anna per head per annum. My friends in the Postal Department have supplied me with some rather interesting calculations on the subject which I will venture to put before the House. It is said, that post cards are sent only by poor persons; put that at one tenth of the population or 30 millions. Then the incidence is 20 post cards per head per annum, the extra cost is 5 annas or less than a half-penny a month. Increase your figures as to the proportion of the poorest element of the people; assume that post cards are sent by 15 millions. Then the incidence is 10 annas per head or less than one anna a month. Go further, and assume that post cards are sent by 7½ millions only. Then the incidence is less than two annas per head a month. Now, is that a heavy increase to the burdens of the people? In every sphere of life people are paying more for the goods or services they receive. In every commercial concern, the cost of working has increased, the prices demanded in return have been enhanced. Is it unreasonable, therefore, that we should have attempted to get this small extra return—I have shown arithmetically how small it is—From the general population of India for the services rendered? Let me note further, that in so doing, our proposal follows the example of other countries. My Honourable friends here will never allow me to quote either the rate of taxation or other figures relating to the United Kingdom, because the United Kingdom is a rich country and they will never admit the force of a parallel; so I will pass the United Kingdom by. But, under modern conditions, France is not a very rich country and Italy is certainly not a rich country. I doubt if anybody who knows Italy would deny, that at present large portions of

[Mr. W. M. Hailey.]

its population are undoubtedly poor. Well, Sir, what has France done? Its ten centime unit has gone up to 25, its 15 centime unit has gone up to 40, its post cards, which were 10 centimes, have gone up to 25, two and a half times as much as before. Then Italy. The lowest unit before was 15 centesimi, it is now 25; its post cards were 10 centesimi, they are now 15. Or take again, Belgium. Its lowest unit was 10 centimes, it is now 20; its post cards were 5 centimes, a low rate; they are now 15 centimes.

Now, Sir, we have very much greater distances in India than in any of these countries, and the services we render in return for the very slight rate which we have hitherto taken and the still very slight rate which we propose to take, are immeasurably greater. Let me come to the East and point out what is being done in Ceylon, not a richer country than India. In Ceylon, the new rate for letters is 6 cents, or one anna, and its post cards are half an anna. In Kenia Colony, the rate is one penny for letters and half a penny for post cards. And, of course, I need not say that in Ceylon and Kenia the postage is practically little more than a local postage. You do not send for a half penny there, as we are sending for a pice here, a post card from Cape Comorin to Peshawar; you send it within an area which is about the size of a large British Indian division.

Well, Sir, those are the reasons which weighed with us, when we considered this case, to risk some slight unpopularity, and to place a proposal for an increase in our postal rates before this House. I have given you those reasons; let me briefly summarise them. They are that the Post Office should not be run at a loss, and that it is a legitimate source even of revenue; that the increase proposed would be spread practically over the whole population, and that other countries have been obliged to take the step which we ourselves are now proposing to take. Those arguments, Sir, may not apply to every detail in the Schedule, but I am not arguing the Schedule; I am only giving to the House a reason why we put forward general proposals for an increase in postal rates. But the reasons which I have given stand, I think, very strongly indeed as an argument against this amendment, an amendment which, as I have said, would prevent us from taking any increase whatever in any article of the Schedule over the present postal rates.

Mr. T. V. Seshagiri Ayyar: Sir, I respectfully join issue with the Honourable the Finance Member upon the point that the Post Office should pay its way. Sir, this is one of those matters in which no Government of a civilised country should expect that the collections made in the Department should be sufficient for the establishment. Like Education and like Sanitation, this is a matter which the Government should primarily undertake for the benefit of the people without looking to the return which the undertaking may bring. This is one of those public utility duties which in every civilised country the Government is bound to undertake.

Do you expect in the case of military defence that there will be a complete return to you? Do you expect in the case of the Police that there will be a full return for it? There are certain matters, such as the protection of the people and the advancement and civilization of the people, which the Government is bound to undertake without looking for any return which their undertakings may bring. Therefore, I join issue with the Honourable the Finance Member in his opening statement that if the Post Office does not pay its way, it should be made to pay its way by increasing the duty. At

the same time, if I may say so, I am in sympathy with the Honourable Member in not accepting the whole of the Resolution which has been put forward. I have myself given notice of an amendment which I am afraid this is not the proper time to discuss, namely, that post cards and letters be left alone. I am afraid the issue is being obscured by bringing in such a large question as the administration of the Post Office. I do not know what procedure you would suggest to the House, Sir—whether we should move other motions on the same subject of which we have given notice as amendments to this proposition, which is now before the House, or whether the other motions should await discussion until this motion is disposed of. As has been pointed out by the Honourable the Finance Member there are some matters which stand on a different footing from the imposition of additional taxation upon post cards and letters. Therefore, unless we know, Sir, where we stand, it will be very difficult for us to really discuss this question in a proper manner. May I ask your ruling, Sir, as to whether you would allow, for example, my motion regarding post cards and letters to be moved as an amendment to the motion already made by the Honourable Mover, or whether it should be discussed apart from the general question as to whether there should be no additional taxation at all with respect to postal carryings.

The Honourable the President : I think the Assembly had better dispose of the amendment now before them and then proceed to discuss in detail each specific amendment in the postal rates.

Mr. N. M. Samarth : Well, Sir, the issue before the House is whether the whole clause be omitted altogether, and those who think that there are certain increases in the schedule which might stand and should not be disturbed will vote against this motion.

I too join issue with the Honourable the Finance Member as to the *raison d'être* of the Post Office and the way in which it should be financed. It is not a commercial undertaking and it is a wrong canon to lay down that the Post Office must be made to pay its way. I thought it was only one of those arguments which the Honourable the Finance Member dexterously advances at times to carry conviction to the House, oftentimes without seriously meaning that we should accept the full import of his dictum. But if he is really serious in thinking and in placing before us the view that the Post Office must be made to pay its way, then I, along with my friend, Mr. Seshagiri Ayyar, must seriously join issue with him.

Mr. B. Venkatapatiraju : Sir, when this question was presented to this House by the Honourable Mr. Hailey, he admitted that he was very sorry for introducing the increase in the postal rate, but I think, seeing that there are so many amendments, the Honourable Mr. Hailey is more and more convinced that it is necessary and useful for the purposes of the State to increase this rate. May I respectfully submit, Sir, that though I do not place the postal rates on the footing that my friend, Mr. Seshagiri Ayyar, put it just now, that is to say, on the same footing as Defence, Police or Sanitation, because I admit, it is a commercial undertaking; yet this is a commercial undertaking which every civilised Government undertakes, not for the convenience of the State but on account of the interests of the subjects over whom it rules. And in almost all countries it is the monopoly of Government. The State won't allow any private body to enforce postal

[Mr. B. Venkatapatiraju.]

rates or to carry on postal business. It is a monopoly of the State, and the only thing which must guide the State in all these matters is not the convenience of the administration but the benefit to the people. Is it not taxing knowledge indirectly by increasing the postal rates? I should like to mention that this very Government when they increased the telegraph rates—and this Postal item includes telegrams also—they stated that as soon as the stress of traffic due to the War was reduced they were going to reduce the telegram rates, from 12 annas, to which it had been increased from 8 annas, and even 4 annas formerly. But now when I put a question to the Government, they say, that question will be discussed at the time of the Budget. And now I see the result. They have not at all reduced the increased rates for telegrams, but on the other hand I find they have increased the postal rates. Do we not find from the figures given by Government that both in the matter of parcels as well as the circulation of newspapers, there has been a reduction? What is that due to? It may be due to other causes, but is this the time to curtail the circulation of newspapers by increasing the postage? As you are aware, Sir, most newspapers are unable to circulate because they have not got sufficient subscribers, a sufficiently large reading public, on account either of poverty or on account of the illiteracy which is prevalent in the country. The Honourable the Finance Member quoted certain figures to show that our rates are cheaper in some cases than those of other countries. But is the Honourable Member aware that in the matter of money orders we are paying him double and treble the amount which the richest country, England, imposes with regard to money order commissions? We know that the penny postage is universal in those countries. But with regard to England, the Honourable Mr. Hailey admitted, that no comparison could be made between that country and India, which is a phenomenally poor country. Would the Government of India impose one tenth of the taxes which England imposes on her people, namely, £21 per head of the population? Therefore comparisons may be odious. When we have a rich country which increases revenue from 200 millions to 1,400 millions in one year, it is useless to compare India with such countries. France, Sir, fought for its very existence. It exhausted all its resources and it must scrape every pie now. We are not embroiled in any War. We were only passing participators in the War, and under these circumstances why should we introduce these increased postal rates?

I do admit, Sir, that this should not be run as a charitable institution. I do not advocate that it should be run like that. But the surest way of meeting the cost of the service is to reduce expenditure. I need not go into details. You can reduce the expenditure even as it is. I respectfully urge on the Assembly that this is not a source from which revenue should be raised, because it is a thing which comes to taxing the country on knowledge. The Honourable Mr. Hailey says, 'After all, what does it matter? It would only tax the poor man an anna or two annas.' But Sir, even an anna or two annas for a poor man in this country is too high a figure. Can we not find other means of raising revenue? Do you want to make a profit out of this transaction? Therefore, Sir, whatever may be your other considerations, there are other means of raising revenue to carry on the administration, and I appeal to every one in this Assembly to see that this is the last resource to which we resort; unless we are in a desperate condition we ought not to go to postal rates, to make it a profitable concern from which we can draw for general

purposes. As it is we are making some profit out of it. The Honourable Mr. Hailey is suggesting that it is worked at a loss. I am surprised to hear that ; and I think it shows want of supervision on the part of Government, that a department which was yielding profit all these years should, according to Mr. Hailey, be run now at a loss. I submit, it is time for the Government to look into the matter and gain revenue by stricter supervision of the expenditure and not by imposing taxes upon the people. Therefore, I earnestly appeal to every Member to try to consider the poor man's condition, because rich people may not care whether these rates be reduced or raised. Now if the Government says that these rates must necessarily be increased, there will be no difficulty to raising them even to two annas and the people will have to bow to it though unwillingly ; but, in that case, the absolute necessity for it must be shown and it must also be shown that it can not be raised in any other way.

Probably if the rates are increased, the number of letters may decrease. As it is, the Government themselves say, that the post office is growing in popularity from day to day and that more letters are being circulated. I would, therefore, once more urge that this is not a tax on which we should have to depend for the carrying on the work of the postal department.

Babu J. N. Mukherjee : Sir, I wish to say a word or two as regards the position which has been taken up by the Honourable Finance Member on the policy which should regulate the organization of post offices and the telegraph department. It has been said that this department of Government brings revenue in other countries to the State. Whatever the conditions in other countries may be, I venture to draw the attention of this Assembly to the fact that post offices and telegraphs in this country were organized, generally speaking, with a view to enable the Government to carry on its administration with efficiency. All the other departments of Government owe something to this postal department, and it is mainly with a view to the convenience of the administrative authorities that, to some extent at any rate, the post offices and telegraphs exist. The general administration, the police, the excise and all the other departments of Government, I repeat, owe something to this department. Therefore, Sir, it is but natural to expect that some regard should be paid to this fact and that the general administration of the country should be prepared to make some concession to this department, and it should not be treated entirely from a commercial point of view. India is a vast country and in many places the postal and telegraph arrangements have not been organized solely with a view to assisting the people to carry on their communications. Further, in the villages and in the outlying stations, the service is of a very imperfect description. If due regard be not paid to these facts, my submission is, that the question will not be treated with the amount of justice that is its due. Sir, it will not be the correct attitude for Government to adopt if the question be looked at merely from a commercial point of view.

Mr. Harchandrai Vishindas : Sir, I entirely agree with the views that have been expressed by Mr. Seshagiri Ayyar. Speaker after speaker has answered the Honourable Mr. Hailey in regard to the proposition he laid down that the postal department ought to be self-supporting ; but I think we may better leave that alone. That is purely an academical question. Some may hold one view and some another view. But the point for consideration at present is, is it right and proper on our part to give up such a large

[Mr. Harchandrai Vishindas.]

amount of revenue? The only question on the other side that can deserve consideration would be whether by this taxation we are really taxing the poor. I do say that by increasing the rate on letters from half-an-anna to an anna, and the rate on postcards from quarter of an anna to half-an-anna the poor may be affected; but I do emphatically deny that the other rates proposed affect the poor at all, and therefore although I am in sympathy with the amendment tabled to-day for the purpose of maintaining the existing rates on postcards and letters, other rates in my opinion are simply taxes upon luxuries and should be levied in the interests of our own finance. Sir, we should bear in mind that we have a certain duty imposed upon us by virtue of the office we hold and that duty is to carry on the administration of the country. We have been all these years demanding self-government with a view that we may ourselves carry on the administration of the country. That being so, we must always have a sense of responsibility. We must consider it to be our duty that we should provide funds for carrying on the government. Now, if we in this careless fashion give up sources of revenue which are quite legitimate and which in my opinion are more in the nature of taxes on luxuries, if you leave out of consideration the tax on postcards and letters, I say if we do that, we shall be failing in our duty. We find from the introductory speech of Mr. Hailey that this is expected to bring us Rs. 2½ crores. That being so, if we give up the whole of this Rs. 2½ crores, it will make a very big hole in our pockets. Therefore, Sir, I appeal to the sense of responsibility of the Members of this Assembly, which I am quite sure they do possess, not to take off the whole of this Schedule.

Rao Bahadur T. Rangachariar: Sir, I move that the question be now put.

The Honourable the President: I wish to make an appeal to this Assembly. Members will remember that I made an agreement, with the approval of the Assembly, with their Moslem Colleagues yesterday, that in view of the fact that to-day is Friday and a sitting of the Assembly was unexpectedly put down for this day, we should adjourn at this moment for an hour and a half in order to meet their requirements. I hope this Assembly will come to a decision now on the question before them. I would remind them that there is not a word that can be said on this amendment which cannot—I was going to say, be repeated, but I shall not allow it to be repeated (laughter)—which cannot also be said on the amendments to the Schedule. The amendments to the Schedule raise substantial points, and I hope therefore that we may adjourn now after having disposed of the amendments before us. The amendments before us are items 15, 16, 17 and 18. The question I have to put is,

that clause (3) and Schedule III be omitted.

The motion was negatived.

The Assembly then adjourned till Two of the Clock.

The Assembly re-assembled at Two of the Clock. The Honourable the President was in the Chair.

The Honourable the President: Honourable Members will observe that there are a number of amendments which raise substantially the same

points. There is only one amendment which raises them all under the same heading, namely, Amendment No. 120, on page 13 in the name of Mr. Jatkar. I propose to call that amendment and deal with it by sections. I therefore call upon Mr. Jatkar.

The Honourable Mr. W. M. Hailey : I feel, Sir, that it would be a great convenience to the House if we were, as you have laid down yourself, to deal with this subject by sections ; but I venture to suggest, that we take it in the order of post cards first, letters next and registered newspapers third. It will affect what we shall ourselves have to say if the House decides one way or the other on the subject of post cards. It is perhaps also logical to begin with the cheapest item first and one which affects the largest number of poor people.

LETTERS, POST CARDS AND REGISTERED NEWSPAPERS.

Mr. B. H. R. Jatkar : Sir, I beg to move :

'That for the entries under heads 'Letters', 'Post Cards' and 'Registered Newspapers,' the following be substituted :

'Letters.'

For a weight not exceeding half a tola	half an anna.
For a weight exceeding half a tola and not exceeding one tola	one anna.
For every tola or fraction thereof exceeding one tola	one anna.

Post Cards.

Single	quarter of an anna.
Reply	half an anna.

Registered Newspapers.

For a weight not exceeding eight tolas	quarter of an anna.
For a weight exceeding eight tolas and not exceeding fifteen tolas	half an anna.
For every fifteen tolas or a fraction thereof exceeding fifteen tolas	half an anna.

From the amendments that have been put down by other Honourable friends.....

Rao Bahadur T. Rangachariar : The Honourable Member evidently has not heard the ruling from the Chair as regards Post Cards being taken first.

The Honourable the President : The Honourable Member is moving the amendment as on the paper. What I propose to do is to put the amendment in sections. I shall put the whole amendment first of all from the Chair. Then, as we have the discussion first of all on post cards, I shall put that question from the Chair, and then proceed as suggested by the Honourable the Finance Member.

Mr. B. H. R. Jatkar : From the various amendments that are put on the agenda paper it will be seen that the majority of the House is with me in respect to post cards. In the proposed Bill it is sought to raise post cards from $\frac{1}{4}$ anna for a single post card and $\frac{1}{2}$ anna for reply, to $\frac{1}{2}$ anna and 1 anna, respectively. It is not necessary to state that this increase in post card rates will affect the poor community only. It is common knowledge with us that post cards are the only means of communication in villages and mufassil towns. If we raise the postage rates for post cards, it will affect only the

[Mr. B. H. R. Jatkari.]

poor people, and it should be the aim of every taxation that the poor people should not be affected by it. It is no use stating that the poor people of India are already hard hit by the increased rates and prices of foodstuffs and other things and we should not add one more item to make them more miserable.

With regard to the letters, also, I have proposed this amendment on the same basis. I have only sought to keep a letter weighing $\frac{1}{4}$ tola at its present rate and to tax a letter exceeding that weight but not exceeding 1 tola at 1 anna. My idea is to allow the poor people of this country to retain their means of communication by letters. The subsequent changes, if made, will not affect the poor people and business people using thick paper can well afford to pay the new rates. With regard to the registered newspapers, I would make a special case. The present rates for registered newspapers are—for a newspaper not exceeding 8 tolas in weight— $\frac{1}{4}$ anna, not exceeding 40 tolas it is $\frac{1}{2}$ anna, and for every additional 40 tolas or part thereof it is an extra $\frac{1}{4}$ anna. We all know that the Press Act has already knocked down many of the vernacular newspapers in the country and they have also suffered in other ways, and by increasing the rates of postage as is proposed, I am afraid that it will have a very detrimental effect on them and may ruin some of them. Since the Press Act, many vernacular newspapers have disappeared and I think that they should be protected as much as possible by not increasing the postage. I do not think the effect upon the larger newspapers will be so great as upon the vernacular newspapers, and I expect that the increase will bring in more income to the Government. I think the Honourable the Finance Member said that the imposition of these taxes will bring in about 2 crores of rupees in revenue to the State.

As regards the postcards, on turning to the figures given in the annual report, it will be found that about 60 crores of postcards were used in 1920 and roughly speaking by doubling the rates will increase the revenue by about a crore.

I cannot say how much income is derived either from letters or registered newspapers, and I cannot say how far the amendment will affect the revenue, but the Honourable the Finance Member will probably be able to give us the figures as to how far my amendment will affect the revenue of the country. Then in regard to the demand for Posts and Telegraphs, we have been able to save a crore of rupees by the amendment of our Honourable friend, Mr. Samarth, and by my amendment regarding postcards, there would be additional deficit. Now, I will give you the figures as to the number of registered newspapers posted in the year 1919. *The figures are 6,19,18,287.

With the motive of not defeating the object of the Finance Bill, I have proposed two other additions to this schedule, which I will move when the time for it comes. But under that head I believe that over 20 lakhs of rupees will be got from those two additions in the schedule.

The Honourable House will see that my special point is about the newspapers. If the proposals in the Bill are accepted, it will affect the vernacular newspapers because they are generally above 5 tolas and below 8 tolas. So we must make a special case of these newspapers which give information on all matters of public interest to the remotest village—you must take special care to see that these registered newspapers are not taxed. With these words I move the amendment that stands in my name.

The Honourable the President: The question is :

'That in Schedule III for the entries under heads 'Letters,' 'Postcards' and 'Registered Newspapers', the following be substituted :

Letters :

For a weight not exceeding half a tola	half an anna.
For a weight exceeding half a tola and not exceeding one tola	one anna.
For every tola or fraction thereof exceeding one tola	one anna.

Post Cards :

Single	quarter of an anna.
Reply	half an anna.

Registered Newspapers :

For a weight not exceeding eight tolas	quarter of an anna.
For a weight exceeding eight tolas and not exceeding fifteen tolas	half an anna.
For every fifteen tolas or a fraction thereof exceeding fifteen tolas	half an anna.

The question I have to put is :

'That the entries under the head 'postcards' be substituted for that in the Schedule.'

In putting that, I may suggest to Honourable Members, that as we have a somewhat long programme of business before us, it might perhaps be advisable to have a short adjournment somewhere about 4 O'clock. If that meets the convenience of Honourable Members, I shall propose an adjournment at or about 4 O'clock, according as the state of business permits.

Lala Girdharilal Agarwala: Sir, the Honourable the Finance Member has proposed an increase in the rates for letters, post cards, and registered newspapers, to which my Honourable friend, Mr. Jatkar, has proposed an amendment which he has already laid before this Honourable House. Now, I have also given notice of an amendment, which is as follows :

'Letters'

The Honourable the President: Order, order. I have put the question relating to post cards. The present debate will be restricted for the moment to post cards.

Lala Girdharilal Agarwala: (With regard to the rates proposed for post cards, I submit that it will affect the poorer class of people who generally send their communications on post cards. I would be willing even if the size of the post card is reduced to what it was before, or even if the size of the post card is cut to half. But the price of the post card, the postage, should not be doubled. Now, even if the size is reduced by a little or even cut to half, it would not affect them much, because poor people would even in that case be able to send their communications—of course leaving out the *Saranna* or *Aiqab wa adab* which takes up a lot of space. They will be able to write their messages on that post card. If the weight of the post card, or if the size of the post card, is not the principal consideration in the estimation of the

[Lala Girdharilal Agarwala.]

Honourable the Finance Member, then I submit that this Honourable House would agree that the size of the post card may be retained and the value of the post card may also be retained as quarter anna and not $\frac{1}{2}$ anna. If this is increased, then there would be a good deal of unrest in the country and we would have many more discontented people than we have got at present. Taking the question of economy and also taking the question of the unrest in the country, I submit, it is necessary that we should not increase the price of the post card as suggested. One thing more I may be allowed to submit. The Government will not have doubled the revenue as calculated by doubling the price of the post card. At present those people who write on an average four post cards in the month will, if the price is doubled, probably write only two. So that the Government will have no advantage. On this ground, I submit, that the price of post cards should not be increased.

Mr. J. P. Cotelingam : Sir, I propose that the question be now put. No further speeches are wanted, as a large majority of the House is agreed on keeping the rates unaltered.

Several Honourable Members : Yes ! Yes ! Agreed ! Agreed

The Honourable the President : Order, order. Even when a great body of the House may think in one way, it is a well-established Parliamentary practice that the minority have freedom of speech. Therefore, I think it is somewhat of an abuse of the Honourable Member's privilege that he should move a motion for closure at this moment.

Sir Logie Watson : Sir, the poor are always with us, and especially in this Chamber, it appears to me. In referring to the poor, I believe that Honourable Members are guided more by their hearts than their heads. I do not think that the proposed income from post card is to prove such a terrific hardship as some Honourable Members would like to lead us to believe. I took up my pencil as the Honourable Member sat down and made a few thumbnail calculations. He referred to a scribe who might write four post cards a month. Now I selected the very poorest class—a man drawing Rs. 12 a month—and I assumed he had gone to the expenditure of actually writing four post cards a month, and I found that if he did so, the increase would represent 192nd part of his total income. Now we all know that during the past few months, wages in India have been raised by at least 33 per cent. so that the expense of sending four post cards a month would represent a 64th part of his increased income. If he only writes two post cards a month, the expenditure would represent on his total income a 384th part; or on his increase a 128th part, and if he only wrote one post card—which I think is enough for any one to write unless he is engaged in business—it would represent a 768th part of his income, or 256th part of his increased income.

Now, I do not think any Honourable Member in this Assembly is going to tell me that this is imposing a hardship on the poor people in this country.

Mr. N. M. Joshi : Sir, I am in favour of the proposal of my Honourable friend Mr. Jatkar. I do not support it on the ground that it will fall heavily upon the poor, because, as Sir Logie Watson has said, the tax will not come so very much. But I put it on the ground that even the Honourable the

Finance Member has admitted that the post gives great facility for progress and civilisation. I put it on that ground. We want cheaper postage because India has yet to make great headway in progress. We are far behind. We want propaganda, we want education, and as a means of education we want a cheap postal system. I therefore support the proposal that the postcard rate should not be increased and I put it on the ground that a cheap postcard is necessary for progress and civilisation.

Dr. H. S. Gour: Sir, one aspect of the question connected with the postage on postcards should not be lost sight of. It is this. If this House decides to retain the present postage on postcards, it would be impossible for this House to decide that the postage on letters should be increased. The reason is obvious. If you are to increase the postage on letters to one anna and the postage on postcards remains as now at one pice, the revenue from letters will diminish and that on postcards will increase, and the net result therefrom to the Post Office, on the cumulative effect of the revision of the postage on letters and postcards would be incalculably small. I am not quite sure whether the Post Office will not in the end be a loser. I therefore submit that this House must keep in view, in voting on the question of the postage on postcards, the other question as to whether they are going to vote for an increase in the letter postage. If they do not vote for an increase in the letter postage, then of course the present ratio between the postage on the postcard and the letter will continue. But then, if they wish to raise the postage on letters, the result which I have foreshadowed is likely to follow.

Now, Sir, as regards the poor man's plea, that he cannot afford the postage, Honourable Members of this House have pointed out that it is a plea which is entitled to the consideration of this House. Sir Logie Watson has brought his irrefutable logic to the decision of the question. But he is perfectly aware that human affairs are not very often controlled by logic or reason. As often as not, they are controlled by sentiment. Let me picture to you, Sir, the position of a poor man, or a clerk who draws not only Rs. 12 a month but even Rs. 30 or Rs. 40. When he has to communicate with his friends, for a generation past he has been in the habit of either purchasing a postcard for a pice or affixing thereon a one pice label. As soon as this Budget becomes law, and the Finance Bill changes the Post Office tariff, as often as he affixes his stamp he will say very hard things of the Government. He will say:

'This is a Government which, when yesterday I was paying one pice, to-day makes me pay two pice for the same post card, of the same size and of the same quality. I will have nothing to do with this Government.'

And remember, each postcard that is sent through the Post Office will become the emissary of discontent and restlessness of which we have sufficient already in this country. We who are interested in coping with the disorders in the country ask the Honourable Members seriously to consider the situation that will arise from the raising of the rate in the postage on postcards. It will be a perpetual reminder to the sender of a postcard of the evil effects of this Finance Bill. It is not merely a tax which he has to pay once or twice a year which he pays and very often forgets. But it is a fact which he will remember by day and by night, as often as he has to send a postcard or a letter. And that, I submit, is a question which cannot be lost sight of. It cannot be answered by logic. You have to see what would be the resultant gain to the Finance Department and what would be the resultant loss to the country at

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large. I therefore appeal to the Honourable Member (on behalf of Government) not to press the point as regards an increase in the rate on postcards. I am not impressed by the arguments advanced by my friend, Mr. Girdharilal Agarwala, that you can reduce the size of the postcard to half or one-third. My friend surely could not have put it forward very seriously, because the cost of transmission of a postcard, whether it is of the present size or half its size or one-fourth its size would be almost, if not exactly, the same. The same Post Office officials will stamp it; the same Post Office peon will deliver it; the same train will carry it; and as regards the difference in weight, that need not enter into our calculations. I therefore submit that the reduction of the size is no solution of the question. The only solution that occurs to me in this connection is to let alone the postage on the postcard. I do not know as to what extent the Finance Department will lose under this head. I am not quite at one with my Honourable friend, Mr. Seshagiri Ayyar, when he says that the Post Office must be run as a public benevolence. My own view of the matter is that the Post Office must be run no doubt for the benefit of the public but a serious attempt must be made that the Post Office pays its way. The Honourable Mr. Majumdar, who spoke on the subject, complained, and complained truly, of the backward state of the Post Office in the rural areas. For days, and sometimes for weeks, letters are not delivered. How can you expect any improvement in a Department which is a losing Department? I therefore submit, that so far as the Post Office management is concerned, it must be conducted on business lines, and I should be the last person to make it run as a charitable institution or as an institution intended for the benefit of the public at large. I see no reason whatever why, if I have to send my letter by post for my own convenience or the convenience of the addressee, somebody else, some other Honourable Member, should contribute his quota to the cost of the carriage of that letter. It is my work and I must pay for it. At the same time, the fact remains that the Government must not drive a hard bargain with me. I am perfectly certain, and it is an obvious fact which the Honourable the Finance Member has explained to the House, that the Post Office does not make any very large income from its working. The object of obtaining an increase of Rs. 2½ crores is to equalise and balance the accounts. If that be the object, I am perfectly certain, that this Honourable House will entirely agree with the Honourable the Finance Member's policy of revising the postal rates, and on that point I do not think there can be any difference of opinion. But there remains the question, that while we agree that there should be a revision of the rates, we also must consider as to which is the line of least resistance. We must remember that we must not stir up the dying embers of discontent in this country, and if we find that the value of the rise of the postage from one pice to two pice will be wholly incommensurate with the amount of discontent which will be caused in the country, I would pause before committing ourselves to this measure.

The Honourable Mr. W. M. Hailey : Sir, may I welcome the speech we have just heard from Dr. Gour? It contains so sound a statement of the policy, which we ourselves commended to this House, in regard to the Post Office, so thorough a condemnation of the opposite theory that we should maintain the Post Office as we are maintaining the Police or any other utility service on a non-commercial basis, that I feel sure I carry with me a large number of the House in welcoming it throughout. I am consequently now going to assume that the House agrees with me, and not with some of those

Honourable Members who spoke this morning, in holding that the Post Office must not be a losing business.

I explained this morning, and I must be allowed to reiterate the fact, that if we do not increase our rates, we shall lose 40 to 50 lakhs this year. It is all very well to say with (I think) Mr. Raju, 'You have been running the department on such bad lines in the past that it is now involving you in loss.' My reply to that is, that the Imperial Legislative Council last winter demanded that we should appoint a committee to revise the pay of our staff; we did so, we honoured the bill, and the result is that a loss is inevitable, we are now doing our best to repair the loss.

Now with regard to the proposals for carrying out the policy so admirably enunciated by Dr. Gour just now. My net proposals are set to gain 2½ crores, and of that, postcards are responsible (allowing for some falling off on account of the increased rates which I propose to put on them), for 75 lakhs. Without that falling-off in numbers on account of the increased rates, our new rates would have brought us in 9½ lakhs, but I have taken the figure for Budget purposes at 75 lakhs.

It is quite impossible for me to be blind to the fact that there is a very large number of Members in this House who are opposed to the raising of the rate of the postcard; and I believe that they do so with mixed feelings. I do not believe myself that there is a very strong feeling that it would be a real injury to the poor; but I think there is a genuine feeling that this House would hesitate to commit itself to a measure which would, as Dr. Gour said, remind the very numerous users of the postcard every time in the most patent way that the rate has gone up by a vote of this House. We do not want to lose money, and I do not think the House wants to lose money. I would, in consequence, be prepared to agree that we should abandon our proposals with regard to the postcard, but I do so in the firm hope that the House will not let us lose on letters. I am trespassing a little here on the next motion but my excuse is, that the question of postcards is to some extent mixed up with that of letters, and it is clear that we shall, if we raise our rates on letters at all, lose a good deal because the postcard will be more largely resorted to. I hope, therefore, that the House will accept this proposal, that while we shall keep the postcard at the old standard rate we shall be allowed to raise the rate on the letters to one anna for 2½ tolas.

Mr. T. V. Seshagiri Ayyar: Sir, I do not want to discuss the academic question whether the post office business should be maintained as a public utility society or on a commercial basis. That does not very much affect the present question.

I do not agree with Sir Logie Watson on one matter. He spoke of percentages. The percentage in the case of a person drawing Rs. 10,000 a month or a lakh of rupees a year is quite different from percentage upon the income of poor people. I do not know whether he has studied the statistics with regard to this country. It is believed that the average income of a person in this country is Rs. 27 a year. That comes to Re. 0-1-6 or 0-1-3 a day, and out of that to ask him to pay three pies more for a communication is different from asking Sir Logie Watson to pay for his letter. Therefore, the statistics which he has been good enough to give us does not in the least affect the position. We have to look into the circumstances of the people who really use postcards. They are not persons of the standing of Sir Logie

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Watson. To ask persons getting Re. 0-1-3 every day to pay a quarter anna more out of that, is the most unsympathetic thing that any Government should attempt to do.

Mr. E. L. Price : I want to keep strictly in order when I have a few observations to make touching on the Honourable the Finance Member's suggestion. I do not know if my experience is correct. I am not a member of the Mothers' Union, but it is a body that occasionally writes to me and it sends me a prepaid reply postcard form. There are a number of other bodies, some that I belong to, and some that I do not, but they always seem to address me with a reply postcard. My own experience is, that the enormous consumption of postcards is due not so much to its popularity among the people, but rather to the enormous use of the postcard by every sort of club or society or association for any purpose whatever. Personally, my own experience among poor people in Sind—Mr. Harchandrai can confirm me or contradict me—but my own experience is, in Sind we have a large number of domestic servants who come from Surat. We have a large number of mechanics who come from Cutch. We have a large number of people employed in all sorts of occupations whose real homes are far away from Karachi. My own experience is, that all these people write and receive not postcards, but letters, and I understand the reason is that they wish to communicate with their homes on various domestic and other delicate matters, and they object to revealing on a postcard in a vernacular understood by the post masters and postal peons, the nature of their communications. Well, Sir, the poor man is as much entitled, I think, to privacy about these personal and family matters as anybody else, and I suggest to the Honourable Mr. Hailey that if he can see his way, as he says, to keep the postcard at the old rate, it is a very big jump to make that concession only on the terms that he is to have no letter postage under an anna. So, as a commercial proposition I put to him that if he can carry a letter that weighs $2\frac{1}{2}$ annas for a tola at a profit, I beg your pardon,—if he can as a commercial proposition carry a letter that weighs $2\frac{1}{2}$ tolas for an anna, proportionately he might carry $1\frac{1}{2}$ tolas for half an anna. But I realise the cost of distribution and delivery is a bigger factor than the mere weight carried. Taking that into consideration, I suggest that he may possibly see his way to include a half-anna postage still for a letter that does not exceed one tola in weight. (Cries of ' $\frac{1}{2}$ tola'.) I say one tola for this reason, that I have myself in my own humble way experimented with paper and envelopes, and if we had been in a committee consisting of a dozen or half a dozen of us, I would have gladly put before that committee the sort of paper and envelope that you can weigh against half a tola and a tola. I assure the Members of the House that the nature and size of the communication that can be covered by half a tola is not really worth considering. But my proposition is, that this House ought really to accept Mr. Hailey's recommendation. He has made, as it were, a firm offer to enable him to carry on the post office without loss. But the jump from a quarter anna for a postcard to one anna minimum for a letter is against his own interests. He will drive people unwillingly to use postcards, who might just as well pay half an anna for a letter which would weigh very little more and cost the same amount for distribution, so that, as it were, my counter-offer to him is really a better mercantile proposition than his original offer to us.

The Honourable the President: The question is :

'That in Schedule III under the heading 'Postcards,' against the word 'single' the words 'quarter of an anna' and against the words 'Reply' the words 'half an anna' be substituted for the words in the schedule.'

The motion was adopted.

Dr. H. S. Gour: When speaking, Sir, on the question of the postage on postcards I indicated that the ratio between a postcard and a letter cannot be profitably disturbed. If the Honourable the Finance Member will refer to the tables which he read out to this House earlier in the day, he will find that in all the countries to which he referred this morning the ratio between a postcard and a letter is 1 to 2, and that is for the very obvious reason that if you were to reduce or maintain the present rate of postage on a postcard and enhance by doubling the postage on a letter you will drive a very large number of people to write their communications on postcards to the exclusion of letters. I do not agree with my learned friend, Mr. Price, that people resort to letters for the purpose or from a sheer sense of writing what they regard as confidential communications. A great many people write letters because they see no difference between a post card and a letter. A great many people write postcards because they are so handy. The late Mr. Gladstone used to send all his communications as far as possible on postcards and the Gladstonian postcard was a well known thing of his day. Now I suggest, Sir, that if you are to enhance the postage on letters to one anna and retain that on postcards, the postoffice will not stand to gain much, and I therefore suggest for the consideration of the Honourable the Finance Member that he might be pleased to retain the present rate of postage on all letters not weighing more than half a tola. Now that was the postage prevalent in this country some years back and the only possible objection that I can see to the retention of this postage is that it will reintroduce the old evil of writing on very flimsy paper and that would have been my objection to the enhancement of the rate on newspapers to which Mr. Jatkar adverted. The newspaper proprietors, especially the vernacular newspaper proprietors, use the flimsiest of paper for the purpose of cheapening their production and minimising postage. That, I submit, is not conducive to the improvement of public taste, but if you are to reduce the weight for which you carry a letter, a great number of people will use inferior paper, but that is an evil which we must put up with. This is after all a Budget which will hold good for one year, after which period we shall have to revise our rates and I suggest to the Honourable the Finance Member that he might retain the present rate of postage for letters not exceeding half a tola in weight. Now as a counterpoise to the loss that the Honourable the Finance Member may anticipate from this proposal, I suggested to him and, I suggest again, that the loss on postcards might be minimised by charging for the sale of postcards as it used to be some five years back. You will remember that a packet of postcards, that is to say, postcards with the stamp impressed thereon used to cost something like 3 or 4 pice for a packet of 12. If a similar charge is made, I do not think the public will grudge to buy a postcard. If you have got a postcard of the same size yourself, you are at liberty to affix upon it a one pice stamp and it will be carried by the post office, but if you want to buy the postcards from the post office, you can do so at the rate which the post office will fix and which would be a very small rate and I know as a matter of fact it was a very small rate for the sale of these postcards. I do not know how much the post office will gain by this course, but what I am

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trying to emphasise is that their losses will be minimised. To what extent they will be minimised I am unable to say. I can only throw out a suggestion, which might be worked up by the Honourable Member in charge of the Post Office and he might be able to enlighten the House as to how far it will be able to relieve the finances of the country by selling these cards to the people at the rate at which they used to be sold before. The price of paper has now gone up and a certain amount of margin must be left by way of profit to the post office. Now if this proposal is accepted, I feel, Sir, that this House will unanimously consent to it.

Babu K. C. Neogy: From 1850 when the Postal Commission was appointed by Lord Dalhousie down to the present day, the rate of postage and the minimum unit of weight have come up for revision from time to time, but until to-day the policy of Government has been to cheapen postage more and more. We find that the minimum which is suggested in this Resolution, that is, half an anna for half a tola, prevailed from 1869 to 1905. In 1905, the minimum was raised to three-quarters of a tola and later on to one tola as at present. Now, Sir, the policy which Government followed during those days was very well enunciated by a distinguished predecessor of the Honourable Mr. Hailey, the Right Honourable Mr. Massey, who in 1866, while the Report of the Select Committee on the Post Office Bill was being considered in the Legislative Council of India, said, referring to the raising of the unit of weight, that he considered that :

‘The Post Office was so potent an engine of civilisation that no Government would be justified in allowing fiscal considerations to stand in the way of such an improvement.’

He proceeded to observe, at the same time, as the measure would involve in the first instance a considerable loss of revenue he would impress upon his colleagues the advisability of acting with caution. But if they should arrive at the conclusion that the existing unit of weight did check correspondence and was oppressive to the poorer classes of correspondents, he could only say that he would not recommend his colleagues to do otherwise than give a liberal reception to that conclusion.

Sir, this is my authority for stating that this question has to be approached not merely from the revenue point of view.

3 P.M.

Again, referring to the introduction of cheap postage in India during Lord Dalhousie's *regime*, Sir Elwin Arnold says :

‘These are measures which make real history, and not wars—as the constant flow of the spreading river fertilizes the country-side, and bears onward its boats and barks—not the violent, picturesque cataract.’

And to-day, Sir, we are making history the other way about—by taking away from the usefulness of the postal system, so that the military may flourish more and more.

Mr. C. A. Innes: Sir, I think that Mr. Neogy forgets that the reason why we are discussing these proposals to-day is because we have to meet in some way or other a deficit of 17 crores, and it is the duty of this House to arrive at a right and wise decision as to how best we can make up that great deficit. Nobody, certainly in the Commerce Department, wishes in any way to tax communications, but we decided after the most careful consideration

that by raising the postal rates in the manner that we suggest we should raise a very large amount of revenue at the cost of very little hardship to the people. We hope to get out of the increased postcard rate, 75 lakhs of rupees; we hope to get out of our proposals for increasing the letter rate, 96 lakhs of rupees. Now, Sir, in deference to the views of the House the Honourable the Finance Member has given up our proposals in respect of postcards, that is, he has sacrificed 75 lakhs of rupees. Now, it remains for us to decide whether we are also going to sacrifice the 96 lakhs of rupees which we hope to make out of these revised letter rates. It seems to me that there are three courses open to the House. Either we can retain our existing postal rates, that is, the initial rate being half an anna for one tola or, as suggested by Dr. Gour, we can revert to our former practice and charge half an anna for a weight not exceeding half a tola, or we can accept the proposal which has been put before the House by the Government of India and raise our rates to one anna for a weight not exceeding $2\frac{1}{2}$ tolas. Now, the objection to retaining the existing postal rates obviously is, that we make no revenue at all. We have sacrificed 75 lakhs of rupees over the postcards, and, if the House accepts this proposal, we shall proceed to sacrifice 96 lakhs of rupees out of the letter rates. Now, this House will realise that we have still got this deficit of 17 crores to make up, and if we give away revenue like this we shall not be able to make up that deficit. I suggest, therefore, that this ought to be very carefully considered before the House goes back upon this proposal and decides to retain the existing letter rates.

I now come to the proposal that we should revert to the rate of half an anna for a weight not exceeding half a tola. My first objection to that is, that we shall make very little revenue out of it. We have tried to make a rough calculation of the amount of revenue that we should get by adopting this proposal and, as far as I can ascertain, we should not make more than 20 lakhs of rupees at the most. In addition to that, from the technical, from the Post Office point of view and also from the business point of view, there is a very great objection to having so small a weight as half a tola. In the first place, as Mr. Price, I think, pointed out, it means the use of extraordinarily flimsy and bad paper. In the second place, and this is a much more serious objection, if you have a half-anna rate for half a tola, there is a grave administrative inconvenience in the Post Office and grave inconvenience to the public, for letters are continually being found to be overweight, and overpayments have to be made, that is to say, we have to send these letters round by postal peons to the addressees and we have to collect from those addressees double the proper postage. That does not pay us. We have to do it because we have to maintain our rule, but it means more staff, more expense and very little revenue. From the postal point of view the half-anna rate for half a tola letter is a bad proposal.

I now come to the proposal which the Government of India have made. I admit at once the force of Dr. Gour's objection that there is a large gap between a 3-pie postcard and a one-anna letter, the initial letter charge being as much as one anna. We have calculated what we should get by reverting to the 3-pie postcard and adhering to our proposal of an initial charge of one anna for a weight not exceeding $2\frac{1}{2}$ tolas. We admit that probably a large number of communications which otherwise would have gone by letter will now be sent by postcard, but probably it will not be as much as might be thought, because, as has been pointed out to-day, there are various kinds of communications which cannot be sent by

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postcard. At any rate, the final conclusion that we have arrived at is that by reverting to the 3-pie postcard and retaining a one-anna letter for a weight not exceeding $2\frac{1}{2}$ tolas, we should make on this revised letter rate 50 lakhs of rupees.

Now, I think in almost every civilised country the ordinary procedure is for the initial rate for a letter to be fairly high and for a liberal weight to be given. In England, the initial rate is 2d. but they are allowed up to 3 ounces; in France, the initial rate is 25 centimes, that is $2\frac{1}{4}$ d.; in Italy, the initial rate is 25 centessimi, that is $2\frac{1}{4}$ d.; in Ceylon, the initial rate is a penny; in East Africa, it is a penny; in almost every country, the initial rate for a letter is now a penny which is equivalent to one anna. By adopting the high initial rate of one anna and by allowing a liberal weight for that, we rope in all letters. It is convenient from our point of view, it is in accordance with the practice of practically every country and we assume—and this is a point I wish to impress upon the House—that it will bring in a revenue of 50 lakhs of rupees; and I am sure, that the House will realise that they cannot lightly throw away that revenue.

Dr. Nand Lal : Sir, there is no doubt about it that we want revenue and that revenue must be collected from some source. My submission before the House is this, that wisdom lies in the selection of that source. Money we want no doubt, but wisdom lies, as I have submitted, in selecting the proper source. The source, which has been debated upon, before the House to-day, is not the proper source which should be applied to for the collection of our revenue.

I must thank the Honourable Mr. Hailey, the Finance Member, for the concession which he has made in regard to postcards, and I give him credit for that. As I have submitted, the selection of the source is the most necessary thing. Therefore, let us examine as to whether these postal charges which are being increased will pay us eventually or not.

In order to determine this question we have to see whether the Postal Department is a Department which should necessarily be a paying one and only in that case it should be established and maintained. My answer to this, differing from Dr. Gour, would be, that the Postal Department is one of those Departments which should be established and maintained by the Government. It is one of the paramount duties of Government to see that there is a Postal Department in the country which that Government rules.

There is another point which is in support of this contention, that the Postal Department should be maintained even if it does not pay at all. For instance, if there is no Postal Department, how can communications be made. In order to keep communication, in continuity, it is necessary that this establishment should be maintained by the Government, whether it pays or not.

Now, as to the point whether the proposed increase in regard to letters will really bring more revenue to us or not. This aspect of the question has to be examined with reference to two phases—one, whether it will not be taken as an innovation, not only an innovation but a startling innovation so far as the sentiment of the people is concerned. People are used to half-anna letters and they will begin to say at once 'Hullo, the Government is going to charge us heavily.' This sentiment, this idea, which will really occupy the mind

of the people, cannot do any good politically to us at this juncture. We ought to give serious consideration to this point also. Assuming, for the sake of argument, that it may bring the revenue which is contemplated by the Honourable the Finance Member, at what cost shall we be collecting this revenue—that also has to be considered. The great praise which we find lavished on the present Government at this time is that every peasant, every man in the village says ‘What a good Government this is; you pay only half an anna and you can shake hands with your friend in Bombay or Madras.’ By ‘shaking hands’ I mean, of course, that you can communicate, I use the words in a popular sense. Owing to the postal facilities people say, ‘This is a nice Government. No previous Government did this amount of kindness.’ Now this idea will be removed, and so far as the maintenance of this good opinion of the people is concerned, we should jealously and religiously pay deep consideration to their sentiments. Now I am placing this idea before this Honourable House—Will there not be some displacement in their sentiment, if they are saddled with these heavy postage charges? If you agree with me that there will be some sort of change, then the collection of this revenue politically will not be paying to us at all. Therefore on this ground, my submission is this; Let it remain as it has been, because this is not the proper time to make innovations and changes which may be opposed to the wishes of the people.

Taking the other aspect of the question, as it has already been argued and very ably discussed, that if you increase the half-anna letter postage or postal charge on a letter, then every one would like to use postcards. Admitting the soundness of this argument, it may be submitted, that there will be a comparatively smaller number of people who will use *lifafas*, viz., those who will write letters. So on the economic side also, there will not be much gain—in fact, there will be no gain; and on the political side, we shall be losers. Then ultimately this innovation will not pay us at all. I very respectfully suggest to the Honourable Mr. Hailey, the Finance Member—let the old system remain. The suggestion propounded in this amendment deserves to be accepted. With these few remarks I very respectfully appeal to this House, that they will support this amendment which speaks for itself.

Mr. R. A. Spence: Mr. President, I am very sorry that after the very excellent speech of the Honourable the Finance Member and the speech of my Honourable friend, Mr. Price; with which I am in complete agreement, I shall have to weary you with any remarks at all, but certain remarks have been made in the course of the debate to which I should like to draw the Honourable Member's attention.

Some Members here present have said that the Post Office, like education, should be a matter which the people should have, practically speaking, free; they should not have to pay for it. Now, I do not think we can agree with that. We do agree, I believe, that education ought to be given to the people as cheaply as possible. That is because you want education to make a man a fit citizen. But it is not necessary that that man should write letters and postcards to be a fit citizen, and every penny that you charge to Government for allowing that gentleman to send his letters is going to take away from the money that is wanted for education. You cannot find enough money for education, and yet you want to go and tell the Honourable the Finance Member that he must throw more money away on the poor people's postcards and letters.

[Mr. R. A. Spence.]

Well now, we have agreed as regards postcards. The Honourable the Finance Member has asked us to agree in regard to letters. My Honourable friend, Mr. Price, has asked the Honourable the Finance Member, 'Will you not, Sir, make a concession as regards letters that don't weigh more than a tola,' and I would ask this House to accept that and take letters not exceeding one tola. We were told that half a tola was too flimsy for anything, and, therefore, we ask that letters weighing one tola should go for half an anna, anything above that, one anna. I am sure, Mr. President, that it would really meet with the views of the people of this country, and these are the views we want to meet, if that amendment were carried.

Khan Bahadur Chaudhuri Wajid Hussain: Sir, with due deference to Dr. Nand Lal and with due deference to Mr. Spence, I do not think it is a question of whether we should keep the Post Office free or whether we should keep education free. It is a more serious question than this. The question is this. A deficit has been caused in the Budget, which is a Budget of the people. We have to meet that deficit somehow, and it is our sacred duty, I might almost say, to find the money somehow. I do not agree that the raising of the postage on letters to one anna will cause the discontent that Dr. Nand Lal apprehends. It will certainly cause no hardship. While I am very glad that the postage on postcards has been reduced from half an anna to quarter of an anna, because it will save a lot of discontent, I do not think we need be afraid that the raising of the postage from half an anna to one anna will cause any discontent, because this will affect the pockets of people who can well afford it and who are sensible enough to see that they must make some sacrifice for the great experiment which is being tried in this country. People will take more interest in this—of course it is a side issue—they will take more interest in the Reforms if they know they are paying for the Reforms out of their pockets every morning and every evening. I certainly think it will not cause any discontent. Of course I should have preferred—and I am personally interested in it as much as anybody else—that the postage should be kept down to half an anna. But we have to meet the money somehow and the only possible way seems to be to raise the postage from half an anna to one anna. I would ask Members of this Assembly to consider this question in the spirit in which a Mughal Emperor considered the question of removing one of his unpopular ministers. He had a very unpopular minister and the people came and asked him to remove the minister. The minister was a very able man, and was the only man available. The Mughal Emperor turned round and said, 'Well, you bring a better minister, and you can kill this minister.' So, if you are dissatisfied with the raising of the half-anna postage to one anna, I would ask you to suggest a better means of meeting this serious deficit, and then you can do away with the one anna postage. After all it has to be remembered that the position before us is a very serious one. It is a very serious problem, and we have to take some bold step. It was a bold step to raise the postcard from one pice to two pice; well, that step has been abandoned; but you have to take another bold step. You have to set a thief to catch a thief. The whole question is whether you should take a bold step against the poor or against the rich. It is better and safer to take a bold step against the rich than to take it against the poor. I therefore ask my brothers in this House to consider the problem very seriously and I need hardly remind them that this Budget will be the touch-stone of their

work. This Budget being the first Budget will shape the verdict of the world waiting outside on their work. It is a Budget that will shape the verdict of posterity on their work. You have to take some strong and sturdy action. Without such action you cannot possibly carry on the work.

Mr. A. D. Pickford: I move, Sir, that the question be now put.

The Honourable Mr. W. M. Hailey: Sir, I agree with the theories put forward by Mr. Spence just now; but I cannot agree with the definite proposition in which he suggested they should be given effect to. For what did he propose? He proposed that we should keep exactly the same old rates as we have at present in practice; in other words as my Honourable friend, Mr. Innes, pointed out, we should make no money at all over our letters. I do not think that is sound. I do not believe myself that when we have once given the country back its cherished quarter-anna post-card, any body will blame us if we make something over the letters. I believe myself, that knowing that we have to make some sacrifices, the public will not resent our placing an additional burden on the shoulders of those Members of the public who use letters. After all it is quite clear that the poor man can no longer be seriously affected. We have heard varying arguments as to the reasons why people use the letter instead of the postcard. It is stated on the one hand that they use the letter for greater secrecy. Other Members have doubted this. I fancy that if anybody had a secret to impart, or had some highly confidential matter to be sent to a relative or a friend, he would not grudge spending one anna on it. For what after all is the anna now? Mr. Neogy referred to the arguments used by Government in support of cheap postage in the past. Well, I claim that the one anna now is after all only the equivalent of the half-anna of those days. Take the country as a whole; in some cases professional incomes have gone up, and in other cases wages have gone up; but taking the country as a whole I claim that there is very little difference now between the one anna of to-day and the half anna of those early and happy days when the old rates of postage were introduced.

Sir, I have no more to say on the abstract of general aspects of this subject. I only appeal in conclusion to the House to consider those administrative difficulties to which Mr. Innes referred. There is no doubt whatever that the public will resent our going back to the half-tola postage. I remember well the difficulties caused by the half anna system. I remember seeing letters continually coming to my servants surcharged or overcharged; I know the trouble that people had to take to assure themselves that their letters should be of the exact weight. It is undoubtedly harrassing to the sender of a letter to have to assure himself that his communication does not exceed the legal weight; it is equally harrassing to the recipient to be charged double for it on account of the mistake made by the sender. It would be a mistake to reintroduce a system of that kind. On the other hand, take what we propose to do; we propose to take a good lump all-round weight of $2\frac{1}{2}$ tolas which will admit any kind or class of letter. From the administrative point of view, it is an easy solution of all our difficulties. I would ask those friends of mine who, while they are prepared to follow us in raising additional revenue, are not afraid of placing this slight extra burden on the ordinary man, not on the poor man, but on the ordinary man, I would ask them to follow me and plump for one anna for $2\frac{1}{2}$ tolas.

Mr. K. G. Bagde: Sir, before making the remarks which I want to make, it is my duty to remove any misunderstanding that is likely to arise from

[Mr. K. G. Bagde.]

those remarks. I myself have given notice of an amendment and in that amendment I suggested half an anna for weights not exceeding $\frac{1}{2}$ tola in the case of letters. There are also two further particulars; in short, I wanted to retain the old rates. But we have now been told that in resorting to the old rates in the case of post cards we will lose about Rs. 75 lakhs according to the calculation just now given to us. This information has caused a good deal of confusion in my mind, and I want to bring to the notice of this Honourable Assembly our responsibility. For full six days we have considered the demands for grants, and the utmost saving that we could effect, I think if I am right, amounted to something about Rs. 1 crore and 30 lakhs. Deducting this from the Rs. 19 crores which the Finance Member has told us we want this year to meet our deficit, we shall have to raise by taxation an amount to the extent of Rs. 17 crores 70 lakhs.

Now as we have sanctioned these grants, I think it is incumbent on us to see that so much money at least is provided to the Government. The Honourable Mr. Innes told us that there would be a great loss if we adopted half an anna for letters. Now if we take the agenda paper of to-day, we find that there are so many items on which we want to propose reduction. If we see that there are certain items which require our attention more promptly than this postal item, I think we shall have to think twice in giving our opinion on the item now under consideration. The first thing that comes to our mind is that letters cannot be classed under the head of necessities. There are certain proposals on which we see a surcharge is proposed, for instance on food grains, pulses, fodder, fuel and so on. Now these are all very necessary articles consumed by the poor people of India, and nobody will, I think, oppose me when I say that the importance of these articles is far greater than a means of convenience and cheap correspondence, and if we deduct from Rs. 130 lakhs Rs. 75 lakhs, we come to the figure of Rs. 55 lakhs only, that is, if we attempt any further reduction we can do it to the extent of Rs. 55 lakhs only. So we shall have to think whether we are going to have that reduction in the case of postal charges or whether we are going to have that reduction in the case of articles which are more necessary for the poorer classes of the people of this country. I do not venture to express my own individual opinion in this case, but I humbly beg to draw the attention of this Honourable House to this position in which we are at present. With these words I conclude my remarks.

Mr. A. D. Pickford: I move, Sir, that the question be now put.

The Honourable the President: The question is, that the question be now put.

The motion was adopted.

The Honourable the President: The amendment moved in Schedule III is :

'The following be substituted under the heading 'Letters':

'For a weight not exceeding half a tola	half an anna.
'For a weight exceeding half a tola and not exceeding one tola	One anna.
'For every tola or fraction thereof exceeding one tola	One anna.'

The question I have to put, is :

'That those words be substituted for the words in the Schedule.'

The Assembly divided as follows :

AYES—31.

Abdulla, Mr. S. M.
Agarwala, Lala G. L.
Ahmed, Mr. Zahir-ud-Din.
Aajad-ul-lah, Maulvi Miyan.
Aiyer, Sir Sivaswamy.
Ayyar, Mr. T. V. Seshagiri.
Bagde, Mr. K. G.
Bajpai, Mr. S. P.
Bhargava, Mr. J.
Das, Babu Braja Sundar.
Girdhardas, Mr. N.
Iswar Saran, Mr.
Jatkar, Mr. B. H. R.
Joshi, Mr. N. M.
Lakshmi Narayan Lal, Mr.
Latthe, Mr. A. B.

Mahmood Schamnad, Mr. ✓
Man Singh, Bhai.
Mudaliar, Mr. Sambanda.
Muhammad Hussain, Mr. T.
Mukherjee, Mr. T.
Nand Lal, Dr.
Nag, Mr. Girish Chandra.
Neogy, Babu Khitish Chandra.
Rangachariar, Mr. Tiruvenkata.
Rao, Mr. P. V. Srinivasa.
Reddiyar, Mr. M. K.
Samarth, Mr. N. M.
Shah, Mr. Rajan Baksh.
Sircar, Mr. N. C.
Venkatapatiraju, Mr. B.

NOES—53.

Abdul Quadir, Maulvi.
Afsar-ul-Mulk Atram Hussain,
Prince,
Ahmed, Mr. K.
Aiyar, Mr. A. V. V.
Barodawalla, Mr. S. K.
Barua, Srijut Debi Charan.
Bishambhar Nath, Mr.
Bryant, Mr. J. F.
Carter, Sir Frank.
Crookshank, Sir Sydney.
Dentith, Mr. A. W.
Dwarkanadas, Mr. J.
Fell, Sir Godfrey.
Ghulam Sarwar Khan, Mr. Chau-
dhuri.
Gidney, Lt.-Col. H. A. J.
Ginwala, Mr. P. P.
Gour, Dr. H. S.
Gulab Singh, Sardar.
Habibullah, Mr. Mahomed.
Hailey, The Honourable Mr. W. M.
Hajeebhoy, Mr. Mahomed.
Holland, The Honourable Sir
Thomas.
Hullah, Mr. J.
Hutchinson Mr. H. N.
Innes, Mr. C. A.

Jejeebhoy, Sir Jameetjee.
Kabraji, Mr. J. K. N.
Keith, Mr. W. J.
Maw, Mr. W. N.
McCarthy, Mr. Frank.
Mitter, Mr. D. K.
Miera, Mr. Piyari Lal.
Mukherjee, Babu J. N.
Nabi Hadi, Mr.
Norton, Mr. Eardley.
O'Donnell, Mr. S. ✓
Percival, Mr. P. E.
Pickford, Mr. A. D.
Price, Mr. E. L.
Ramji, Mr. Manmohandas.
Renouf, Mr. W. C.
Saiyid Muhammad Ismail, Mr.
Sarfaraz Hussain Khan, Mr.
Sen, Mr. Sarat Chandra.
Shahab-ud-Din, Mr. Chaudhuri.
Sharp, Mr. H.
Spence, Mr. B. A.
Spry, Mr. H. E.
Vishindas, Mr. Harchandrai.
Waghorn, Colonel W. D.
Wajid Hussain, Mr.
Watson, Sir Logie Pirie.
Wild, Mr. C. E.

The motion was negatived.

The Honourable the President: Order, order. The next amendment is in Schedule III under the head 'Registered Newspapers' :

'That the following words be substituted :

For a weight not exceeding 8 tolas quarter of an anna.
For a weight exceeding 8 tolas and not exceeding 15 tolas . half an anna.
For every 15 tolas or a fraction thereof exceeding 15 tolas . half an anna.'

Mr. Sambanda Mudaliar: Sir, may I point out that there is an amendment standing in my name. It is No. 115 on page 12. May I move it?

The Honourable the President: By general agreement the discussion was taken on the amendment, in three sections, namely, post cards, letters and registered newspapers, which stands in the name of Mr. Jatkar. That amendment was moved as a whole and I have put it from the Chair in sections in order to give the Assembly an opportunity to vote. Regarding the position of other amendments on the paper, I shall have something to say on them when we reach them.

Lala Girdharilal Agarwala: Sir, I should like to know whether I can move my amendment which runs:

'Provided that Local Postage shall in every case be half of the Inland postage with a minimum of quarter of an anna.'

The Honourable the President: At what point does the Honourable Member wish to move that? After all the amendments are finished?

Lala Girdharilal Agarwala: Yes, Sir.

Mr. N. M. Joshi: Sir, I rise to support the motion of my Honourable friend, Mr. Jatkar. I think it is reasonable to allow newspapers weighing up to 8 tolas to go for a $\frac{1}{2}$ anna as is proposed. Most of the vernacular newspapers generally weigh about that, and I think that it is in the interests of the country generally that newspapers should be allowed to spread from place to place and therefore I think this proposal is a very sound one and I hope the Assembly will accept it.

Mr. J. K. N. Kabraji: Sir, as we have lost a lot of revenue which was expected out of the proposed increase on postcards, it seems necessary now to consider how much can be made up by revising the postage on other items. It cannot be said that the increase on the postage of newspapers will affect the poor, and I certainly do not see why newspapers should be carried by the Post Office at less than the actual cost. I believe I am correct in saying that it does not pay the Post Office to carry newspapers for a $\frac{1}{2}$ anna. Not only that, but a good many newspapers which get the advantage of the $\frac{1}{2}$ anna rate, are full of advertisements. So that the Post Office carries newspapers, a great part of which is advertisement, at a losing rate of postage. What I have proposed in my amendment is to delete the quarter anna postage, for this reason that in the original schedule attached to the Act of 1898 the quarter anna does not exist in regard to registered newspapers. It does exist as regards ordinary newspapers not exceeding 3 tolas, but as hardly any newspaper comes within that weight, it has been proposed to abolish that rate in regard to ordinary newspapers. There is no reason then why a change should be made in the Schedule attached to the Act itself which prescribes maximum rates and in which quarter anna does not find a place in regard to registered newspapers. I therefore propose that the quarter anna rate in Mr. Jatkar's amendment should be deleted, and in order that any papers which have to struggle for existence may make their position good in the country—there are very few of them—I have proposed that an exception may be made in their favour by the Post Master General, if this is thought necessary. But I do not insist upon that provision. It might be kept or it might be deleted. The more important point is that quarter anna postage rates should not apply to newspapers, and that will enable the Post Office to make up a part of the loss on postcards. I therefore oppose Mr. Jatkar's

amendment and would recommend that that part of it regarding quarter anna should be omitted.

Mr. Harchandrai Vishindas: Sir, I entirely support the remarks which have fallen from Mr. Kabraji and I have one argument to add. I think that newspapers are a proper object to which we should resort for our income. For this reason: The other day Mr. Spence told us, when we were considering the question of a general tax on liquors, that he could with great ease transfer the tax to his consumer. Likewise, the newspapers would also transfer this charge to their consumers. And as the purchaser or subscriber to a newspaper is generally a well-to-do man and can very easily afford this small addition, therefore, this proposal of Mr. Kabraji's serves two purposes, *viz.*, on the one hand, it taxes a rich man and on the other it gives us some substantial revenue. Of course, I oppose Mr. Jatkars amendment.

Mr. C. A. Innes: Sir, I agree with the last two speakers in opposing this amendment. Both of them have been perfectly correct in saying that the Post Office loses on every single newspaper which it now carries for three pies. Sir, just now strong objection was raised to revising the rate of the three-pie post card in the interest of the poor. Now, we are proposing a very small increase in the postage rate of newspapers, for we are only lowering the weight from 8 tolas to 5 tolas, and the House is asked by Mr. Joshi and Mr. Jatkars to reject this proposal not in the interest of the poor but in the interest of the well-to-do, of the classes who read newspapers.

Mr. N. M. Joshi: In the interests of progress.

Mr. C. A. Innes: Mr. Joshi says, it is in the interests of progress. That reminds me of an argument which was advanced this morning in regard to this proposed increase in the rate of newspapers. It was said, that our proposal was a tax on knowledge. I deny that absolutely. It is not a tax on knowledge. If we get down to the facts, it is a slight reduction in the subsidy which the Post Office is now making to knowledge. The Post Office is so hard up that we cannot afford to go on making this subsidy at the present rate. We have to reduce it, and the Government have tried to reduce it as little as possible. We only reduce the weight which may be taken for three pies very slightly. In the circumstances, I hope that the House will reject the amendment.

Rao Bahadur T. Rangachariar: May I inquire, Sir, whether there is any objection to retaining the second clause here in the amendment, *viz.* :

'For a weight not exceeding 15 tolas, half an anna.'

That will bring in more money to the Post Office because Government propose 20 tolas for half an anna, whereas the amendment proposes 15 tolas for half an anna'.

I think newspapers which go up to 20 tolas can afford to pay more because they get more in advertisements. I do not see why we should make a present to these newspapers that weigh more than 15 tolas. Government cannot have any objection to this portion of the amendment at least, and if they will accept it, we will accept the Government motion.

The Honourable Mr. W. M. Hailey: I believe myself in the words of the poet, slightly reversed:

'Take all thou canst; High Heaven rejects the law
Of nicely calculated less or more'.

[Mr. W. M. Hailey.]

I am quite prepared, Sir, to accept the last two sections of this proposal.

The Honourable the President: I shall put the question in this way:

'Under the arrangement suggested the schedule under the heading 'Registered Newspapers' will be:

For a weight not exceeding five tolas quarter of an anna.

For a weight exceeding five tolas and not exceeding 15 tolas half an anna.

For every 15 tolas or a fraction thereof exceeding 15 tolas half an anna.

The question is, that the Schedule be amended in that respect.

The motion was adopted.

The Honourable the President: Now, there are a series of amendments which have been substantially covered by the discussion on the three points, letters, post cards, and registered newspapers. I am prepared to hear from the author of any amendment regarding the merits of his own particular amendment. But I would suggest that in substance the discussion which we have already had has practically covered the whole ground.

Rao Bahadur T. Rangachariar: May I, with your permission, Sir, point out that there is a difference between $\frac{1}{4}$ a tola and $2\frac{1}{4}$ tolas and between one tola and $2\frac{1}{4}$ tolas. Now we want letters above one tola to pay more. By all means let letters of one tola pay one anna. But letters above one tola may pay more, because the users of these big envelopes which we get ought to pay more.

The Honourable the President: I do not find any such amendment on the paper in the Honourable Member's name.

Rao Bahadur T. Rangachariar: No. 115, Sir, which says, for a weight not exceeding one tola

The Honourable the President: I said I was prepared to hear any Honourable Member on the merits of his own amendment.

Rao Bahadur T. Rangachariar: I beg your pardon, Sir.

Mr. Sambanda Mudaliar: Sir, I beg to move the amendment that stands in my name which the Honourable Members will find at 4 P.M. page 12, No. 115*:

* 'That for the entries under the heads 'Letters' and 'Post cards' the following be substituted, namely:

Letters.

For a weight not exceeding one tola half an anna.

For a weight exceeding one tola one anna.

For every tola or fraction thereof exceeding one tola one anna.

Post cards.

Single quarter of an anna.

Reply half an anna.

The Honourable the President : Will the Honourable Member suggest in what way his amendment is different from the previous one?

Mr. Sambanda Mudaliar : The amendment moved by Mr. Jatkar stated :

‘ for a weight not exceeding half a tola, half anna ;’

whereas mine is, for a weight not exceeding one tola half an anna. There is a world of difference between the two. For a weight exceeding one tola, one anna ; and for every tola or fraction thereof exceeding one tola, one anna.

The Honourable the President : Then the motion standing in the name of Mr. Price takes precedence.

Mr. E. L. Price : I am perfectly satisfied that the motion I had put down has been fully discussed and dealt with.

Mr. Sambanda Mudaliar : I may state that I am prepared to omit the first portion, namely, for a weight not exceeding one tola, half an anna, because this has been substantially met by the amendment which has been proposed by Mr. Jatkar. I shall state the reasons which induce me to move the amendment in regard to clauses (2) and (3), namely, for a weight not exceeding one tola, one anna and for every tola or fraction thereof exceeding one tola, one anna. If you will allow me, Sir, I will go on.

The Honourable the President : The Honourable Member may move his amendment.

Mr. Sambanda Mudaliar : Sir, I quite realise the position of Government when they want to raise money to meet the deficit, and I believe that the House will agree with me when I say that we are prepared to devise some means to raise money

Mr. H. E. Spry : May I know what the Honourable Member is moving?

Mr. Sambanda Mudaliar : My amendment is this, that is, the second portion, namely, for a weight not exceeding one tola, one anna, and for every tola or fraction thereof exceeding one tola, one anna. Now, Honourable Members of the House will be pleased to see that in the proposal of the Government it is stated that for $2\frac{1}{2}$ tolas one anna will be charged. Now, I make a slight modification with regard to that, namely, for a weight not exceeding one tola one anna, and for every tola or fraction thereof exceeding one tola one anna. I hope that this will meet with the approval of the House.

Rao Bahadur T. Rangachariar : I wish to support this amendment. The point of this amendment is this. The proposal made by the Government is that any letter up to $2\frac{1}{2}$ tolas can pay one anna, that is to say, a letter written by a poor ryot on ordinary thin paper has to pay one anna and a letter written in that big square envelope of the quarto and octavo size with which we are supplied has to pay one anna. Now this proposal has the merit of taxing the people who can afford to pay and of bringing in more revenue by making people, who can afford, to pay more, who use costly stationery. If people use costly and thick paper, why should they not pay more? Let us be taxed and not the poor man. I therefore heartily support this amendment.

Mr. N. M. Joshi : I also support this amendment. For the sake of revenue, I think it is better that we should get that revenue from the people who can afford to pay. To my mind, the proposal for the half anna postage was the most reasonable proposal. Unfortunately for administrative convenience and for seeing that some good people are not harassed, we have been deprived of that convenience. I therefore feel that we should get as much revenue as possible from those who can afford to pay.

Mr. E. L. Price : I suppose that Government must be simply amazed at the generosity of this proposal. There have been complaints about the tendency of inland postage to get dear, but at this rate it works out roughly to $2\frac{1}{2}$ annas on every ounce, so that a five ounce letter, which is a common commercial size, would cost full twelve annas. You might make a fortune for Government, but I really suggest that it can hardly be accepted by a population dependent on communication by post.

Mr. C. A. Innes : Sir, I agree with the gentleman who has just spoken, namely, Mr. Price. I would point out that our proposal to charge one anna for a weight not exceeding $2\frac{1}{2}$ tolas is not a particularly liberal proposal, because $2\frac{1}{2}$ tolas equal only one ounce. Therefore, we are charging one anna for one ounce and in making that proposal we were following the procedure and the practice, as I have already explained, of practically every civilised Government. That is to say, we have a high initial charge; we allow rather a liberal weight, and in that way we throw our net wide and make revenue. I quite agree that if we adopted Mr. Rangachariar's amendment and charged one anna for one tola we should get more revenue, but at the same time I am quite certain that we should cause great hardship to the post-using population of India, and to trade, we should also inconvenience the Post Office. Mr. Rangachariar has fallen into the error which I dealt with earlier in the afternoon, that is of making the steps between our charges too small. If we adopted a one anna rate for one tola, it will cause inconvenience to the public. You would have the postal peons always coming round to you and saying, 'This letter is understamped, you have got to pay me two annas'. Now in speaking just now about our proposal to raise the 3-pie post card to 6 pies, great stress was laid on the fact that the poor clerks and the poor people in the country would find that they had to pay six pies for what had cost them three pies before and that there would be great unrest in the country. There will be far more unrest if all our clerks, peons and people who use the letter post find that in future they have to pay an anna for the tiniest little letter and in addition always have postal peons coming and demanding two annas from them for understamped letters. In proposing an anna for a weight not exceeding $2\frac{1}{2}$ tolas and then half an anna for every additional $2\frac{1}{2}$ tolas we adopted the principle which is followed in European countries. If this House thinks that half an anna for every additional $2\frac{1}{2}$ tolas is too small a charge, perhaps we might make a compromise. I merely throw out the suggestion that for a weight not exceeding $2\frac{1}{2}$ tolas we should charge one anna and for every $2\frac{1}{2}$ tolas or fraction thereof exceeding $2\frac{1}{2}$ tolas one anna. That will, I think, be a reasonable solution that possibly might meet the feeling of the House.

Mr. B. Venkatapatiraju : Sir, after hearing the Honourable Mr. Innes rejecting the proposal made by one of the Members of this Assembly asking

for an increased revenue by reducing the weight, an apology comes from the Government Benches, 'We do not want so much money' (Cries of 'No, no; not at all') on the ground that it would affect some section of the population. Now, which is the section that would be affected? The persons who would be affected are those who write letters which would weigh more than one tola. I can assure this Assembly that 90 per cent. of the Indians do not write any letters exceeding one tola in weight. So that for this small section you do not accept this proposal which brings in revenue. Sir, this is not the place to show any distinction, and I hope the Government will accept this proposal.

Munshi Iswar Saran: Sir, I must confess that the arguments advanced by the Honourable Mr. Innes do not convince me at all. While discussing the question of postage on newspapers, he said that the amendment was proposed in favour of the classes that read them. Is he not now supporting the classes that want to use fashionable paper and fashionable envelopes? Sir, I do not agree with the last speaker when he says that 90 per cent. of Indians do not write letters which weigh more than one tola. Unfortunately, or fortunately, the number of culprits amongst us is increasing very fast, and the number of those who write on thick paper is increasing very rapidly. To us it does not matter who is affected by the amendment. What I submit is that those who wish to indulge in the luxury of writing on fashionable and thick paper ought to know that they have got to pay for their luxury. Then we were told by Mr. Innes that it would be very inconvenient. I could understand this argument if the Post Office people had in no case to weigh letters. They have even now got to weigh after $2\frac{1}{2}$ tolas. Where is the difficulty if they have to weigh after 1 tola? In view of the machinery which the Government have at their disposal in the Post office establishment, there is not much force in the argument of inconvenience. I submit, Sir, that we here are really in charge of the interests of the poor as well as the rich. It will not look well for us, specially when we have increased the postage in the case of the poor people to try to save ourselves and people of our class, and to see that we are not affected by any change that might be decided here. I therefore submit, Sir, that we should, to use the words of my learned and Honourable friend Mr. Norton, give example of renunciation. We should show by our action and not by speeches that if we are prepared to tax the poor people, we at the same time do not resort to devices in order to escape payment ourselves.

Mr. Eardley Norton: May I ask a question of the Honourable Member? Under the heading 'No. 42 Demand' there is an item of Rs. 2,14,38,000 debited against Railways, Posts and Telegraphs on account of Exchange. I would ask the Honourable Member to inform me how much of that sum has been debited against Posts and Telegraphs, and also whether these Departments had any voice in the policy which resulted in the losses debited against them respectively?

Bhai Man Singh: Sir, I support the amendment now before the House put by Mr. Mudaliar. I have got here a copy of this (stamp) book. It tells me one thing about the rates:

'Letters, not over 1 tola, $\frac{1}{2}$ anna; over 1 tola but not over $2\frac{1}{2}$ tolas 1 anna; every additional $2\frac{1}{2}$ tolas 1 anna.'

[Bhai Man Singh.]

These are the present rates of course, and if I mistake not—of course I am speaking subject to correction—so far as my memory goes, even before that we had the following rates:—half an anna for letters not exceeding $\frac{1}{2}$ tola, and one anna for letters weighing more than $\frac{1}{2}$ tola and not exceeding one tola, and then one anna for each additional tola. I think the Honourable Member on the Government side will correct me if I am wrong, but I say that, if formerly we had those rates, there is no reason why we cannot revert to those rates again when we are raising the minimum. Again, formerly we had this rule that any letter weighing more than 1 tola had to pay double the rate of a letter weighing less than 1 tola. There is no reason why the same old proportion should not be adopted now, and those who pay for 1 anna for 1 tola should not pay double that amount for any letter weighing above 1 tola. This is just and in accordance with the spirit of the previous rules though of course it may not be exactly the same. I hope the House will agree with it.

Mr. H. E. Spry: Sir, I do not wish to make a speech, but I desire to obtain certain information. I have listened, I think, to nine speeches with reference to what has been variously described as 'this amendment,' 'this motion' and 'this resolution.'

What I desire to know is, what exactly is the motion now before the House? Mr. Mudaliar carried on a conversation with himself for some time, which I had not the pleasure of hearing, but so far as I could discover, I believe he was moving motion No. 115 on this paper, in so far as it concerns letters, but omitting the first portion which deals with letters not exceeding one tola in weight. The Honourable Member for Finance pertinently asked, in reference to this omission, if it was the intention of the Honourable Member that the postal authorities should carry free of charge every letter which does not exceed one tola in weight. To that I did not hear any answer at all. Mr. Rangachariar then rose to his feet and made an impassioned speech in favour of 'the amendment,' and this phraseology has continued, without further definition up to now. What I desire, Sir, is that we should be informed exactly what motion is before the House?

The Honourable the President: The question is:

'That under the heading 'Letters' in Schedule III the following words be substituted for the words printed there, namely:

For a weight not exceeding one tola	one anna
For every tola or fraction thereof exceeding one tola	one anna.'

Mr. A. D. Pickford: Sir, the speeches that have been made on this subject seem to me to be made entirely from two points of view, first that of the poor man and second that of the polite letter writer, the man who has the choice of highly embossed glazed thick paper or reasonably nice and good writing paper. There is quite another aspect of the matter. It is the aspect of the business-man who does not for mere luxury or appearance use heavy or good paper. If he uses good paper he uses it because it serves his purpose best, better than less good paper. What has been the history of this matter in other countries? I remember very well in my own stamplicking days in

a bank in London, it was quite common to put on an envelope containing absolutely necessary papers addressed to India as much as £1-10-0 in stamps. Now when the postage came down, it is common knowledge that the revenue went up, that is to say, that business houses were induced not to be luxurious but to be more enterprising. More advertisements were sent out, more circulars were sent out to the advantage of trade. Now if the reduction of postage resulted in an increase in the circulation of this very useful literature by which trade has improved, it is perfectly obvious that if we go and put the rate up now to an absurd rate, from the business point of view enterprise will diminish, and if enterprise by post diminished, the revenue will sooner or later suffer. This is not a mere question of the man who writes a letter to his friend. It is a question also of trade, and I do hope that this House will not in a light-hearted spirit lump great loads on what they call the rich man, remembering that if the rich man is hit too hard he spends less money and the general interest suffers. I support, however, the compromise which has been suggested by the Honourable Mr. Innes, which seems a perfectly fair and reasonable one. I do not think that the proposal which was made by Mr. Rangachariar is either fair or reasonable.

The Honourable the President : The question is :

'That under the heading 'Letters' in Schedule III, the following words be substituted for the words printed there, namely :

For a weight not exceeding one tola one anna.

For every tola or fraction thereof exceeding one tola one anna.'

be accepted.

The Assembly then divided as follows :

AYES—46.

Agarwala, Lala G. L.
Ahmed, Mr. K.
Ahmed, Mr. Zahir-ud-din.
Asjad-ul-lah, Maulvi Miyan.
Aiyer, Sir Sivaswamy.
Ayyar, Mr. T. V. Seshagiri.
Bagde, Mr. K. G.
Bajpai, Mr. S. P.
Bhargava, Mr. J.
Bishambhar Nath, Mr.
Cotelingam, Mr. J. P.
Das, Babu Braja Sundar.
Dwarkanadas, Mr. J.
Ghulam Sarwar Khan, Mr. Chaudhuri.
Ginwala, Mr. P. P.
Gulab Singh, Sardar.
Hajeebhoy, Mr. Mahomed.
Ibrahim Ali Khan, Nawab Muhammad.
Iwar Saran, Mr.
Jatkar, Mr. B. H. R.
Joshi, Mr. N. M.
Kabraji, Mr. J. K. N.
Lakshmi Narayan Lal, Mr.

Latthe, Mr. A. B.
Mahadeo Prasad, Mr.
Mahmood Schammad, Mr.
Man Singh Bhai.
Mitter, Mr. D. K.
Misra, Mr. Pyari Lal.
Mudaliar, Mr. Sambanda.
Mukherjee, Babu J. N.
Mukherjee, Mr. T.
Nabi Hadi, Mr.
Nand Lal, Dr.
Nag, Mr. Girish Chandra.
Neogy, Babu Khitish Chandra.
Rajan Baksh Shah, Mukhdam Sayad.
Rangachariar, Mr. Tiruvenkata.
Rao, Mr. P. V. Srinivasa.
Reddiyar, Mr. M. K.
Samarth, Mr. N. M.
Sen, Mr. Sarat Chandra.
Singh, Mr. B. P.
Venkatapatiraju, Mr. B.
Vishindas, Mr. Harchandrai.
Wajid Hussain, Mr.

NOES—38.

Afsar-ul-Mulk Akram Hussain, Prince.

Aiyer, Mr. A. V. V.

Barodawala, Mr. S. K.

Barua, Srijut Debi Charan.

Carter, Sir Frank.

Crookshank, Sir Sydney.

Dentith, Mr. A. W.

Fell, Sir Godfrey.

Gidney, Lt.-Col. H. A. J.

Girdhardas, Mr. N.

Gour. Dr. H. S.

Habibullah, Mr. Mahomed.

Hailey, The Hon'ble Mr. W. M.

Holland, The Hon'ble Sir Thomas.

Hullah, Mr. J.

Hutchinson, Mr. H. N.

Innes, Mr. C. A.

Jeebhoy, Sir Jamestjee.

Keith, Mr. W. J.

Maw, Mr. W. N.

McCarthy, Mr. Frank.

Muhammad Hussain, Mr. T.

Muhammad Ismail, Mr. S.

O'Donnell, Mr. S. P.

Percival, Mr. P. E.

Pickford, Mr. A. D.

Price, Mr. E. L.

Ramji, Mr. M.

Renouf, Mr. W. C.

Sarfraz Hussain Khan, Mr.

Shahab-ud-Din, Mr. Chaudhri.

Sharp, Mr. H.

Sircar, Mr. N. C.

Spence, Mr. R. A.

Spry, Mr. H. E.

Waghorn, Colonel W. D.

Watson, Sir Logie Pirie.

Wild, Mr. C. E.

The motion was adopted.

The Honourable the President : The question is :

‘That the Schedule, as amended, stand part of the Bill.’

The motion was adopted.

The Assembly then adjourned for Fifteen Minutes.

The Assembly re-assembled at Six Minutes to Five of the Clock. The Honourable the President was in the Chair.

Lala Girdharilal Agarwala : Sir, I want to move my amendment on page 13, the proviso for which I had asked the permission of the Chair.

The Honourable the President : The Assembly has already passed the Schedule. And the Honourable Member will find that the proviso will not fit in with the amendments made by the Assembly.

Rai Sahib Lakshmi Narain Lal : Sir, the amendment which I am going to move now ‘is that clause 4 and Schedule IV be omitted.’ I have already submitted, at some length, this morning, while dealing with my other amendment, the grounds upon which I object to having recourse to such taxation. The proposed increase in the railway freight will not only affect the poor, but also shall prove a great obstacle in the development of their industries and should not be accepted. My former motion under Clause III has been lost and practically all the other amendments have been lost; if one amendment has been adopted for decrease another amendment has been adopted for increase. On all these facts taken together I hope the Council will accept my amendment.

The Honourable the President : The question is :

‘That clause 4, Schedule IV be omitted.’

The Honourable Mr. W. M. Hailey : Sir, I oppose this amendment on very much the same ground as I was obliged to take this morning in dealing with another amendment moved by the Honourable Member in regard to the complete exclusion of the postal Schedule. The ground I took then was that, if

his amendment were accepted, we should be unable to consider any item of the Schedule at all. Now, we have, I know, a considerable number of amendments in regard to the Freight Schedule, which propose, for instance, that fodder, firewood, and so on, should be dealt with on easier terms than proposed by us. But if the whole of the surtax proposals were vetoed outright as proposed by the Honourable Member, I doubt whether the House would find it possible to raise by any other means the large sum of money which we have proposed to take under the surtax. I would suggest to the House therefore, Sir, that the proper course is to treat this case as we treated the case of postal rates, that is, to consider them in detail and to decide what modifications are required, but not to block the whole discussion.

The Honourable the President : The question is.

'That clause 4, Schedule IV be omitted.'

The motion was negatived.

The Honourable Mr. W. M. Hailey : Might I interpose for one minute, Sir? Would it be convenient to you and to the House to take the Tariff first of all? It would be more convenient to Government to do so, but I am quite at the disposal of the House in the matter.

The Honourable the President : The question is that the Assembly do resume consideration of clause 2.
5 P.M.

The motion was adopted.

TARIFF.

Mr. Manmohandas Ramji : Sir, I beg to propose :

'That in clause 2 (1), before the words 'For the Second Schedule' the following be inserted :

With effect from the first day of April, 1921.'

Sir, my object in proposing this amendment is this. As proposed in the Bill this Act is to come in to force from the 1st of March, and if this is agreed to by the House, the effect will be that the merchants whose goods are lying in the Custom Houses in bonded warehouses and which are being cleared from the Custom Houses will be greatly affected. This change in tariff values will be recovered from the persons who cleared their goods from the Custom Houses from the 1st of March. As we all know, Sir, there is the usual feeling that if there is any change in the tariff rate, it comes on the 1st of March. But under the present circumstances, circumstances which are abnormal, I have ventured to come before you and suggest that an exception should be made in this provision, and that the date from which this Act should come into operation should be postponed by one month. As it is, Sir, the merchants have suffered great loss on account of certain policies and certain circumstances over which they had no control, and this, to my mind, will be the last straw that will break the camel's back. In these circumstances, Sir, I propose this amendment. It may be argued by the Finance Department that they will lose Rs. 70 lakhs that they have already collected by bringing this Bill in anticipation to come into force from the 1st of March. But I may say that it will not be a loss at all, because, if we are going to get at the rate of 11 per cent. as proposed in the tariff, more than 37 crores of rupees, as our income, and at the rate of 12 months in a year it will be about 2½ crores per month. Instead of that on account of the

[Mr. Manmohandas Ramji.]

slump it is going to be only Rs. 75 lakhs for these 24 or 22 days, and it may go to a crore for the month. Therefore, it will be no loss in the revenue. The 12 months may be counted from the 1st April to the 31st March next year. So the period of 12 months will be covered under any circumstances. What I propose is, that the effect should be shifted from the 1st of March to the 1st of April, and I hope that Government will show their sympathy with the importers in this case and try to give them some relief, if possible.

The Honourable Mr. W. M. Hailey : Mr. Manmohandas Ramji has made an appeal to the House on behalf of those merchants whose goods are still in bond. They will, however, recover the increased duty when they have taken their goods out of bond, because they will naturally pass such duties on to the customer. (*A voice : Not all of a sudden.*) They will at all events, do so, if they act on the experience we have gained of similar operations in previous years. I quite admit that importers are entitled to our sympathy, and are entitled to any assistance that we can give them in the very difficult position in which they have been placed through their exchange losses. But I could not advise the House, merely on that account, to give up as much as 70 lakhs of our revenue. The Honourable Member suggested that we should easily get the whole of increased revenue we have proposed from customs in the coming 12 months. Already it has been suggested in this House, however, that our estimates are unduly liberal, and that on account of the falling off of imports, and the general slump in trade it will be difficult for us to realise the full sum which we have placed in our Budget. I am unwilling to run further risks. If we lose 70 lakhs, it is true it falls within the figures of the present year, but our balances are reduced by that amount and must be made up somehow in the coming year. We are following in this case the ordinary procedure of the Provisional Collection of Taxes Act which provides that any changes made in the tariff should come into force as from the 1st March. That money is being collected, and if we have to make a refund now, it would be a serious administrative inconvenience to the Collectors of Customs, not that that is the most vital point, but that is one factor of consideration. But above all, it would be a substantial loss to us, a loss which we could ill-afford, and a loss which, in the circumstances, I do not think it would be justifiable for me to advise the House that it should incur on the grounds advocated by the Honourable Member.

Mr. E. L. Price : I am afraid I have to oppose Mr. Ramji. Like many other members connected with trade, I have been bombarded with messages and telegrams on this question and I went into the matter—Mr. Innes kindly showed me the precedents of 1917 which have been followed entirely. These merchants who appeal to me to support this motion have forgotten that they are not the only pebbles on the beach. I find that though the merchants in the ports generally took this view, there are a number of other merchants up-country who have already cleared their goods, and they are very loath that the same low rate of import duties should be accorded to their competitors in the ports who have been a good deal slower, and their argument is, roughly, I think, that equity should assist the man who is quick and not the man who is slow.

But, Sir, there is one point Mr. Hailey made that I am afraid does not apply at this moment. It is perfectly true that in anything like a normal

decent market the importing buyer whoever he may be, adds the value of the import duty paid to the price of the goods when he sells them. But, Sir, owing to the slump, the unfortunate importer is already at a very large loss on his cost, and it is quite evident that if he cannot obtain from the market the actual cost of his goods, still less can he obtain the cost of the goods *plus* an extra duty.

That is not possible, Sir. Much of the goods have been cleared at the present time and it is impossible to refund to the concerned this extra cost or duty. On the other hand, as some dealers seem distinctly benefited and those up-country would have a grievance if this concession were made to those at the ports, I think it would be inequitable to grant it.

Chaudhuri Shahab-ud-Din : I have only to say a few words. I want to know whether this amendment has been proposed in the interests of the importer or in the interests of the buyer and consumer. Let me assure this Honourable House that the importer who had to pay a little higher duty has by this time recovered it from the buyer who in his turn has recovered it, at least in some cases, from the consumer. It is too late, therefore, now to say that we should refund the money. With these words I support the original proposal and oppose the amendment.

Rao Bahadur T. Rangachariar : I wish to draw the attention of the House to the terms of section 2 of Act XVI of 1918 in which it is required to be declared that it is expedient in the public interest that the Bill should have retrospective effect under the provisions of this Act. Now therefore what we have to be satisfied about is that this retrospective recovery is in the public interest. Well, I find the Honourable Mr. Price in opposing the motion has advanced very cogent reasons for supporting the motion. He says the importing merchant is already in trouble and that he is not able to clear the goods. Speaking from what little knowledge I have of the habit of merchants in my practice of law, the importing merchants always make forward contracts with reference to the imported goods, and therefore when they enter into contract, they come to an agreement as to the price also. That being so the merchants are already hard hit by the exchange policy of the Government. We know, and we have been told, that lots of goods are lying in the Customs Houses uncleared on account of this difficulty because they are unable to clear the goods. That being so it appeals to me as a lawyer there is some justice, in fact very strong justice, indeed in the motion made by my Honourable friend Mr. Ramji. It appears to me not an ordinary course to adopt to give retrospective effect to the legislation. I join issue with the Honourable the Finance Member that this is an ordinary course for legislation. On the other hand, it is an exceptional course which is confined only to customs and excise duties as will be found in Act XVI of 1918. Other legislation ordinarily takes effect only from the date on which it is passed by the legislature, but this exceptional provision is made in respect of these two measures, namely, Excise and Customs, and therefore as the duty is cast on this Assembly of being satisfied that it is in the public interest that we should give retrospective effect to legislation, I ask myself that question—At a time like this when merchants are hard hit, why should it concern us whether the consumer profits or the merchant profits. If the merchants profit, it is so much to the benefit of the country, because if the merchants make huge profits, by all means that goes to the benefit of the country, and therefore let us not grudge them the profits that they make. On the other hand, we know that they have not made profits on account of

[Rao Bahadur T. Rangachariar.]

exchange policy? And are we to make the law retrospective? What is the public interest that the Government has proved that it requires that we should make retrospective legislation? So even at the risk of sacrifice of the revenue collected, I think the motion has the merit of having justice and equity on its side. I therefore strongly support the motion.

Mr. N. M. Joshi : Sir, I confess I do not at all understand the logic of my Honourable friend Mr. Rangachariar. He says, even if the consumer has lost, at least the trader has gained and he is willing to make a present of the money to the trader at the cost of the tax-payer. I do not know why we should do it. If the trader has gained money from the consumer, it is right that that money should go to the public treasury and relieve the burden of the tax-payer. It is therefore quite proper, and it is in the public interest, that we should collect the taxes from the 1st March.

Babu J. N. Mukherjee : Sir, I beg to support the amendment of Mr. Manmohandas Ramji. As has been pointed out by my Honourable friend Mr. Rangachariar, the remedy aimed at is that the bad effects of the retrospective legislation should be minimised as much as possible. Not only does what has been stated by my friend Mr. Rangachariar appeal to me, but there are practical administrative difficulties connected with this declaration which, I think, I ought to place before this House. I hold a telegram in my hand which I have just received from Calcutta to the effect that the enhanced duty is being levied on goods which arrived in port before the 1st of March last. This, it seems to me, would entail great hardship on the importing merchants. Such a procedure seems to me to be inconsistent with the letter or spirit of the declaration, but, as a matter of fact, I find from the telegram that such a thing is being done. It certainly adds to the difficulties of this retrospective legislation. Of course, it is for the Honourable the Finance Member to devise means as to how all these difficulties can be obviated, but I think it is my duty to place before the House the misery and the suffering of the merchant community who are importers, and who, for reasons which have already been placed before the House, namely, those due to exchange and other causes, have not been able to remove their goods. I would like to draw the attention of the House to the fact once again that this tax is being levied from importers although their goods arrived in port before the 1st of March.

I beg to support the amendment of my Honourable friend Mr. Manmohandas Ramji.

Mr. C. A. Innes : Sir, I think that this Assembly wishes to follow the procedure of the House of Commons as closely as possible. When Mr. Rangachariar assured the House that there was no precedent for giving, what he called, retrospective effect to taxation, he was, I think, entirely wrong. As soon as finance proposals are laid before the House of Commons at Home without any delay at all, Resolutions are passed and those finance proposals come into immediate effect. That procedure was formerly the procedure of convention. Then there was a very famous case in which Mr. Gibson Bowles fought this procedure in the Courts of law, and now that procedure is established by Statute. In passing our Provisional Taxes Act of 1918, we merely adopted the procedure which is followed in the House of Commons and at Home, and I think that, if the House will reflect at all, it will see that this is the only procedure that is possible. We cannot give people notice that a month hence

we are going to raise their taxes. What would be the result? Under section 37 of the Sea Customs Act the rate of duty applicable to goods imported is the rate of duty in force on the date on which the bill of entry thereof is delivered.

'Provided that, if such goods are warehoused under this Act, the rate and valuation applicable thereto shall be the rate and valuation in force on the date of the actual removal of the goods from the warehouse.'

Now, if we accept Mr. Manmohandas Ramji's proposal and give all importers notice that on the 1st day of April these taxation proposals of ours are to come into effect, the immediate result will be that all importers will go to the warehouses and take all their goods out of bond, and when we bring our taxation proposals into effect we shall have nothing to tax. They will get the benefit. Immediately after the 1st April they will raise their prices in accordance with our taxation proposals, and the whole of the extra profits will go to them and Government will lose all this money for no purpose at all, simply to allow people to profiteer.

I think, Sir, that that is all I have got to say. We have collected already a very large amount of money under these proposals, and if the House accepts this proposal of Mr. Manmohandas Ramji, we shall be put not only to very great loss, but also to very serious administrative inconvenience. All sorts of importers, who may be, have already sold these goods and passed on the extra price to the consumer, will come to our Customs Collectors and say: 'Pay us back the extra tax you have taken from us.' I would point out that under the Indian Tariff Act any increase of customs duty, it is expressly provided, can be added to the contract price, for which the goods have been sold.

That is all I have to say and I hope the House will have no hesitation in rejecting this amendment.

Mr. B. Venkatapatiraju : Sir, though I do not generally agree with the Government, I agree with it now. I have given notice of an amendment just the converse of this very proposition which has been moved by my Honourable friend Mr. Manmohandas Ramji. I stated there that:

'Such substituted Schedule shall take effect from the first day of March 1921', the reason being

The Honourable the President : I will allow the Honourable Member to make that speech on his own amendment.

Mr. B. Venkatapatiraju : Sir, without referring to my amendment I would say that if the Assembly decides to impose a certain duty, rightly or wrongly, it does not matter whether they impose it from the 1st of April or the 1st of March. The question is that once we have settled that, we shall take it from a certain date. I think it is better we should take full advantage of it in the interests of the Government. We should see that some portion of the community does not take advantage of it while others suffer. Therefore I support the amendment.

The Honourable the President : The question is :

'That in clause 2 (I) before the words 'For the Second Schedule' the following be inserted :

'With effect from the first day of April, 1921.'

The motion was negatived.

Mr. B. Venkatapatiraju: Sir I beg to move :

'That to clause 2 (1) the following be added :

'and such substituted Schedule shall take effect from the first day of March 1921''

It has been pointed out by Mr. A. V. Ayyar, that in case the present Bill is not passed by the end of this year, there may be some difficulty about the money realised in March. In order to avoid this, I suggest that the substituted Schedule should have retrospective effect from the 1st March 1921.

The Honourable Mr. W. M. Hailey: This appears to be a legal point; but if we accept this amendment we may perhaps get some extra security against the possibility of our legislation not being passed by the 31st March, and therefore on that ground, Sir, I am prepared to accept it.

The Honourable the President: The question is :

'That to clause 2 (1) the following be added :

'and such substituted Schedule shall take effect from the first day of March, 1921''

The motion was adopted.

Rao Bahadur T. Rangachariar: Sir, I do not move my amendment in view of the fate of the other amendments.

My next amendment, Sir, is :

'That to clause 2 (2) the following proviso be added :

'Provided that the Acts hereby repealed shall come into force again on 1st April, 1922, in the absence of any legislation to the contrary''

Certain Acts have been repealed by this Bill, and my amendment is only to make it clear that the Government must have some machinery to go by at the end of the year, so that as soon as the 31st of March 1922 expires the old Acts, without any further legislation, unless there is any legislation to the contrary, might come into force again. I therefore provide that the Acts hereby repealed shall come into force again on the 1st April 1922 in the absence of any legislation to the contrary.

The Honourable Mr. W. M. Hailey: I confess, Sir, that I am at some difficulty here; it is a legal point, and I could have wished that my Honourable friend, Dr. Sapru, had been here to speak about it. The advice given to me is that this is quite unnecessary; but I should welcome the advice of other lawyers in the House, for we know by experience that there is seldom unanimity on any legal point raised. But our own advice has been, that it is quite unnecessary to suspend an Act by legislation and provide for its coming into force again.

Mr. T. V. Seshagiri Ayyar: I am inclined to agree with the Honourable the Finance Member, Sir.

Rao Bahadur T. Rangachariar: Sir, if my Honourable friend will refer to the General Clauses Act, he will find that there is no such provision. I shall withdraw my motion; but I do not think there is such a provision in

that Act. I moved this amendment so that the Government may not be left without any machinery at the end of the year.

The amendment was negatived.

Mr. Sambanda Mudaliar: Sir, I beg to move the following amendment, namely :

'That to clause 2, the following new sub-clause be added :—

'In the Third Schedule to the Indian Tariff Act, 1894, after item No. 5, the following new item be added :

'6-Myrobalan (*ad valorem*) 5 per cent.'

Sir, to such Honourable Members of this House as are connected with the tanning industry in India I may say that they may know that this article Myrobalans is freely used in tanning raw hides, skins, etc. I may state for the information of this House that this article is exported in very large quantities to foreign countries, England and other countries. I may just give the figures which will convince the House that by levying an export duty on this article we can get some money, with a view to tide over the financial difficulty this year. I shall give the figures. In 1914-15, 1,164,260 cwts. were sent from India—the value in sterling being £850,450. Then coming to the last year, 1919-20, we see that the quantity exported from India comes to 1,711,589 cwts. and the value to £619,935.

Sir, I venture to discuss this proposal from two points of view. The first and foremost point is that it will bring in more money, and, secondly, it will stimulate the growth of industries in India. I may mention for the information of the members of this House that Myrobalans is also used for the extraction of oil in India, and I understand that two or three firms make use of this article for the purpose of extracting oil which is used for tanning purposes. Therefore, in view of its utility, I think the levy of this export duty will stimulate the growth of this species of industry in India. I submit that by levying a 5 per cent. duty we can get not less than Rs. 50,000, perhaps it may even be a little more. I put the figure of 5 per cent. more cautiously. I beg to submit that, in considering my proposal, it should be viewed from a broader aspect, namely, as I said before, it will stimulate the growth of industries in India; and it is from that point of view I submit this proposal. Another advantage that will accrue from accepting my proposal is that it will bring in more money. For these two reasons I venture to commend my proposal for the acceptance of this Assembly.

Mr. E. L. Price: Sir, the mover of this proposal suggests that his proposal will stimulate the growth of industries in India, but I ask if it will add to the production of Myrobalans. Now, Myrobalans are an agricultural product and I have got very strong feelings on this subject, Sir, because I know the way in which land owners and cultivators have been treated for some years in India. There seems to be a determined effort on the part of town dwellers to pile every mortal piece of taxation they possibly can on the agrarian interests. Quite recently, Sir, there were Rs. 9 crores made on Burmese rice at the expense of the cultivators—put to what purpose? I do not yet know. In the adjusting figures the Honourable the Finance Member laid before us ten days ago, there was an item of Rs. 90 lakhs made out of Punjab wheat. All that money is taken from the pockets of zemindars and cultivators and transferred to the credit side in the budget. Why tax

[Mr. E. L. Price.]

zemindars over and above the real rates of taxation that you have? I suggest, Sir, that ever since the time of Akbar the principle has been that all the Imperial taxation due from the land owner has been the land revenue assessment. Over and above that, to put export duties on his products and impoverish him would greatly militate against the development of agriculture. The thing seems to me hopelessly wrong in principle. These men want to get the best price they can for Myrobalans. Now you put on 5 per cent. duty. Who pays it? Undoubtedly it comes off the producer's price.

Mr. C. A. Innes: Sir, I think it is rather a commentary upon Mr. Sambanda Mudaliar's proposal that the two following proposals are proposals for the removal of export taxes now in existence. Mr. Sambanda Mudaliar wishes us to place a new export tax upon Myrobalans. Sir Frank Carter and Mr. Pickford wish us to take off export taxes which are already in existence. Now, Sir, I think that the House ought to take a warning from this. The trouble about an export tax is the uncertainty of its incidence.

It is never quite certain where the incidence of the tax is going to fall. With an import tax it can always be said that it eventually comes down upon the consumer; but with an export tax you can never be sure of that and you can never be sure that the incidence of the tax will not fall upon the producer. Now, apart from that, I suggest to this House that this is a very unfortunate time to suggest an export tax upon a tanning material like Myrobalans.

It is common knowledge, I think, and I am sure Mr. Pickford will tell us about it later on, that the tanning industry in this country is at present in a very depressed state. The tanning industry all the world over is in the same depressed state, the markets have collapsed, buying and selling is very restricted, and there is very little market for the produce of our Madras and Bombay tanneries. It is perfectly certain, and it has always been the case that India has produced far more Myrobalans than she requires for her own purposes. At the present time that is even more the case than ever. I think I am correct in saying that only last year the Madras tanneries actually stopped tanning for six months. As I have said, not only is the industry depressed in India, but it is also depressed all the world over; therefore, the demand for Myrobalans has grown less all the world over, and it is just at this time that Mr. Sambanda Mudaliar comes up with this very questionable proposal that we should put a 5 per cent. duty upon our Myrobalans. As those who produce Myrobalans are having enough difficulty as it is to sell their Myrobalans, I ask this House not to add to their difficulties by imposing an extra tax upon them. I am quite sure it will do no good; it may bring in a little revenue, but very little, but we may kill the trade and we may drive the home tanners and the people who now buy our Myrobalans to the numerous other tanning materials and tanning extracts which can be obtained all the world over. People do not use merely Myrobalans, they use every kind of tanning material, they use every kind of extract, and why should we select Myrobalans and say that there should be an export tax upon them? I think, Sir, that the proposal is an unsound one. In any case, I would suggest that, before we pursue a proposal of this kind, we should wait till we get the report of the Fiscal Commission which will go into the whole of these export and import taxes.

Sir Logie Watson: Sir, if I thought for a moment that this proposed duty of 5 per cent. on Myrobalans would have been in the least likely to encourage the tanning industry in India, I should support the Honourable Mover. I do not think it will have the least effect on the tanning industry and I also do not think that the 5 per cent. added to the price will have the least effect on the market at Home. At the present time, as the Honourable Mr. Innes just mentioned, there are more Myrobalans in India than can be used in the country or in the tanneries in other parts of the world. Under ordinary conditions, the ordinary class of Myrobalans shipped from India is what is known as No. 1 grade. The Home merchants buy it as a colouring agent more than a tanning agent, and that being the case, I cannot agree with the Honourable Mr. Innes that other tanning agents can be substituted for it; possibly he knows more than I do on that point, but at any rate we have tried to discover for many years whether that was the case or not.

Mr. Price referred to Myrobalans as if they were planted like potatoes. That is not the case. There are large jungles of Myrobalans and a good many of these jungles are owned by Government; but that does not help his argument in any way, and I am simply mentioning it in passing.

I remember when I came to India first we used to buy Myrobalans at Re 1-4-0 a maund. I have seen them as dear as Rs. 4-12-0 a maund, and I believe the price to-day, notwithstanding the fact that tanners are not buying, is Rs. 2-12-0 a maund. So if, in the old days they made a profit on Re. 1-4-0 they must indeed be making a very high profit to-day and so I have no sympathy with the 'poor down-trodden people' Mr. Price referred to.

Mr. J. F. Bryant: Sir, I should like to point out that in the case of an export tax on monopolies, the tax falls on the consumer. If the article is not a monopoly, the incidence is largely on the producer.

In this case, Myrobalans are practically a monopoly of India; but we depend, not on their value as Myrobalans, but upon the value of the tannin contained in them for tanning purposes. Tannin is found all over the world. It is not a monopoly of India. Hence by taxing Myrobalans, you would virtually be taxing the Indian Collector of Myrobalans.

Now the difficulty of imposing a tax in this case is that the principle will apply to all substances other than Myrobalans.

You might as well impose a tax on any article exported from the country, or all other exports because the same principle will apply.

Now, Sir, I leave it to this House to judge whether it is expedient to tax exports at a time when we want to establish a favourable trade balance, in other words, to improve our exchange: My third argument is that Myrobalans have already been taxed. In the vast majority of cases they are forest produce, and they are collected in a variety of ways and in most instances in Government reserved forests. The Minor Forest Produce Contractor has already paid Government for the right of collecting them. That practically amounts to a tax, and if you impose another tax you would be taxing him doubly. I think that is very unfair and I leave it to the House to consider whether it is just to tax Myrobalans twice over.

Sir Logie Watson: Sir, might I rise to correct one statement made by the Honourable Member that the value of tanning material is always determined by the amount of tannin? That might be said to be the case generally,

[Sir Logie Watson.]

but there are many exceptions. There are in India many tanning agents which contain a large amount of tannin but are worth little because of their objectionable colour.

The Honourable the President: The question is :

' That to clause 2, the following new sub-clause be added :

' In the Third Schedule to the Indian Tariff Act, 1894, after item No. 5, the following new item be added :

" 6 " Myrobalan (*ad valorem*) 5 per cent. '

The motion was negatived.

Sir Frank Carter: Sir, the amendment which stands in my name runs as follows :

' That to clause 2, the following new sub-clause be added ; namely,

' (3) With effect from the 1st day of April 1921 in the Third Schedule to the Indian Tariff Act, 1894, item No. 5, relating to Tea be omitted '.

Sir, the export duty on tea was imposed by Sir William Meyer in his Budget in 1916-17, and he brought forward three reasons why this duty should be imposed. The first was that Ceylon paid an export duty, the second was that the tea trade paid no income-tax, and the third was that the tea trade was prosperous.

At the time of the imposition, strong protests were made by the Indian Tea Association in Calcutta and London and attention was drawn to the unsoundness of an export duty on a commodity which is not a monopoly of the country of production. The Honourable Mr. Innes has told us also about the unsoundness of export duties, and I am quite sure that he has put it far more lucidly than I can. However, the Tea Associations in Calcutta and London regarded this tea export duty as a burden resulting from the war, and for that reason they accepted it. I think, however, I can fully show this House that none of those reasons which induced Sir William Meyer to put on that export duty in 1916-17 are existent at the present day. The example of Ceylon no longer holds good because they are trying to do away with their export duty. As regards the question of income-tax, it is true that at that time the profits on the manufacture of tea were not liable to income-tax, but by a recent ruling of the High Court this exemption no longer exists. Whatever may be thought of that ruling or of the conduct of the Government of India leading up to it there can no longer be any reason for maintaining the export tax. I now come to the third reason brought forward by Sir William Meyer, the prosperity of the tea industry. And I think that I can prove conclusively to this House that, if for no other reason, the export duty on tea ought at once to be removed. No one needs to be told that the prosperity of the tea industry no longer exists. In fact, it is common knowledge that the tea industry is on the verge of, I may say, bankruptcy. It is at the present moment in a deplorable state. The position has been brought about by the entire cessation of the demand from Russia and the accumulated stocks in the London warehouses. The industry is now struggling not to make a profit, but for its very existence and it is no exaggeration to say that for fully three-fourths of the tea now being sold at the weekly auctions, the prices realised show a loss of pence per pound. When the export duty was originally imposed in 1916 the average price on the Calcutta market was 8 annas per pound for good tea. This average price has now fallen to 5 annas and 3 pies per pound and common teas are being

sold as low as one anna nine pies per pound. This latter figure, I may tell this House, barely pays for the cost of the box and transport. There is nothing left for the price of the tea. You can easily understand, therefore, Sir, that this state of things cannot last for long. Gardens already have been shut down and more must be shut down. And if this state of affairs continues what is to become of the labour? Tea labour is paid partly on the basis of work done and this is reduced because there is less work to be done. If the present state of affairs continues, there will be a large amount of labour put on the market in Assam. As I said before, I expect it must be well known to this Assembly that an export duty on an article which is not a monopoly of the country of production is unsound.

The most severe competition that the tea trade in India experiences is from Java, and I think I can show to this House by the following figures that the exports from Java to Australia—Australia's trade was originally practically confined to India—have increased owing to this export duty, out of all bounds. In 1912, the exports from Java to Australia were 5,900,000 lbs. In 1917, the year after the duty was imposed, they were 11,600,000 lbs. which is double the figure for 1912. In 1918, they were 11,400,000 lbs., in 1919, 16,000,000 lbs.; in 1920, 20,000,000 lbs.; and it is anticipated that in this year, 1921, the figures will amount to over 21,000,000 lbs. This is a very serious matter, especially as the tea industry has to face competition not only from Java, but from other eastern markets such as Japan and China. It may be thought that I am arguing this only on behalf of the British gardens. But I am not doing anything of the kind. The tea industry is not in any way confined to British gardens, and the capital of the tea gardens is not by any means in the hands of the British. There are many Indian gardens which at the present time are being ruined, and it is especially to keep those Indian gardens alive that I ask for this tax to be removed. It is the Indian gardens which are being hit far more than the British gardens, because they have not the money behind them to fall back on, now when the times are so bad. In the present crisis, such a crisis as few industries have ever undergone, I think, Sir, that the retention of this duty cannot on any reasonable grounds be justified.

Lala Girdharilal Agarwala: Sir, I find from the Tariff Schedule, page 9, item 68, that tea is taxed at 11 per cent. Now, if I understand my Honourable and learned friend rightly, he refers to this item when he says that this be omitted and that tea be imported free of duty.

Srijut Debi Charan Barua: Sir, I am glad to support the motion of Sir Frank Carter, and in doing so, I beg to state that the tea industry is now suffering from one of the worst crises it has ever met with. The tea that was sold at 8 to 10 annas a lb. fifteen months ago and previously, is now being sold at 4 to 5 annas. The cost of production itself exceeds 5 annas a lb. The tax was imposed for the first time during the war when the industry quite enjoyed a boom. And it was understood by the people interested in the industry only as a war measure and no serious objection was taken against it. On account of the depression in the tea market, some gardens are already closed, and many of them are on the point of being closed down. Tea is one of the staple industries of India. The commodity is one of the chief items of export and helps the exchange system favourably to the Indian people. The industry apart from giving employment to a large number of the population, indirectly pays to Government large sums of money in the shape of import duties on costly machineries, land revenue, income-tax, etc. By its coaching

[Srijut Debi Charan Barua.]

traffic it contributes a good deal to the upkeep of several railways on the frontier which cannot but be regarded as strategic. For these reasons especially it is quite in the fitness of things that item No. 5 relating to tea in the Third Schedule to the Indian Tariff Act, 1894, be omitted. It should be noted at the same time that the continuance of the export duty will mainly affect the coolie and the Indian proprietors of tea gardens. The coolie will be affected inasmuch as the garden owners are finding it difficult to spare labour for extra works which the coolies are anxious and interested to have, because, as I said yesterday in another connection, he can finish his daily task of work in the course of six hours. The Indian owners of gardens will suffer as most of them lack reserve funds, while the European owned estates may stand the shock to some extent as their concerns consist mainly of joint stock companies with substantial reserve funds. It should also be borne in mind, as I have already said, that as the tea industry pays the Government in the shape of land revenue, the Government should not expect a contribution in the shape of export duty.

With these few remarks, I beg to support the motion of Sir Frank Carter.

Mr. Zahir-ud-Din Ahmed : I am in favour of this motion. Export duty on tea means tax on coolies' wages pure and simple. I know Government wants money. That is no reason that it should tax an industry which is passing through such a bad time. Government needs money. So do I. That is no reason why I should pick the pocket of the first man I come across. In my opinion this is the time when the export duty on tea should be removed.

Mr. C. A. Innes : Sir, the position of Government in regard to Sir Frank Carter's proposal is that they are prepared to leave the decision in this matter entirely to the House. I will endeavour merely to state the facts as Government see them, and then we shall leave the House to decide. As a matter of fact, I have very little quarrel with Sir Frank Carter's account of the tea industry and of its present condition. The only suggestion I have to make is that it is very doubtful whether the export duty on tea has led to the increase in exports from Java to Australia. I think it is pretty nearly certain that the increase in exports from Java to Australia is due to the fact that the United Kingdom gives a preference of 2d. per lb to the Empire teas.

Therefore Indian tea has a preference of 2d. per pound against Java tea and Java tea has now sought new outlets in Australia where the same disability does not exist, since, India at present does not get the benefit of the Empire tariff in Australia. Now, Sir, there is no getting away from the fact that the tea industry at the present time is in a very bad way. But it should be clearly understood, I think, that this export duty on tea has had nothing to do with the present condition of the industry. It is not the cause of the present depression. The cause of the present depression is known to everybody. In the first place, the high exchange in the latter half of the last year was a bad blow to the tea industry, which received the blow with double effect. For many years past too, production among the tea gardens has been increasing. The area has increased and the production has increased. The average production per mature acre has risen from 392 pounds in 1898 to 609 pounds in 1918. On the other hand, with the collapse of the Russian market the outlet for tea had diminished. Now the tea industry did not realise what its position was going to be at the end of the war.

During the war, there was an enormous demand for tea for army purposes, and it was not realised either by Government or by the tea industry or by anybody else that as soon as the war ended the outlets for consumption of tea outside India would decrease. The main cause of that is the fact that Russia which used to take 50 million pounds of Indian tea is now out of the market. Secondly, the tea estates went on producing tea and went on shipping tea home to England, with the result that in November last no less than 220 million pounds of tea were in stock in the United Kingdom against a normal stock of about 100 million pounds. The result of this is of course that there has been a disastrous slump in prices. The slump has made itself felt most in respect of common teas and low grade teas. High grade teas still fetch high prices, but the low grade teas, which constitute the bulk of the teas produced, are doubtless selling at very low prices, and I think it is quite correct to say that the prices obtaining for these low grade teas are less than the cost of producing, that is to say, the planters are losing on every pound of tea. But, Sir, the export duty has had nothing to do with this. The sole causes are the increased production and the loss of markets. Production has outrun consumption. But I do not admit that we actually put on this duty as a war duty. The Indian Tea Association pressed that we should give, that Sir William Meyer should give, them an assurance that the duty should be put on specifically for the period of the war. But Sir William Meyer, being a very cautious gentleman, declined to give any pledge to that effect, and we cannot be accused of a breach of faith if we do keep on this tea duty. The sole justification, for taking off the tea duty now, is that the industry for the moment is in a depressed condition and this tea duty, though it has not been the cause of the depression, undoubtedly is contributing to the depression now and that is the reason why the duty should be taken off. All these facts have been placed before the Government of India, but there is another big industry which is also in a state of depression, namely, the hides and skins industry. We are going to have later on a proposal to take off the export duty on hides and skins. Now, if we take off these two export duties, we lose revenue next year to the amount of a crore and a half; we are budgetting for a crore and a half of revenue from these two industries, and so, when we had to come before this Assembly with a deficit of 18 crores, the Government of India decided that they would not of their own motion take off these two duties and add to the deficit, because we should then have come before you with a deficit of 19½ crores instead of 18 crores. That is the position. I have tried to explain it as fairly as I can. We admit that the tea industry is in a bad way at present. We admit that this export duty on tea is adding to the loss which is already being experienced by the teaplanters in respect of low grade or common teas. But what this House has got to realise is that, if we take off this export duty, it is going to cost us 50 lakhs of rupees, and it is for the House to decide whether they will take off this export duty and find us 50 lakhs from some other source.

I have tried to explain the matter as fairly as I can.

Mr. A. D. Pickford: Sir, I have to admit, speaking generally, that Mr. Innes has put the case very fairly before the House. I only want to comment on one or two points.

As regards the question of the exports from Java to Australia, I cannot quite understand, I must say, the theory that this is due to the two pence Imperial preference which Indian tea exported to the United Kingdom enjoys.

[Mr. A. D. Pickford.]

I could understand it, if there were a market in the United Kingdom and if, therefore, the Indian tea industry were sending its tea to the United Kingdom in preference to sending the tea to Australia. That is not the case at all. If we were able to avoid it, we would not send a pound of tea to England at the moment because we cannot sell what is there. I think it is a mere presumption to say that, because there is this two pence Imperial preference in the United Kingdom, and because the exports from Java to Australia have gone up, that, therefore, the two things are connected. As a matter of fact, it is true to say that Indian tea has endeavoured to compete with Java tea in Australia and it has not, in point of fact, succeeded.

Then, the tea industry will admit at once that it would be absurd to say that its present condition is due to the export duty; but I venture to think that it is more than a mere contributory cause of the present depression. At the time when this export duty was put on and when the tea industry was prosperous, we were warned by tea brokers and tea shippers that this export tax put us at a definite disadvantage in the appearance and attractiveness of our export invoices as contrasted with other countries. So that, at all events, while it is impossible to prove that the export tax at that time did injure the tea industry to any very special extent except in so far as export taxes always do, it is fair to tell the House that, in the opinion of the experts, it was a definite disadvantage to this great Indian industry as compared with other countries like China, Japan, Java and other places which are now producing tea.

With regard to the increase in production, that is undoubtedly one of the contributory causes, and, lest anybody should think that this was a mere rushing out of extra cultivation in order to take advantage of high prices for tea, I should like to explain for the information of members of the House that that extra production per acre is due to intensive cultivation which has been made possible by the work of the Research Department of the Indian tea industry, and to suggest to the members of the House that it is an extraordinarily hard thing that the enterprise of the tea industry in this particular matter—an enterprise in which, as my Honourable friend Mr. Barua has explained to you, Indians are most especially interested—it is, as I said, a very hard thing that we should suffer from the results of enterprise which, under ordinary circumstances, would have brought a substantial and very justifiable reward to the industry. I feel sure that the House will consider that it is a legitimate thing to remove this tax. And with regard to what Mr. Innes has said as to the loss of revenue, it must be remembered that the Budget position has been improved to the extent of one crore by the transfer of one crore from Revenue expenditure to Capital expenditure under the head of Posts and Telegraphs. I notice Mr. Joshi smiling. I am not at the moment referring to the increase which we have this afternoon put on the postage on letters. I commend this subject to the sympathetic consideration of the House.

Mr. T. V. Seshagiri Ayyar : Sir, having regard to the attitude taken up by the Government, I think it is desirable that I should warn the House against the impression which will be created throughout the country if this motion is accepted. At a time of financial stringency we are asked to remove a tax which has been in force for a number of years. Sir, the figures given us in the explanatory memorandum are these : In the year 1917-18 tea brought to the Government Rs. 43,83,261 ; in 1918-19, Rs. 43,85,778, the next year Rs. 54,50,724 ; the year after Rs. 41 lakhs odd, and in the coming year the

Government is budgetting for about 50 lakhs. At a time when the country is asked to undergo a fresh duty upon matches and umbrellas, we are asked to remove a tax which has been bringing to the Exchequer something like 50 lakhs. If we allow this thing to be done, what will be said outside is this—Because in this House there are powerful exponents of a particular industry they have been able to carry the House with them and that they have ignored the wishes of the people and have not consulted their interests. I think, Sir, it would be disastrous if such a feeling should prevail, and I hope that in the interests of justice this motion will not be pressed to a division.

Sir, as has been pointed out by Mr. Innes, if this tax is to be taken away, we might very well be asked that the tax on hides, which is likely to bring in one crore, be removed. Mr. Rangachariar might come forward with a motion that land revenue is very high and agriculture has suffered a great deal, and that land revenue should be reduced. Having regard to the fact that we are dealing with a period when we cannot afford to lose anything we have already got, it would be a very bad precedent that we should be asked to give up 50 lakhs because the tea industry wants it. As was pointed out by Mr. Innes, the present position of the tea industry is in no way due to the tax that is levied. It is due to other causes, and, in these circumstances, there is absolutely no reason why we should be asked to take off that tax.

Munshi Mahadeo Prasad : Sir, at a time when we have passed the Indian Tea Cess Act, the application of which is asked not to be brought into force, at a time, Sir, when we are arithmetically calculating every pice of the budget figures, I do not think this will be the proper time to relax the export duty on tea, especially, Sir, when it was due to the eagerness of the tea-planters that they brought more land under the cultivation of tea. Sir, tea is not a necessity of life, especially to Indians, as food-stuffs are, and I submit that at this juncture it will not be proper for this House to remit the export duty on tea. With these few remarks I beg to oppose the motion

Mr. N. M. Joshi : Sir, the tea industry seems to be a very privileged industry. We were told that its transactions are free from income-tax. Sir, everybody here perhaps knows also that it secures its labour by legislation which puts the labour at the most disadvantageous position. It makes the labourer practically a slave. It has been getting that labour in that way for a number of years, and it is still getting labour by special legislation.

The Honourable the President : Order, order. If I allow the Honourable Member to open up that controversy, I shall have to allow other people to answer it. It is getting too late for any latitude of that kind.

Mr. N. M. Joshi : My only intention was to say that the tea industry is being given a privilege by Government, and therefore Government is fully at liberty to tax that industry for the sake of the revenue of the country, and if the industry does not pay its labour sufficiently to attract it by ordinary means, then certainly there is nothing wrong if the tea industry does not prosper in this country.

Mr. R. A. Spence : Mr. President, I am not interested in the tea industry as I come from Bombay. But with regard to what has fallen from Mr. Seshagiri Ayyar I think it is only fair to remind Honourable Members that, although if you take off this export duty, you have got to find the money, there are other motions coming before the House which will have the effect,

[Mr. R. A. Spence.]

if passed, of increasing the revenues of this country, perhaps in a fairer way to the people of this country, than by taxing one of the principal industries of the country.

Mr. Eardley Norton: Sir, the action and the attitude of the Government in its declaration of neutrality on this motion throws upon the private members the unpleasant onus of supporting the taxation which it is sought to omit. The Government thereby escapes adverse criticism and odium outside and inside this House. It shifts the burden from its own shoulders on to ours and forces us to face a responsibility which the Government ought itself to face and enforce.

Government ought in fairness to tell us whether if this motion is carried and they lose about 50 lakhs of rupees, they have any suggestion to make as to how and whence we are to replace this prospective loss. We have to consider this aspect of the case and its influence upon the present discussion; and although we in this quarter are, I am sure, as sympathetic as any other member of this House elsewhere with regard to the unfortunate position in which the tea planters of India find themselves, still we have to produce the money for the budget which we have already passed; and if we proceed, as we have been proceeding to-day, making large remissions, first of 75 lakhs with regard to posts, and now, as contemplated, surrender another Rs. 50 lakhs, and next with Mr. Pickford waiting in reserve to make a further indent upon the charity of this House, it seems to me that the main source of revenue left to the Government will be a further increase in the income-tax.

That is a possibility which I contemplate with trepidation and horror. Therefore, I fear, we must shoulder the very unpleasant responsibility of voting against this and kindred motions. I think it is fair to ask Government whether if we lose this revenue what substitutes they can offer whence to replace the loss.

Mr. Harchandrai Vishindas: Sir, the only argument which has been advanced for removing this taxation on tea is that there is a slump in the industry, but I think that argument is not of any avail in respect of taxation on other articles. For instance, there is a slump in the piece-goods trade, but I do not think that piece-goods merchants are going to use that argument and ask Government to remove the taxation on piece-goods. I think, Sir, although Munshi Mahadev Pershad's remark created a laugh among the gentlemen who have spoken in favour of the amendment, he was quite right in saying that tea is a luxury, and that being the case, the fact that there is a slump in the tea industry should not stand in the way of raising a revenue from it.

Mr. B. Venkatapatiraju: Sir, I would appeal to Sir Frank Carter to save the Government from the awkward situation in which they have been placed on this Resolution. After all, what is the tax they have to pay? They are paying, I think, only Rs. 1-8-0 on 100 lbs. Well, have they escaped paying taxes in England? They cannot appeal to the British Government to save them and to allow this tea to be imported without payment of any tax. Perhaps, they have to pay there much more than the petty sum which is paid in India. They are growing and selling tea to the extent of Rs. 18 or 19 crores according to the 1918-1919 figures, and they have to pay here not less than Rs. 50 lakhs in the way of taxes. Then when they

make 18 crores of rupees on tea, they have to pay Rs. 50 lakhs, but when they sell in England they have to pay double or three times or more by way of taxes. They cannot ask for any exemption there. I do not think the British Parliament would be so solicitous as to exclude any article from taxation. Can we reasonably ask for any exemption when taxation is imposed on various articles which will immediately affect the poor? I hope my Honourable friend will not press this Resolution when we are hard up for money. After all, only a few tea planters will be affected by this, and they are making about 18 crores, if not more, and they are not poor. They also can contribute along with others. On account of famine, and failure of harvest when thousands of people are suffering in India, I think they should help the poor people of India by contributing their quota of public expenditure. I would, therefore, appeal to Sir Frank Carter not to press this Resolution.

Lala Girdharilal Agarwala : Sir, I move, that the question be now put.

The Honourable Mr. W. M. Hailey : Mr. Eardley Norton has suggested that we should relieve the House from the odium which we have attempted to place on it by the statement (made by Mr. Innes) that Government would leave the decision to the House. I cannot accept the imputation that we have endeavoured to place the House in an invidious position by putting on it the burden of the decision. Is there any question now in which we do not put the choice to the House? There was a time when we commanded a majority, and we could control its decisions. In those circumstances Government was sometimes wont to stand aside and say, 'we would like non-official opinion to decide this case'. But we do not now command a majority in the House. Looking round the benches, I notice that even such few official members as we possess, seem to depart on their various lawful vocations in other directions. I cannot, therefore, accept the suggestion, Sir, that we have acted in any way unfairly in putting the position as Mr. Innes has placed it before the House. He has admitted the depression in the tea trade, and that is a fact beyond any question whatever. He has suggested that depression in itself is not due to our export duty; but has asked the House to decide whether the circumstances require that the export duty should be abandoned. He has stated to the House that if the export tax were removed, it would cost us Rs. 50 lakhs. He has placed all those factors before the House and he has asked for the decision of the House on the subject. Where is the unfairness of such a proceeding?

On the other hand, Mr. Eardley Norton has asked me a question which it is my duty to answer. He has asked me whether, should this tax and its source of revenue be removed, we have any proposal for replacing it. Sir, this and the following amendment, if carried, would cost us a sum which we estimate at Rs. 1½ crores. I think that some of my friends just now were sceptical as to the suggestion that it would bring us in so much. If we are wrong in that supposition, we shall subsequently regret it; but for the present that is the amount that we have placed in our budget. We can put forward no suggestion for replacing the sum thus lost unless we increase the Income-tax or unless we increase the Customs duty, because I place out of court any suggestion such as a further charge on salt or an increase in the surtax on freight. Those are the facts.

Rao Bahadur T. Rangachariar: May I ask, Sir, if Ceylon has removed the export duty on tea which it imposed along with India?

The Honourable Mr. W. M. Hailey: It has not yet been removed.

Sir Frank Carter rose to speak.

The Honourable the President: The Honourable Member has already spoken.

Sir Frank Carter: I moved the amendment, Sir.

The Honourable the President: I do not find anything in the Standing Orders which gives the Mover of an amendment the right to reply.

The question is:

'That to clause 2, the following new sub-clause be added, namely:

'(3) With effect from the 1st day of April, 1921, in the Third Schedule to the Indian Tariff Act, 1894, item No. 5, relating to Tea be omitted.'

The motion was negatived.

Mr. A. D. Pickford: Sir, I may say that in view of what has just occurred I rise with some trepidation to propose the next amendment. It is:

'That to clause 2, the following new sub-clause be added:

(3) With effect from the 1st day of April, 1921, in the Third Schedule to the Indian Tariff Act, 1894, the third entry relating to 'Raw Hides and Skins' shall be omitted and entries 4 and 5 shall be re-numbered 3 and 4, respectively.'

I might have been tempted, Sir, in view of the opinion of the House as expressed on the amendment which was moved by Sir Frank Carter, not to have pressed this suggestion upon the House. But, as a matter of fact, the case on its merits has all the strength, admitted strength may I say, of the case that was put for tea; but it has additional merits of its own. I am taking it for granted that the House generally do admit the merits of the tea case. I mention the tea case because it is largely bound up with this. One member, it is true, ventured to suggest that while the tea industry was not as rich as it used to be,—it was not poor—I do not think he would have pressed that argument. I see the eye of the Honourable the President on me, and I will herefore get straight to the subject of this particular amendment.

As I have said, the arguments in support of the abolition of the export tax on tea apply equally, and as strongly, to the removal of the export tax on Hides. But there is a very strong additional reason, namely, that the hide tax was imposed with the support of the leather industry in India for a definite purpose, entirely unconnected with any addition to revenue—and I am quite sure that when the Government member gets up he will admit this—that it was put on for a certain definite purpose entirely unconnected with revenue. I repeat that because it is the point of chief importance in the case which I am placing before the House. The special purpose was to protect Indian tanneries established during the war, and, incidentally, to ensure that such Indian hides and skins as the Tanneries in India could not deal with should be tanned, as far as possible, within the Empire, a purpose, you will observe, entirely unconnected with revenue. The first object was intended to be secured by the export

tax, and the second object by the rebate of 10 per cent. on hides and skins tanned in countries within the Empire.

Since the tax was admittedly not a revenue tax, there should be only one consideration in the minds of members of this House. Has it, or has it not achieved the object in view? There can be but one answer—it has not. Then I do contend very strongly that the House is not justified in retaining now for revenue purposes a tax which was imposed for quite other reasons. As I have said, the only consideration that should weigh with the members of this House is—has the tax fulfilled the purpose for which it was imposed or has it not? There can only be one answer. With the exception of one or two individuals whom I am compelled to call misguiding, the views of all connected with this article of manufacture and export are agreed on that point.

It is not suggested, any more than in the case of the tea industry, that the condition of the industry has been brought about by this duty, but it is an important contributory cause and may easily turn—indeed in many cases it has turned—embarrassment into definite failure.

Now a word or two about the hide industry. I do not propose to go into any great detail although the figures that can be adduced in support of this amendment are very eloquent. I am not, I say, going in great detail into the condition of the industry, but I wish, however, to point out that the Indian hide industry has to compete with a very large number of other countries of which only one—the Argentine—has had an export duty: now either removed or about to be removed, and the Indian exporter is in consequence at a notable disadvantage in the field of competition. This is greatly aggravated by the fact that the inferior grades—on which, for reasons I shall mention in a moment, the tax bears especially heavy—are not greatly wanted by British tanners, and the rebate is therefore of no assistance to the trade in those qualities.

The reason why the duty has borne with extra weight on the inferior grades is this. The tax is calculated, as I have no doubt many of you know, on prices fixed periodically for the purpose of calculating the amount of duty payable. That is common to many other articles of export. The tariff rate stood so far above actual market prices that instead of paying 15 per cent. duty, the lower grades were paying anything from 30 to 50 per cent. and low grade goat skins in some cases as much as 150 per cent. It must be remembered that the bulk of Indian hides are of the lower grades, and that is why I lay special emphasis on this point. The position is especially injurious, it is noted, to the Indian cattle owner, whose interests this House will be especially expected—as I am sure they will admit,—to protect.

I will now recapitulate. The tax was admittedly not a revenue tax. The purposes for which it was imposed have not been achieved. All, or practically all, engaged in the hides and skins industry and exports desire its abolition. The tax has assisted in the ruin of many already and it will assist in ruining more. The tax injures the Indian cattle owner. Surely that is a long condemnatory list of this peculiarly unsound tax?

On the general question of export taxes we have heard Mr. Innes and we have heard others. I do not know whether the non-commercial members of this House realise what a fatal policy it is for any country to begin to raise its money by this hopelessly economically unsound device—I can call it nothing else—of imposing taxes on exports. They may produce a certain amount of

[Mr. A. D. Pickford.]

money for a certain time; it is perfectly certain they will, at the same time, produce a condition of things unfavourable to the trade of the country. We know what the special economic problem of India at present is. It is to get the balance of trade right in order that the position of exchange and therefore the position of India may be improved. Are we, under these conditions, to retain a tax which everybody, I believe, will admit is economically unsound, which this House is not justified in retaining for purposes for which it was never imposed, which has not fulfilled the purposes for which it was imposed and which those concerned in the industry itself are anxious should be removed. I submit, Sir, that the case for abolition is overwhelming and I feel sure that the arguments I have adduced will commend themselves as strongly to the members of this House as they have to those immediately connected with the hide business. I therefore ask that this amendment be accepted by the House.

Sir Logie Watson: Sir, I am extremely sorry and disappointed that my Honourable friend Mr. Pickford should have brought this amendment forward. I have listened to a very eloquent speech, but it is one that has impressed me very little.

I feel that the Honourable Member has not given much thought to this matter and has dealt with it as if it had merely been passed on to him by a friend, and not as if he were intimately acquainted with the subject himself. It is over 25 years ago, Sir, since I urged upon Government the introduction of an export tax on hides and skins. I repeated my representations year after year. In those days, Sir, Government was not so well run as it is to-day, and I was not listened to. During the war, however, there were certain changes made and a Munitions Board was started. And I am glad to say that my friend the Honourable Sir Thomas Holland saw the object of what I had been urging for years. Sir, if this tax which is now obtaining had been introduced at the time I recommended it, we should not have had a deficit to face to-day, because, if the revenue from the tax had been put into a sinking fund, it would have amounted in my opinion to over 4 millions sterling per annum, and we should have been paying our taxes from the interest. Now, Sir, the object of introducing this tax was to encourage and develop the tanning industry in India. It is true that it has not accomplished this; but this is due greatly to the world's slump in hides and leather. Another point, Sir, that influenced me all along in this matter is this. England is the only free market for tanned leather. We are debarred from sending an ounce of leather even to our own Colonies, to America, Germany, France and Italy, in consequence of their extremely heavy import duties. They do not want our manufactured articles. What they want from us is our raw material. Sir, at one time America was taking from us about one million goatskins per month. They were going into the country free. She manufactured these into chrome leather and sent them back to India again in a tanned state and frequently in the form of boots. She swamped the English markets with boots and ruined the home manufactures. That was the kind of thing we had to face, and why should we seek to drop a duty that was brought into operation in order to get us a little of our own back. The Honourable Mr. Pickford asks me, did it do it? No, Sir. It has not done it. It would have done a great deal to help us if conditions had been normal, and it will accomplish a great deal more if Government

will take into consideration what I urged upon them many years ago, namely, to make the duty into Germany, France, Italy and other countries commensurate with the duty which they impose upon our manufactured articles. When that is done, India will be in a position to supply the world with tanned leather. Sir, Mr. Pickford has pointed out that in putting this duty on our raw hides, we have to compete with other countries. Sir, having been in the leather trade for only 32 years, I do not know what other countries he refers to. I should like to know if he will be good enough to tell me. I do not know of any country, Sir, producing buffaloes in the numbers in which they are produced in India. We find a few stray ones in Egypt and occasionally around Constantinople and Smyrna. But I have never seen them in numbers in any other part of the world, and I say, therefore, that India has a monopoly of buffaloes, and as a monopoly we ought to protect it to our own advantage. I am not aware, Sir, that any other country in the world produces cow hides of the qualities and kinds that India produces. But I am subject to correction. Sir, I am intimately acquainted with China hides. China does not produce the same class of cow hides as India does.

The China cow hide is as heavy, generally speaking, as our average buffalo hide. China hides are used for the soles of boots. Indian cow hides are used for the uppers of boots. That is the difference, Mr. Price, between an average China hide and an average Indian cow hide. I do not think it is necessary for me to say any more except this much, that 90 per cent. of our raw goat skins went to America during pre-war days, while our tanned leather was prevented from going into the country. Over 90 per cent. of our cow hides went to Germany for distribution on the Continent. A very small percentage went to England. There were two reasons for this. England had no outlet for tanned leather for the same reasons that we have been suffering from, and in the second place, she had no use for our low grade hides. These went to Germany which turned many of them into boots for our enemies during the war, and frequently in pre-war days returned after tanning a large percentage of them to London at twice the price she paid for them in India. It was to put a stop to this kind of thing if possible, that Government agreed to introduce this tax on the export of hides, and I am quite sure that the feeling of the members at this meeting is that it shall remain on.

Mr. E. L. Price : I have listened with great interest to Sir Logie Watson's speech. I think it is admirable. I agree, with almost every word he says, but the unfortunate thing is that he has not addressed himself to this particular export duty at all. He has addressed himself to an entirely different question, a question on which, in the aspect he puts it, I should be rather inclined to agree with him. But I in supporting Mr. Pickford am not opposing Sir Logie Watson in his main contentions. What I am opposing is a very different thing, the Preferential Hide Export Bill of September 1919, which I put to Sir Thomas Holland, has failed miserably in operation owing to certain integral features of that Bill, which Sir Logie Watson has not even referred to.

I am not discussing with Sir Logie Watson or this House any general question; I am rather pointing out the defects of this particular Bill. First of all, I may say that this preference is not palatable to Great Britain,—I will explain that in a moment,—and as to the competition with China hides,—well, of course, when two of a trade cannot agree it is very difficult,—but I assure Sir Logie Watson that I have handled Kasur-Mandi hides, a place which produces

[Mr. E. L. Price.]

some of the heaviest hides in the Punjab, hides of much the same quality as the China hides, hides that will turn out an average of 30 lbs. per piece. There is an element of competition between India and other countries to secure a vent for our output. Now, Sir, as I am intimately connected with this business, and I really know the article—I do not know tanning, but I can really handle the raw article itself and I was on a sub-committee of the Karachi Chamber of Commerce last July when a number of questions were put before us, matters referred by other Chambers and so on. We went into the thing with some care, and I should like to give the House a gist of the report that we put up to the Chamber, which the Chamber examined and accepted and forwarded to the Government of India. It is dated 6th July 1920. First of all, this report examined the reasons put forward by the Honourable Member in the Imperial Legislative Council in 1919 in explaining the object of the Bill and so forth, and it said that the object of the Bill was to protect the Indian tanneries started during the war and for such hides and skins as they do not require to be tanned as far as possible within the Empire. Sir Logie Watson has built up a magnificent Indian business in Cawnpore. All credit and honour to him. He did it without any preferential duty. He built up his business as he told us himself 25 years before he could persuade a member of Government to take up the question for him, and the point was that when this Bill was started it was to protect the Indian tanneries started during the war, not Sir Logie Watson at all. There is a laconic remark here that the Indian tanneries do not seem to have benefited as expected! As a matter of fact what happened was this. Sir, under the influence of this supposed protection the tanneries all went ahead and slightly over-produced and I am afraid the quality fell off. I am not of course referring to the Cawnpore tannery. As a consequence they were hit very badly in a falling market with inferior goods.

To continue :

‘A preference of 10 per cent. so far from helping Empire trade has proved a hindrance. The British trade is largely entrepôt. The merchants concerned buy freely Plate, China African and other sorts and can resell and reship them freely to the best buying markets and only in the case of Indian sorts are they under customs liability. This causes them to give an actual preference to free, that is, to Non-Indian sorts, so far therefore from the so-called Preference having helped Empire trade, it stands in the way.’

Now, Sir, I must diverge from the Karachi Chamber Report on this point to tell the House what happened. Government in the case of goods being shipped to a port within the Empire collected a 5 per cent. duty and took a bond for 10 per cent. That 10 per cent. bond is supposed to be liquidated within six months in either one of two ways. It can either be liquidated by cash payment for its face amount or it can be liquidated and cancelled by the production of a certificate in due form when the goods are tanned within the Empire. Now what happened was this, Sir. In respect of the goods shipped from India since September 1920, the Government of India found the trade in a great mess. I may tell the House that I am not involved because I find, I particularly looked it up, that all I owe is only Rs. 300. But I do not know how much is the amount which the whole trade owes to Government on those bonds, but it is very certain that Government cannot be paid, and Government has in fact extended the time for payment from six months to two years. Does that seem a very useful sort of way of conducting your business? You make an arrangement that turns out so impossible that you finally have to

extend the time for two years! To go back to the report of the Karachi Chamber :

'The duty has fallen upon the producer, that is the cultivator and the herdsman, and the confusion caused by the export duty has probably cost them far more than the Customs have collected. The Honourable Member also laid great stress on the world demand for Indian hides and skins. These observations were of course based on pre-war conditions and we have to put forward the following points.'

Now Calcutta is some thousands of miles away from Karachi. We handle an entirely different sort of hides and skins, but there are many points of resemblance in our experiences. These facts are not produced in collaboration at all :

'The world demand is only for the highest grades, which in India form a small proportion of the whole. The lower grades are and always have been difficult to sell. The demand for Indian hides and skins is affected by several changes resulting from the war, namely the use of substitutes for leather, the diminished purchasing power not only of enemy but of allied countries as shown by their exchanges and the unwillingness of the English tanners to handle the average hide and skin. The English tanners consider only the highest grades of Indian sorts are worth the present high cost of labour.'

The Honourable Member in introducing the Bill also observed :

'It is common knowledge that before the Indian hides trade was monopolised by the Germans'.

That was true only of Calcutta ; it was utterly untrue of the Karachi trade, and it is impossible that the Germans should recover their monopoly at Calcutta as they have lost their shipping. The Germans had no monopoly of the skins trade anywhere.

The Chamber Report goes on to say :

'We have already mentioned in certain paragraphs the difficulty there is in marketing the lower grades. Yet under the system adopted these goods have to pay the same export duty as the higher grades, thus adding to the natural difficulties of the case.'

The collection of duty is a cumbersome affair involving much extra clerical labour, and is a genuine obstacle to business when prompt and immediate shipment is required, the bonds required for shipment to British ports are even more troublesome.

The idea of the duty as per (1) is to protect Indian industry. Great labour is expended on the fleshing, stretching and preparation of 'framed' hides. The essential difference between an ordinary and a framed hide lies in this labour. The higher export duty on the 'framed' is therefore a tax on the labour expended. It is in fact a higher tax on a partly manufactured article. But if an export duty is leviable, we admit a higher schedule value for framed hides is unavoidable.

India has no monopoly in the supply of goat and sheep skins. Under the duty it is an undoubted fact that she is finding the greatest difficulty to market her surplus production.

The bazar price for hides and skins necessarily has to cover the cost of their collection and transport. At the present prices ruling for the lower grades of hides and skins, there is no incentive for the country folk to collect and market these. The result is a distinct economic loss.

If the object of the export duty is to support Indian tanneries, it can only be by reducing to them the cost of their raw material.'

And there that Report seems to stop, though to the best of my recollection the original had :

'It would only be reducing to them the cost of their raw material at the expense of the producer.'

[Mr. E. L. Price.]

All that, of course, has been substantially admitted already, Sir, by Mr. Innes. So I do ask the House to remember that this amendment is not against any form of protection. The House is undoubtedly protectionist, I think. It amazed me, therefore, that they willingly taxed an Indian industry just now like the tea industry. It will amaze me more, therefore, if they want to go on and tax an Indian industry like this. But I want to appeal to another point, Sir, that I mentioned in my speech on the 8th of this month, that I do not think anybody quite took up. When Government interfere in this extraordinary way with an established business, they in fact attack a business that was the monopoly of the Muhammadans as far as the Punjab and Sind are concerned. I know many of these men, in the trade for many years, and the Muhammadans of the Punjab and Sind are not great adepts at business. This was one business that the Hindus left wholly to them, as you will understand. The interference with that trade has come very hard indeed on these men, and, I understand, that there are some other points more intimately connected with the drawback to these people that Mr. Chaudhuri Shahab-ud-Din wishes to explain as he knows them better than I do. I may say also that, as far as I remember, there are four European firms in Karachi connected with this trade and all the firms in Amritsar, Lahore, Multan, Sukkur, Hyderabad and in Karachi are of course Muhammadan Indian firms.

This is not a European question or anything of the sort. This is, if anything—if it is confined to any particular section of the community,—it is really a Muhammadan question, for it is undoubtedly their trade in my part of the country.

Mr. C. A. Innes: Sir, the hour is late and I do not propose to detain the House very long. My position is very much the same as it was in respect of the export duty on tea. I should, in the first place, like to remind the House that when we introduced this export duty on hides and skins last year we did it with the trade behind us—in fact, at the instance of the trade

Mr. E. L. Price: What trade, Sir?

Mr. C. A. Innes: The Hides and Skins Shippers Association, as the Association was then constituted, was in favour of an export duty on hides. The Southern India Skin and Hide Merchants Association was strongly in favour of an export duty of 20 per cent. *ad valorem*, and we had the Bengal Chamber of Commerce behind us. When we introduced the Bill into the Indian Legislative Council, it was welcomed on all sides. I am free to admit, Sir, that when we introduced that Bill, we were probably a little too optimistic, but everybody else was too optimistic. We all thought that the War would be followed by a trade boom which would last at least for five years. We thought there would be a tremendous demand and great competition for our raw materials. We thought we should be able to dictate the terms on which that raw material should leave the country, and we put on this export duty, as Mr. Pickford said, not as a revenue producing measure, but partly for the purpose of fostering the tanning industry in this country and partly for keeping a key industry within the Empire. Now, Sir, whatever the merits or the demerits of export taxes may be, they at any rate have this disadvantage. If when you have an export duty upon a trade or an industry that industry drifts into a period of depression and stagnation,

then Government is at once attacked for having put on an export duty. The export duty is accused of being the cause of all the troubles under which the trade is labouring. Now, Sir, in this particular case, as Mr. Pickford admitted, nobody is able to say or indeed has said that our export duty is the cause of the stagnation of the hides and skin trade. Everybody knows what that cause is. Owing to the collapse of the foreign exchanges, owing to the fact that Germany and Austria cannot buy, there is practically no outlet for our hides and skins. The tanning trade throughout the world is depressed. It is depressed in the United Kingdom, it is depressed in Europe, it is depressed in India. The result is there is no demand for our hides and skins, and that is the main reason why this industry is in a state of depression. But, Sir, it is just here that the danger of the export duty comes in. We have this depressed trade. Later on we may hope—probably towards the end of this year—that trade will begin to revive, and the point, the real point and substance which has been put to us by those interested in the hide trade in India, is that when trade begins to revive, it is just then that your export duty of 15 per cent. may do us harm. That is the main point which has been put before us. Well, we have considered this question. The position is precisely the same as it is in respect of the tea industry. We have got this export tax. We estimate that during the coming year it will bring in one crore of rupees. The trade has asked, and asked with a certain amount of reason, that the tax should be taken off. Well, if that tax is taken off, it means that we shall lose a crore which we have to make good in some other way. It is for the House to consider that if we take off this duty and give up that crore, we have got to find that crore somewhere else, and that is the position which I wish to place before the House.

Rao Bahadur T. Rangacharia : Sir, I propose that the question be now put.

Chaudhuri Shahab-ud-Din : Sir, the question is an important one. It is rather too late now and I mean to address the House for about half an hour.

It is an important question, and touches the Muslim commercial community throughout India. I have received complaints and representations. Therefore, I would request the Chair to give me time to-morrow, unless, of course, the House is prepared to sit now. I shall try to be brief. . . .

The Honourable the President : I may say for the Honourable Member's information that I did not accept the motion for closure moved on my left, because he had been specifically mentioned by name by the Honourable Member from Karachi. It is a well-known Parliamentary practice that, when a member has been particularly mentioned by name by a previous speaker and that member rises to speak, he is called by the Chair. He has a kind of prescriptive—not an absolute—right owing to the mention of his name in debate. Otherwise I should have accepted the closure.

Chaudhuri Shahab-ud-Din : Sir, it was on the 11th September 1919 that the export duty of 15 per cent. was imposed on hides and skins. The reason which was then assigned by the Government, and I believe the reason which is yet maintained, is that tanning in India is to be encouraged, that the tanning industry has to be improved ; we are told that it is in our interests that

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This export duty was imposed and that it is in our interests that it has been continued. Let us see what are the facts, and whether the purpose which was in view of the Government has been achieved or whether it has failed. In reply to a question which was answered by the Government on the 1st of this month, Government stated as follows. I shall only read the relevant portions. The question was No. 340—'What quantity of raw and tanned hides and skins were exported in the 12 months preceding the 11th September 1919, when an export duty of 15 per cent. was imposed on raw skins and hides, and what quantity has been exported since then?' The reply was 'that during the 12 months preceding the imposition of export duty 32,960 tons of raw and 29,577 tons of tanned hides and 33,006 tons of raw and 5,033 tons of tanned skins were exported.' As against these figures let me quote the figures of exports during the year 1920. From January 1920 to the end of December 1920, the figures are:—Raw hides—24,952 tons, tanned hides 7,178 tons; raw skins 16,186 tons and tanned skins 3,135 tons. A comparison of these figures clearly shows that the export of raw hides and skins has gone down considerably; and that the export of tanned hides and skins, as compared with the figures for the 12 months preceding the imposition of the export duty, is ridiculously small—as against 30,000 tons before we had only 7,000 tons of hides and as against 5,033 tons we had only 3,135 tons last year. These figures speak for themselves. Do they show that the tanning industry in India has received a stimulus by the imposition of this taxation, or that, on the other hand, it has received a set back? Sir, this much on facts. There are some other considerations, very weighty and important considerations bearing on the point. I would like to refer the House to the book called the Handbook of Commercial Information for India by C. W. E. Cotton, 1919 edition. A reference to this book will show that in 1917 when skins and hides were not needed on the Continent, an embargo was placed on the trade of Indian skins and hides. Those who deal in skins and hides not only suspect but believe and say, they have said so in newspapers, that they have been treated harshly. I have got cuttings from some newspapers to this effect, but as I did not expect this matter to come up to-day, I have not brought them with me. They say that as the market was over-flooded in Europe, the Indian interests were ignored and this customs duty of 15 per cent. was imposed upon the export of hides and skins. That is what they say. Of course, I do not do business in hides and skins. Therefore I cannot vouch for the accuracy or inaccuracy of this assertion, but the assertion is there. Now, this Handbook on page 207 says:—'Gradually, however, the capacity of the English tanners has been extended to deal with the increased supplies of raw hides from India.' On the one hand tanneries have been opened in England and their capacity has been extended. It has been increased,—for what purpose? For the purpose of tanning Indian hides and skins or the hides and skins of other countries. On the other hand, we are told that tanning in India is to be developed and that this taxation has been imposed accordingly. Sir, this duty, as was very rightly pointed out by Mr. Pickford, has ruined many a Moslem trader in India. Trade in hides and skins is perhaps the only trade in the hands of the Mussulmans of India, and it has received a rude shock and a severe blow by this taxation. Sir, it is said that when Indian skins were exported to the United States of America, they were sent back as chrome leather, very well tanned and fit for uppers of gentlemen's boots. It was intended that this should be stopped, and that India should tan her own skins for her own use. Does

not the same argument apply to cotton? Why is it that cotton is not subjected to any export duty? Is not cotton wanted in India? Is it not a fact that the very cotton which is exported from this country in enormous quantities, is returned to this country in the shape of fine manufactured goods? Does not the same argument apply in the case of hides and skins? Sir, I may tell the Assembly that all people, especially the Mussulmans, are suspicious, and I for one would say that they are fully justified in their suspicions.

The Honourable members of the Assembly, I hope, will agree with me that the climate of India is not so suitable for tanning as the cool climate of England, America or Germany. Tanned hides of India can never compete with the tanned hides and skins of the Continent or the United States of America. Therefore, however good the intentions of the Government may be in imposing an export duty with the object of developing and promoting the tanning industry of India, it is yet a question, whether Indian tanneries will ever be able to hold their own against the English, Continental and other foreign tanneries. Therefore, the argument advanced by Government has no force. Sir, one very important result of this taxation is that the price of hides and skins has fallen. With the fall in the price of hides and skins, the price of mutton and beef has gone up. Where we used to buy mutton at 4 or 6 annas a seer at Lahore, now we can get good mutton at Re. 1 a seer. If the skin *plus* mutton is worth Rs. 5, and if the skin sells for Re. 1 only, the seller must try to get Rs. 4 out of the mutton. But if, on the other hand, the price of the skin were Rs. 4, the price of mutton would naturally be Re. 1.

The Honourable the President: Order, order. I do not think we are considering anything but the outside of these animals.

Chaudhuri Shahab-ud-Din: It is, Sir, a notorious fact and within my personal experience, that when the price of skins was high the price of mutton was low, and *vice versa*. There can be no two opinions on this point.

Then, Sir, those who are very anxious in this House to reduce cow-killing in India, must remember that if the price of mutton goes up every day, those who eat meat must perforce resort to beef. Those who want to protect cows from being killed, must help the noble cause. It has been already alluded to by one of the speakers that had this duty not been imposed upon the export of hides and skins, their export value might have, to a certain extent, turned the balance of trade in favour of India and thus ameliorated the condition of exchange to some extent. These, Sir, are some of the considerations which I wished to place before this Honourable House.

I request the House to vote in favour of the abolition of this tax. When one community—one of the most important communities in India—is, as a body, suffering and many of its members have been ruined already and many others are on the brink of ruin, I think this House should take some notice of its grievance. They have sent memorials to Government, they have appealed to Government, they have requested their representatives in this Assembly to represent their case to Government, and it is in compliance with their wishes that I have said all I have said on this subject to-day. As I said at the outset this is a very important matter and I am very sorry that my Mussalman colleagues who were present in the morning, are not now

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present to give me their support. But I hope that my Indian as well as my European colleagues will lend their support to Mr. Pickford's amendment and get this objectionable tax removed.

The Honourable the President: The question is :

'That to clause 2 the following new sub-clause be added :

'(3) With effect from the 1st day of April 1921, in the Third Schedule to the Indian Tariff Act, 1894, the third entry relating to 'Raw Hides and Skins' shall be omitted, and entries 4 and 5 shall be renumbered 3 and 4, respectively.'

The motion was negatived.

The Honourable the President: The question is :

'That clause 2 as amended do stand part of the Bill.'

The motion was adopted.

The Assembly then adjourned till Saturday, the 19th March 1921.