

Wednesday, 23rd March, 1921

**THE  
COUNCIL OF STATE DEBATES  
(Official Report)**

**VOLUME I**  
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**FIRST SESSION  
OF THE  
COUNCIL OF STATE, 1921**



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# COUNCIL OF STATE.

*Wednesday, the 23rd March, 1921.*

The Council assembled at Metcalfe House at 11 A.M., with the Honourable the President in the Chair.

## STATEMENT LAID ON TABLE.

The HONOURABLE SIR GEORGE BARNES: Sir, I beg to lay on the table a statement showing the number of officers in the employ of the different Port Trusts in India, which was promised in reply to a question\* asked by the Honourable Mr. Sethna at the meeting of the Council of State held on the 28th February, 1921.

*Statement showing the number of officers in the employ of the different Port Trusts in India.*

Maximum salary per mensem.	BOMBAY.		CALCUTTA.		KARACHI.		MADRAS.		RANGOON.	
	Total Number of officers.	Indian officers.	Total Number of officers.	Indian officers.	Total Number of officers.	Indian officers.	Total Number of officers.	Indian officers.	Total Number of officers.	Indian officers.
(a) From Rs. 500 to Rs. 1,000.	79	13	147	10	15	Nil.	9	2	21	2
(b) Over Rs. 1,000 and up to Rs. 1,500.	36	Nil.	60	Nil.	6	Nil.	3	Nil.	15	Nil.
(c) Over Rs. 1,500	16	Nil.	19	Nil.	4	Nil.	1	Nil.	8	Nil.
TOTAL	131	13	226	10	25	Nil.	13	2	44	2

The HONOURABLE MR. SETHNA: Sir, may I ask a supplementary question in regard to the information the Honourable Sir George Barnes has just given us?

The HONOURABLE THE PRESIDENT: Does it arise out of the statement?

The HONOURABLE MR. SETHNA: Yes. I think, Sir, the percentage of Indians is very small, and I would like to know if, in view of the information they have given us, Government propose to take any steps whereby the number of Indians in the higher branches of the Port Trusts will be substantially increased?

The HONOURABLE THE PRESIDENT: Has the Honourable Member read the statement?

\* *Vide* page 287 of Volume I, No. 7, of Council of State Debates.

The HONOURABLE MR. SETHNA : I have not, Sir.

The HONOURABLE THE PRESIDENT : Then the question cannot arise out of it. He should give notice of it.

## HINDU TRANSFERS AND BEQUESTS (CITY OF MADRAS) BILL.

The HONOURABLE MR. H. MONCRIEFF SMITH : Sir, in accordance with rule 25, of the Indian Legislative Rules, I lay on the table a Bill to declare the right of Hindus to make transfers or bequests in favour of unborn persons in the city of Madras which was passed by the Legislative Assembly at its meeting of the 21st March, 1921.

## FINANCE BILL.

The HONOURABLE MR. COOK : Sir, I beg to move :

‘ That the Bill further to amend the Indian Tariff Act, 1894, the Indian Post Office Act, 1898, the Indian Income-tax Act, 1918, and the Super-tax Act, 1920, and to amend the Freight (Railway and Inland Steam-vessel) Tax Act, 1917, as passed by the Legislative Assembly, be taken into consideration.’

We have a lot of work to do to-day, Sir, and I am quite sure that Honourable Members would not thank me if I started the day by entering into a long general disquisition on the details of this Bill. The Bill as originally introduced was placed in Honourable Members' hands on the 1st March. As passed by the Legislative Assembly it has only been in their hands since the 21st. That of course is a very short time, but the Bill has emerged from the Legislative Assembly with, I think, not a very large number of amendments, and I shall therefore assume that every Honourable Member has read it and mastered its details. I should, however, Sir, like, with your permission, to say just a few words on a preliminary, though I think very important, point. So far, this Council has only had before it, by way of information, the Budget and a copy of the Finance Bill as originally introduced, and subsequently this amended Bill. I think it is only right that I should tell Honourable Members how we now stand financially, as a result both of the voting on demands for grants in the other House and also of the alterations made by that House in the Finance Bill; otherwise I am afraid that the Council would be somewhat handicapped in dealing with the Bill now before it.

The other House have effected a reduction of 129 lakhs in next year's expenditure. It follows therefore that, if other things were equal, we should have to find by taxation 129 lakhs less. But other things are not equal, for the other House has, by the changes which it has effected in this Finance Bill, reduced the yield of the new taxation by about 85 lakhs. That is to say, the new taxation in the Bill, as at present before this Council, will yield 18 crores, and 32 lakhs, as against 19 crores and 17 lakhs. The net result is that on the whole we are 44 lakhs to the good—that is to say, the position, so far as we can see, is 44 lakhs better than when the Budget was introduced. I give this figure because I think it my duty to supply the Council with all the information I can on this point. At the same time, of course, I do not mean to imply that the Finance Department would not

like to have that 44 lakhs as a margin. I think that everybody knows of the very great uncertainties in the exchange outlook and in the trade outlook and I think that anyone who is at all acquainted with the general financial position of the country knows that any change in the position which may occur during the year, any alteration in our expectations, is much more likely to result in deterioration rather than in improvement. Now, Sir, I do not wish to embark on any sort of general discussion on the Budget, from which indeed we are by rule debarred. But I should like to make just one point clear.

It is not as if this were a budget in which the Finance Department had something up their sleeve, or in which they had nice little sums tucked away somewhere or other, a lakh here, a lakh under this head, half a crore somewhere else. I know that there was a time when the Government of India were accused, and on occasions not altogether without justice, of deliberately over-estimating their expenditure and under-estimating their revenue. My Honourable and learned friend, Sir Maneckji Dadabhoy, will remember those debates in the old pre-Morley-Minto Councils at Calcutta, when the late Mr. Gokhale used to trounce the Finance Department for what he called their over taxation of the country. On this occasion, however, I can confidently assert, without the slightest fear of being successfully challenged, that nowhere in this budget is there anything tucked away or any margin or elasticity whatever.

I have said enough, I think, to show that altogether we are better off, as a result of the treatment of the Budget and of the Finance Bill in the other House, by about Rs. 44 lakhs, and that it does not necessarily follow that that Rs. 44 lakhs is so much surplusage. I quite admit that on the figures this Council would be justified in reducing the taxation by that sum. Whether or not it is desirable to do so is another matter.

**THE HONOURABLE THE PRESIDENT :** The question is :

‘That the Bill further to amend the Indian Tariff Act, 1894, the Indian Post Office Act, 1898, the Indian Income-tax Act, 1918, and the Super-tax Act, 1920, and to amend the Freight (Railway and Inland Steam-vessel) Tax Act, 1917, as passed by the Legislative Assembly, be taken into consideration.’

The motion was adopted.

**THE HONOURABLE THE PRESIDENT :** I propose, in dealing with this Bill, to put each clause separately to the Council. That will enable Honourable Members to discuss the clause generally and also to move any amendments relating to the clause. They will, therefore, be able to speak firstly on the general principle of the clause and secondly, if they so wish, on each separate amendment.

Then I shall proceed on the basis of the list of amendments I have before me. In the first instance, we will postpone the consideration, following the usual practice, of the preamble of the Bill.

**THE HONOURABLE THE PRESIDENT :** The question is :

‘That clause 1 stand part of Bill.’

The motion was adopted.

The HONOURABLE MR. H. MONCRIEFF SMITH : Sir, I beg to move that at the beginning of sub-clause (i) of clause 2, the words,—‘ With effect from the 1st day of March 1921 ’ be inserted and that at the end of that sub-clause the words,—‘ and such substituted schedule shall take effect from the 1st day of March 1921 ’ be omitted.

This is a purely drafting amendment in order to bring clause 2 into line with the other clauses of the Bill, which all begin with the words,—‘ With effect from the 1st day of ’ such and such a month.

The HONOURABLE THE PRESIDENT : As this amendment was not on the paper, I think it right to read it again to the Council before I put it. It has been moved that at the beginning of sub-clause (i) of clause 2, the words,—‘ With effect from the 1st day of March 1921 ’ be inserted, and that at the end of that sub-clause the words,—‘ and such substituted schedule shall take effect from the 1st day of March 1921 ’ be omitted.

The motion was adopted.

The HONOURABLE THE PRESIDENT : The question is :

‘ That clause 2 stand part of the Bill.’

The motion was adopted.

The HONOURABLE MR. SETHNA : I do not think I quite understand the procedure, Sir. There are items in regard to clause 2 in the list of amendments proposed. We understand that clause 2 has been passed.

The HONOURABLE THE PRESIDENT : Are the amendments to clause 2 or to the Schedule? The Honourable Member will have an opportunity of moving any amendments to the Schedule when we come to the Schedule. By passing clause 2, the only thing that the Council has done is that it has affirmed the general principle that there shall be some import taxation. That is all we have done so far.

The question is :

‘ That clause 3 stand part of the Bill.’

The motion was adopted.

The HONOURABLE MR. E. M. COOK : Sir, I beg to move that for clause 4 of the Bill the following clause be substituted, namely :—

‘ With effect from the first day of April, 1921, for the first Schedule to the Freight (Railway and Inland Steam-vessel) Tax Act, 1917, the Schedule contained in the fourth Schedule to this Act shall be substituted.’

This is purely a drafting amendment. In the Bill, as it has emerged from the other House, there appears, in the substantive portion of the Bill, a Schedule. My amendment seeks to take the Schedule out of the clauses of the Bill and to put it where every well behaved Schedule should be, that is, at the end.

I hope that the moving of this amendment does not prevent any amendments being moved on the Schedule itself.

The HONOURABLE THE PRESIDENT : Certainly not; but I should like to hear from the Honourable the draftsman of the Bill that that is the effect of the motion.

The HONOURABLE MR. H. MONCRIEFF SMITH : That will be the effect of the motion. There are one or two amendments later on which deal with amendments in the Schedule, which is now included in clause 4. The Honourable Movers of those amendments, I presume, will be at liberty to substitute amendments to amend the Schedule as it will stand in the Schedule to the Finance Bill.

The HONOURABLE THE PRESIDENT : I put the question on that understanding.

The motion was adopted.

The HONOURABLE SIR MANECKJI DADABHOY : There is an amendment in my name, Sir.

The HONOURABLE THE PRESIDENT : Not in the clause. Let us get on with the clause and we shall come to the Schedule later. It is quite open to Honourable Members to speak on the general principles of the clause. I do not wish to shorten the discussion at all. But if there are no amendments on the clause I propose to put the question.

The motions that clauses 5 and 6 stand part of the Bill were adopted.

The HONOURABLE THE PRESIDENT : Now we come to Schedule I and it is open to any Honourable Member who may have amendments on Schedule I to move them.

The HONOURABLE MR. COOK : Sir, I beg to move that in item 5 of the Schedule I after the words ' Pearls unset ' the words ' and imported unpierced ' be added.

I think, Sir, that I can say this amendment deals with a non-controversial matter. As the Council knows, there is a fairly large pearl industry in India. Pearls are imported in a raw and unpolished state and are exported to Europe, and under the present law they are on the free list. There is an amendment standing on the paper in the name of some Honourable Member moving that they should be transferred to the taxable list, but I shall not deal with that at present. The point of my amendment is this. It has been pointed out to us that under the wording of the relevant item in the clause, pearls if imported unstrung would escape all duty. For example, if a lady bought an expensive necklace of pearls in Paris, and, just before getting into Bombay, she cut the string, she could say to the Customs Officer, ' look here, my pearls are unset. ' So far as pearls are concerned, item 5 was intended to relate to only pearls imported in a raw state, that is to say, unpolished and coming into this country to be polished, or to be re-exported and this amendment is proposed in order that the exemption may not be abused in the manner I have described.

The HONOURABLE SIR M. C. NANDY : Sir, the amendment which I propose to move is . . . .

The HONOURABLE THE PRESIDENT : The question before the Council is the Honourable Mr. Cook's amendment No. 3.

The HONOURABLE MR. SETHNA : I have not been able to follow the Honourable Mr. Cook in the alteration he has proposed. I was under the impression that the law at present permits a lady passenger bringing her

[ Mr. Sethna. ]

jewellery with her without paying any duty. In such a case, I do not suppose the Honourable Member would desire that lady should pay any duty.

The HONOURABLE MR. E. M. COOK : That was not my intention.

The HONOURABLE MR. SETHNA : I understood the Honourable Member to say that if a lady purchased an expensive necklace in Paris . . . .

The HONOURABLE MR. E. M. COOK : Sir, I beg to substitute the word 'trader' for 'lady'.

The HONOURABLE MR. SETHNA : Very well, Sir, even if he be a trader, I would like to point out that the trader would have paid the duty in the first instance when the pearls, whether pierced or unpierced, came to this country and were exported to Europe. If it so happens that someone purchases the pearls in Europe and brings them back to this country, it would be a case of the duty being paid twice over. I would, therefore, request the Honourable Member to reconsider his amendment.

The HONOURABLE MR. SEDDON : I rise to a point of order, Sir, if another Honourable Member with an amendment relating to pearls brings his amendment on for discussion after this has been decided on, would it be in order? It relates to placing pearls on the taxable list.

The HONOURABLE THE PRESIDENT : I understand that the amendment referred to is that of the Honourable Sir M. C. Nandy which undertakes to take this out of the list of articles on which the duty is free and to place it on the taxable list. The Honourable Mr. Cook is at present moving an amendment which will not alter the taxation at all. I think it is merely to fill what he considers to be a loophole. We had better take a decision on that first. I will, therefore, put Mr. Cook's amendment.

The HONOURABLE MR. SETHNA : I am sorry, I made a mistake. I said that the trader would pay the duty twice over, but I find that this is not so. The trader imports his pearls unpierced and consequently pays no duty when he gets them in India from Arabia. If for any reason he wants to get them back from Europe after they are pierced, it is only right that he should pay duty.

The amendment was adopted.

The HONOURABLE THE PRESIDENT : Having cleared that point, I think, the next step would be to ask the Honourable Maharaja Sir M. C. Nandy to move his amendment. But before he does so, I call upon him to explain how he avoids the ruling I laid down at the last meeting that he cannot move to enhance taxation, unless he can show, of course, that this amendment is merely an enhancement equivalent to some reduction of other taxation which he proposes.

The HONOURABLE SIR M. C. NANDI : I beg to withdraw my amendment which runs as follows :

'That item No. 5 be omitted from Part I and the entry in column 2 thereof be added to item 81 in Part IV.'

The amendment was by leave of the Council withdrawn.



The HONOURABLE THE PRESIDENT : Does the Honourable Mr. Sethna desire to move his amendment ?

The HONOURABLE MR. SETHNA : Yes, Sir. I beg to move—

That the following item be inserted after item 25, namely :

‘The following articles when imported by the owner of a cotton weaving mill and proved to the satisfaction of the Collector of Customs to be intended for use in the weaving of cotton or the baling of woven cotton goods :

Aniline blue, Bisulphate of soda, China clay, chloride of magnesium, chloride of zinc, Dressalin, Epsom salts, Farina, Farinina, Flannel taping, Glauber salts, Glutina, Glycerine substitutes, Heald varnish, Hoop iron, Hoop steel, Rivets for bales, Sewing needles, Sizing paste, Sizing wax, Soda ash, Starch, Velvet pulp.’

Sir, the items mentioned in my amendment appear in the present Sea Customs Act in the list of articles which are duty free. They were made duty free when excise and customs duties were first introduced. I may mention that the then Finance Member, Sir James Westland, intended to levy a duty on these articles as well and duty was so levied for a time. On a strong representation, however, being made to him by those interested in the cotton trade, exemption was given to these articles on the ground that these people would be paying duty twice over. And it is the same ground which I take to-day for bringing forward my amendment to exempt these articles from the payment of any duty whatsoever. I am aware, Sir, that in another place, a similar amendment was brought forward some days ago, but Government opposed it and the opposition from Government was on the ground firstly, that the cotton mill industry is at present enjoying very prosperous times, secondly, that the import duty paid on these articles would represent a very small amount paid by each individual mill and therefore would not be felt by them, and lastly,—and this is the reason I believe to which they attach the greatest importance—administrative difficulty. Sir, I quite understand that the cotton mill industry is at present in a very flourishing condition. But every industry, whether it is cotton, jute, or anything else, has its ups and downs, has its good years and bad years, and it does not follow that because they are making a profit to-day, they will continue to do so hereafter. We must bear in mind that this Act is not for a period of twelve months but for an indefinite period. I would therefore, Sir, on the ground that they are levying duty twice over, request Government to consider their decision. I do not exactly know what revenue Government will derive from this source—I mean what the loss of revenue will be to Government if they exempt these articles from duty. An Honourable Member behind me interjects a remark ‘Rs. 10 lakhs.’ But I am afraid 10 lakhs does not represent the loss on these articles alone. If I understood the Honourable the Finance Member aright in the course of the speech he made in the other House I think he said that Rs. 10 lakhs would represent the loss if no duty was charged at 2½ per cent. on machinery and stores, including these articles. If my contention is right, then the loss of revenue is not Rs. 10 lakhs but very much smaller. What exactly it is, I do not know . . .

The HONOURABLE MR. E. M. COOK : Rs. 4 to 5 lakhs.

The HONOURABLE MR. SETHNA : If it is Rs. 4 to 5 lakhs, then there is greater reason in support of my amendment, namely, that for the sake of Rs. 4 to 5 lakhs Government ought not to impose this duty, particularly—

[ Mr. Sethna. ]

again I repeat it—for the reason that these articles will be paying duty twice over. Of course it will be said that the mills will now benefit by the excise duty to a larger extent and they ought not to grudge, but that argument, Sir, ought not to hold good.

Then again, there is the question of administrative difficulty. I understand Government attach very great importance to this. Now, Sir, we are not running the Customs Department so that they should study their own convenience. I am sure that this Council which is composed of so many commercial magnates will see the force of the argument advanced in favour of mill-owners that on no article should duty be paid twice over. It is only on that ground, Sir, that I propose this amendment, and I hope that Government will be pleased to see that this duty is removed on these articles.

THE HONOURABLE SIR MANECKJI DADABHOY: Sir, I support this amendment. It is not a question of the prosperity of the mills, but it is a question of principle. I am sure the Government of India will uphold the principle that no article or commodity should be taxed twice. If that principle is upheld, my submission is that there is no justification for imposing this duty after a long period of 25 years during which there has been a total immunity from any taxation. My friend Mr. Sethna has already referred to the transient prosperity of the cotton industry at present. But in matters of taxation, I submit it is wrong to look to the prosperity of a particular industry at the time. I understand that the Government of India, in matters of taxation, ever since the right of discussing the Budget has been given to the Legislative Councils, have been following some principle or other, and one principle which has been enunciated and which has been steadily followed is that in all matters of taxation, justice should be done, and that people should not be called upon to pay taxes twice over. My friend Mr. Sethna has explained the situation, and I do not wish to take up the time of the Council any further. I therefore support this amendment.

THE HONOURABLE SIR ALEXANDER MURRAY: May I ask the Honourable Mr. Sethna what exactly he means by saying that hoop iron, hoop steel, baling rivets, etc., pay taxation twice over?

THE HONOURABLE THE PRESIDENT: If the Honourable Member wishes to make a speech, he must do so. I am quite prepared as I have said to allow a certain amount of latitude in this debate in view of the special circumstances of the case. If the Honourable Member is merely asking for information, I am quite willing that he should do so. But if he wishes to make a speech, he must remember he can speak only once on the amendment. I am quite prepared to allow the Honourable Member to put a question to the Honourable Mr. Sethna. But what I am not prepared to allow him to do is in the form of a question to put forward an argument.

THE HONOURABLE SIR ALEXANDER MURRAY: I quite appreciate all that you say. Sir, I would like to speak on this amendment but I cannot do so intelligently on the information before me.

THE HONOURABLE THE PRESIDENT: If the Honourable Mr. Sethna can give the Honourable Sir Alexander Murray the information which he asks for, I would ask him to do so.

The HONOURABLE MR. SETHNA: If the Honourable Sir Alexander Murray desires to omit those items which relate to the baling and moving of cotton, I shall have no objection.

The HONOURABLE SIR ALEXANDER MURRAY: That is not the point, Sir.

The HONOURABLE THE PRESIDENT: I think that a certain amount of irregularity has resulted from this question and answer. I now call upon the Honourable Sir Alexander Murray to speak.

The HONOURABLE SIR ALEXANDER MURRAY: Well, Sir, I say quite frankly that if the Honourable Mr. Sethna or any other Honourable Member of this House can prove that any of these particular articles are paying duty twice over, there is a case for discussion. But I really cannot see that hoop iron, hoop steel, rivets for bales, sewing needles and sundry other items are paying duty twice over. In these circumstances, I do not think that these particular articles should be excluded.

Coming to some of the other items, Sir, I understand that the point made by the Honourable Members is this, that for the last 25 years or so, sizing, which is a generic term used to cover these other things, has been admitted free. But this sizing is used in the manufacture of cotton cloth in this country on which excise duty is paid at  $3\frac{1}{2}$  per cent.

The point that the Honourable Member made, if I understood him aright, was that he has now to pay two duties (1) at the rate of 11 per cent. on the sizing when it is imported and (2) an excise duty of  $3\frac{1}{2}$  per cent. on the article when it is manufactured, or in other words that this particular article has to pay  $14\frac{1}{2}$  per cent. duty subject to slight adjustment as regards wastage and loss. I take it that manufactured cotton cloth from Lancashire or Japan or any other place carries exactly the same kind of sizing as cloth on which the  $3\frac{1}{2}$  per cent. duty is paid and that that cloth when it comes into this country has to pay a duty of 11 per cent. Therefore I take it that as regards the Indian manufactured cloth, the point at issue is one of  $3\frac{1}{2}$  per cent. not one of 11 per cent. at all. Then my Honourable friend mentioned the case of jute. On the other side of India we manufacture jute more freely than we manufacture cotton. We apply to jute in the process of manufacture oil and other dressing materials much the same as this sizing. Nearly all that oil and materials are imported and pay duty, I think I am right in saying it, at up to about  $7\frac{1}{2}$  per cent. Then we pay an export duty on the manufactured goods. That means we are paying an import duty and an export duty, in other words paying two duties. Mr. Sethna asks particularly for exemption in the case of cotton goods. Well, I do not see why I should not ask for a similar exemption in the case of jute goods. In any event Sir, the point at issue is not one of 11 per cent. but one of the difference between 11 per cent. and  $14\frac{1}{2}$  per cent. The point which Mr. Sethna is rightly entitled to urge is about the sizing and that is really a question of  $3\frac{1}{2}$  and not 11 per cent.

The HONOURABLE MR. LALUBHAI SAMALDAS: I agree with my Honourable friend, Mr. Sethna, in claiming that the articles which are used for sizing in the cotton industry should be allowed to come in free. I want to

[Mr. Lalubhai Samaldas.]

give the House, Sir, a few figures about this duty and the excise duty. I speak subject to correction. If I remember aright these articles were made free at a time when excise duty was levied in response to the demand of Manchester. In response to that request and pressure, the excise duty had to be put on. The Government of that day saw that it was unfair to the indigenous mill industry to pay excise duty and also to pay a duty on what I may call for simplicity's sake sizing materials and these will not include hoop iron, hoop steel, etc., which Sir Alexander Murray referred to. The sizing materials were then allowed to come in free and the Bombay mill owners and Manchester importers were in practically the same level. The Bombay mill owners had to pay  $3\frac{1}{2}$  per cent. excise duty, while Manchester importers had to pay an import duty of  $2\frac{1}{4}$  per cent. In the next stage when the duty was increased to  $7\frac{1}{2}$  per cent. the Bombay mill owners were not even then charged anything for the sizing material. They had an advantage, it may be said, of 4 per cent. on the sizing material. The imported goods had to pay  $7\frac{1}{2}$  per cent. The manufactured goods in the country had to pay only  $3\frac{1}{2}$  per cent. Now I want to show that the Bombay mill owners are in a worse position by putting sizing materials under the 11 per cent duty. The Bombay mill owners have to pay 11 per cent. on the sizing materials *plus*  $3\frac{1}{2}$  per cent. on the finished goods. Sir Alexander Murray said, and I quite agree, that it is not a question of 11 per cent. but if as I believe the sizing material used is practically double, then it means 11 per cent. on double the materials used that is, 22 *plus*  $3\frac{1}{2}$  per cent. so that the Manchester importer is put at a great advantage in comparison with the Bombay mill owners. It is on this ground that we want this duty to be removed. As my Honourable friend, Mr. Sethna, made it quite clear, the total income from this duty is only 5 lakhs. It is small to Government and it is small to the mill owners. Mill owners have always come forward to help Government. We raised 9 crores in Bombay for the Bombay Development Loan and if any more money is required we are prepared to pay, but I want justice to be done. I therefore support the Honourable Mr. Sethna's Resolution.

THE HONOURABLE SIR ALEXANDER MURRAY: I just want to make one point clear. In jute mills we have to pay  $7\frac{1}{2}$  per cent. on oils and other dressing materials that we use in the manufacture of jute cloth and there is no reason why cotton mills only should get remission for their sizing materials. I should like to make that point clear.

THE HONOURABLE MR. LALUBHAI SAMALDAS: You have to pay no excise.

THE HONOURABLE MR. E. M. COOK: I must congratulate those of my Honourable friends who have supported this motion on their effort to stampede this Council on high grounds of principle. I am afraid I cannot soar so high, and shall have to deal with the matter on more practical grounds. I quite admit that in theory there is a double duty on a certain number of sizing materials. My first point refers to the fact, which has been very ably put by Sir Alexander Murray, that heald varnish, hoop iron, hoop steel, rivets for bales and sewing needles none of which enter into the manufactured product, have been included in my Honourable friend's amendment. I do not think he has any right to come here and propose an amendment of this kind the effect of which would be to let these articles

in duty free. My second point is that, although it may seem *prima facie* reasonable to claim that the mills should not be required to pay twice over on their sizing materials, I see no reason why the mills should claim complete exemption from import duty for sizing and finishing materials. The most they could reasonably claim, even in theory, is the difference between the import duty and the excise duty . . . .

The HONOURABLE SIR MANECKJI DADABHOY : Let us have that.

The HONOURABLE MR. E. M. COOK : That is not the present motion. I come to the third point, *viz.*, the matter of administrative inconvenience. It is not merely a case of inconvenience to ourselves and our own officials, but when you get serious administrative inconvenience in a matter of this sort, it always means inconvenience to the public. I do not know if the Council quite realises what the inconvenience is over these miscellaneous articles. The working of these exemptions under the existing schedules involves very considerable difficulties, because certain of them—in fact, most of them, I think,—can be used for entirely different types of work, and others can be used for woollen mills which are not privileged. Then again, the question arises of importation by ‘Stockists’ who may sell to a cotton mill, and the result is that in a very large number of cases, duty is charged provisionally in the first instance and is then adjusted on production of the necessary proof of destination and in many cases duty is charged subject to a refund being granted. Now, all these processes involve considerable inconvenience and running to and fro between the business offices and the Customs offices. It means a subsequent handling of the papers, which probably in the meanwhile have been dispersed to the Accounts Office. It means the expenditure of a considerable amount of clerical and administrative labour. The disposal of every one of these claims tends to clog the Customs machine and makes it work slower, and therefore results in perceptible inconvenience to the general public.

Then, there is another point, Sir. Sizing and finishing materials surely constitute only a very small fraction of the value of manufactured cloth. I have heard it estimated at not more than 5 per cent. at the outside.

The HONOURABLE MR. LALUBHAI SAMALDAS : Nearer 15 per cent.

The HONOURABLE MR. E. M. COOK : In that case there cannot be much cotton in it.

The HONOURABLE THE PRESIDENT : Order, Order.

The HONOURABLE MR. E. M. COOK : This theoretical objection in practice merely applies to the amount of sizing that is contained in the cloth when it comes out of the mill. I submit this is a very small matter, in view of the considerable administrative inconvenience that is caused by these exemptions. If it were really a large matter involving a large sum of money, if it were really a case of harassment of an industry, then I think that administrative considerations should be of secondary value. But when the sum is so small, it is not fair for the cotton industry to come to Government and ask them to make this amendment.

The amendment was negatived.

The HONOURABLE MR. E. M. COOK : Sir, I beg to move amendment No. 6 on the agenda paper :—

6. That for item 41 the following be substituted :—

<p>‘ 41. PETROLEUM, including also naptha and the liquids commonly known by the names of rock oil, Rangoon oil, Burma oil, kerosine, paraffin oil, mineral oil, petroline, gasoline, benzol, benzoline, benzine and any inflammable liquid which is made from petroleum coal, schist, shale, peat or any other bituminous substance, or from any products of petroleum, but excluding the classes of petroleum included in No. 41-A.</p>	<p>Imperial gallon.</p>	<p>One anna and six pies.</p>
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NOTE.—Motor spirit is liable to an additional duty of six annas per gallon under Act II of 1917, as amended by Act III of 1919.

<p>41-A. PETROLEUM which has its flashing point at or above two hundred degrees of Fahrenheit's thermometer, and is proved to the satisfaction of the Collector of Customs to be intended for use exclusively for the batching of jute or other fibre, or for lubricating purposes, and petroleum which has its flashing point at or above one hundred and fifty degrees of Fahrenheit's thermometer, and is proved to the satisfaction of the Collector of Customs to be intended for use exclusively as fuel or for some sanitary or hygienic purpose.</p>	<p><i>ad val-</i> 7½ per cent. <i>orem.</i></p>
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Sir, I think, I need only explain quite shortly the object of this amendment. Some years ago, I forget exactly when it was, a concession was made in favour of these various oils, known generally by the name of lubricating oils, and they were placed in the *ad valorem* schedule, the object being to give them a concession as against the other petroleum which were taxed at 1 anna and 6 pies per gallon. As Honourable Members know, the *ad valorem* duty is now going up to 11 per cent. But quite apart from that, the prices of these lubricating oils themselves have now gone up so much—they have been going up for some years past—that the effect of what was intended as a concession has in practice become a hardship and the object of this amendment is to rectify that by keeping the duty at 7½ per cent. I believe the facts are that, with the general *ad valorem* rate put up to 11 per cent. the rate on these classes of petroleum would, in the case of all lubricating oils worth 14 annas or more per gallon, be higher than 1 anna and 6 pies, and for that reason we propose to preserve the old rate of 7½ per cent. It is quite true this will mean a small loss of some Rs. 50,000 as compared with the receipts that would be obtained at 11 per cent., but it is really a paper loss, because against that you have got to set the danger that in such cases importers might claim to have their petroleum taxed at 1 anna 6 pies per gallon, and in that case the burden of proving that it is taxable at the higher rate would be shifted on to the Collector of Customs, who would have considerable difficulty in doing so; and the result of that would be to bring in less revenue than at present.

The amendment was adopted.

The HONOURABLE THE PRESIDENT: The next amendment I have on the notice paper—I do not know if any others have been handed in since—is an amendment to item No. 52 by Mr. Sethna.

The HONOURABLE MR. SETHNA: Sir, I beg to move that in the proviso in Item 52 for the words from 'and are owing to their shape' to the end, the following be substituted:

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'and are in fact intended solely for such purpose. Such intention shall in each case be a question of fact and shall be supported by a declaration to be made by the importer.'

I wish to draw the attention of Honourable Members to Item 52 in this Schedule. It has been the intention of Government, all along, to encourage local industries, and therefore, in the past, whilst they allowed machinery free, and there was a general customs duty of 7½ per cent., by this clause in the Act they also allowed the component parts of machinery to come in duty free. Now that the duty is raised from 7½ per cent. to 11 per cent. on almost all articles, if by any chance such component parts have to pay this heavy rate of duty, then it will be a hardship on the importers of this particular kind of machinery. The reason why I have brought forward this amendment is that on account of the wording of the proviso there is considerable difference of opinion between the importers and the Customs Department. I contend that the Customs Department do not put upon the proviso that liberal interpretation which Government intended when framing the Act, with the result that importers have been made to pay duty at 7½ per cent. instead of being allowed to bring in these component parts free. I think, Sir, I will make my meaning clear if I give one of two illustrations of cases which were referred by those concerned to the Indian Merchant's Chamber at Bombay. One of these was in regard to a turbo-rotary generator for a large factory for the production of iron. Now, Sir, a turbo-rotary generator is an essential part of the power plant, but such a generator cannot be worked without a switchboard. The one cannot be used without the other; but because this component part was called a 'switchboard,' and as the proviso now framed reads 'owing to their shape or to other special quality, not adapted for any other purpose', the Customs Department contend that, being a 'switchboard', it can be used as a 'switchboard' for other purposes. The importers contended that this 'switchboard' could not possibly be so used; but they were unsuccessful in their appeal and it was ruled against them.

Another case of the same Company is in regard to what is called a pyrometer. A pyrometer, Sir, is used for the purpose of testing the heat in blast furnaces. It is a kind of electrical thermometer, and because it is a thermometer the Customs Department again contended that it may be used for another purpose and consequently must bear full duty. Now, Sir, I am given to understand that that the so-called thermometer can serve no other purpose than that for which it is particularly intended and imported, and if the Customs Department think that it can be used for another purpose, all I can say is that it can be used for no other purpose than as a specimen in a museum or as a curiosity.

Then, Sir, if these articles cost small amounts it would be a different matter. But the cost of these switchboards and pyrometers runs into five figures and I leave it to the House to imagine the amount of duty that has to be paid by a firm importing machinery of this kind. I could give more instances in regard to machinery, but as those instances are somewhat complex

[ Mr. Sethna. ]

and as Members of this House cannot be expected to know all about complex machinery matters, I think I will give a much easier illustration which, I hope, will go home to the Members. There is a particular kind of knitting machine which is imported in this country. That knitting machine can only be used with a particular kind of needle and that particular needle can only be used in this particular knitting machine, and nothing else. Yet the Customs Department, relying again on the wording of this proviso, say that because it is a needle it can be used for other purposes and consequently they charge the higher rate of duty for the needle. Is that right? I leave it to the House to decide. It is to remove such an anomaly that I have brought forward my proposal to amend the proviso. I quite understand that Government are anxious that there should be no loss of revenue. My point is that the best criterion is that the importer should make it known to Government that this component part is to be used for that particular machinery for the production of the goods that he is making and is not to be used for any other purpose. Therefore, as my amendment reads, he is asked to give a declaration to that effect, and if he goes behind that declaration it is open to Government to prosecute him criminally. I am sure that no respectable firm would think of importing articles which they are not going to use themselves in the manner indicated. As regards administrative difficulties to which the Honourable Mr. Cook referred, the administrative difficulties of the Customs Department, I doubt if Government can tell us if they have found many cases to show that any undue advantage has been taken of the concession which Government has made. It is, therefore, Sir, to remove this defect that machinery imported for our industries or component parts thereof be not charged at the higher rates that I have brought forward this amendment, so that our industries may be strengthened and enlarged, and I hope that Government will see their way to accepting it.

THE HONOURABLE MR. LALUBHAI SAMALDAS: Sir, I rise to support this Amendment. I should make it clear in the beginning that it is not in the interests of any one industry, of any one firm or of any one company that we are pressing for this amendment. The thing is this. I will take one other instance— a hypothetical instance—as Mr. Cook might say. We are placing orders for sugar machinery. We want to have an electric drive and the same difficulty about a switchboard will occur there also. But there is another matter that I want to bring before this Honourable House. We will have to order out with the whole machinery boiling pans and the Customs Department might say that these pans might be used for manufacturing *goor* or jaggery and are therefore liable, not to 7½ per cent. now, but to 11 per cent. duty. This means that it will be a great handicap to the sugar industry. The Customs Department are very efficient watch-dogs of the Government, and can charge 11 per cent. on anything that they like. It is for that reason, Sir, that I cordially support the amendment moved by my Honourable friend Mr. Sethna.

THE HONOURABLE SARDAR JOGENDRA SINGH: Sir, I also rise to support the amendment moved by the Honourable Mr. Sethna. Mr. Cook, a little while ago, said that he was not going to stand on the high ground of principle; but I am quite sure that he is not prepared to net in revenue unfairly. What the amendment seeks is a definition of a clause which would exclude certain things which are definitely used for definite purposes, such as



pyrometers, on which the Customs Department has been charging higher rates.

I think that the Finance Department should accept this amendment and allow these things to be definitely defined.

The HONOURABLE MR. E. M. COOK : Sir, one would not have thought, from the speeches we have heard on this amendment, that this is a Finance Bill designed purely to provide additional sources of revenue. This proviso in the Schedule is a very old feature, and is not being inserted for the first time now. It embodies a definite principle and my Honourable friend would abrogate that principle and introduce a new one. It may or may not be a good principle and the Honourable Mr. Sethna's principle may or may not be a good one. What I do submit, Sir, is that this is not an occasion on which we can consider a difficult, complicated and highly technical subject of this sort.

I only got a notice of this amendment yesterday afternoon and I do not think it is quite fair to this Council to ask them to consider an amendment on an extremely difficult subject of this sort on such short notice . . .

The HONOURABLE MR. SETHNA : Has not the attention of Government been drawn to the very instances I have quoted ?

The HONOURABLE MR. E. M. COOK : Not in connection with this Finance Bill, Sir.

The HONOURABLE THE PRESIDENT : I would remind the Honourable Member that one of the reasons why this Finance Bill was taken up on such short notice was on his own application.

The HONOURABLE MR. E. M. COOK : I am not complaining of the shortness of the notice, Sir. What I have said is only by way of explanation and by way of apology to this Council, on behalf of my Honourable friend, for his asking them on this Bill to deal with such an extremely difficult and complicated subject.

I find from the papers I have with me that the question of the interpretation of the existing proviso has been considered at different times for some years now, and, more particularly, quite recently in connection with electrical appliances imported by a well known firm.

I stated just now that my Honourable friend's amendment introduced an entirely new principle in the Schedule, and this may have very far-reaching results. I think the House will agree with me when I say that it is not safe to jump at a decision on such things on short notice. I am quite unable to say what will be the effect on the general operation of the Schedule if an amendment of this kind were introduced, and I am afraid that I must raise the strongest possible objections to my Honourable friend's attempt to rush the acceptance of a proposal of this kind without very careful, detailed and prolonged consideration.

I find that there has been for some time past considerable controversy between the Bengal Customs officials and a well known firm on this subject. The matter has now finally been reported to the Government of India by the Bengal Government, and we have received a letter, dated the 18th March, only two days ago from the Bengal Government enclosing a representation from that firm and placing the whole matter before the Government of India.

[ Mr. E. M. Cook. ]

Now that, of course, will receive very careful consideration, and a decision will have to be arrived at as to the best method to treat this very difficult and complicated question. If the decision on the question does not suit those who have raised it, it will always be open to my Honourable friend to come up again in September and move a Resolution, but I am afraid I must oppose the introduction of a highly complicated subject as this, on the Finance Bill.

The HONOURABLE MR. SETHNA : Sir, in view of the explanation which the Honourable Mr. Cook has given and in the hope that he will consider this question sympathetically and thus render it unnecessary for me to move a Resolution next September, I request that leave may be given me to withdraw my amendment.

The amendment was, by leave of the Council, withdrawn.

The HONOURABLE MAHARAJA SIR M. C. NANDY : Sir, I beg to move :

'That No. 59 in Schedule II, Part III (Printing Presses and Materials', be removed from this part of the Bill and placed in Schedule I, Part I, amongst articles which can be imported free of duty.'

Sir, I have to plead on behalf of a business, or industry if you please, which has already been very hard hit on account of the enormous rise in the price of papers. Already it is becoming difficult even to print and publish necessary and useful books, because of this rise in the price of paper, and if you add at this stage to the cost of production of books by imposing a duty, however small, on Printing Presses and Materials, as detailed in No. 59 of Schedule II of the Bill under consideration, it would almost mean a tax on education and knowledge. Sir, I cannot bring myself to believe that this House will be at all a party to such an iniquitous imposition. You will excuse me to point out to you that, while some of the materials for paper-making, a large number of agricultural implements, dairy appliances, water-lifts, sugar-mills and oil-presses and even all sorts of living animals are exempted from all duties, the primary instruments of instruction and education for the people are to bear a rather inconvenient impost. I appeal to the patriotism of the House not to allow any duty on such machineries and materials as may hamper the spread of knowledge and education in the country.

The HONOURABLE MR. E. M. COOK : Sir, I am afraid that I must oppose this amendment. These articles are already in a favourable position, in that they are only taxed at 2½ per cent. I think that is a considerable concession already, and when we are trying to see how we can most equitably obtain new sources of revenue, I think it is a mistake to give away a source of revenue, however small it may be, and it is also a mistake, if I may say so, to ask the Council to subsidise printing at the expense of the general tax-payer.

The amendment was negatived.

The HONOURABLE MR. E. M. COOK : Sir, I beg to move :

'That for item 73, the following be substituted.

'73. All sorts of animal essential, mineral and vegetable non-essential oils, excluding petroleum as defined in Nos. 41 and 41-A.'

The motion was adopted.

The HONOURABLE MR. E. M. COOK : I beg to move :

'That in item 81 after the words 'imported cut' the words 'and Pearls imported pierced' be inserted.'

The HONOURABLE THE PRESIDENT : The question is :

'That in item 81, after the words 'imported cut' the words 'and PEARLS imported pierced' be inserted.'

The motion was adopted.

The HONOURABLE THE PRESIDENT : The next amendment on the paper also stands in the name of the Honourable Mr. Cook.

The HONOURABLE MR. E. M. COOK : I beg to move, Sir :

'That at the end of item 83 the words and figures 'and articles made of silk (see No. 132)' be added.'

I may explain, Sir, that the general rule is that, when articles fall both under a general item and a more particular item, they should be taxed under the more particular item. And according to this rule, certain articles of apparel, millinery, haberdashery and hosiery should fall under items 83 and 98 and not under the general item 132 which is silk piece-goods and other manufactures of silk. This, however, was of course not the intention, and this and the subsequent amendment which I shall move presently is in order to give proper effect to the original intention.

The HONOURABLE THE PRESIDENT : You can move your next amendment, No. 19 also.

The HONOURABLE MR. E. M. COOK : I beg to move :

'That in item 98 after the words 'Haberdashery and Millinery' and after the word 'Hosiery' the words and figures 'excluding articles made of silk (see No. 132)' be added.'

The HONOURABLE THE PRESIDENT : The question is :

'That at the end of item 83 the words and figures 'and articles made of silk (see No. 132)' be added.'

The motion was adopted.

The HONOURABLE THE PRESIDENT : The next amendment is a consequential amendment of the above.

The question is :

'That in item 98 after the words 'Haberdashery and Millinery' and after the word 'Hosiery' the words and figures 'excluding articles made of silk (see No. 132)' be added.'

The motion was adopted.

The HONOURABLE THE PRESIDENT : The next amendment on the paper also stands in the name of the Honourable Mr. Cook. I do not quite understand his amendment. He will see, if he refers to the Schedule, that the word 'lorries' occurs twice in the item which he is amending. I do not know in which place he wants the word 'namely' to be inserted.

The HONOURABLE MR. E. M. COOK : Before the word 'chassis'; i.e., after the word 'lorries' where it occurs a second time. This is merely a drafting amendment, Sir. I beg to move :

'That in item 83 after the word 'lorries' and before the word 'chassis' the word 'namely' be inserted.'

The HONOURABLE THE PRESIDENT: I understand that this is a purely drafting amendment.

The question is :

'That in item 85 after the word 'lorries' and before the word 'chassis' the word 'namely' be inserted.'

The motion was adopted.

The HONOURABLE THE PRESIDENT: The next amendment is also in the name of the Honourable Mr. Cook.

The HONOURABLE MR. E. M. COOK: Sir, I beg to move :

'That in item 87 after the word 'cutlery' the words and figures 'excluding electroplated cutlery (see No. 127)' be added.'

I might indeed, Sir, have coupled this amendment with Nos. 13 and 19 because exactly the same reason applies in this case also.

The HONOURABLE THE PRESIDENT: The question is :

'That in item 87 after the word 'cutlery' the words and figures 'excluding electroplated cutlery (see No. 127)' be added.'

The motion was adopted.

The HONOURABLE THE PRESIDENT: The next amendment on the paper stands in the name of the Honourable Maharaja Sir Manindra Chandra Nandi. It appears to me to be open to the same objection that I put to him last time inasmuch as his amendment involves an increase in the rates from 11 per cent. to 20 per cent. I should like to hear his explanation in view of my ruling on the last occasion.

The HONOURABLE MAHARAJA SIR M. C. NANDI: I beg to move No. . . .

The HONOURABLE THE PRESIDENT: Order, order. Before the Honourable Member moves his amendment, I should like him to explain to me how he justifies his amendment in view of my ruling that increase of taxation can only be moved by a Member either on behalf of Government or where it involves such variation in taxation as to make a reduction by another amendment standing in the name of the same Member.

The HONOURABLE MAHARAJA SIR M. C. NANDI: Though I suggest here only a variation in taxation which is made up in my next, I beg to withdraw this \*amendment, Sir.

The amendment was, by leave of the Council, withdrawn.

The HONOURABLE MAHARAJA SIR M. C. NANDI: Sir, I have great pleasure in moving :

'That Cotton piece-goods (98) and Umbrellas (120) be removed from Part IV, Schedule II, and be made liable to duty at the rate of 7½ per cent *ad valorem*.'

Sir, I feel that a large number of Members of this House will not like this amendment of mine, but nevertheless I feel called upon by a sense of duty to move it in the best interests of my country. Already the impression seems to

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\* That items Nos. 91, 92, 105, 110, 117 and 119 be omitted from Part IV and the entries in column 2 thereof be inserted as new items in Part V at the end.

have gone out in the country that we are a body of people who represent only capitalistic and vested interests, and do not care very much either for the masses or the poorer middle classes. It would be an insult to our patriotism if we would allow such an impression to go deep down into the minds of our people by any act or intention of ours. In moving this amendment, therefore, the effect of your acceptance of which will mean more cheapening of the prices of *dhoties* and *saris*, I stand for the masses and the poorer middle classes, and I expect all members of this House to stand by me in this fight. Sir, it is known to you and every one of this House that the present unrest in the country is due more to economic than to political causes, and it would, therefore, be very much impolitic and unwise at this time of the day to add to the economic struggle of our life. Sir, it is idle to expect that the 250 cotton-mills in India would supply all the necessary wearing-apparel of 320 millions of our people, and, do what Bombay may, a large quantity of our necessities in that line has got to be brought out from Manchester and outside. If Bombay spindles and looms could supply all the necessities of our people, I would have myself welcomed to-day the additional duty which the Government of India are seeking to impose on imported cotton piece-goods. But as Bombay cannot supply all our needs, the rest has got to be imported from somewhere. This additional duty, therefore, is bound to send up the prices of cotton-goods imported from outside, and add to the economic pressure of the masses and the poorer classes. As is the *dhoti* and the *sari*, so also is the umbrella an essential necessity of life in a tropical and rainy climate. It may be a luxury, but it is a poor man's luxury, and you should think twice before making his life a bit harder than it is by sanctioning a duty of 11 per cent *ad valorem* on his umbrella. Why, in the name of fairness, I ask you, Sir, should we make living dearer and more expensive than already it is at the present moment? I want the members of this House to forget for a moment the claims of Lancashire and Bombay on our fiscal policy, the bloated finances of the Government of India and their huge disbursements, and to turn their thought to hundreds and thousands of Indians who cannot make both ends meet and who can hardly keep their bodies and souls together.

I would then ask the House to say if these are the people who ought to bear the burden of an additional tax of 3½ per cent. of duty upon the loin-cloths and the umbrellas they use. If the House thinks that we are not touching the poorest classes of our people by this new impost and only helping Bombay, I would not mind it throwing out my amendment. But if we are here to protect and guard the interests of the poor and not to look after the pockets of the rich, I have confidence that my motion will be accepted.

THE HONOURABLE COLONEL SIR UMAR HAYAT KHAN: I just want to ask whether written speeches are allowed or not.

THE HONOURABLE THE PRESIDENT: I think the Honourable Member is well aware that they are. He used to indulge in them at one time himself.

THE HONOURABLE MR. E. M. COOK: I have only got one or two words to say on this amendment. In the first place the Honourable Member proposes to transfer imported cotton piece-goods from 11 to 7½ per cent. That would mean an enormous loss of revenue, probably something almost approaching 2 crores. That is all I have to say on that point. As regards umbrellas the Honourable Maharaja has. I think forgotten that they were taken out of the luxury list by the other House and put in the 11 per cent list, and now he wants to put them in the 7½ per cent list. I do not know why.

The HONOURABLE THE PRESIDENT : The question is —

"That Cotton 'piece-goods' and 'Umbrellas' be omitted from items 98 and 120, respectively and be inserted under a new part as articles liable to duty at the rate of  $7\frac{1}{2}$  per cent *ad valorem*."

The motion was negatived.

The HONOURABLE MR. E. M. COOK : Sir, I beg to move that item No. 105 be omitted. With your permission, Sir, I may as well move the consequential amendment, item No. 27, which runs as follows—

'That after item 135 the following item be inserted, namely:

'135-A. Jewellery and Jewels.'

I must explain, Sir, that there has been a little inconsistency as regards the treatment of this item of the Schedule, and some change of mind on the part of Government. I will explain how it occurred. It was originally intended to put 'Jewellery and Jewels' into Part V, as I am now proposing, that is to say, to tax them at 20 per cent. It was then represented to us by our advisers that the enhanced duty would probably be an inducement to smuggling, especially through the post and that detection might be very difficult. Since the introduction of this Bill on March the 1st, however, we have received many requests from customs officers all over India to give rulings as to what articles are to be classed as jewellery and what articles as gold or silver manufactures, which, if Honourable Members will refer to item No. 130, are taxable at 20 per cent, and the difficulty of distinguishing these things is so extremely great that we have been obliged to come to the conclusion that on the whole it is preferable to incur the risk of smuggling, and to put jewels and jewellery into the 20 per cent list. We can only hope that the increased rate on jewels and jewellery which do not escape detection will make up for the loss on those that do escape detection.

The HONOURABLE THE PRESIDENT : The question is :

'That item 105 be omitted and the further question is that after item No. 135 the following item be inserted, namely :

'135-A. Jewellery and Jewels.'

The motion was adopted.

The HONOURABLE MR. ALTAF ALI : Sir, the portion of my amendment No. 22\* relating to jewels and jewellery has been dealt with already and I beg to withdraw the remainder of that amendment.

The amendment was, by leave of the Council, withdrawn.

The HONOURABLE MR. ALTAF ALI : I beg to move the following amendment—

'That the following be inserted after item No. 121 in Part IV, namely :

'Motor cars up to the value of Rs. 7,500, motor cycles, motor scooters, bicycles, and tricycles and parts and accessories thereof, provided that such parts or accessories as are ordinarily also used for other purposes shall be dutiable at the rate of duty specified for such articles.'

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\* That items Nos. 105, 110 and 116 be omitted from Part IV and be inserted at the end of Part V.

I beg to move the next amendment also at the same time. The next amendment, amendment No. 25, runs as follows—

‘ That for item No. 125 the following be substituted :

‘ 125. Motor cars of the value of Rs. 7,500 and over. ’

My object in moving these amendments is to protect a certain class of people in whose case the use of motor cars cannot possibly be regarded as luxury. We all know that a certain class of people such as doctors, professional men, business men and busy men who have to use motor cars do so not as a matter of luxury, but for the expeditious discharge of their different callings. It is only for that class of people, Sir, that I advocate the reduction of the duty on motor cars costing say up to Rs. 7,500. I hope I have made myself clear.

The HONOURABLE COLONEL SIR UMAR HAYAT KHAN: I think doctors make a lot of money. Why not tax them?

The HONOURABLE MR. E. M. COOK: I am afraid I must oppose these amendments. In the first place we want money and, so far as I can see, the Honourable Member's proposal, if accepted, will involve a loss of revenue of certainly 10 lakhs and I think more probably of 15 lakhs. That is my first point. My second point is this. The proposal will be very difficult to work in practice. Motor cars usually come out in parts and are put together in this country.

Thirdly, I do not admit for a moment that a man who can afford to keep a car at all cannot afford to pay 20 per cent. We are imposing an *ad valorem* duty, and the fact that it is an *ad valorem* duty surely differentiates between the cheap car and the expensive car. The man with the cheap car pays less than the man with the expensive car.

\*Amendments nos. 24 and 25 were negatived.

The HONOURABLE MR. E. M. COOK: Sir, I beg to move :

‘ That in item 137 the word ‘including’ be omitted.’

The amendment was adopted.

The HONOURABLE MR. H. MONCRIEFF SMITH: Sir, before the whole Bill is put, I have to point out that we now have two items, Nos. 41 and 41-A., and two items, Nos. 135 and 135-A., and there is no item No. 105. This is the result of the amendments made this morning. I beg leave therefore to move that the items of the Schedule (as now amended) to be substituted for Schedule II of the Indian Tariff Act, 1894, be re-numbered consecutively and that all necessary amendments consequential on that re-numbering be made.

The amendment was adopted.

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\*24. “ That the following be inserted after No. 121 in Part IV, namely :—

‘ Motor cars up to the value of Rs 7,500, motor cycles, motor scooters, bicycles and tricycles and parts and accessories thereof ; provided that such parts or accessories as are ordinarily also used for other purposes shall be dutiable at the rate of duty specified for such articles.’ ”

25. “ That for item No. 125 the following be substituted :

‘ 125. Motor cars of the value of Rs. 7,500 and over. ’ ”

The HONOURABLE THE PRESIDENT: That, I think, concludes the amendments to Schedule I, unless there are any more to be brought forward.

The question is :

' That Schedule I, as amended, stand part of the Bill.'

The motion was adopted.

The HONOURABLE THE PRESIDENT: I now put the question 'That Schedule II stand part of the Bill.'

The motion was adopted.

The HONOURABLE SIR MANECKJI DADABHOY: Sir, I beg to move the following amendment :—

' That in Schedule III to the Bill for the entries under the head ' Letters ' the following be substituted :—

' For a weight not exceeding one tola . . . . .	half an anna
For a weight exceeding one tola but not exceeding $2\frac{1}{2}$ tolas . . . . .	1 anna
For every additional $2\frac{1}{2}$ tolas or fraction thereof . . . . .	1 anna'

Sir, I may say that in moving this amendment I am not doing so as a matter of mere form. I know that there is a great body of opinion that the Bill as it has been sent to us amended from the Legislative Assembly is one which requires still further amendment. I also feel that in this matter I have this Council with me and a large number of the members of the Legislative Assembly, as well as the general public. It would perhaps not be fair if I omit to mention that the Honourable the Finance Member also feels that the raising of the half-anna rate will fall hardly on the people. He has emphatically said in his Financial Statement that he would be sorry to see the pice-postcard and the half-anna postage rate for letters abandoned. Fortunately for this House the pice-postcard has been retained by the Assembly, and we have now to deal only with the half-anna postage. My amendment, in other words, seeks to maintain the existing postal charges. I am aware that in moving this amendment we have to face the question of cost, and that is an important consideration. I am also aware of the various arguments that have been advanced for and against any alteration in these rates, but I may at once say that the postal service of the country ought not to be interfered with unless there are very cogent and powerful reasons. So far as our postal service is concerned, I am in a position to satisfy you that the Honourable the Finance Member himself is not in a position definitely to state that the Postal Department of the country is run at a loss of public revenue. As you are aware, at present the two Departments the Telegraph and the Postal Departments—are combined in one Department. The charges for telegrams were only quite recently raised from 8 annas to 12 annas, and the Honourable Mr. Hailey has stated in his speech that he is not in a position to say what is the loss on the combined Department. If so it is only right to question if there is justification on business grounds for raising the postal rates. The Honourable the Finance Minister has also pointed out that on account of his not being in a position to ascertain accurately whether the Postal Department is run at a loss or not he has indented, or is about to indent, for the services of a Chartered Accountant, who will overhaul the whole Department and find out if the postal service is carried on at a loss at present.



I contend that with these admissions of the Finance Member before us there is no justification whatsoever for making an alteration in the existing postal rates. I do not wish to repeat the arguments which have been advanced in the other House, but I do state that the postal service of the country should be run in such a manner as not to entail a greater cost than what is necessary on the people using it. The Post and Telegraph Departments are the chief arteries of the country. All communications in a big continent like India are carried on by means of letters and telegrams, and all possible encouragement should be given to the people to facilitate their correspondence and to bring the postal and telegraph services within their reach at the lowest charges possible. These Departments are also, I may say, the means of diffusing knowledge, and I therefore contend that as far as possible the postal service should be run as cheaply as possible. I also contend that the Government ought not to make any revenue out of its postal service. I do not for a moment urge that the Government should run the Department at a loss; but I contend that the Department should be made, as far as possible, self-supporting and self-contained. The Honourable Mr. Hailey has not, as I have pointed out, been in a position to satisfy the House that the postal service is run at any loss, and I submit that at any rate until the overhauling takes place and proper facts and figures are placed before this Council that the Department is run at a loss, there should be no change or alteration of any kind in the existing postal rates.

Honourable Members must also bear in mind that it is one thing for Government to come up before you and state that the postal service is run at a loss and ask you, therefore, to pay for it, and it is another thing to say that there is a general deficit in the Budget and as we have to meet our general loss we must enhance postal rates. It is the latter position which the Honourable the Finance Member has taken up. I will just read a sentence from his speech:—

‘But the claim may be made in some quarters that so long as we are not showing a proved loss on the combined department, the justification, on business grounds, for raising the postal rates does not hold good. To such arguments I have only one reply, and that is financial necessity’

I contend that in matters of the postal and telegraph services a general deficit in the budget, financial stringency, etc., should not be made a ground for raising the postal charges, because the entire administration of Government, the diffusion of knowledge, the carrying on of all business, the running of railways, and everything else depends on facility of communication, and Government ought to do everything in its power to bring the postal rates within the reach of the general public as far as possible. My other submission is that the Legislative Assembly having retained the present  $\frac{1}{4}$  anna postcard rate, the disparity between the  $\frac{1}{4}$  anna postcard and 1 anna letter is too great, and I do not think that, in justice to the writers of letters who do not resort to postcards, the rate of 1 anna should be maintained. One of the elementary principles of taxation is equality. I am not going now into a dissertation on the principles of taxation; but as the Council are aware, one of the most elementary principles of taxation is that there should be equality, and another principle is that there should be justice. I do not see why those who use  $\frac{1}{4}$  anna postcards should be placed on a better basis. I do not for a moment contend that the  $\frac{1}{4}$  anna for postcards ought not to have been maintained. It is the right thing that has been done and I am thankful to the Department

[ Sir Maneckji Dadabhoy. ]

for keeping that rate ; but I say that the disparity is so great and the injustice is so obvious that it ought not to be permitted.

I have already mentioned that all possible facilities should be given for the diffusion of knowledge and information. Now the question is, how is this deficit to be made up ? My Honourable friend Mr. Cook reminded me this morning that in the time of Mr. Gokhale, when we used to have meetings of the Imperial Legislative Council, Government was always taunted that the estimates for expenditure were at times over-estimated and receipts under-estimated, and said that at present Government had nothing up their sleeve and there was no source of income by which this deficit could be recouped. I am grateful to him for this frank statement. But he also told us this morning that there is a surplus of Rs. 44 lakhs ; that in the financial voting on the budget there was a saving of Rs. 129 lakhs on the demands and the yield was reduced by Rs. 85 lakhs, thus showing a net saving of Rs. 44 lakhs. This is an important item and goes a long way to relieve the situation. I do not wish to discuss the budget to-day, and we have no right to discuss it ; but, as you are all aware, a large sum of money is put down for military expenditure, nearly Rs. 62½ crores are to be spent for military purposes. I feel sure that my Honourable friend the Finance Minister, if he exercises his usual vigilance over the military department, will manage to get at any rate a few lakhs of rupees saved out of such a huge sum as Rs. 62½ crores for military purposes.

I am also of opinion that he is rather pessimistic about our resources for next year. I take this opportunity of complimenting him on the very resourceful budget which he has placed before us, and, as one of the oldest members of this Council, if I judge the situation aright, Mr. Hailey has put the finances of the country on a sound basis for the next ten years.

I do not think that we shall, with this Budget before us and with the numerous propositions of increased revenue, have any difficulty to any deficit, unless, of course, unforeseen circumstances arise. It is my opinion that we shall get a much larger revenue than is estimated by reason of the general *ad valorem* 20 per cent. duty on certain articles, such as motor cars, silk, musical instruments, etc. I am also of opinion that the Honourable the Finance Member will get a considerably higher revenue than he has estimated for by the increase of duty on sugar from 10 to 15 per cent. And he will get a considerable sum under clause 4 by putting the duty at 2½ annas per head on the net rate payable under the existing Act than he originally contemplated. However, I submit that, after all, it is only a matter of a few lakhs. I am making allowance for the 44 lakhs in hand. I see the Honourable the Finance Secretary is looking very hard at me, but I honestly do not think it will affect the situation very considerably.

I may also point out that I am a great believer in the elasticity of our resources. My own experience has been that if we take an average number of years, we find in a larger number of years, surpluses than deficits, and there is no reason why we should apprehend, taking into consideration the heavy taxation and present conditions, that there is going to be a deficit next year. But if there is, the situation can be easily met. Last year we voted for a surplus of 2½ crores which eventually turned into a loss of 11½ crores. If there is serious apprehension at any time, if the Honourable the Finance Member finds that we are losing a great deal of revenue over the postal

service, then he has exceptional powers under the Post Office Act and the Telegraph Act which he can exercise and then come to this Council and ask us to sanction the increased charges. I do not see, therefore, that there is any necessity at present for raising the  $\frac{1}{2}$  anna postage stamp to one anna postage. In this connection I might add that there are several other amendments which will be presently discussed. My amendment does not relate to registered newspapers but only to letters, and I think that Government by keeping its postal charges down to their present scale, will gain much more in the long run than it stands to lose. There is a very strong feeling in the country on this subject and not only the general public, but big commercial houses will resent this proposal to raise the charge to 1 anna from  $\frac{1}{2}$  anna.

I am aware that this amendment of the Post Office Act will only remain in force up to the 31st March next, but Honourable Members are aware that once a tax has been enhanced, it is a very difficult matter to get it back to its former level, and I feel sure that if the postal charges are now raised, they will never come back to the level that they were before the increase. I know, as a matter of fact, that when deferred telegrams were abolished and the rate went up from 4 annas to 8 annas, it was said that it was only a temporary measure. From 8 annas they have been raised to 12. We have seen no decrease yet, nor do I expect to see any. I submit, therefore, that unless very strong grounds can be made out for this increase, I think the Council will support me in maintaining the present system of the half anna postage.

The HONOURABLE THE PRESIDENT: I see that there are three competing amendments on this paper relating to this particular question. The first stands in the name of the Honourable Mr. Khaparde. I think the first portion of the Honourable Mr. Khaparde's amendment proposes the same thing only in a different form and it will probably be to the convenience of the Council if he moves the first portion of his amendment.

The HONOURABLE MR. G. S. KHAPARDE: Have I only to move one part of my amendment?

The HONOURABLE THE PRESIDENT: Yes, that part which would conflict with the Honourable Sir M. Dadabhoy's relating to letters.

The HONOURABLE MR. G. S. KHAPARDE: I would like to say that my idea was to move my amendment if Sir M. Dadabhoy's was rejected. If his is accepted, then I would not press mine.

The HONOURABLE THE PRESIDENT: If the Honourable Member's amendment is an alternative to the Honourable Sir M. Dadabhoy's then I will certainly allow him to move it later on.

The HONOURABLE MR. SETHNA: Sir, I thank you for the explanation you have given, because we were in some predicament as to what we should do should the Honourable Sir M. Dadabhoy's amendment be considered at the same time as the Honourable Mr. Khaparde's.

Sir M. Dadabhoy has preferred an appeal to Government, and we should like to hear from the Government Member whether it is possible for him to accede to the request that has been made. The taxation for 1921-22 is prepared by the Department concerned and in a manner has justified the Budget being called a poor man's Budget, because the increased taxation will affect

[ Mr. Sethna. ]

the poor man by way of direct taxation to no greater extent than that he will have to pay for his match boxes and for his post cards. So far as the match boxes are concerned, the Legislative Assembly have confirmed what the Finance Department asked for, and I am sure that this Council will heartily endorse the verdict of the Legislative Assembly in throwing out the increase in the post card rate.

Not only this Council, but the country at large, would welcome, if possible, the continuance of the present postal rate for letters as proposed by the Honourable Sir M. Dadabhoy, and I for one cannot understand why a body like the Legislative Assembly should have gone out of its way and have gone one better even than the Honourable the Finance Member himself in the matter of postage for letters and newspapers. The postal rates as amended by that body are tantamount to making the postal rates for letters in this country dearer than the postage rates that prevail in any other part of the world, and that in spite of the fact that in season and out of season we lose no opportunity in proclaiming that India is one of the poorest countries in the world. I cannot therefore comprehend the decision arrived at by that body. And consequently it is up to us to put them right if we can, and preferably to put them right in the manner suggested by the Honourable Sir Maneckji Dadabhoy if it is possible to do so. The Honourable Sir Maneckji Dadabhoy has told us that Government will get more revenue than they expect. The Honourable Mr. Cook this morning gave us figures from which we find that, whilst there has been a reduction of Rs. 129 lakhs in next year's expenditure, there has been a reduction of Rs. 85 lakhs in the yield of the new taxation, so that there is a surplus of Rs. 44 lakhs. Now, if we keep the postage rates for letters and newspapers at the level that the Honourable Sir Maneckji Dadabhoy proposes in his amendment, I take it that the resultant loss will be a good few lakhs. Roughly speaking, I should think it would be between Rs. 60 and Rs. 70 lakhs. But I will stand corrected by the Honourable Mr. Cook. The Honourable Mr. Cook has told us, to use his own language, that he has not tucked away . . .

The HONOURABLE MR. E. M. COOK : I think it would be better if I gave the Honourable Member the information. According to our calculations — we have tried very hard to make it accurate—the effect of my Honourable friend's amendment will be that it will turn the amount of Rs. 44 lakhs, which I referred to this morning as being more or less in hand, it will turn that + Rs. 44 lakhs into — Rs. 42 lakhs.

The HONOURABLE THE PRESIDENT : I wish Honourable Members would remember that whenever they turn to another Honourable Member, apparently to exact information and then remain standing, they prevent the other Honourable Member from rising up and giving the information which they desire. They must resume their seat if they desire the Honourable Member to rise and give the information.

The HONOURABLE MR. SETHNA : I did resume my seat, Sir, as I was very anxious to get this information.

Thank you, Sir. I now understand that, if the rates are maintained as at present and as the Honourable Sir Maneckji Dadabhoy desires, we are faced with a deficit of Rs. 42 lakhs. Now, the Honourable Sir Maneckji Dadabhoy has appealed to the Finance Member to let us know if he cannot by any

means, even if he has not tucked away the money anywhere else or has nothing up his sleeve, spare this sum of Rs. 42 lakhs in some way or the other. If he can do so I am sure the country at large will welcome the continuance of the present rates. In spite of the amendment which stands in my name, I shall support the Honourable Sir Maneckji Dadabhoy's, but if Government hold out no hope of making up this deficit of Rs. 42 lakhs in any other way, I shall have to fall back on my own amendment.

THE HONOURABLE MR. W. M. HAILEY : Sir, I think it would be most satisfactory to the Council if I were to answer at once the definite point which has been put to me by the Honourable Sir Maneckji Dadabhoy and by the Honourable Mr. Sethna. I shall not proceed any further than that definite point, nor compare the attractions of the various measures that have been placed before the Council. The question put to me is, whether we can or we cannot do without that extra Rs. 42 lakhs. Let me repeat the figures to the Council. On the Bill as it came here from the other House, we have Rs. 44 lakhs in hand. If we leave the postal rates as they stand, at present in practice, and therefore accept Sir Maneckji Dadabhoy's amendment, we shall be Rs. 42 lakhs out of pocket. Now, he says, 'Surely, you can make up that loss'. First of all, he says, pinch the military budget. I have had very considerable experience of trying to pinch the military budget. I have been engaged for months, and my Honourable colleagues on the Executive Council have been engaged for months in that difficult process. As I said in my Budget speech, what we finally decided to give the army was a great deal less than what it desired. Now, does the Honourable Member really think that by applying the thumb screw here or the shears there I can get anything more out of the Military Department? Indeed the experience of all Finance Members is that so far from being able to effect savings on the Army Budget, they generally at the end of the year have to meet an extended bill. Sir, I will say at once that in my opinion, on the present combatant strength we have accepted for the Army and for its auxiliary services, we can save nothing on the present military budget. If at any time any change were to take place in the combatant strength that we have laid down, it might be possible to reduce the demand. But until that is done, I think that the House and the country at large must take it that no savings can be effected on the military budget.

Then, Sir, Sir Maneckji Dadabhoy told me that I was unduly pessimistic in my expectation of revenue, from the increased taxation. Well, my experience is not only in this House but also of the criticisms in the country at large has been entirely in the opposite direction. Not from one quarter but from every side we have been told that we shall not raise the revenue we expect; that the depression of trade is so great and that the falling off of exports is so marked, that it is quite impossible for us to expect to get the large sum we have placed in our Budget as the result of the proposed extra import duties. This is the first time, I may say, Sir, that this flattering unction has been laid to our souls, and I confess to my suspicion that it has been laid there on this occasion purely for debating purposes. Can the Honourable Member show that really there is somewhere—although we have said there is nowhere—a little deposit of future revenue tucked away for future use?

[ Mr. W. M. Hailey. ]

On the whole, I believe that it is impossible to expect any larger results from our Customs taxation. But, he says 'after all, you can never be quite sure. Surpluses as a whole have been more frequent than deficits, and therefore it is fair to assume that on this occasion also, we should not be too pessimistic but may look forward to an improvement in our financial situation.'

Sir, there is one indefinite and indeterminate item in our Budget which has met with much criticism throughout; I mean our proposal that we should place in the Budget a sum of nearly 5½ crores on account of loss in exchange. That proposal, the Council will remember, was placed on a calculation (hardly an assumption) that our exchange may come up to one shilling and eight pence on an average for the year. If that calculation proves false, then, so far from there being anything to save, I am afraid there will be a real deficit. I have had to confess that it was impossible for me to make an accurate calculation or prophesy what the exchange laws were likely to be. I have ventured to place that sum in the Budget, but already, Sir, the prophets of evil are dinning in my ears that that calculation is bound to be in error. Therefore, Sir, so far from our seeking consolation from this, I say that we must honestly try to maintain every item of taxation that we have put forward, and that we must not in any case let go a single anna of the proceeds which we hope to obtain.

Sir, if surpluses have been more frequent on an average of years than deficits, what has been the total result? Let me take only the history of the last few years. There is no use looking back on that distant past when Finance Members used to come down to the House with repleted coffers and with the confident knowledge that they could deliver large doles to the provinces or remit taxation. That state of things is unhappily no longer the case. We have had first a deficit of 6 crores, then a deficit of 23 crores and then a deficit of 11 crores; and yet after that the Honourable Sir M. Dadabhoi says that you can look another deficit in the face with a smile. I say it is impossible to attempt it. Therefore, in answer to the question whether we can spare that 42 lakhs, I say very definitely, Sir, we cannot spare that 42 lakhs. Sir, I am a responsible Finance Member and not Mr. Micawber.

THE HONOURABLE MR. E. S. LLOYD: Sir, we have all discussed this matter carefully outside the House and I rise now to make a suggestion rather than a speech. I understand that at the present moment we are considering the Honourable Mr. Sethna's amendment to the Honourable Sir M. Dadabhoi's amendment.

THE HONOURABLE THE PRESIDENT: We are now considering the Honourable Sir M. Dadabhoi's amendment.

THE HONOURABLE MR. E. S. LLOYD: Then, Sir, my suggestion is this. The Honourable Sir M. Dadabhoi has another amendment on the paper. It is, I think, clear that we cannot accept his present amendment, and I suggest to him that he withdraw it so that we can compare his other amendment with that of the Honourable Mr. Sethna.

The Council adjourned for lunch till 2-45 P.M.

The Council re-assembled after lunch, with the Honourable the President in the Chair.

The HONOURABLE THE PRESIDENT: We will now resume the adjourned debate on the Honourable Sir Maneckji Dadabhoj's amendment.

The HONOURABLE COLONEL SIR UMAR HAYAT KHAN: Sir, my Honourable friend has to-day raised a question of the Army and, as I have got some connection with it, I want to say this, that if that Army did not exist and did not stand ready at the back of the Empire . . . .

The HONOURABLE SIR MANECKJI DADABHOY: I rise to a point of order, Sir. I never said that the Army should not exist or anything of that sort. I only mentioned that my Honourable friend the Finance Minister may exercise a policy of retrenchment in regard to the Military Budget.

The HONOURABLE COLONEL SIR UMAR HAYAT KHAN: It comes to the same thing. I only want to draw the attention of this Council to the fact that when nearly every service has got its pay increased, it is only the Army that hitherto has not had its pay increased. I know for certain that it does feel it and that is why I say that people should consider the needs of the Army . . . .

The HONOURABLE THE PRESIDENT: Order, order. The observations of the Honourable Member on the Army are exceedingly interesting and no doubt very valuable, but in the present instance we are discussing the question of postal rates, and he can only refer to the subject of the Army if it bears on that.

The HONOURABLE COLONEL SIR UMAR HAYAT KHAN: I mean, Sir, that if this Resolution is carried naturally there will be a deficit and we shall want more money. So I think the best way is to leave this tax Amendment alone, because hundreds of people who have just read up to the third or fourth standard and have nothing else to do go on writing letters. In just the same way we find that third class passengers are in trouble. A few of them are going to a place where they need to go. Somebody—their relation's stomach is out of order and they go. Just like that any man who has nothing else to do will sit down and write letters and worry everybody. So I think the taxation is being levied quite properly.

The HONOURABLE MR. LALUBHAI SAMALDAS: I want to ask a question. The Honourable Mr. Hailey said that the financial loss to the Government would be 42 lakhs if the Amendment was carried. Can the Honourable Mr. Cook give us any details of how the figure is arrived at?

The HONOURABLE MR. E. M. COOK: I understand, Sir, that you wish me to give this explanation. I think I can do that. The proposal in the Finance Bill as introduced would have produced a yield, so far as letter and post card rates are concerned, of Rs. 171 lakhs. The Honourable Sir Maneckji Dadabhoj's Amendment would wipe this out, for Sir Maneckji says 'As you were.' If you take away from this 171 lakhs 129 lakhs that gives 42 lakhs.

The HONOURABLE NAWAB SIR BAHRAM KHAN :\* Sir, the amendment put forward by Sir Maneckji Dadabhoy in connection with postage is such that it requires adequate consideration as it deals with the public, may they be of higher or lower strata. This is the kindness of the Government to all the subjects, but the Honourable Finance Member tells us that by adopting the amendment we will be losers by 42 lakhs. Even considering that I think something should be done in the direction, but at any rate I do hope that nothing would be further levied on the one-quarter anna post card.

The HONOURABLE DIWAN BAHADUR RAMABHADRA NAIDU : Might I ask what the Honourable Member, who has just sat down (Nawab Sir Bahram Khan) said as I did not understand it ?

The HONOURABLE THE PRESIDENT : I am surprised at the Diwan Bahadur's request, but I think he is almost alone in not understanding what the Honourable Member has said. (Laughter.)

The HONOURABLE DIWAN BAHADUR RAMABHADRA NAIDU : Perhaps one of the European Members who knows the language will comply.

The HONOURABLE THE PRESIDENT : Order, order.

The HONOURABLE MR. E. L. L. HAMMOND : Sir, the real point at issue, I think, is this question of the half-anna postage. The Honourable Sir Maneckji Dadabhoy based his case on two points chiefly. One was the advantage that the post offered of diffusing knowledge. Now if we take this suggestion literally, I think it is obvious that a post card has the advantage over a letter in this respect. From the time it goes to the post office to the time it leaves the postman's bag it can be an advertisement to all and sundry. So if it is merely a case of diffusing knowledge the taxpayer secures this by retaining the post card. The second point was the great disparity in price between the post card and the letter. The post card is to cost one pice, the letter an anna. But this disparity is the price paid for privacy. That is what it comes to, and in England, when the price of a letter was doubled, a very large number of people took to using post cards. Instead of writing letters they wrote post cards. There seems to be no reason why in India the same procedure should not be followed. If a man wants to write at any length he can use two post cards or three for the matter of that - and even then he would save money. It seems to me that it is not a very great hardship to ask a man, under existing circumstances, when revenue has to be raised, to pay an anna for what after all is more or less a luxury - the luxury of privacy. That is the point that I would put before the Council. It is not really bleeding a man to ask him to pay an anna. We have had increases on other things - an increase on umbrellas, an increase on cigarettes. Those which I used to buy for Rs. 1-8 now cost Rs. 3. The price of many things has been enhanced, and it seems fair to ask that all classes of the community should take their share in the taxation.

The HONOURABLE RAJA P. N. ROY OF DIGHAPATIA : Sir, the Honourable Mr. Hammond just now referred to post cards. If one post card, he said, is not enough, have two or three. But if one of these goes astray how are people to know what it contained ? Three post cards are written, and

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\*Translation of a speech delivered in the vernacular.



the second one, say, is missing what becomes of the message? That is one argument against post cards. Another argument is that even poor people have need of privacy sometimes and they would prefer covers. If only post cards are used they cannot communicate confidential or private messages. I do not think therefore that post cards are enough to satisfy the wants of the poor.

The HONOURABLE Mr. E. M. COOK: I fully appreciate the difficulty, Sir, which is in the minds of Honourable Members as regards the postage rates on letters. On the one hand, it is quite evident, I think, from the tone of the speeches we have heard, that this Council, composed as it is of Honourable Members of weight in the country, has no wish whatever to embarrass us by placing insufficient funds at the disposal of the Government to carry on the administration. I feel quite sure that no one here wishes to embarrass the Government in that way. On the other hand, it seems, I think, to most Honourable Members that this particular change I refer to the abolition of the half-anna postage—is one of those changes which will go home to people very widely. I have not heard it seriously argued to-day that it is going to be any actual hardship. In fact, as the Honourable Mr. Hammond has pointed out, the rise in the price of a letter will be very much smaller than the rise which has occurred in the prices of all other commodities and a good deal smaller than the increase which has occurred in wages. I have not heard the hardship argument seriously put forward. No doubt what is at the bottom of the minds of those Honourable Members who have supported the amendment is that this is a change which will be noticed very much throughout the country, and I have no doubt that those Members wish to save Government, and perhaps the Legislature too, from the odium of having put up the postage on letters. I have no doubt they feel that this is a matter which can be taken hold of by unscrupulous people by agitators and by people who are not working in the best interests of their country, and it is quite possible that that is the feeling at the bottom of the minds of most Honourable Members. I can imagine them saying, why go to all this trouble, and incur all this odium, just for a matter of Rs. 86 lakhs, or, on a division on a balance, of Rs. 42 lakhs? What is this Rs. 42 lakhs? Why, you can get Rs. 42 lakhs in one day by selling Treasury Bills. Now, I think that is the whole trouble. We can. And if we do not get enough revenue to cover our expenditure next year that is what we shall have to do. We shall have to go on selling Treasury Bills and printing currency notes in the way that we have been forced to do for the last three or four years. I submit therefore that it is not a question of Rs. 42 lakhs. It is a question of outrunning the constable or of paying your way. When you have an expenditure of 20 shillings, as Mr. Micawber used to say, an income of 20 shillings 1 farthing means happiness, and an income of 19s. 11½d. means just the reverse.

And this brings me, Sir, to the point which the Honourable the Finance Member made this morning. If this were an ordinary year a year in which things were fairly even, in which even if we were not contemplating a surplus, things were very nearly square then perhaps there would be a case for letting this extra revenue of Rs. 86 lakhs go. But, as I think the Council knows, the position in the present year and our outlook for next year are very different from that. The Finance Member has explained the position this morning and I do not wish to repeat what he said. I feel sure that if he had been in a securer position, if he had not had to come to the country

[ Mr. E. M. Cook. ]

and ask for this very large additional taxation, he would no doubt have, in his own interests, adopted, let us say, a more cautious rate as the average rate of the year for exchange. He might, indeed, have made rather a

3 P.M.

greater allowance for the fact that we are now in the middle of a severe trade depression, and that imports will probably, in the course of the current year, fall off considerably. The reason that he has budgetted for as high a revenue as he thinks he can possibly budget for is, I know, because he does not wish to put one pice more taxation on the people of this country than he can help. He does not wish to put a pice of taxation on and then find at the end of the year that it has not proved necessary. I feel quite sure that if the deficit had been smaller, and it were a question of Rs. 10 crores or Rs. 15 crores even, that these postal rates would not have been touched. And this brings me to what Sir Maneckji Dadabhoj says, that we shall be losing next year on our postal administration. My Honourable Friend, I think, if I may say so, rather tried to instil an atmosphere of doubt into this case by referring to the impending visit of a firm of Chartered Accountants to India to overhaul our telegraph accounts. The work those gentlemen will do is, I understand, mainly on the telegraph side. Their work will not alter the fact that we have recently increased the pay of our postal staff by something like Rs. 118 lakhs, and if the present postal rates remain untouched, then next year we shall be losing Rs. 60 lakhs on our post offices. I may say that Government searched their minds for every possible alternative, and if they felt that there was some other way of making up the deficit I think they would have let this particular change go. But they have not been able to think of any, and no Honourable Member has suggested any. There is, I see on the agenda, an amendment in the name of the Honourable Mr. Sethna, No. 33,\* which goes some way to meet my Honourable friend's point. The acceptance of that amendment will, of course, bring us in rather less revenue than the Bill as it now stands; but I may say that Government, in order to meet my Honourable friend's wishes as regards this matter, would accept that amendment. But this present amendment, that is now before the House, I am afraid Government must oppose.

The HONOURABLE SIR MANECKJI DADABHOY : Am I to understand that you propose to move that as an amendment to my amendment ?

The HONOURABLE THE PRESIDENT : The question before the House is Sir Maneckji Dadabhoj's amendment. I understand that Mr. Cook is unable to accept that amendment on behalf of Government. I therefore put it to the Council.

\*33. That in Schedule III to the Bill for the entries under the head 'Letters' the following be substituted namely :

*'Letters.*

For a weight not exceeding one tola . . . . .	Nine pias.
For a weight exceeding one tola but not exceeding two and a half tolas . . . . .	One anna.
For every two and a half tolas or fraction thereof exceeding two and a half tolas . . . . .	One anna.'

The question is—

'30. That in Schedule III to the Bill for the entries under the head 'Letters' the following be substituted :—

For a weight not exceeding one tola . . . . . Half an anna.

For a weight exceeding one tola but not exceeding 2½ tolas . . . . . One anna.

For every additional 2½ tolas or fraction thereof . . . . . One anna.'

The amendment was negatived.

The HONOURABLE THE PRESIDENT : The next amendment on the paper is\* No. 31, that of Sir M. Dadabhoy's, but I do not propose to call upon the Honourable Member to move it at this stage. I will now call upon the Honourable Mr. Khaparde to move his amendment, No. 32.

The HONOURABLE MR. G. S. KHAPARDE : The amendment which stands in my name runs as follows :—

'32. That in Schedule III to the Bill for the entries under the heads 'Letters' and 'Registered papers', respectively, 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 two and a half tolas . . . . . One anna.

For every two and a half tolas or a fraction thereof exceeding two and a half tolas . . . . . One anna.

*" Registered Newspapers " . . . . .*

The HONOURABLE THE PRESIDENT : Will the Honourable Member be good enough to move the first half of his amendment? I will call upon him to move the second half relating to registered newspapers later. But first let us get a decision as regards letters.

The HONOURABLE MR. G. S. KHAPARDE : That suits me, Sir. I was going to ask you to put the items separately to the vote because I think there are Honourable Members who agree with me on certain items, but on other items they do not. My object in introducing the half-anna is that it is a big jump from 3 pies to 12, in fact it is four times that amount. My idea is that we should establish something like a half-way house, and the first objection that has been raised against my proposition is that the paper would be very bad; but that, I think, would be a matter for the sender and the receiver of the letter. I think that nobody would be hurt by the paper on which the letter is written.

Then it is said that it would be a difficult matter to have a weight of the kind I propose, but that is not my opinion. The Post Office authorities could easily supply a ½ tola weight, and if they really wanted it I am perfectly sure in my own mind that there would be no difficulty. It is not a particular fraction of an ounce, and our weights do not exactly correspond with the weights that are used in England and elsewhere, and therefore we have to

\* 31. (To be moved if the above is not adopted.)

That in Schedule III for the entries under the head "Letters" the following be substituted :—

For a weight not exceeding 2½ tolas . . . . . One anna.

For every two and a half tolas or fraction thereof exceeding two and a half tolas . . . . . Half an anna.

[ Mr. G. S. Khaparde. ]

make our own arrangements in the matter. It is urged that the tendency is to raise the minimum weight and we are now for the first time going back to half-a tola, and I think it was said that that weight obtains nowhere else in the world.

But we should have the minimum weight for the benefit of the poor communities. No Honourable Member, I am sure, will deny the fact that India is at present under peculiar circumstances and that it has a population that is poor. In addition to that, the necessities of the present year have to be taken into account, and I venture to say that the pinch is being felt in most countries, but perhaps not quite so much as in this country because of the famine and pestilence which prevail so often.

According to my calculation—and I cannot say that I am absolutely accurate because I do not claim to be a mathematician—by adopting my proposal as to the half-tola, it will give Government all the money they require. In my opinion, the half-anna postage will induce many people to do away with the 3 pie card and many other ways of using cards; they would then use the  $\frac{1}{2}$  anna letter. Then another point which I wish to put before the Council is that the Post Office Authorities could bring in the folders as we find them in England. The poor people could purchase those folders and write quite a long letter to their friends by that means, without causing any difficulty about its weight.

Then there was an objection raised by one Honourable Member that certain people who have nothing special to do, do write letters needlessly and purely out of idleness. All I can say is that that is not my experience. My experience is that people who have nothing to do, do not often sit down and write letters to their friends, but they write poems and recite and do things of that kind. They do not write letters because it means initial expenditure of  $\frac{1}{2}$  an anna. Then those people who have used the postcards for corresponding with their families and their friends will find a great advantage in using the folders I have suggested because they can then seal up whatever they write on the folders and thus prevent their family secrets and their friendly confidences from being made public. There is another alternative which they could adopt with advantage, and that is they could use flimsy paper, but they would, of course, have to ascertain that the weight of their letter did not exceed  $\frac{1}{2}$  an anna.

I therefore, submit, Sir, that by adopting my suggestions you will increase the revenue, and by giving the people of this country a concession of this kind, you will be raising the rates in another direction and thus increasing the revenue in that way, that is to say, that you would be giving the poor people a concession and by increasing the rates on higher weights the rich people will pay more than they are paying at present; a balance will be struck in that way. I have some figures with me, but unfortunately they refer to 1919-20, so my task is really more complicated. However, on a rough calculation, I make the sum to be Rs. 1 crore and 70 lakhs.

That sum, I think, should cover the expenditure which has been mentioned so far as the Service Department is concerned. I for one always considered the Post Office not to be a source of revenue. But apparently one cannot be so sure on that point as things are at present and taking into consideration the exceptional circumstances of the present year. But as for taxing the people in the way proposed, we might just as well form the

theory that the Postal Department and the Telegraph Department are not Service Departments, and therefore the State should make some profit out of them. The correct idea is that we should have free postage and free telegraphs and I think that is the idea we should work upon.

I have not got an expert to calculate for me, but very likely the Honourable the Finance Member has one, and, if he does the necessary calculations I am sure he will find that what I propose will balance the amount and there will be no surplus left and no loss to pay.

And that follows from this consideration, that it will provide a half way house for the poor and will do a great deal of good. Let not everybody think everytime he sits down to write a letter, 'look here, I have got to pay 3 pice more or 4 pice more and so on.' Do not spread discontent. My objection has been anticipated, I know, and has been answered by saying that under other heads we have got greater increases. That is to say, in other places, you have got two sticks, but it is only one stick that is used against you here. Well, I do not think that that will give any consolation to anybody at all. It does not and cannot carry consolation. The consolation will be only if in other places you are taxed and here you are let alone. Then alone people will be glad about it. They cannot compare two evils and choose the lesser one and really think it to be very good. As it is said in England, toothache is very terrible except to the person who has not had it. A poor man who cannot spare 3 pies will feel the burden more than anybody else. I therefore, with these few words, recommend my amendment for the consideration of this Honourable Council.

THE HONOURABLE MAUNG PO BYE: Sir, my support to the Honourable Mr. Khaparde's amendment is confined to one item only, that letters enclosed in envelopes not exceeding half a tola in weight be charged half an anna. My object in confining myself to that item only is that Government might be able to accept that, though not all that is put in the amendment. It is not for the benefit of the poor people only but for everybody. Of course the effect of the reduction or enhancement tells more on the poor than the rich and well-to-do. A poor man who looks twice at his copper coin before he spends it would hesitate to write two letters to his friend or people in place of one. The rich and well-to-do people do not care about such a difference as a few annas a day or even a few rupees per month for business or for pleasure. The fashionable people who are more inclined to use thick and substantial envelopes and paper would not care for such a small extra expense. My argument is that poor people and business men would make use of cheap and inexpensive articles more freely than they do of expensive ones. If differentiation is not made between half an anna and one anna letters, there is the probable danger that the number of letters of half a tola weight may be greatly diminished, and that loss may ensue in consequence, instead of Government getting increased revenue on that account; that loss at present cannot possibly be estimated. The Honourable Mr. Hammond asked why a poor man should not write two or three postcards. Well, Sir, that argument is not very sound in one way. A man may want to write only one line. A youngman may want to send a few words only of love. He will not want people to see it. He will desire to enclose it in an envelope, just because he does not wish the communication to be exposed to the public eye, and he will be compelled to pay 3 times more, which is not very reasonable. My idea is that thin and opaque envelopes with embossed stamps of half an anna and one anna not exceeding

[ Maung Po Bye. ]

one-fourth tola in weight should be made out by Government and sold to the public at every post office. Perhaps small profits and quick returns may be an expedient worth consideration in connection with the amendment of the one item I now ask for.

THE HONOURABLE MR. A. H. FROOM: Sir, I rise to oppose this amendment and at the outset I should like to say that I much dislike this reintroduction in India of the half tola weight for letters. I hoped that when it was done away with some years ago, we should not see it back in India again. It introduces bad paper which I contend is a nuisance to everybody. It is a nuisance from the commercial point of view. I should not want to press the commercial point of view on Honourable Members of this Council if I thought that we were adding to the hardships of the poor man. I hope to show to Honourable Members later that no hardship is involved to that class. There is another point, and that is the point of view of the Post Office. This, I think, is a point we should not dismiss too lightly. We had a discussion this morning on the question of administrative difficulty, and we were told that we, here, have nothing to do with the administration of the various departments. But as the Honourable Mr. Cook has pointed out to us where there are the difficulties of administration they reflect on the public. I contend that if you have this  $\frac{1}{2}$  tola weight for half an anna, the work of the Post Office will be increased enormously. We will have delays in the Post Office. We complain of delays now, and there will be still further delays. I am very much against the introduction of any system which will tend to increase the work of the Post Office. In no other country, I think, is the minimum letter weight as low as  $\frac{1}{2}$  a tola. I think the ounce is about the smallest. Even a tola is less than an ounce, and half a tola will be considerably less.

Before I continue my remarks may I inquire of the Honourable the Finance Member if he would let me know whether he will obtain sufficient money if this amendment is passed.

THE HONOURABLE MR. E. M. COOK: The effect of the Honourable Mr. Khaparde's amendment is Rs. 20 lakhs better than the Honourable Sir Maneckji Dadabhoy's. In other words, the Rs. 44 lakhs that I mentioned this morning as being in the nature of a surplus or something in hand, would be turned into 22 lakhs.

THE HONOURABLE MR. A. H. FROOM: I thank the Honourable Mr. Cook for explaining this at this juncture. Well, Sir, to continue, I contend that it is reasonable to expect the Post Office to pay its way. Personally my own view is that it would be equally reasonable to expect the Post Office to pay us something which would lie to the credit side of the revenue. But I will not enlarge on that too much. I will stick to my point, that I think it is reasonable that the Post Office should be looked upon to pay its way. We have been told to-day that the Finance Department, or rather the other House, has effected a saving of something like Rs. 44 lakhs, by the way in which the Bill has been dealt with in the other place. But I do not see why the whole or any part of this saving should be credited to the Post Office any more than to the Tariff or to Customs or Exchange, or to anything else. Why should the savings all go to the Post Office? This is a point I should like Honourable Members to consider very carefully. I hold most strongly that that Department should be expected to show a profit. Postage is very far reaching, and

everybody in this country, rich and poor, high and low, all contribute something towards it, and I should be very sorry to see the Post Office run at a loss and be supplemented by other receipts from the tax-payers.

Then, Sir, I will not detain the Council very long—there is another point I should like to refer to before I sit down, and that is the question of the 'poor man'. We have heard this question of the 'poor man' introduced in this Council on many occasions. It is a flag which some Honourable Members are in the habit of waving very frequently. Now I should like any Honourable Member to get up and point out to me whether the 'poor man' will suffer greatly from the minimum weight for letters being kept at one tola with a slight increase in the rate. We have already heard from the Honourable Mr. Cook that Government are prepared to accept the amendment for nine pies for the first tola. I will just ask the attention of the Honourable Members for a minute to the increase of three pies. There are some people who write more than half a tola and for this increase of three pies, they will get the benefit of another half a tola. Now to revert to the poor man. How many letters a year do Honourable Members think a poor man writes? I am talking of the very poor man. I suggest one a fortnight.

(Voices of 'one a week'.)

Well, calculating roughly on that basis, I arrive at about 12 or 13 annas a year. This is all the extra that the poor man would have to pay towards the postal revenue of the country. That is roughly speaking one anna a month. Is that a hardship? I am sure it would not be a hardship in the province from which I come. In the case of the poor man in Bombay, the wages have gone up 100 per cent. In other parts of the country the increase has not gone quite so high but so far as Bombay is concerned I decline to believe, gentlemen, that an extra anna a month is going to prove a hardship. I do not think I have got very much more to say. Of course we want to keep before us the interests of the poor man, but the revenue that we should get from this increased postage is not going to affect him. It will come mostly from the commercial people and the well-to-do classes. They must look to pay this extra revenue if the post office is to be run without loss. For these reasons I cannot support the amendment of my Honourable friend Mr. Khaparde.

The HONOURABLE SARDAR JOGENDRA SINGH: I rise to support the amendment of the Honourable Mr. Khaparde. I thought that the Honourable Mr. Froom was going to advance some strong arguments against the return to half an anna postage but Mr. Froom has simply confined himself to the question of convenience. Mr. Cook just pointed out that by Mr. Khaparde's scheme the deficit is reduced to 22 lakhs. I should like to know whether, in calculating this deficit, he has also taken into account the normal increase which he expects.

The HONOURABLE MR. E. M. COOK: Yes, Sir.

The HONOURABLE SARDAR JOGENDRA SINGH: Then the main question before the House is how we are going to provide this deficit of 22 lakhs and if we can provide that deficit without in any way taking away from the people the advantage of using the half anna postage which they have so far enjoyed.

[ Sardar Jogendra Singh. ]

The main argument in favour of raising the postage is the need for revenue. I am of opinion that if you increase the postage, correspondence will decrease and the anticipated revenue will not come in. If you keep the postage low and you adopt Mr. Khaparde's scheme it will not drive the people to a larger use of post cards and thus half an anna postage will be more largely used, and the required revenue will be more easily secured by keeping to half an anna postage, rather than by raising it. I do not know on what basis Mr. Cook's calculations are based, but judging generally, it seems that by keeping cheap postage which we have so far enjoyed, we shall continue to get increased income. We have so long enjoyed cheap postage, that we should not be deprived of it without very strong reasons. I do not see why we should increase the postage merely because the post office finds it difficult to deal with thin paper. They have dealt with thin paper before; and the weight was raised to a tola as a concession made a few years ago when the Finance Department was overflowing with surpluses. Now we are not overflowing with surpluses, but there is no reason why we should convert a Service Department into a largely revenue-raising Department. Why should the ordinary peasant be deprived of a privilege for the mistakes which the Finance Department made last year which he has so long enjoyed? It has been pointed out that the poor man uses the post only once a week, but there are 300 million people who are using the post and if you calculate, you will find that the correspondence of these people is much larger than the correspondence carried on by commercial people and the people of the better classes. It is a question of numbers, and so far as I can see it is clear that if you increase the postage, you will decrease the correspondence and the increased revenue expected will not come in. The whole tendency of the budget has been and rightly so to tax the rich and leave the poor alone. We might do the same in this case, under Mr. Khaparde's scheme. Then again there is the possibility that if this amendment is lost, and the postage is raised the other House might still be in favour of having the half anna stamp and the Bill might become a shuttlecock between the two Houses. I, therefore, warn the Members here to take into consideration this contingency before they vote against this amendment.

THE HONOURABLE MR. W. M. HAILEY :— I think it would be well in the interest of the House if we try to mark the exact stage at which we now are. I gather from the fact that the House has rejected Sir M. Dadabhoi's amendment, that it is fully determined that we should lose no money, certainly not as much money as he proposes over our postal arrangements.

I think that from what we have heard since, I am justified in saying that many Members of this House concede that there is nothing unreasonable, nothing abnormal or unusual, in our attempt to go further and make a little money out of the Post Office. The point has not been touched on at any length here to-day, but it is one which certainly is one worth making, because I think it is well to disabuse the minds of Honourable Members of this House of any feeling that it is an improper thing to make money out of your Department of communications. What is England doing? England is proposing to make over 2 million pounds out of her Post Office. Canada is proposing to make three hundred thousand dollars; Japan is proposing to make 75 million francs out of her Post Office. It is not then an unjustifiable proposal that we should attempt to make something out of our Post Office at a time when the general



state of our finances render it necessary for us to look for a means of increasing our revenues which will press as lightly as possible over as wide an area as possible.

Those two preliminary points being cleared out of the way, I come now to the question how we can best get the money we want, and how, in getting it, we can avoid injuring the classes whose interests have been represented in the Council to-day? The Honourable Mr. Cook has pointed out that if the House accepts the amendment now before it we shall be 20 lakhs to the bad. I maintain that that is a contingency we should not accept and that we ought to look to some other remedy which will avoid this particular loss. I do not know whether my Honourable friend Sardar Jogendra Singh accepted the Honourable Mr. Cook's calculation; he seemed indeed to think that an increase in other directions might make up the loss that is anticipated. All I can say is that the Post Office officials, who are our guides on this occasion, have made the most careful calculations in this matter and they have come to the definite conclusion that we shall be 20 lakhs down on this particular amendment, and I must ask the House to accept this fact when making up their minds on the question now before them.

Now, if we refuse to go back to the old practice of the half anna letter, to whom shall we be doing an injury? We have already secured the position of the poorest of the population by retaining the quarter-anna postcard. The postcard, I may say, brings us no money; in fact, it is carried at a loss. We provide the stationery and for three pies we carry the card from Rangoon to Aden and Cape Comorin to Peshawar. No country in the world accepts an obligation so great as that at so insignificant a remuneration. It is said the poor man has his secrets like the rich man. But what man is there who, if he wishes to confide a secret to a friend or to communicate some confidential matter, will scruple to spend one anna? We have heard some calculations to-day of the extra burden that would be thrown on the poor man by raising the letter unit to one anna. It has been suggested that the poor man writes one letter a fortnight. Taking the figures for letters, we find there are 580 million letters despatched, and the population of India is 300 millions. I say there is no room from these figures to suppose that the poor man sends a letter once a fortnight. It is obvious, on a mere arithmetical calculation, that the burden of doubling the letter rate would be so widely diffused that the individual incidence would be practically negligible.

Now, the greatest argument, to my mind, against returning to the old system of the half-a-tola for half-an-anna is of an administrative nature. I ask you to remember—those who remember the time when that system was in force—the mental harassment to which many people were put in trying to so fix the exact weight of every letter that their correspondent at the other end might not be overcharged. I ask you to remember the constant irritation of surcharges when it was found that the letter was over-weighted, and the endless opportunities for petty extortion from the ignorant, to which a meticulous weight of this kind is likely to give rise. What we want to do in our postal arrangements is to be progressive; not to go back to infinitesimal weights and infinitesimal charges, but to have one solid all-round rate which will make it certain that the postal arrangements will in practice cause as little harassment as possible to the people. That is not a matter lightly to be put aside. It is not a question of involving our own postal authorities or our own postal officials in any difficulties. That is not the point at all. The point is that if you

[ Mr. W. M. Hailey. ]

return to this small weight you will cause great difficulties to the public concerned—difficulties which I think they will resent. It is for that reason, Sir, that in another place I myself have always been a steady advocate of the heavy initial weight, and I have maintained that we could have a system involving a heavier initial weight without at the same time involving any additional burden that the ordinary poor man would feel at all. It is for this reason that I say I think we should look for some other solution of our difficulties than that which is contained in the amendment now before the Council.

The HONOURABLE MR. E. S. LLOYD : Sir, the balance of advantage in the amendments of the Honourable Mr. Khaparde and the Honourable Mr. Sethna lies I think with the latter. From the discussions which many of us have had during the course of last week, I think there is no doubt that many people are pleased by this idea of going back to the old half-anna rate for half-a-tola. I may say that I was myself at first strongly attracted by this proposal. But I think there can be very little doubt whatever that we cannot give up 42 lakhs of revenue at a time like this. The Government have indicated that they are prepared to meet us half way and to accept the other proposal, namely, that instead of the whole anna for the tola it is quite possible it might be nine pies for that weight. This is, I think, a reasonable compromise, and as the Honourable Mr. Froom pointed out, we should not interfere with weights and a small increase of rate is really of no great hardship to anybody. I do very much ask all Members of this House to give up the present proposal made by the Honourable Mr. Khaparde in order that we may accept the one standing in the name of the Honourable Mr. Sethna.

The HONOURABLE MR. LALUBHAI SAMALDAS : Sir, I rise to support the proposal of my friend the Honourable Mr. Khaparde, and in doing so I should like to clear some misapprehensions that have been raised in the minds of some of the Honourable Members of the House. The Honourable Mr. Froom said that the loss to the Postal Department was 22 lakhs. But if I understood aright the speech of the Honourable Mr. Hailey, the 22 lakhs was a dead loss on the Budget, not on the Postal Department. So that argument is simply wiped out.

Then the Honourable Mr. Froom said 13 annas per annum would not be very hard on the poor man. He spoke, I presume, for his Presidency. I come from the same Presidency. Possibly he spoke for the City of Bombay. He has had no opportunity of knowing the economic condition of the village people.

I have had opportunities of meeting agriculturists and know their condition and know that even 13 annas per annum would mean much to them. It is very easy to brush this aside ; but to poor people the amount counts.

Then, the Honourable Mr. Hailey gave us some figures. He said that 580 millions of letters were sent by 300 million people. Statistics, as I have once before said in this Council, can be made to prove anything. All these 300 million people are not literates. The Honourable Mr. Hailey forgets that even after the advent of the British for a hundred years not more than 15 or 20 per cent. of the people are literate. You ought not to divide 580 millions by 300 millions ; but you must take 15 per cent. of 300 millions and then divide 580 millions by the resulting figure. The manner suggested by the Honourable the Finance Member is not the correct way of using figures.

Leaving this matter aside, we come to the crux of the question which is this. If we are going to have a deficit of Rs. 22 lakhs, we must find some way of meeting it. I quite agree with the Honourable Mr. Cook that we cannot go on issuing Treasury Bills. That is not the way of doing business. But if we are going to find the money, we must tax the rich and not the poor. Does the House want to be told by the public outside the House that because the House was composed mainly of capitalists and rich men, for the sake of getting a reduction of  $\frac{1}{4}$  anna on the tola they are taxing the poor  $\frac{1}{4}$  anna more for his half tola? Let each member think for himself. I ask him to vote for the poor and not for the middle class or the rich people.

With these remarks, I support the amendment moved by my Honourable friend.

THE HONOURABLE SIR ALEXANDER MURRAY: In rising to speak on this amendment I may take it we are all agreed that we cannot accept the postal rates contained in this Bill in the form in which it has now come to us from the other House, for a few figures that I will give you make it very plain that these rates ought not to be accepted. As a result of the legislation elsewhere, for 1 tola we are now expected to pay 1 anna as against the  $\frac{1}{4}$  anna that we have been paying hitherto; then for  $2\frac{1}{4}$  tolas (that is to say 1 ounce) we are expected to pay 3 annas as against 1 anna that we are paying now, a very substantial difference; similarly, when it comes to 5 tolas or 2 ounces, we are expected to pay 5 annas as against 2 annas we are paying now; then, for  $7\frac{1}{4}$  tolas we are to be called upon to pay 8 annas as against 3 annas we are now paying; for 10 tolas, we would have to pay 10 annas as against 4 annas. I think it is quite clear, therefore, that we should not allow this Bill to pass through the House in its present form, but should endeavour to arrive at a compromise of some description, based on the amendments that are before us. In the first Finance Bill that was laid before us the Government put forward a proposition that the present rate for 1 tola should be raised from  $\frac{1}{4}$  anna to 1 anna, and they formally brought forward a proposal that above  $2\frac{1}{4}$  tolas the rise ought to be at the rate of  $\frac{1}{4}$  anna instead of 1 anna. If we were to accept that proposal, I should think we would be laying ourselves open to the criticism which has been levelled by the last speaker, as regards class distinctions. I am not in favour of Government's original proposal, but I would favour the proposal made in Mr. Khaparde's amendment to the effect that the increased postage above  $2\frac{1}{4}$  tolas ought to be at the rate of 1 anna for every  $2\frac{1}{4}$  tolas. That, I think, would meet the criticism that was addressed to the House by the last speaker when he said that we were going to introduce legislation for the rich instead of for the poor. Business firms and Government use heavy letters and if we welcome increased taxation in the shape of 1 anna instead of  $\frac{1}{4}$  anna for increases above  $2\frac{1}{4}$  tolas, then I think we shall reply effectively to the suggestion of the Honourable Mr. Lalubhai.

Then as regards the lower rate, I think myself, Sir, that the compromise suggested in the amendment by the Honourable Mr. Sethna that has still to come before the House is quite an equitable one, and in suggesting that we should go back to  $\frac{1}{4}$  anna for  $\frac{1}{2}$  tola the Honourable Mr. Khaparde is really asking us to take a retrograde step. The  $\frac{1}{2}$  tola weight has disappeared already from our Statutes; why go back to that? I am quite sure that no other country in the world has such cheap postage as we have, and having got away from this very very low unit of half tola,

[ Sir Alexander Murray.]

why go back to it, especially when an alternative is given to us in the shape of an extra 3 pies for postage which will cover the one tola letter? The Honourable Mr. Froom has pointed out, though the last speaker objected to the statement, that in Bombay there have been increases in wages to the extent of 100 per cent. We are not so wealthy on the Bengal side, but the increases there are at least 50 per cent. If we ask the public generally to pay 50 per cent. increase in their postage rate, that increase is only commensurate with the increase of wages that has admittedly taken place all through the province of Bengal; and an increase from 6 pies to 9 pies is simply an increase of 50 per cent.

With these few remarks, I beg to oppose the amendment as put forward by the Honourable Mr. Khaparde.

The HONOURABLE MR. LALUBHAI SAMALDAS: I move, Sir, that the question be now put.

The motion was adopted.

The HONOURABLE THE PRESIDENT: The question is—

‘ 32. That in Schedule III to the Bill for the entries under the head “ Letters ” 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 two and a half tolas. One anna.

For every two and a half tolas or a fraction thereof exceeding two and a half tolas. One anna.’

I think the ‘ Noes ’ have it.

The HONOURABLE MR. LALUBHAI SAMALDAS: I ask for a division, Sir.

The Council divided as follows :—

#### AYES—13.

Abdul Majid, Nawab.  
Altaf Ali, Mr.  
Harnam Singh, Raja Sir.  
Jogendra Singh, Sardar.  
Jha, Dr. Ganganath.  
Khaparde, Mr. G. S.  
Lalubhai Samaldas, Mr.

Maung Po Bye.  
Nandy, Sir M. C.  
Naidu, Mr. V. R.  
Premada Nath Roy, Raja.  
Soshi Kanta, Acharyya Chaudhuri.  
Maharaja.  
Zulfikar Ali Khan, Sir.

#### NOES—21.

Amin-ul-Islam, K. B.  
Bahram Khan, Nawab Sir.  
Barnes, Sir G.  
Barton, Mr. C. A.  
Bray, Mr. D. deS.  
Chatterjee, Mr. A. C.  
Cook, Mr. E. M.  
Elliott, Lieut.-Col. A. C.  
Froom, Mr. A. H.  
Hammond, Mr. E. L. L.  
Lloyd, Mr. E. S.

Murray, Sir Alexander.  
Richey, Mr. J. A.  
Sarma, Mr. B. N.  
Seddon, Mr. C. N.  
Sethna, Mr. P. C.  
Shafi, Mr. M.  
Smith, Mr. Moncrieff.  
Umar Hayat Khan, Colonel Sir.  
Wood, Sir John.  
Zahir-ud-din, K. B. Saiyid.

The amendment was negatived.

The HONOURABLE MR. SETHNA : Sir, I beg to move :

'That in Schedule III to the Bill for the entries under the head 'Letters' the following be substituted namely :—

*' Letters.*

For a weight not exceeding one tola . . . . .	Nine pies.
For a weight exceeding one tola but not exceeding two and a half tolas . . . . .	One anna.
For every two and a half tolas or fraction thereof exceeding two and a half tolas . . . . .	One anna.'

I find that my task is considerably lightened by the discussion which has taken place on the two previous amendments. I think we all recognise that it is very necessary that we should have an intermediate stage between the quarter anna post card and the one anna letter. I for one would certainly welcome the Honourable Mr. Khaparde's proposal, but the reason why I objected to it was that it takes us back to the half tola as the minimum weight of a letter and that is a retrograde policy. However, his amendment has been discussed and thrown out and I need not refer to it any more. The only alternative which appeals to me is a three-fourth anna postage for a letter weighing one tola. The Honourable Mr. Cook stated that the Honourable Mr. Khaparde's proposal, if adopted, would bring in an additional income of 22 lakhs which is not sufficient. My proposal would bring in more; what the probable amount will be I am not in a position to state. Perhaps the Honourable Member in the course of his speech in reply might be able to tell us. I admit that it would not bring in enough to make up the deficit which the Honourable the Finance Member anticipates and therefore in the higher weights I propose a higher rate than what the Department themselves proposed, namely, 1 anna for every 2½ tolas instead of ½ an anna as proposed by them. In other words, what they will lose on the lower letters they may make up in the weightier ones, and thus what they lose in the roundabouts they may be able to make up in the cocoanuts.

Now, Sir, the only argument which I can see that could be brought against my proposal is that the ¾ anna as proposed is not simple enough and that stamps for this amount are not available. Well, Sir, if ¾ anna is not simple enough the same argument will apply to foreign postage. We pay at present 1½ annas and it might be contended that this rate might be two annas or some multiple of one anna. The Post Office could overcome the difficulty by surcharging the existing ½ anna stamps and marking them ¾ anna.

Sir, we are absolutely in the dark, the Honourable Mr. Hailey has told us that the Post Office carries about 580,000,000 letters a year. The Honourable Mr. Khaparde tells us that he is not an accountant and his figures may be wrong. It seems to me that the Finance Department itself is not very sure of its facts and figures.

My appeal to them therefore is that if this Council accepts my amendment and if they find that the three-fourths of an anna rate brings them sufficient revenue, that they will of their own accord reduce the rate to half an anna. I suggest this, Sir, because, it is perfectly competent for Government to do so. The Schedule that has been framed is for maximum weights and for maximum postages. I understand it is open to Government under the Post Office Act to reduce such maximum rates of their own accord if they choose.

[ Mr. Sethna. ]

to do so. I do hope, therefore, Sir, that if the acceptance of my proposal does bring in a larger revenue, they will of their own accord reduce the rate of three-fourths of an anna per tola to half an anna, which I am sure, will give very great satisfaction to the masses in this country, as also the lower middle classes, and particularly the business communities.

I have nothing else to add, Sir.

The HONOURABLE SIR MANECKJI DADABHOY : Sir, I do not believe in the policy of the whole hog or nothing. On that principle, and as a compromise I rise to support this amendment. I know considerable inconvenience will be caused by the introduction of a new form of postage in the country. But I think that of the two evils we should choose the lesser one, and accept this amendment, principally because, as I have pointed out, in my speech on my amendment, the disparity between half anna postage and one anna postage is so great that it will meet with unanimous opposition in the country. However, this compromise is one which if not entirely equitable is fair, and I am prepared to accept it. But I do hope, and I appeal to the Honourable the Finance Minister that as this amendment of the Post Office Act is only to last in operation till the 31st March next, if the finances of the Post Office improve, and if the Postal Department becomes a self-supporting institution, he will see his way in the next Budget to remove this additional quarter anna postage and revert to the old practice.

The HONOURABLE SARDAR JOGENDRA SINGH : Sir, I rise to oppose this amendment. The Honourable Mr. Cook will possibly tell us what the effect will be if the three-quarter anna postage is accepted. If the deficit is not made up, the case entirely falls through. It all depends on that. If it does make up the deficit, then there will be some ground for supporting it. Will the Honourable Member kindly tell us how Mr. Sethna's amendment affects the finances ?

The HONOURABLE MR. E. M. COOK : Our calculations are, Sir, that the Honourable Mr. Sethna's amendment, taking the three parts together, will bring in a revenue altogether of Rs. 60 lakhs. I may explain that the net effect will be that the Rs. 44 lakhs which I spoke of this morning as being something in hand will be reduced to about 15 to 18 lakhs.

The HONOURABLE SARDAR JOGENDRA SINGH : That, Sir, means that the Government will gain about Rs. 4 lakhs more than by Mr. Khaparde's arrangement ?

The HONOURABLE MR. E. M. COOK : No, no. Mr. Khaparde's amendment leaves us Rs. 22 lakhs down on the Budget. Mr. Sethna's amendment puts us Rs. 18 lakhs up on the Budget. There is a difference of Rs. 40 lakhs.

The HONOURABLE THE PRESIDENT : Does that remove the Honourable Member's objections ?

The HONOURABLE SARDAR JOGENDRA SINGH : Yes, Sir.

The HONOURABLE MR. E. M. COOK : Sir, we are prepared to accept this compromise. But as regards Mr. Sethna's appeal that we should use our powers under the Post Office Act to reduce the rates if possible, we cannot possibly give him any undertaking or promise at this stage.

The HONOURABLE THE PRESIDENT : The question is :

' That in Schedule III to the Bill for the entries under the head ' Letters ' the following be substituted, namely :—

*' Letters.*

For a weight not exceeding one tola . . . . .	Nine pies.
For a weight exceeding one tola but not exceeding two and a half tolas . . . . .	One anna.
For every two and a half tolas or fraction thereof exceeding two and a half tolas . . . . .	One anna.

The motion was adopted.

The HONOURABLE THE PRESIDENT : The effect of this will, I think, be to dispose of items\* 35, 36, 37, 38, 39, 41 and† 31.

I then call upon the Honourable Mr. Khaparde to move his amendment regarding Registered Newspapers. There are several amendments under the

\*35. That in Schedule III to the Bill for the entries under the head " *Letters* " the following be substituted namely :—

" For a weight not exceeding half a tola . . . . .	Half an anna.
For a weight exceeding half a tola but not exceeding two and a half tolas . . . . .	One anna.
For every additional two and a half tolas or fraction thereof . . . . .	One anna."

36 (2) That in Schedule III to the Bill for the entries under the head " *Letters*," the following be substituted namely :—

" For a weight not exceeding one tola . . . . .	Half an anna.
For a weight exceeding one tola and not exceeding two and a half tolas . . . . .	One anna.
For every additional two and a half tolas . . . . .	Half an anna."

37. That in Schedule III for the entries under the head " *Letters* " the following be substituted :—

" For a weight not exceeding half a tola . . . . .	Half an anna.
For a weight exceeding half a tola but not exceeding two tolas . . . . .	One anna.
For every tola or fraction thereof exceeding two tolas . . . . .	Half an anna."

38. That in Schedule III for the entries under the head " *Letters* " the following be substituted namely :—

For a weight not exceeding half a tola . . . . .	Half an anna.
For a weight exceeding half a tola but not exceeding two and a half tolas . . . . .	One anna.
For every additional two and a half tolas . . . . .	One anna.

39. That in Schedule III for the entry " For a weight not exceeding one tola—one anna," the following entry be substituted :—

" For a weight not exceeding half a tola—half an anna."

41. That in Schedule III for the entries under the head " *Letters* " the following be substituted namely :—

*Letters.*

" For a weight not exceeding half a tola . . . . .	Half an anna.
For a weight exceeding half a tola but not exceeding two and a half tolas . . . . .	One anna.
For every additional two and a half tolas . . . . .	One anna."

† *Vide* page 563.

[ The President. ]

head 'Registered Newspapers' and although the Council did not take my advice this morning and decided to take the amendments one after the other, I cannot help feeling that the discussion this morning would have proceeded on better lines if my suggestion had been followed. Perhaps the Council may reconsider the matter on this occasion.

The HONOURABLE MR. G. S. KHAPARDE : Sir, I beg to move that for the heading 'Registered Newspapers' the following be substituted :—

'For a weight not exceeding eight tolas . . . . .	Quarter of an anna.
For a weight exceeding eight tolas and not exceeding twenty tolas . . . . .	Half an anna.
For every twenty tolas or fraction thereof exceeding twenty tolas . . . . .	Half an anna.'

Well, Sir, the other House has reduced the quarter anna weight to five tolas. Now, all Indian newspapers that are in circulation and that I know of generally exceed this weight of five tolas. Some of them come up to 6 tolas, others to 7 tolas, and most of them go up to 8 tolas. So, I have allowed eight tolas for quarter of an anna, so that all these small papers that are in circulation in India may pay the same postage of quarter of an anna. The objection is that we cannot possibly in these days cheapen the news that travels if we make these papers pay more by way of postage, and news will not travel at all, and as a consequence, many misunderstandings which ought not to exist at all will only increase. Then again, the other House has allowed only 15 tolas for half an anna. I raise that to 20 tolas, to cover the Anglo-Indian papers that are in circulation now. This is intended to increase the circulation of news, and I suppose that as the deficit has been covered under 'letters' there will be no more talk of the difficulty about a deficit. With these words, Sir, I commend my amendment to the acceptance of this Council.

The HONOURABLE MR. E. M. COOK : Sir, I do not agree with the whole of the Honourable Mr. Khaparde's arguments, but as the Council has done us very handsomely in accepting the compromise about the nine pies postage on letters, and as the amount of money involved here is very small, I do not wish to oppose the amendment.

The HONOURABLE THE PRESIDENT : The question is.

'That in Schedule III to the Bill for the entries under the head 'Registered newspapers' the following be substituted :

*'Registered newspapers.'*

For a weight not exceeding eight tolas . . . . .	Quarter of an anna.
For a weight exceeding 8 tolas and not exceeding 20 tolas . . . . .	Half an anna.
For every twenty tolas or fraction thereof exceeding twenty tolas . . . . .	Half an anna.'

The motion was adopted.

The HONOURABLE THE PRESIDENT : The question is therefore that Schedule III, as amended, stand part of the Bill.

The motion was adopted.



The HONOURABLE MR. E. M. COOK : I beg to move amendment No. 42, on the paper which runs as follows :

‘42. That the following be inserted as Schedule IV to the Bill namely :—

‘SCHEDULE IV.

‘Schedule to be substituted in the Freight (Railway and Inland Steam-vessel) Tax Act, 1917.

(See section 4.)

SCHEDULE I.

(See section 3.)

1	2	3
Goods.	Unit or method of taxation.	Rate of tax.
All goods (including goods carried by coaching traffic) other than food grains and pulses, firewood and fodder.	Per rupee of net freight payable.	Two and a half annas.

This is a purely drafting amendment, Sir. Column 1 of the Schedule as it is now before the Council reads ‘including other coaching traffic but excluding foodstuffs’. The wording has, in point of fact, two defects. ‘Foodstuffs’ is a very indefinite term. It might be held to include all sorts of things such as ghee, fish, etc., in fact anything that is eaten. That was not the intention of the other House, I think ; nor was it the intention of Government ; the intention was to exclude food grains and pulses. There is one other change. As it stands, the Schedule has got the words ‘other coaching traffic’. That is a term that is understood by railway people to mean all coaching traffic other than passenger traffic, but I do not think it would be so understood in a court of law and this amendment seeks to make it clear by inserting the words ‘including goods carried by coaching traffic’.

The HONOURABLE SIR MANECKJI DADABHOY : I have given notice of an amendment of this clause.

The HONOURABLE THE PRESIDENT : We must get the Schedule in first. The Honourable Member may then move his amendment. This is a purely drafting amendment, I understand.

The question is that the following be inserted as Schedule IV to the Bill :—

‘Schedule to be substituted in the Freight (Railway and Inland Steam-vessel) Act, 1917, as set out above.’

The motive was adopted.

I now call upon the Honourable Sir Maneckji Dadabhoys to move his amendment.

The HONOURABLE SIR MANECKJI DADABHOY : My amendment is 'that in column 3 of Schedule I in clause 4 the words 'and a half' be deleted.' I am prepared to confess that I have brought this amendment with the object of obtaining authoritative information on the subject. When the Finance Bill was originally introduced, in Schedule IV, they proceeded on the basis of a duty per Indian maund of 82 and some fraction pounds. While here we have the taxation on the basis per rupee of net freight payable under existing Acts. Before I press my amendment I would like the Honourable Mr. Cook to inform me how much more money he will gain by the acceptance of the Schedule as it now stands in comparison with that which he hoped to gain by the original proposal embodied in the Finance Bill.

The HONOURABLE MR. E. M. COOK : I think Sir M. Dadabhoi is referring to the fact that the Finance Bill as originally introduced imposed quite a different tax, *viz.*, a surtax. As regards the gain by adopting the amendment passed in the other House, I can give him the exact figures if the Council is at all interested in them. I think the Council knows that for next year we estimate the gross traffic receipts at 87 crores, including goods and passenger traffic. If we exclude military and railway stores, the total estimated railway earnings on goods traffic next year is just about 44½ crores. If we take away from that 11 crores on account of food grains; firewood and fodder, we get a total of 33½ crores, which is the figure to which we are going to apply the tax of 2½ annas in the rupee. That brings in 52¼ lakhs. If you add on to that the tax on 'other coaching traffic,' it will come to 115 lakhs. If you add Inland river steamers, *viz.*, 30 lakhs, you get a total of 6 crores and 69 lakhs. Take away from that the surcharge of 117 lakhs which already exists, and you get exactly 5 crores and 52 lakhs. It so happens that this is almost exactly the 5½ crores entered in the budget on account of the extra yield from the proposed increase in the surtax.

The HONOURABLE SIR MANECKJI DADABHOY : In view of the explanation given I wish to withdraw my amendment.

The amendment was, by leave of the Council withdrawn.

The HONOURABLE SIR ALEXANDER MURRAY : I beg to move the amendment which stands in my name. It reads as follows :

'In the Schedule to be substituted in the Freight (Railway and Inland Steam-vessel) Tax Act, 1917, for the words 'Two and a half annas' in column 3, the following be substituted namely :—

'Two and a half annas in the case of goods carried by a railway; and one and a quarter anna in the case of goods carried by an inland steam-vessel.'

The effect of this amendment is to provide that goods carried by inland steam-vessel should pay tax to the extent of one half of that payable by goods carried by railway. To explain the position clearly, I would like to go back to the year 1917 when the surcharge was first imposed. It was first mentioned by Sir William Meyer on the 1st March in that year when he said :—

'Finally we have decided to impose, as a war measure, a surcharge on railway goods traffic at the rate of one pie a maund on coal, coke and firewood and two pies a maund on other articles.'

That is to say, the surcharge was imposed first of all, as a war measure.

It was in that year that the Finance Member dealt with India's special contribution of £100 million to the war. To enable Government to finance

that war contribution, special taxation was imposed, and one of the items proposed was this surcharge on railway goods traffic.

Please note that this war measure, for that is what it was expressly called, was to consist of a surcharge on railway goods traffic only. When the Bill came to be drafted, however, it was found that inland steamers were in competition with the railways for inland traffic, and it was, therefore, decided to make the surcharge applicable to inland steamer traffic, as well as to railway goods traffic. The steamer companies at the time took exception to this new imposition; but recognising it to be a war measure, they ultimately accepted the surcharge as a necessary evil of the times although they did point out that the tax did not apply to country boat traffic. I may add, however, that the incidence of the tax then was not severe, and it consequently did not materially divert or restrict traffic at least as between the railways and the steamers, although it did make a difference as between steamers and country boats which did not pay the tax.

Although this surcharge was admittedly a war measure, force of circumstances had compelled the Government of India to continue this tax up to date. And similarly force of circumstances has again caused Government to look round for a method of imposing fresh taxation, taxation that will return a substantial yield and return it quickly.

In this connection I should like to refer to the speech of the Honourable the Finance Member when dealing with the head 'Railways' in the Budget on March 1st, 1921. He there (page 90) gives certain figures which show that railway traffic returned a substantial net profit of as much as 15 crores in 1917-18 and almost 16 crores in 1918-19, while in 1919-20 it dropped to 9 crores, and in 1920-21 to no more than 5 crores, and next year, assuming that no change is made in rates, it will probably be only 4 crores. He then goes on to say:

'I submit therefore that, quite apart from our present financial necessities, a moderate increase of rates, particularly on goods traffic, the rates for which are mostly still on a pre-war basis, could be amply justified on business grounds. It is not possible, however, to re-adjust the various rates in time enough to give us the money we need during the next financial year. In the case of goods rates, it is a particularly cumbrous business, and requires very careful consideration in consultation with our traffic experts and with the railway companies. We have asked the Railway Board to examine the matter carefully, during the course of next year in order to see what enhancements of rates are possible. Meanwhile, as a temporary measure, we propose to make a substantial increase in the surcharge on goods traffic which was imposed in 1917'.

Later on the next page (page 91) he says:

'The increase now proposed is therefore intended to be in temporary substitution for a general increase of goods rates. In the event of it being found possible before the end of the year to raise the goods rates to the necessary extent, such increases will be substituted next year for part or whole of the additional surcharge now to be imposed'.

Take note, please, that quite apart from our present financial necessities, a moderate increase of rates can be amply justified on business grounds. Take note that it is not possible, however, to re-adjust the various rates in time to give us the money required immediately. Take note, Sir, that the Railway Board have been asked to go into the matter to see what enhancements of rates are possible. Take special note that the increase now proposed is merely a temporary substitution for a general increase in rates, and that when

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such general increase comes into effect, it will take the place of the additional surcharge now imposed.

It is therefore quite evident why this surcharge is being imposed this year, namely, on account of the falling off in the net profits from railway working. If further evidence of this is required,—it is found in paragraph 15 of the Honourable Member's speech introducing the Budget, where he said—

'It is the working expenses of railways that have been mainly responsible for falsifying our estimate of net receipts; the bulk of this increase is due to increases of pay given to the railway staffs.'

He talks on similar lines in paragraph 21 where he says :—

'Now the same factors that have been at work increasing the working expenses of the railways and decreasing their profits, have also been at work in the inland steamer companies which compete with the railways.'

The steamer companies have therefore gone to the railway companies who are in competition with them, and have said :—

'Let us put up our rates in consultation with each other in order to meet our increased working expenses.'

To this, the railway companies reply :—

'It is quite true we are working at a loss, as some of them are, but all the same we cannot put up our rates just yet,'

with the result that neither can the steamer companies put up their rates, for they are in competition with each other.

Up to this point everything is plain sailing, but it is here that the injustice to the steamer companies begins. The railway companies refuse or delay to put up the rates, but the Government of India, who are the actual owners of some of the railways in competition with the steamers, come along and say :—

'We cannot wait any longer for you to make up your minds as to the actual rates of freights to be increased. We must have money at once to meet the increased working expenses, or at any rate to make up for the deficiency caused by the falling off in surplus profits coming to us from your railways.'

Government therefore decided to put on an all-round tax—they no longer call it a surcharge—an all-round tax of 2½ annas per rupee of the net actual freight payable under existing Acts. So far as the railways and the Government are concerned, the matter is as broad as it is long. The railway refuse or delay to increase the rates, the Government say—'We must have the money,' and with the one hand the Government take the money, and with the other hand they spend the money on the up-keep of the railways, or at any rate, in making good the deficiency caused by the loss in their net surplus revenue as the result of the increased cost of working the railways.

So far so good. You will now ask where does the grievance of the inland steamers come in? Well, just as the costs of railway working have gone up, so have the costs of inland steamer working; and being in competition with each other, so long as the railways refuse to increase their rates, so long also must the steamer companies refuse to increase their rates, and here is where the difference comes in. Unlike railway companies, the steamer companies have no father or mother in the shape of a benevolent Government to come

along and assist them. If they had, Government would with one hand collect a tax in the shape of an increased rate of freight on the steamer traffic and expend it in meeting the increased working expenses of the steamers, or at least, in making up the deficiency in the steamers' net profits caused by the increased cost of working. Instead of doing that now what does the Government do? They go to the steamers and say :—

'It is quite true the cost of railway working has gone up, and our net profits from the railways have gone down. It is also quite true that the cost of your working must have gone up, and your net profits must also have gone down. Well, we are going to collect a tax which, in the end, will square our accounts overhead, that is to say, we are going to collect a tax on the railway traffic, and we are also going to collect a tax on the steamer traffic, and we are going to use both taxes to make up for our loss in the railway revenue.' But, say the steamer companies, 'Where do we come in? Our working expenses have gone up, our net profits have come down; we quite agree some tax is necessary in order to balance accounts, but you are surely not going to take the tax from our traffic to make up for the deficiency in railway traffic.' To this the Government reply: 'Yes, that is just what we intend to do'.

Is it any wonder, therefore, that the steamer companies have a grievance? |

I think I have said enough to satisfy you that they have a grievance, and I believe the Honourable the Finance Member, and the Honourable Mover of this Bill, admit the steamer companies have a grievance. I am prepared even to go the length of arguing that Government are not entitled to any share of the increased tax on the river traffic. Government admit this by saying that the tax is intended to be in temporary substitution for a general increase of goods rates. For, when that general increase in goods rates takes place, I am sure Government have no intention of taking from the steamer companies any share of their increase in the goods rates levied on their river traffic.

I recognise, however, that Government must get money in order to square their accounts this year, and although the steamer companies will not agree with me, I am prepared solely as a compromise to suggest that Government be allowed to make use of this tax on railway traffic for this year only, but I trust Government will also recognise that the steamer companies are entitled to some part of the increase in rates on their traffic, in order to meet the increased cost of working their traffic. It is for this reason, and only for this reason, that I put forward this motion to the effect that the tax to be levied on steamer traffic should only be half of the tax to be levied on railway traffic. Now some of you may say—Oh, it will not be fair that railway traffic should bear the increase at the rate of  $2\frac{1}{2}$  annas per rupee, while the steamer traffic gets off with  $1\frac{1}{2}$  anna per rupee. I have no authority for saying so, but I think you may take it from me that the steamer companies will not hesitate, wherever circumstances permit, to increase their present freights not only by the  $1\frac{1}{2}$  anna per rupee, which they will have to make over to Government, but also by another  $1\frac{1}{2}$  anna per rupee, which they will require to meet their increased working expenses. In other words, wherever their contractual engagements will permit, the steamer companies will increase their rate by  $2\frac{1}{2}$  annas per rupee, just as the railway companies are to increase their freights by  $2\frac{1}{2}$  annas per rupee. I trust I have put the position clearly before you, and I therefore now beg to move the amendment standing in my name, which I can assure you I move solely in the interests of equity and fair play as between the Government, the railways and the steamer companies.

The HONOURABLE MR. A. H. FROM : Sir, I should not like the members of this Council to imagine that because I am connected with ships that go across the sea I immediately rush in and support an amendment in favour of ships that go up a river. When the increased surcharge on the freights of the railways in India was introduced, I must confess that until it was explained to me I did not fully realise the effect of its application to the river steam companies, and I cannot help thinking that the Government did not either. The Honourable Sir Alexander Murray has explained what can only be described as a very grievous wrong to the river steamer companies, and I feel sure that the Finance Department will welcome this amendment of my Honourable friend so that they may have an opportunity of putting right what I have described as a grievous wrong, with very little delay. I feel so keenly about this whole question that I am rather sorry that my Honourable friend has suggested a half way house in his amendment. But at all times I hope that the Government will recognise that the members of this Council are reasonable, and I think it must be with that idea in his mind that my Honourable friend has suggested these half measures. I hope that the members of this Council have followed Sir Alexander Murray closely in his speech because at the outset this question seems a little intricate. You all know that for 4 or 5 years wages have been going up and up and up, and Government sit on the top of the river companies and give them no chance of taking a little additional revenue to meet these increased charges. In fact, they take some of the money that the river steamer companies should be allowed to earn and indirectly put it into the pockets of their competitors of the river steamer companies, the railways. That is the point I want to drive home.

Perhaps I may make a further explanation. I discussed this matter outside the Council with one of my friends and I was countered by a remark,—‘Well, there are lots of taxes which are disagreeable and several which are unfair. Take, for instance, the excise tax on the mill industries.’ But the point is that the Government are not running a mill side by side and in competition with those they are taxing. In the case of the river steamers they are running in opposition by means of the railways and they sit on the top of the river steamer companies and prevent them from expanding their revenue to meet increased expenditure. As I have said, I am a little astonished that my Honourable friend has proposed a half-way house. I feel so strongly about this tax that I feel quite sure that the Finance Department will welcome the amendment with open arms and thus at once be able to put right what is really a grievous hardship.

With these few words I support the amendment.

The HONOURABLE RAJA PRAMADA NATH ROY OF DIGHPATIA : Sir, do I understand that Sir Alexander Murray wants Government to impose taxes and give a portion of them to the steamship companies?

The HONOURABLE SIR ALEXANDER MURRAY : May I rise to make an explanation?

The HONOURABLE THE PRESIDENT : I think that if Sir Alexander Murray makes a personal explanation it may clear up some of the difficulty.

The HONOURABLE SIR ALEXANDER MURRAY : The tax is one of 2½ as on all traffic carried by rail and by river. My suggestion is that river

traffic should bear a tax only of  $1\frac{1}{2}$  annas, namely, one half of what the railway traffic should bear, in order that river steamer companies may be given an opportunity of meeting their increased cost of working.

The HONOURABLE RAJA PRAMADA NATH ROY OF DIGHAPATIA : If that is so, I have nothing more to say ; but I should like to ask if we are in order in discussing this matter which looks rather like a subvention or something of that sort.

The HONOURABLE THE PRESIDENT : As far as I am aware, the discussion is perfectly in order. I have not quite appreciated the Honourable Member's point of order.

The HONOURABLE MR. C. N. SEDDON : Sir, I have no doubt that the Finance Department will explain the matter so that the Council can understand exactly the position. And when they do that I think perhaps it will enable us to understand it if they will tell us about the position of the feeder railway companies, and whether this  $2\frac{1}{2}$  annas which is to be taken from railway companies is to be taken from feeder companies by Government or to go to the feeder companies for their expenses. Because, if it is taken by Government. . . .

The HONOURABLE SIR GEORGE BARNES : I can answer that at once, Sir. It is on all rail traffic.

The HONOURABLE MR. C. N. SEDDON : That is to say, it is taken by Government and not handed back, so that the feeder companies seem to me to be in exactly the same position as the river steamship companies. And it would almost appear that the same treatment should be given to them as should be given to the steamship companies.

The HONOURABLE SIR MANECKJI DADABHOY : Sir, I understand that my withdrawal of my amendment is no bar to my supporting this reasonable amendment of the Honourable Sir Alexander Murray?

The HONOURABLE THE PRESIDENT : None whatever.

The HONOURABLE SIR MANECKJI DADABHOY : Sir Alexander Murray has placed the case in a very clear and cogent manner, and I am of opinion that this House should unhesitatingly accept his amendment. If the amendment is not accepted, in my opinion serious injustice will be done to a service which is doing considerably good work in the country. In fact the compromise which has been suggested by my Honourable friend to-day is nothing more than the offer which the Honourable the Finance Minister generously made to the members of the other House, and I have not the slightest doubt that he will on this occasion accept the amendment which has been moved by the Honourable Sir Alexander Murray. He has explained the case of the railways which stand on a different footing, and when a concession is allowed to railways, it ought in all justice be allowed to the steamship companies because they have to pay extra taxes and are hard hit at present. In my opinion, therefore, it would be a bare act of justice to them if the amendment were accepted.

The HONOURABLE MAHARAJA SHOSHI KANTA ACHARYYA CHAUDHURI : Sir, will the Honourable the Finance Member kindly give us what the cost of this concession will be?

**THE HONOURABLE MR. W. M. HAILEY :** From 12½ to 15 lakhs, Sir.

**THE HONOURABLE MR. SETHNA :** I rise to support this amendment. It seems to me, Sir, from the facts narrated to us by Sir Alexander Murray that Government has entered into competition with private corporations. I just learn on inquiry that these steamship companies have been running for the last 70 years whilst the railways which are running almost parallel came in much later, and these railways are practically run by Government. It is evident that because of such Government competition these companies cannot put up their rates. It is but fair to them, therefore, that Government should meet them to the extent contemplated in the amendment before us.

**THE HONOURABLE SARDAR JOGENDRA SINGH :** Sir, I am not quite clear how this will affect taxation, whether the surcharge is for the purpose of taxation only, or whether it is the fare collected by the steamship companies. If the tax is raised for the purpose of taxation it cannot be surrendered to the steamship companies and I think the correct thing would be to allow the steamship companies to raise their rates in order to meet expenses, but I am not clear as to what the real position is.

**THE HONOURABLE MR. W. M. HAILEY :** Sir, perhaps I need not re-state the whole of the case put by the Honourable Sir Alexander Murray, but I admit that it is not an easy one, and may need some explanation to the Council on our part.

I will give the shortest explanation possible which will, I hope, meet the point of the Honourable Sardar Jogendra Singh. Here you have railways run in close competition with Inland Steamship Companies which themselves compete also with country boats. Now we found that our railways were running at a decreasing profit ; in some cases indeed at an actual loss. Therefore, in order to make that up, we proposed to take a surcharge ; we shall apply the money we get from the surcharge either to make up the decrease in profits on the whole railway transaction, or shall utilise the money to meet the enhanced running expenditure. That is our action in regard to our railways. Now take the case of inland steamship companies. As I have said, hard by the railways you have the steamships companies run by private enterprise which are competing on the one hand with railways, and on the other hand with country boats. Now we have to realise as regards the steamship companies that their expenditure has gone up as our own has gone up. That is a fact which everybody must admit. If they are to make things square they must raise their rates, and we should have no objection to their raising their rates, but we must allow them a field in which to do so. The Bill, as we put it forward originally, put exactly the same surcharge on the steamship companies as on the railways. Since these two services are running in competition, the steamship companies cannot raise their rates above the railway rates. But the surcharge we are putting on them makes it necessary for them, if they wish to increase their rates, to raise them above those of the railway. That is to say, if a previous common unit were Rs. 10 ; we are putting on a surcharge of roughly about Rs. 1-8, both on the steamship companies and on the railways, and if a steamship company raised their rates further, the unit in question would have to be over the Rs. 11-8 which would be applying to railways. We have, therefore, in our original Bill taken away from them any possibility of increasing their freights so as to meet the increase which we all admit to have taken place in their working expenses.



It is for that reason that I agreed in another place to a proposition—very much of the same form but with a difference in wording—similar to the amendment which has been moved by the Honourable Sir Alexander Murray.

We have been charged in another place with an act of great injustice in putting the surcharge on the railway companies at all. Well, we have continued an existing injustice, and I find that if you repeat your injustices often enough, they become justified. Perhaps that is an over cynical statement of the case ; it is more correct to say that I felt that when we were looking for a means of taxation, we were justified in putting some increase on communications and transport. I am quite free to admit, at the same time, that we had not at the time foreseen that by taking such action we should be preventing steamship companies from making an increase in the freights—a step which is absolutely necessary if they are to live. Therefore, when it was pointed out to us that our action did this, we agreed to waive half the surcharge in their case.

There is, of course—if I may make this point quite clear again—no question of a refund. It may be said perhaps more truly that whereas we set out to pick both pockets, we shall now only pick one.

**THE HONOURABLE THE PRESIDENT :** The question is :

In the schedule to be substituted in the Freight (Railway and Inland Steam-vessel) Tax Act, 1917, for the words “two and a half annas” in column 3, the following be substituted, namely :—

‘Two and a half annas in the case of goods carried by a railway ; and one and a quarter anna in the case of goods carried by an inland steam-vessel.’

The motion was adopted.

**THE HONOURABLE THE PRESIDENT :** The question is ‘that Schedule IV as amended do stand part of the Bill.’

The motion was adopted.

**THE HONOURABLE THE PRESIDENT :** The question is ‘that Schedule V stand part of the Bill.’

The motion was adopted.

**THE HONOURABLE THE PRESIDENT :** The question is ‘that Schedule VI stand part of the Bill.’

The motion was adopted.

**THE HONOURABLE THE PRESIDENT :** The question is ‘that the preamble stand part of the Bill.’

The motion was adopted.

**THE HONOURABLE MR. E. M. COOK :** Sir, I beg to move that the Bill as amended by the Legislative Assembly and as further amended by this Council be now passed.

**THE HONOURABLE SIR MANECKJI DADABHOY :** Sir, though we have not got an opportunity of discussing the Budget, I feel I should not allow this opportunity to pass without paying our tribute to the Finance Minister for the masterly manner in which he has dealt with a very difficult situation this year and has presented a Budget which will generally meet with acceptance in the country. His lot has been a very hard one. He had to face a situation unprecedented I may say in the financial history of this country. Whilst his

[ Sir Maneckji Dadabhoy. ]

predecessors had the good fortune of overflowing receipts he had to face a deficit of a tremendous nature, and with his resourcefulness and his ingenuity, he has grappled with a critical situation at a very difficult time which commands our respect.

I cannot also on this occasion fail to pay our tribute of admiration to the other House—the Assembly, for the conscientious and masterly manner in which this difficult Bill has been settled by them and sent to this Council. They have made the task of this Council easy in many ways.

The HONOURABLE THE PRESIDENT : Order, order. The remarks of the nature of the Honourable Member are an extremely dangerous precedent if harmony is to be maintained between the Chambers. It is neither desirable nor proper that the action taken by or words spoken in the other Assembly should be discussed save in so far as they come before this Council for review. On the present occasion the Honourable Member is speaking words of honey. In the future he might use words of vinegar.

The HONOURABLE THE PRESIDENT : The question is —

‘ That the Bill further to amend the Indian Tariff Act, 1894, the Indian Post Office Act, 1898, the Indian Income-tax Act, 1918, and the Super-tax Act, 1920, and to amend the Freight (Railway and Inland Steam-vessel) Tax Act, 1917, as amended by the Legislative Assembly and as further amended by this Council be passed.’

The HONOURABLE MR. W. M. HAILEY : May I interrupt for one minute, Sir ? I make the grossest interruption, but I feel that it would be wrong on my part, after having had the privilege of attending the debate in this Council, if I did not in the very briefest way acknowledge on behalf of my Department the exceedingly flattering words which Sir Maneckji Dadabhoy has used in connection with our conduct over the Budget. I again apologise for this interruption, but I do feel that I should be very greatly to blame even at the risk of committing an irregularity, if I did not ask permission to acknowledge what Sir Maneckji Dadabhoy has said on the subject.

The HONOURABLE THE PRESIDENT : If I had been aware that the Honourable Member intended to speak, I would not have commenced to put the question.

The question is :

‘ That the Bill further to amend the Indian Tariff Act, 1894, the Indian Post Office Act, 1898, the Indian Income-tax Act, 1918, and the Super-tax Act, 1920, and to amend the Freight (Railway and Inland Steam-vessel) Tax Act, 1917, as amended by the Legislative Assembly and as further amended by the Council of State, be passed.’

The motion was adopted.

The Council adjourned till Thursday at 11 O'clock.