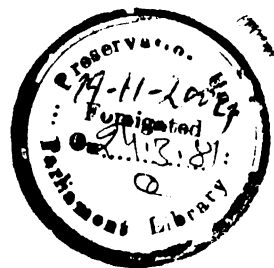


Wednesday, 29th February, 1928

THE
COUNCIL OF STATE DEBATES
(OFFICIAL REPORT)
VOLUME I, 1928

(1st February 1928 to 22nd March 1928)

FOURTH SESSION
OF THE
SECOND COUNCIL OF STATE, 1928



CALCUTTA : GOVERNMENT OF INDIA
CENTRAL PUBLICATION BRANCH
1928

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COUNCIL OF STATE.

Wednesday, 29th February, 1928.

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

QUESTIONS AND ANSWERS.

EMPLOYMENT OF PATHANS, RAJPUTS AND OTHER TRIBES IN CIVIL SERVICES OF GOVERNMENT WITH SPECIAL REFERENCE TO DELHI PROVINCE.

71. THE HONOURABLE MR. MAHMOOD SUHRAWARDY: (a) Will the Government be pleased to state whether there is any special concession made to Sheikh, Syed, Mughal, Pathans, Rajputs, Jats and Gujars in obtaining civil employment under Government ?

(b) If so, how many persons from such tribes and how many from other tribes are in civil employment (superior service only) in each local office under the Chief Commissioner, Delhi Province ?

THE HONOURABLE MR. H. G. HAIG: (a) None, so far as the Central Government are concerned. I have no information as to any steps any Local Governments may have taken in the matter.

(b) Does not arise.

APPLICATION OF PRINCIPLE OF PREFERENTIAL TREATMENT TO DELHI PUBLIC WORKS DEPARTMENT.

72. THE HONOURABLE MR. MAHMOOD SUHRAWARDY: (a) Has a circular been issued to secure preferential treatment of residents of Provinces in Government appointments in their provinces ?

(b) Was this circular sent to the Delhi Public Works Department ?

(c) How many residents of Delhi Province have been appointed by the Delhi Public Works Department after the issue of this circular ?

THE HONOURABLE MR. A. C. McWATTERS: (a), (b) and (c) I have been unable to trace any such circular. If the Honourable Member will supply me with the date of the circular referred to I will have enquiries made.

RECRUITMENT OF ENGINEERS IN THE DELHI PUBLIC WORKS DEPARTMENT.

73. THE HONOURABLE MR. MAHMOOD SUHRAWARDY: Is there any Engineer in Delhi Public Works Department who is a permanent resident of Delhi Province ?

THE HONOURABLE MR. A. C. McWATTERS: Yes.

EMPLOYMENT OF B. ISHWAR SINGH IN THE PUBLIC WORKS DEPARTMENT.

74. THE HONOURABLE MR. MAHMOOD SUHRAWARDY : (a) Is B. Ishwar Singh, temporary subordinate, Public Works Department, a pensioner ?

(b) What is his age ?

(c) What is his pay ?

(d) Is he in regular establishment entitling him to gratuity ?

(e) How many qualified subordinates are purely work charged having no claim to gratuity or pension in the Delhi Public Works Department ?

(f) If the answer to (d) is in the affirmative, will the Government be pleased to state why the said B. Ishwar Singh, subordinate, is placed in regular establishment ?

THE HONOURABLE MR. A. C. MCWATTERS

(a) Yes.

(b) 61 years, 7½ months.

(c) Rs. 213 per mensem.

(d) Yes. He is a member of the regular (temporary) establishment, but being in receipt of a superannuation pension from the Survey of India Department is not entitled to a gratuity.

(e) The information is being collected and will be furnished to the Hon-
able Member in due course.

(f) He is employed as a Surveyor under the Land and Development Officer whose staff is on the regular (temporary) establishment.

DEPUTATION OF MR. S. DHAIRYAM MUDIAR AND MR. P. S. PUSHPAVANUM AS
DRAFTSMEN IN THE DELHI PUBLIC WORKS DEPARTMENT.

75. THE HONOURABLE MR. MAHMOOD SUHRAWARDY : (a) Are Mr. S. Dhairyam Mudiar and Mr. P. S. Pushpavanum, draftsmen, on deputation in the Delhi Public Works Department from the Madras Presidency ?

(b) What is their pay in Delhi ?

(c) If the answer to (a) is in the affirmative, what was their actual pay in their substantive posts in the Madras Presidency ?

(d) Why were they not reverted to their Presidency in the reduction of draftsmen in the Delhi Public Works Department in 1927-28 ?

(e) Was the reduction made to lessen the Budget ?

THE HONOURABLE MR. A. C. MCWATTERS :

(a) Yes.

(b) Rs. 270 and Rs. 210, respectively.

(c) The Government of India have no information on the subject.

(d) Because they are capable and efficient Draftsmen and in the exigencies of the Public Service, it was necessary to continue to employ them in Delhi.

(e) No. The reduction was due to the work in Delhi nearing completion.

REDUCTION OF B. AMIN CHAND, PUBLIC WORKS, DELHI.

76. THE HONOURABLE MR. MAHMOOD SUHRAWARDY: (a) Was B. Amin Chand, temporary subordinate, Public Works, Delhi, reduced this year?

(b) Has he done field service in the Great War?

THE HONOURABLE MR. A. C. MCWATTERS: (a) and (b). Yes.

REVERSION OF MR. BHOLA NATH PANT AND MR. RAMBHAROSA MISRA OF THE DELHI PUBLIC WORKS DEPARTMENT TO THE UNITED PROVINCES.

77. THE HONOURABLE MR. MAHMOOD SUHRAWARDY: (a) Are Mr. Bhola Nath Pant and Mr. Rambharosa Misra, temporary subordinates, Delhi Public Works Department, on deputation from the United Provinces?

(b) Were they reverted to their substantive posts in the reduction of subordinates this year in the Delhi Public Works Department?

THE HONOURABLE MR. A. C. MCWATTERS: (a) Only Mr. Rambharosa Misra, Mr. Bhola Nath Pant having reverted to his province in October 1927.

(b) Mr. Bhola Nath Pant was recalled by his province.

PREPARATION OF PERMANENT CADRE OF THE DELHI PUBLIC WORKS DEPARTMENT.

78. THE HONOURABLE MR. MAHMOOD SUHRAWARDY: (a) Has the permanent cadre of the Delhi Public Works Department been prepared and sent to the Chief Commissioner, Delhi Province, for approval?

(b) If the answer is in the affirmative, will the Government be pleased to lay on the table a copy of it?

(c) If the reply is in the negative, will the Government be pleased to state when it is going to be prepared?

THE HONOURABLE MR. A. C. MCWATTERS: (a), (b) and (c) The question of the creation of a permanent cadre for the Delhi Public Works Department is under the consideration of Government.

REPORT ON THE ACCOUNTS OF MR. W. B. CAIRNS, STORE-YARDS OFFICER OF THE DELHI PUBLIC WORKS DEPARTMENT.

79. THE HONOURABLE MR. MAHMOOD SUHRAWARDY: (a) Were the services of Mr. W. B. Cairns, Stone-Yards Officer, P. W. D., Delhi, dispensed with?

(b) Was his duty handed over to one Mr. Mohamed Solaiman?

(c) Was the account of the said Mr. W. B. Cairns checked by Mr. A. Croad, Superintending Engineer, Delhi?

(d) If so, will Government be pleased to lay on the table a final report on the accounts of Mr. W. B. Cairns?

THE HONOURABLE MR. A. C. MCWATTERS: (a) No. Mr. Cairns is on leave preparatory to severing his connection with the Delhi Public Works Department.

(b) Yes.

(c) and (d) No. The Honourable Member is perhaps referring to Mr. Croad's report regarding the measurement of stone, which will be found at pages 131 to 134 of Volume I of the Report of the Public Accounts Committee on the Accounts of 1925-26.

NUMBER OF EUROPEAN EXECUTIVE ENGINEERS IN THE DELHI PUBLIC
WORKS DEPARTMENT.

80. THE HONOURABLE MR. MAHMOOD SUHRAWARDY : (a) How many Executive Engineers are there in the Delhi Public Works Department ?

(b) How many of them are Europeans ?

THE HONOURABLE MR. A. C. McWATTERS : (a) and (b) There are 9 officers in charge of Divisions, of whom 2 are Europeans.

CONFIRMATION OF UNQUALIFIED ENGINEERS AND SUBORDINATES SERVING
IN THE DELHI PUBLIC WORKS DEPARTMENT.

81. THE HONOURABLE MR. MAHMOOD SUHRAWARDY : (a) Has the Delhi Public Works Department proposed to make permanent the unqualified Engineers and subordinates serving in the Delhi Public Works Department ?

(b) Is the appointment of unqualified men a contravention of the Government rules and Public Works Department Code ?

THE HONOURABLE MR. A. C. McWATTERS : (a) No.

(b) As the Honourable Member has not defined the word "unqualified" this question cannot be answered.

FILLING OF TEMPORARY POSTS OF CLERKS IN THE OFFICE OF THE DIRECTOR
GENERAL, POSTS AND TELEGRAPHS, AND THE OFFICE OF THE DIRECTOR,
WIRELESS TELEGRAPHY BRANCH, DURING 1926-27 AND 1927-28.

82. THE HONOURABLE MR. MAHMOOD SUHRAWARDY : (a) Were several temporary posts of clerks sanctioned by Government for the Office of the D. G., Posts and Telegraphs, and the office of the Director, Wireless Telegraphy Branch, during the years 1926-27 and 1927-28 ?

(b) If so, will Government be pleased to state (in a statement form separate for each office) the actual number of temporary and permanent vacancies which occurred and of additional posts sanctioned by Government for each of the above-mentioned Departments during that period ?

(c) Were any of them offered to Muslim candidates ?

(d) If so, how many ?

(e) If not, why not ?

THE HONOURABLE MR. A. C. McWATTERS : (a) Yes.

(b) to (e) Two statements which furnish all the information required are being supplied to the Honourable Member.

PROPORTION OF MUSLIM EMPLOYEES IN THE TWO DIVISIONAL WIRELESS OFFICES, AND IN OFFICE OF THE DIRECTOR GENERAL, POSTS AND TELEGRAPHS, INCLUDING SUPERINTENDENTS OF POST OFFICES.

83. THE HONOURABLE MR. MAHMOOD SUHRAWARDY: Will Government be pleased to state :

- (i) the total number of clerks and menials employed in the two Divisional Wireless Offices since their formation and how many of them are Muslims ;
- (ii) the total number of employees (excluding menials) at wireless telegraphy stations and how many of them are Muslims ;
- (iii) the total number of passed Superintendents of Post Offices on waiting list and how many of them are Muslims ;
- (iv) the total number of candidates nominated for the next examination of Superintendent of Post Offices and how many of them are Muslims ;
- (v) the total number of clerks in upper and lower divisions in the Office of the Director General, Posts and Telegraphs, and Office of the Director, Wireless Telegraphy Branch, and how many of them are Muslims in each division ?

THE HONOURABLE MR. A. C. MCWATTERS :

	Muslims.	Non-Muslims.
(i)		
Clerks	Nil	10
Menials	2	6
(ii)	Muslims.	Non-Muslims.
	15	131

- (iii) The number of postal employees who have passed the departmental examination for promotion to the post of Superintendents of Post Offices and who are on the waiting list is 43, of whom 5 are Muslims.

(iv) No nominations have yet been made.

- (v) In the Office of the Director-General, Posts and Telegraphs, excluding the Wireless Branch.—

	Muslims.	Non-Muslims.
" A " Class clerks	7	118
" B " Class clerks	11	43

In the Office of Director, Wireless Branch.—

	Muslims.	Non-Muslims.
" A " Class clerks	1	4
" B " Class clerks	2	1

APPOINTMENT OF A MUSSALMAN AS MINISTERIAL HEAD IN THE OFFICE OF THE DIRECTOR GENERAL, POSTS AND TELEGRAPHS.

84. THE HONOURABLE MR. MAHMOOD SUHRAWARDY: (a) Will Government be pleased to state whether any Mussalman has ever been

appointed as Office Superintendent or Assistant Superintendent or Chief Clerk or Head Assistant in the Office of the Director General, Posts and Telegraphs ?

(b) If so, when ?

(c) If not, why not ?

THE HONOURABLE MR. A. C. MCWATTERS : (a), (b) and (c) As the old records have been destroyed, it is not possible to furnish the information required by the Honourable Member.

ENFORCEMENT OF POLICY OF AVOIDING PREPONDERANCE OF ANY ONE COMMUNITY IN THE OFFICE OF AUDIT OFFICER, INDIAN STORES DEPARTMENT.

85. THE HONOURABLE MR. MAHMOOD SUHRAWARDY : (a) Is it a fact that the declared policy of Government is to avoid preponderance of one community in any office over others ?

(b) If so, will Government kindly say what action has been taken by Government in enforcing this policy in the office of the Audit Officer, Indian Stores Department ?

(c) If no action has been taken, will Government state reasons ?

THE HONOURABLE MR. E. BURDON : (a) The reply is in the affirmative.

(b) and (c) In the office in question, since March 1927 there have been only two vacancies filled by the appointment of persons not already in Government service, and in both these cases a Hindu possessing high educational qualifications was selected, each being in fact a Master of Arts. Six Muhammadan candidates applied, but none of these possessed more than the minimum qualifications for Government service. Steps will be taken to see that the orders of Government are complied with when a practicable opportunity arises.

PAUCITY OF MUSLIMS EMPLOYED IN THE OFFICE OF THE DIRECTOR GENERAL, POSTS AND TELEGRAPHS.

86. THE HONOURABLE MR. MAHMOOD SUHRAWARDY : (a) Will Government kindly refer to the reply given by Government to unstarred question No. 229 put by Mr. Abdul Haye in the Legislative Assembly on 26th March, 1927, with regard to paucity of Muslims in the office of the Director General of Posts and Telegraphs, and say what action has been taken towards increasing the number of Muslims in that office ?

(b) Will Government be pleased to state whether they have considered the allocation of 33 per cent. of the clerks in that office to Muhammadans ?

THE HONOURABLE MR. A. C. MCWATTERS : (a) Five out of 14 vacancies which occurred during the years 1926-27 and 1927-28 have been given to Muslims.

(b) A copy of the orders on the subject is being supplied to the Honourable Member. These orders are applicable to the Director-General's office.

DECREASE IN NUMBER OF MUSLIMS EMPLOYED IN THE OFFICE OF THE DIRECTOR GENERAL, INDIAN MEDICAL SERVICE, AND THE AGRICULTURAL ADVISER TO THE GOVERNMENT OF INDIA, AND IN THE DEPARTMENT OF EDUCATION, HEALTH AND LANDS.

87. **THE HONOURABLE MR. MAHMOOD SUHRAWARDY:** (i) Will Government be pleased to state the number of permanent and temporary Muslim Assistants, clerks and stenographers out of the total strength on 15th January, 1925, and 15th January, 1928, in—

- (a) Office of the Director General, Indian Medical Service ;
- (b) Office of the Agricultural Adviser, Government of India ; and
- (c) Department of Education, Health and Lands ?

(ii) Has there been any decrease in 1928 in the number of Muslims in their respective categories as compared with the figures of 1925 ?

(iii) If so, will Government kindly explain the reasons ?

THE HONOURABLE KHAN BAHADUR SIR MUHAMMAD HABIBULLAH : The information required by the Honourable Member is being collected and will be supplied to him when it is available.

THE BUDGET FOR 1928-29.

THE HONOURABLE MR. E. BURDON (Finance Secretary): Sir, I rise to present the Budget Statement for the coming financial year. I have been concerned with Budget Statements before in a humbler capacity when I was Under Secretary in the Finance Department in the days of that eminent Finance Member the late Sir William Meyer. To-day I have a much greater responsibility ; but in addressing myself to it I am fortified by the knowledge that in this Council I shall have an indulgent audience.

In a little while Honourable Members will receive, as usual, a complete set of the printed budget papers, including the Budget Statement proper, which sets forth the figures in detail under each account head ; a copy of the valedictory Budget speech which the Honourable Finance Member is now making in another place ; and also my own Explanatory Memorandum which will, I hope, furnish Honourable Members with all the material that they may require for closer study of our present financial situation and future prospects. I intend that my speech to-day shall merely serve as a general introduction to this volume of detail. I think that in this way I can best promote the convenience of the Council, and accordingly I propose to confine my remarks to broad facts and broad results, and to avoid figures, as far as I can do so, without detriment to my main purpose. As a small preliminary matter, I wish to refer to a point of form in the Budget Statement proper which will attract the practised eye of Honourable Members as soon as they see it. We have on this occasion for the first time dispensed with the signatures of the Auditor-General and the Controller of the Currency in a number of places in the Budget Statements. These now bear the Financial Secretary's signature alone in one place, as is the practice in the case of the Financial Statement presented to Parliament in England. The omission of the signatures of the two Officials mentioned does not in any way mean that safeguards hitherto in force have been relaxed. The same processes of check and certification continue to be applied, but the formality of signature has been dispensed with in order to

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avoid the necessity of the Auditor General and the Controller of the Currency being in attendance in New Delhi on the day of the presentation of the Budget when their presence may be more urgently required elsewhere.

I now turn to matters of substance, and the first of these must naturally be the actual outturn of the last financial year. The position in regard to this is particularly satisfactory. The accounts for 1926-27 disclose a revenue surplus of 2,96 lakhs against 2,82 lakhs which was anticipated in the revised estimate of a year ago. The difference is only 14 lakhs, and the success in estimation which is indicated by this result can, we believe, be attributed very largely to improved methods of work which have now been in operation for some little time. The entire surplus has been transferred to the Revenue Reserve fund which was instituted a year ago as part of a plan aiming at the complete remission of the provincial contributions.

The Council will next desire to have a brief appreciation of the general conditions of the current financial year. The visible balance of trade, including private imports of treasure, for the ten months ended 31st January 1928 was in favour of India by 37·24 crores as compared with 27·05 crores a year ago. Both imports and exports of merchandise have increased in value by 8 per cent. Improvement has been increasingly marked during the latter months of the year 1927, and it is a further sign of the inherent soundness of India's trade position that practically all the principal articles of import and export contribute to the increase. Among exports, raw cotton alone shows any appreciable falling off, reflecting the unsatisfactory conditions of the last harvest, but the figures for the present season, so far as they are available, hold out a better promise. I will not occupy the time of the House with figures for individual commodities except to refer to motor vehicles of which the statistics are of peculiar interest in relation to the development of India's road communications. Following the reduction in duty which came into force a year ago, increases of 16 and 35 per cent., respectively, have been recorded in the number of motor cars and commercial motor vehicles imported during the first nine months of the year, but owing to lower prices the yield of our customs duty on these imports has fallen below our expectations. During the last two years, however, prices in general have shown a stability unknown since the outbreak of the war. While more stable world conditions are partly responsible for this result without which there cannot be a healthy basis for the expansion of trade, the figures of India's trade reflect the advantages which have accrued from the stabilization of the rupee. Again, Railway earnings may very fairly be regarded as an important barometer of trade, and the Council has already been made aware of the remarkable improvement in the railway figures for 1927-28 which, by enabling important reductions to be made in railway charges, will itself give a new stimulus towards business and agricultural prosperity. In addition there are other clear indications that during the last year Indian commerce has made a steady advance and that the effects of the post-war trade depression are at long last being dissipated. A noticeable feature of the trade returns is the reduction in the net imports of treasure by 6½ crores in the first ten months of the current year.

I shall now take the revised estimates for the current year and will mention individually a few of the more important heads of revenue and expenditure. In the first instance, however, I wish to remind the Council that our original calculations were considerably disturbed, not very long after they had been made, by the decision, arising out of the Report of the Tariff Board on the Cotton Industry, to sacrifice nearly a crore a year of our Customs revenue.

The incidence of this in the current year may be taken as Rs. 45 lakhs. Notwithstanding this, we hope to realise under Customs in the current year all but 10 lakhs of the amount 48·73 crores for which we took credit in the Budget. Larger receipts from tobacco, mineral oils, protective duties, and jute have helped to balance a very considerable deterioration under other heads, principally cotton piecegoods and matches. As Honourable Members are aware, a Land Customs line between Kathiawar and British India was re-instituted early in July last, the line popularly known as the Viramgam Cordon, and we believe that this may be an important reason for the generally satisfactory aggregate result which is now in prospect. On the other hand, the yield from Taxes on Income is very disappointing, and we have to reckon upon a deterioration of 1,30 lakhs. This is occasioned in a minor degree only by the decision to assess to tax 40 per cent. of the aggregate profits of tea companies instead of 50 per cent. as originally contemplated. The main cause is to be found in an unexpected falling off in profits of the jute trade in Bengal. Salt is expected to yield 25 lakhs less than the amount estimated. Under Opium practically no change is anticipated. The Council will see at once that the large loss under Taxes on Income would have led inevitably to a considerable deficit but for the fact that the Railways have come to the rescue, the contribution from this source being 88 lakhs more than that assumed in the Budget.

On the expenditure side, outlay on military services shows no excess. Savings due to the despatch of troops to China and other causes have been devoted to a programme of expenditure on modernising the equipment of the Army, the need for which is evident, but for which provision could not be made in the Budget. Debt services show a saving of 17 lakhs. There is another saving of 18 lakhs under Irrigation expenditure, but this is merely the effect of a book-keeping adjustment.

On the whole, expenditure in the current year is now taken at 1,25·26 crores and the revenue at the same figure, the net result being neither a surplus nor a deficit. I must at once explain, however, that the figure of revenue includes a transfer of 1,69 lakhs from the Revenue Reserve Fund instead of the sum of 1,72 lakhs provided for in the Budget. So far as the year 1927-28 taken by itself is concerned, therefore, the actual outturn as now forecasted will vary from the original estimate to the extent of 3 lakhs only, and that on the side of improvement.

Before I proceed to reveal the revenue and expenditure proposals for next year, the Council will wish to have some account of the Ways and Means position, and, as is customary, of certain other financial matters which are of great general interest. Briefly stated, the Ways and Means position is as follows. In the current year our liabilities are : Railway capital outlay 30 crores ; other capital outlay 2½ crores ; Provincial Governments' demands by way of drawings and advances 8 crores ; discharge of debt 25½ crores net; miscellaneous demands 3 crores ; the aggregate liabilities being 68·7 crores. *Per contra*, our loan operations in India and England have produced 27½ crores net, while postal cash certificates and savings bank deposits have produced 6½ crores. We propose to trench upon our cash balances by 11½ crores, and will find the remaining assets required from miscellaneous resources including the depreciation and reserve funds and the provision for debt redemption. In 1928-29, our liabilities are as follows—Railway capital outlay 28 crores including 4 crores for the purchase of the Burma Railways ; other capital outlay 4½ crores ; Provincial demands 7 crores ; discharge of debt 19 crores net ; total 58 crores roundly. To meet these liabilities we reckon upon receiving 6½ crores from Postal cash certificates and savings bank deposits, and we will draw upon our

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cash balances to the extent of 2½ crores. Adding to these the receipts from miscellaneous resources, the provision for debt redemption, etc., we shall be able to close the year with sufficient working cash balances, both in India and in England provided we raise a loan of 32 crores of rupees. Of this, about 13 crores would represent new money. We see no reason at present to think that the whole of this loan cannot be raised in India, but much must depend on the monsoon, and the fact that the payment to the Burma Railway Company has to be made in sterling adds to our sterling requirements. Indeed, if we effect the purchase out of money remitted from India, we shall really be paying off 4 crores of our external indebtedness.

The net proceeds of the rupee loan in the current year amounted to 18½ crores only, while the total amount of debt redeemed amounted to 25·4 crores. Of this total 21½ crores represented the bonds maturing in 1927 and 1928 which were either converted or redeemed in cash. In our anxiety to guard the interests of the Indian taxpayer and in our desire not to disturb the market in Government securities which were being quoted at rather higher figures than we ourselves thought to be justified, we did not make the terms of our rupee loan as attractive as we possibly should have done, and the fact that it was a short-dated loan seems to have militated against complete success. In the result, we had to tide over temporary difficulties by various expedients. The re-introduction of Treasury Bills in India was in full accordance with our plans, as we deliberately desired to improve the financial facilities of the Indian money market and check seasonal fluctuations in the market for Government securities by this means. We found it necessary, in addition, to resort to external borrowing, first by raising sterling bills to the extent of £5 million in England in July last which have since been repaid and later by the issue of a sterling loan of £7½ million about a month ago. Even so, the net cash receipts from the rupee and sterling loans aggregated only 27½ crores which was only about 2 crores more than the net amount of debt discharged and as much as 13 crores less than the amount required for railway and other capital outlay including that of Provincial Governments. It is no inconsiderable achievement to have financed a capital outlay of this magnitude in a year of rather difficult money conditions, in which our own calculations were upset by the fact that the capital expenditure was 6½ crores in excess of our original anticipations. It is, in our opinion, well worth India's while to persist in the policy of spending money freely on capital development for productive purposes. The Railway budget introduced last week, with its big reductions in fares and freights, is evidence of the value of the policy we have been following. Very large sums are now being invested year by year in expansion of railways, in irrigation works, in harbour development, and on hydro-electric and other projects. But if this policy is to be continued unchecked, there must be no slackening in the annual savings of the country, and these must be made available without stint for loans for capital purposes whether issued by the Central Government, by Provincial Governments, or by other authorities.

As regards Home remittances, the position is that a year ago we estimated that we should require to remit £35½ million to London during 1927-28. Actually a somewhat higher figure than this should have been taken, since we were unable to carry out the remittance programme in full at the end of 1926-27, and in consequence, we started with abnormally low balances in London. In addition, the excess in our capital expenditure, to which I have already referred, was partly incurred outside India. The sterling loan, however, has made it possible to reduce the net remittance figure to £30½ million, of which

£28½ million is expected to be remitted through the market. In 1928-29, the remittance figure has been put tentatively at £36 million, which will enable us to close the year with a normal balance.

In considering questions of Ways and Means and of provision for Capital outlay it is a natural process and one of great interest and importance to take stock of the National Credit. Honourable Members will no doubt have observed for themselves the satisfactory course of prices of Government of India securities both in India and in England. The improvement of India's credit in London was strikingly demonstrated by the success of the recent sterling loan and is apparent from other evidence also. To select one example, London County Council 3½ per cent. stock stood at 97 on the 30th April 1914, had dropped to 73 on the 1st February 1926, and was quoted at 73½ on the 31st December 1927; on the other hand, the India 3½ per cent. loan which stood at 88½ on the 30th April 1914 and had dropped to 68 on the 1st February 1926, had risen to 72½ on the 31st December 1927.

The statistics of our debt also give real cause for satisfaction. These statistics will be found in full detail in the printed papers which Honourable Members will receive, but the Council will, I think, be glad to hear now very briefly what the general position is. It is this. In the five years since 31st March 1923 when the era of deficits came to an end, the unproductive debt was diminished to the extent of 76 crores. The aggregate debt has increased by 1.13 crores, the net result of the reduction which I have just mentioned and an increase of 1.89 crores in productive debt. Before the close of the ensuing year, we hope to have nearly liquidated the debt due to the five years of revenue deficits from 1918-19 to 1922-23, and, if the present rate of progress is maintained, we should be justified in hoping that our unproductive debt will vanish altogether in about twelve years. I shall cite other facts of great interest relating to the public debt when I come to deal with the next year's expenditure on debt services charged to revenue.

I now turn to the Budget estimates for next year. Allowing for the effect of the establishment of the Viramgam Cordon, we hope to obtain under Customs about 40 lakhs more from sugar, and 26 lakhs from larger imports of motor cars and cycles. Cotton piecegoods too should show some improvement. On the other hand, we have to allow for the full effect of the loss of revenue resulting from the abolition of the import duty on mill stores and machinery of which we had only a foretaste in the current year. The further loss is estimated at 40 lakhs. But, on the whole, we feel justified in taking the figure of 50.18 crores, which is 1.55 lakhs more than the revised estimate. Under Taxes on Income, we look for 17 crores, which is only 5 lakhs more than the original budget for the current year, but 1.35 lakhs more than the revised estimate. The estimate is justified, we think, by *inter alia* the prosperity which the jute trade is enjoying in the current year. From Salt, we hope to get 7 crores, which is the current year's budget figure. Under Opium we must reckon on a net loss of 25 lakhs as the result of our policy of gradual reduction and eventual extinction of opium exports. The contribution from railways, which will be based on the actual results of 1926-27, will be 5.23 crores, with an addition of 25 lakhs representing our share of the surplus remaining after payment of the ordinary contribution under the convention. Even so, the total will be 88 lakhs less than the amount which we expect to receive from Railways this year. We have also to allow for a reduction of 10½ lakhs in the subsidy from Mysore, and, in order to cast the account on the basis of existing facts, I assume for the moment that we shall get from the Provinces the entire amount of 2.58 lakhs, the amount of contributions not finally extinguished last year.

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On the expenditure side, the grant for military services has been taken at 55·10 crores, this including 10 lakhs for expansion of the Territorial Force. If this special provision be excluded from consideration, the grant is 8 lakhs more than the current year's grant. The Council have known for some time that after the large reductions of the last few years further curtailment of military expenditure cannot be hoped for if provision for defence is to be adapted to modern conditions. The possibility of reduction is constantly in mind, but the Government of India are satisfied that the time for further retrenchment has not yet come.

Under the head Debt Services, we have a saving as compared with the revised estimate for 1927-28 of 67 lakhs. I should, however, draw the attention of the House to the fact that the budget estimate includes two abnormal items, namely, one of 81 lakhs for the premium of the 5½ per cent. Bonds issued in 1918 and maturing in 1928 at 105 per cent., and an increased charge of 25 lakhs for bonus on Cash Certificates. Both these charges are in the nature of deferred interest. But for these special items, the savings would have been as much as 1·73 lakhs. Attention has been drawn in previous years to the way in which our steady pursuit of the policy of making regular provision for the reduction or avoidance of debt and confining new borrowings to productive purposes is bringing in an annual dividend to the taxpayer. The policy is one which has always had the strong support of certain distinguished members of this Council, and it is generally recognised both in India and England as very largely responsible for the improvement in India's credit to which I have alluded. The charge for interest on deadweight debt in the year 1923-24 amounted to 15·97 crores, while in 1928-29 it will be only 9·51 crores—a decrease of 6·46 crores. The increase in the provision for reduction or avoidance of debt during the same period is 1·78 crores, while the aggregate provision on this account next year is 5·40 crores. In other words, the saving in the interest on deadweight debt in the five years is more than three-and-a-half times the increase in the provision for debt redemption and over a crore more than the actual provision on this account in 1928-29.

The expenditure on Civil Administration next year is expected to be 41 lakhs more than the revised estimate for 1927-28. A portion of this is represented by annual increments, etc., but, although the increase is less than half a crore, a perusal of the proceedings of the Standing Finance Committee and of the Demands for Grants will show that we have not been niggardly in providing increased amounts for beneficial services. I would draw the attention of the House to the larger grant to the Indian Research Fund Association, to the new items of expenditure in the demand for Agriculture and to the scholarships to Indian artists for study and training in Europe. On the commercial, but none the less beneficial, side of our activities, the Council will observe with interest the new or increased provision made for certain items of expenditure, particularly those relating to irrigation in Waziristan and Baluchistan, forests in the Andamans, the Trade Mission, and the extension of the rupee tender policy. We have also a number of new items relating to the development of Civil Aviation in pursuance of the policy accepted by the Legislature a year ago. The expenditure on the five-year education programme, to which my predecessor referred in his budget speech last year, is of course continuing, but we have not been in a position this time to provide for any similar new programme within the limited means now at our disposal.

The Indian Posts and Telegraphs department, which was expected to work a year ago at a small loss of 76,000 rupees is now expected to show in 1927-28 a net loss of about 4½ lakhs. There has been a considerable increase in the gross receipts of the department, but this has been rather more than counterbalanced by an increase in working expenses. The increased loss has been brought about mainly by the fact that an additional sum of 8 lakhs has had to be provided to enable the book value of a large volume of surplus, obsolete and overvalued stores to be written down to their current worth. The department is, however, expected to show a small profit of 23,000 rupees next year after making a provision of over 14 lakhs for additional expenditure on new measures of improvement of the conditions of service of the lower-paid staff. This provision represents yet another instalment of the scheme of improvement of the conditions of service of the establishments in question, which has been under the personal investigation of the Honourable Sir Bhupendranath Mitra.

I have now dealt with the main variations between the revised estimates of the current year and the budget estimates of next year. The net result of all the variations, large and small, is to place next year's revenue at 1,32.23 crores including 2.58 lakhs on account of the unremitted contributions, but not including any assistance from the revenue reserve fund; and the expenditure is placed at 1,29.60 crores. In other words, we anticipate a surplus of 2.63 lakhs. But even if we reckon with certainty on this surplus being realised, there is an adverse factor which we have had to weigh very carefully before deciding to what purpose the surplus should be applied. I refer to the liability which has accumulated in respect of the bonus on Cash Certificates. Honourable Members know well the history of these certificates, the introduction of which was intended to afford an easy and attractive means of investment of small savings and so to extend the practice of thrift. Cash Certificates of the nominal value of no less than 40 crores will be outstanding on 31st March 1928. Unlike our regular annual rupee loans, they are always "on tap"; and they can be encashed at any time though they come to full maturity only after 5 years. Their capital value is not subject to depreciation, and the actual amount payable on encashment is on a progressive scale so fixed that the investor gets a growing return for his money after the first twelve months; consequently, the longer he keeps his certificates, the greater is the inducement to keep them till maturity. But this accrued bonus is paid along with the capital value only at the time of encashment, whenever that may be, and not half-yearly as in the case of our ordinary loans. All these circumstances combine to make it impossible to forecast precisely the amount of bonus that may have to be paid in any year, while there is the additional practical difficulty that the actual payments in a year are generally less than the accrued liability, and the accrued liability is constantly growing in amount. In the case of the ordinary debt, we can know exactly what we have to pay and provide for such payments from revenue accordingly. In the case of Cash Certificates, on the other hand, we have so far been providing out of revenue only for actual payments in the year and not for the accrued liability. It is estimated that this accrued but undischarged liability for bonus was about 3½ crores on the 1st October 1927 and will stand at about 5½ crores on the 1st October 1928. Following past practice which is of course fully defensible in view of the fact that, in the main, our budget is a cash budget and having regard to our revenue position generally, we have not been able to include, in the forecast for next year, anything more than the amount of the present estimate of actual payments of bonus, namely, 50 lakhs. This figure is 25 lakhs more than is required in 1927-28, but there remains a large balance which.

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we may, theoretically, be called upon to pay at any moment and for which we have made no provision ; and before very long we shall have to consider setting aside considerable sums from revenue in a separate fund in order to enable us to meet the full liability when we are called upon to do so. The liability is becoming too large for us to be content to leave the full burden to fall on later years, when a sudden increase may seriously disturb the equilibrium of the budget.

The Government of India have, however, in the end come to the conclusion that this liability need not deter them from utilising the surplus disclosed in the budget as a recurrent surplus. In 1929-30, the special item of 81 lakhs for premium on bonds referred to earlier in my speech will have disappeared and substantial savings may be expected to accrue in future, as they have done in the past, under interest on deadweight debt. In 1929-30 also, we stand to gain considerably from the increased net earnings of our Railways in 1927-28. The advent of a bad monsoon or other unforeseen circumstances would no doubt disturb the position, but, on the other hand, we are entitled to assume that with normal conditions our revenue from Taxes on Income should show some improvement from year to year. The same is true of our Customs revenue. Accordingly, balancing all these considerations, the Government of India feel that they may justifiably complete the policy to which they have already set their hands by remitting finally the remainder of the provincial contributions. This is the chief proposal which the Legislature will be asked to endorse in their consideration of the budget for 1928-29.

Out of the budget surplus of 2,63 lakhs we desire to give 2,58 lakhs to the Provinces and to retain for ourselves the small residue of 5 lakhs.

CONCLUSION.

That, Sir, is the end of my narrative. There is nothing sensational in the Budget for 1928-29. It does not involve any new taxation or propound any further reduction of existing taxation. It may, taken by itself, be described as a commonplace Budget. But even if we did not proceed further than this in our analysis, we should still, I submit, have cause for congratulation. For a budget such as that which has been presented to-day may fairly be taken to reflect stability, and stability in the financial sphere is no small advantage. On the other hand, I think the Council will agree that for a proper appreciation of the matter, next year's Budget must be related to the cycle of six Budgets framed by the Honourable Sir Basil Blackett and should be viewed as the final phase—final so far as he is concerned—of an ordered financial policy which has brought great benefits to India. The results of this cycle are retrenchment of avoidable public expenditure, reduced taxation, a reduction in the burden of deadweight debt, financial encouragement to industrial enterprise in India, stabilisation of exchange, the emancipation of railway finance one product of which we have seen this month in the shape of reduced railway fares and railway freights, and, lastly, remission of the provincial contributions giving through the agency of the Provincial Governments increased scope for expenditure on nation-building services. I do not pretend that our present financial state is wholly satisfactory or that Government have been able to achieve all that they have wished for. But I think we may justifiably permit ourselves on this occasion the pleasure of looking to the brighter side of the picture and of basing upon the accomplishment of the past five years hopes of even greater national prosperity in the future.

STATEMENT OF BUSINESS.

THE HONOURABLE KHAN BAHADUR SIR MUHAMMAD HABIBULLAH (Leader of the House): Sir, at our next meeting on Friday in this week the Honourable Sir Geoffrey Corbett will move a motion for the election of a panel for the Central Advisory Council for Railways, and motions will be made to consider and pass the Chittagong Port (Amendment) Bill, on which the Select Committee's Report was presented on Monday last.

The Council adjourned till Eleven of the Clock on Friday, the 2nd March, 1928.