

27th February, 1923

**THE
LEGISLATIVE ASSEMBLY DEBATES**

(Official Report)

VOL. III.

(21st February, 1923 to 14th March, 1923.)

THIRD SESSION

OF THE

LEGISLATIVE ASSEMBLY, 1923.



**SIMLA
GOVERNMENT CENTRAL PRESS
1923.**

Legislative Assembly.

The President :

THE HONOURABLE SIR FREDERICK WHYTE, KT.

Deputy President :

SIR JAMSETJEE JEEJEEBHAY, BART., K.C.S.I., M.L.A.

Panel of Chairmen :

RAO BAHADUR TIRUVENKATA RANGACHARIAR, M.L.A.

MAULVI ABUL KASEM, M.L.A.

SIR CAMPBELL RHODES, KT., C.B.E., M.L.A.

SARDAR BAHADUR GAJJAN SINGH, M.L.A.

Secretary :

SIR HENRY MONCRIEFF SMITH, KT., C.I.E., M.L.A., I.C.S.

Assistants of the Secretary :

MR. W. T. M. WRIGHT, I.C.S.

MR. L. GRAHAM, I.C.S.

MR. S. C. GUPTA, BAR.-AT-LAW.

MR. G. H. SPENCE, I.C.S.

Marshal :

CAPTAIN SURAJ SINGH, BAHADUR, I.O.M.

CONTENTS.

	PAGES.
WEDNESDAY, 21ST FEBRUARY, 1923—	
Member Sworn	2601
Statement laid on the Table	2601—2608
Message from the Council of State	2609
The Criminal Law Amendment Bill	2609—2649
The Cantonments (House-Accommodation) Bill	2649—2650
The Indian Cotton Cess Bill	2650—2662
THURSDAY, 22ND FEBRUARY, 1923—	
Questions and Answers	2663—2671
Unstarred Question and Answer	2671
Statement of Business	2672
Report of Committee on Arms Act Rules	2672
N.-W. Frontier Committee's Report	2672
Discussion of Resolutions raising the same question	2673
Resolution <i>re</i> Hypothecation of Revenues	2673—2699
Statement of Business	2699—2700
Messages from the Council of State	2700—2701
Resolution <i>re</i> Status of Indian Settlers in Kenya	2701—2715
Resolution <i>re</i> Secretary of State's Despatch on Indian Autonomy	2715—2736
SATURDAY, 24TH FEBRUARY, 1923—	
Members Sworn	2737
Questions and Answers	2737—2747
The Workmen's Compensation Bill	2747
The Indian Income-Tax (Amendment) Bill	2747
The Indian Cotton Cess Bill	2748—2754
The Indian Official Secrets Bill	2754—2784
The Exclusion from Inheritance Bill and the Hindu Law of Inheritance (Amendment) Bill	2784
MONDAY, 26TH FEBRUARY, 1923—	
Member Sworn	2785
Questions and Answers	2785—2788
The Code of Criminal Procedure (Amendment) Bill	2788—2802
The Indian Penal Code (Amendment) Bill—(Amendment of Sec- tions 362 and 366)	2802—2828
The Indian Stamp (Amendment) Bill	2829—2838
The Government Savings Banks (Amendment) Bill	2838—2842
TUESDAY, 27TH FEBRUARY, 1923—	
Questions and Answers	2843—2846
Unstarred Questions and Answers	2846—2852
The Workmen's Compensation Bill	2853—2859
The Indian Income-Tax (Amendment) Bill	2859—2861

LEGISLATIVE ASSEMBLY.

Tuesday, 27th February, 1923.

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

QUESTIONS AND ANSWERS.

AMBALA CORRUPTION INQUIRY.

436. ***Mr. Pyari Lal:** 1. Is it a fact that Khan Bahadur Qazi Sirajuddin Ahmad, Bar-at-law of Rawalpindi, was selected by the Government for legal assistance to Colonel Lawrenson?

2. Is it a fact that the Government asked the Cantonment Committee, Ambala, to meet the travelling and other expenses of Qazi Sirajuddin Ahmad and that the Cantonment Committee refused to do so?

3. Is the Government aware that the Ambala Corruption inquiry was the result of the repeated demands of Ambala public made in three successive public meetings?

4. Will the Government be pleased to state the reasons that led the Ambala Cantonment Committee to refuse the expenses, in face of this repeated public demand?

5. Will the Government be pleased to state why the expenses of the inquiry were not met from the Government Fund?

6. Is it a fact that the All-India Cantonments Association offered to bear these expenses?

7. If so, how did the Government treat this offer?

8. If the offer was rejected, will the Government kindly state the reasons for such rejection?

Sir Henry Moncrieff Smith: 1. The local military authorities recommended the appointment of the barrister mentioned in order to assist Colonel Lawrenson in his inquiry and Government were prepared to agree to his being employed if it was really necessary.

2. Yes.

3. The inquiry was instituted as the result of a number of representations, chiefly local, which reached Government.

4—8. The attention of the Honourable Member is invited to the replies given on the 26th January and the 22nd February to questions Nos. 279 and 406 respectively.

"AMBALA MALPRACTICES." QUESTION OF AMNESTY.

437. ***Mr. Pyari Lal:** 1. Is it a fact that Colonel Lawrenson, after consulting the representatives of the All-India Cantonments Association, Ambala, applied to the Government for a general amnesty?

2. Is it a fact that this general amnesty was not granted by the Government and as a result thereof no one came forward to give oral or written evidence about Ambala malpractices and the Association did not associate with the inquiry?

3. Will the Government be pleased to state the reasons for not granting general amnesty?

4. Will the Government be pleased to state how Colonel Lawrenson conducted the inquiry under the circumstances?

5. Is it a fact that he summoned no witnesses, consulted no non-official?

6. Has the attention of the Government been drawn to the article headed "Ambala Malpractices? The Hollowness of Recent Enquiry", published in the *Cantonment Advocate* of 25th December, 1922?

7. Is it a fact that in the absence of general amnesty, a lot of documentary evidence regarding corruption at Ambala could not come to the notice of Colonel Lawrenson?

8. Will the Government direct general amnesty to be given now to know all this evidence?

Sir Henry Moncrieff Smith: 1 and 2. The attention of the Honourable Member is invited to the reply given on the 26th January, 1923, to question No. 279. The Government of India do not know whether, on the amnesty being refused, the All-India Cantonments Association did or did not associate itself with the inquiry.

3. The Government of India do not know the specific reasons which influenced the Local Government in arriving at their decision.

4. Government understand that the inquiry consisted mainly of an examination of such documentary evidence as was available.

5. Government have no precise information as to what witnesses, if any, were summoned or examined.

6. Yes.

7. Government naturally are not in a position to make any statement as regards documentary evidence which, as appears from the question, did not come to the notice even of the officer conducting the inquiry.

8. The question is one for the Local Government to decide, and the Government of India do not propose to interfere in the matter.

GARHI AND DAKRA VILLAGES IN DEHRA DUN CANTONMENT.

438. ***Mr. Pyari Lal:** 1. Is it a fact that the villages of Garhi and Dakra were included in the Dehra Dun Cantonment area in 1919, without any compensation being paid for the land of the villages?

2. Will the Government be pleased to state the law and procedure under which the inclusion of this area was effected?

3. Will the Government be pleased to state for what military needs this extension was made?

4. Is it a fact that assurances were given by the then military authorities to the people of these villages that no taxes will be levied upon them in consequence of their villages being included in the cantonment area?

5. Is it a fact that several new taxes have been imposed on the people, since the amalgamation of their villages into the cantonment?

6. Is it a fact that in pursuance of the assurances, the people refused to pay taxes and that there was a wholesale attachment of their property in 1914 for a forced realisation of the taxes?

7. Is it a fact that among the people of these villages there are many retired Gurkhas and widows of retired Gurkha soldiers?

8. Is the Government aware that the taxes are weighing heavily upon these retired Gurkha families?

9. Will the Government be pleased to inquire into the matter?

Sir Henry Moncrieff Smith: (1) Garhi and Dakra were included within the limits of the Dehra Dun Cantonment in 1913. No compensation was given.

(2) The inclusion was effected by the application to the area of the provisions of section 3 of the Cantonments Act, 1910.

(3) The area in question was situated between the old cantonment and the newly acquired military areas of Birpur and Gangora, and its insanitary condition was considered to be a grave menace to the health of the troops.

(4) No such assurance was given.

(5) The following taxes were imposed in 1914:

Conservancy tax; trades and professional tax; and hackney carriage tax.

(6) As I have already stated, no assurance was given that the people of these villages would not be taxed. Government are informed that they did refuse to pay taxes and that orders to recover sums due were issued. Recovery was effected in many cases by attachment of property.

(7) Yes.

(8) Petitions have been received from many persons complaining of the heaviness of the taxes. All these petitions were considered by the Cantonment authority who either enforced, reduced, or wholly remitted the tax according to the circumstances of each case.

(9) Government do not consider it necessary to institute any further inquiry into the matter.

LETTER IN CANTONMENT ADVOCATE RE "OFFICIAL AUTOCRACY."

439. ***Mr. Pyari Lal:** 1. Has the attention of the Government been drawn to a letter headed "Official Autocracy" published in the *Cantonment Advocate* of 25th November, 1922?

2. Is it a fact that cantonment latrines have been erected on the land belonging to the people of these villages?

3. Is the Government aware that this has been done without any compensation being paid for the land so occupied?

4. Will Government be pleased to state the reasons why compensation has not been made in this case?

5. Will the Government be pleased to do so now?

Sir Henry Moncrieff Smith: (1) Government have seen the article in question.

(2) Yes.

(3) Government are informed that compensation was paid for some time in two cases.

(4) and (5). Government understand that no demand for compensation was made, and, owing possibly to changes of Magistrates, the matter was not brought to notice. The question has, however, now been represented by three persons and their claims are being investigated in consultation with the local civil authorities.

INCOME OF NULLAH NEAR GARHI AND DAKRA.

440. ***Mr. Pyari Lal:** 1. Is it a fact that the income derived from the Nullah near Garhi and Dakra is now credited to the Cantonment Fund?

2. Is the Government aware that this income was formerly shared by the people of Garhi and Dakra?

3. Will the Government be pleased to state its rights to this income when the Government has not taken over the villages of Garhi and Dakra?

4. If the reply to the above question be in the negative, will the Government be pleased to refund the entire receipts of the Nullah since the inclusion of the villages in the cantonment to those who are entitled to them?

Sir Henry Moncrieff Smith: (1) Yes.

(2) and (3). Government have no information on the subject but are making inquiries.

(4) Government are prepared to consider any claims for a refund that may be made.

UNSTARRED QUESTIONS AND ANSWERS.

MEDICAL RESEARCH BY INDIANS.

196. **Lala Girdharilal Agarwala:** 1. What encouragement, if any, have the Government given to Indians in the line of medical research in India during the last 3 years?

2. Has the attention of the Government been invited to a note entitled "Disease and Death—New Theory of Prevention"—printed in the *Englishman*, dated Monday, December 18th, 1922, page 11, column 3 (local edition)?

3. Is it a fact that Mr. Gupta's research in the medical line was put to test at Bhowali Sanatorium, United Provinces, as reported in the *Englishman*, dated 18th December 1922? Has any inquiry been made on the subject from Colonel Cochrane, Inspector-General of Civil Hospitals, United Provinces, on the subject?

4. Have the Government given any opportunity or encouragement to Mr. R. D. Gupta of Rasulabad, Allahabad, to put his researches into practical test in the treatment of leprosy, consumption, and cancer or other so-called incurable diseases before medical experts? If so, with what results? If not, do the Government propose to do anything in the matter?

The Honourable Mr. A. C. Chatterjee: 1. Government have employed an increasingly large number of Indians on medical research work during the last three years. I shall be glad to give the Honourable Member full details if he will call at my office.

2. Government have seen the note referred to.
3. The Government of India have no information on the matter. The answer to the second part is in the negative.
4. So far as I am aware, Mr. Gupta has placed no proposals before Government. The matter is one primarily for the provincial Government.

STATISTICS RELATING TO TELEGRAPHS.

197. **Mr. K. C. Neogy:** Will Government be pleased to state:

- (a) the number of Departmental Telegraph Offices and the number of combined offices at the close of the last official year;
- (b) the number of signallers engaged to work the Combined offices, and the number of Telegraphists working in Departmental Telegraph offices;
- (c) the number and value of telegrams, both inland and foreign, booked for despatch in combined offices for the year 1921-22 and the number and value of telegrams booked in Departmental Telegraph offices; and
- (d) the number of telegrams received for delivery in combined offices and the number of telegrams received for delivery in Departmental Telegraph offices during the year 1921-22?

VALUE OF TELEGRAMS ISSUED.

198. **Mr. K. C. Neogy:** (a) Is any return submitted by combined offices showing the number and value of telegrams booked for despatch?

(b) Is a similar return prepared by Departmental Telegraph offices?

(c) If answer to (a) and (b) be in the affirmative, why is the calculation of Telegraph revenue made a guess work based on the traffic and revenue for two particular weeks of the year?

(d) If answer to (a) and (b) be in the negative, will Government be pleased to consider the desirability of prescribing such returns for correctly calculating the Telegraph revenue?

REVENUE AND EXPENDITURE OF TELEGRAPH DEPARTMENT.

199. **Mr. K. C. Neogy:** Will Government place on the table a statement showing the revenue and expenditure of the Telegraph Department from 1911 to 1920?

200. **Mr. K. C. Neogy:** From what year has the cost of working combined offices ceased to be charged to Telegraph revenue and come to be debited to Post Office revenue?

POSTAL EXPENDITURE.

201. **Mr. K. C. Neogy:** Will Government be pleased to state:

- (a) if the total expenditure on account of the Post Office establishment, the revision of which was sanctioned on the recommendation of the Postal Committee, amounted to about 368 lakhs of rupees in 1920-21 and to about 265 lakhs in 1919-20?

- (b) Is it not a fact that there was an increase of about 2 per cent, in the working staff in 1920-21 due to increase of work, for which an increased expenditure of about 8 lakhs of rupees was necessary?
- (c) Is it not a fact that in 1920-21, were paid arrears of increment for four months of the year 1919-20, calculated at the revised scales of pay sanctioned on the Postal Committee's recommendations?
- (d) Did not this arrear payment amount to about 24 lakhs of rupees?
- (e) If so, does not the net increase for 1920-21 on account of the Revision sanctioned on the Postal Committee's recommendations amount to about 71 lakhs of rupees?

TELEGRAPHISTS AND POSTAL CLERKS.

202. **Mr. K. C. Neogy:** (a) Is the more skilled nature of work, claimed for telegraphists, recognised in England so as to entitle them to a higher scale of pay than in the case of the Postal Clerk?

(b) If not, why is this difference maintained in India?

Colonel Sir Sydney Crookshank: The necessary information is being collected and will be supplied to the Honourable Member as soon as possible.

HEAD POST OFFICES IN DACCA.

203. **Mr. K. C. Neogy:** 1. Will Government be pleased to state how many Head Post Offices were there in the Dacca District before the year 1898?

2. Is it not a fact:

- (a) that in 1898 only one Head Post Office was retained at Dacca, the other Head Offices being reduced to the status of Sub-Offices;
- (b) that in 1900 Munshigunj was again converted into a Head Post Office, and two Head Post Offices were thus created in the District;
- (c) that in 1910 Munshigunj was again converted into a Sub-Post Office, one Head Office being thereby retained in the Dacca District;
- (d) that in September 1922 Narayangunj Sub-Post Office was raised to a Head Post Office, having now two Head Offices in the District?

Colonel Sir Sydney Crookshank: 1. There were 3 head offices in the Dacca District in 1898, viz., Dacca, Narayanganj and Manikganj.

(2) (a). With effect from the 1st January, 1899, only the Dacca head office was retained in the District of Dacca, the other two head offices being reduced to the status of sub-offices. The change involved a net decrease of Rs. 140 a month in establishment charges.

(b) Munshiganj sub-office was converted into a head office in 1900, involving an increase of Rs. 178 a month in fixed establishment charge. A departure from the general rule that there should be one head office only for a district, was made as a necessary measure of administrative convenience.

(c) Munshiganj was again converted into a sub-office in 1910, involving a net average decrease of Rs. 165-5-4 a month in fixed establishment charges.

(d) Narayanganj sub-office was converted into a head office in 1922, owing to the proposed partition of the Dacca Division into two, *viz.*, Dacca and Narayanganj. The question of partitioning the Civil District of Dacca into two is still under the consideration of the Bengal Government and it is expected that the scheme will take some time to materialise.

The change involved a net increase of Rs. 134 a month in fixed establishment charges.

ABOLITION OF PLURALITY OF HEAD POST OFFICES.

204. **Mr. K. C. Neogy:** (a) Will Government be pleased to state the reasons that determined the abolition of plurality of Head Post Offices in one District in the year 1898?

(b) Why was a departure made from this policy in 1900 by the creation of a Head Post Office at Munshiganj in that year, and why was Munshiganj again converted into a Sub-Post Office in 1910, and why was Narayanganj raised to the position of a Head Post Office in September 1922?

(c) Is it not a fact that such repeated alteration of the status of a Sub-Office into a Head Office and *vice versa* entails a good deal of expenditure?

(d) Will Government be pleased to state the amount of expenditure incurred for such conversions on each occasion?

Colonel Sir Sydney Crookshank: (a) The reasons that led to the abolition of plurality of head offices in one district in 1898 were:

- “(1) The Comptroller (now Accountant-General, Posts and Telegraphs) would deal with one instead of with 3 head offices.
 (2) In the local audit branch the 1st class head office of the District (Dacca), would deal direct with all sub-offices instead of through the 2nd class head offices which only tends to complicate check and defer the detection of mistakes.
 (3) A cheaper, better and safer method of supplying funds to a large number of sub-offices would be rendered practicable.
 (4) There would be two head offices less for the Superintendent and Inspectors to verify. The monthly verification by Inspectors interrupted their tours and interfered seriously with their sub-divisional work.”

(b) *Vide* (b) and (d) of paragraph 2 of question No. 203.

(c) Not always. In some cases the changes effected savings.

(d) *Vide* (a), (b), (c) and (d) of paragraph 2 of question No. 203.

NARAYANGANJ SUB-OFFICE.

205. **Mr. K. C. Neogy:** (a) What is the estimated additional expenditure that will be necessary in connection with the conversion of the Narayanganj Sub-Office into a Head Office?

(b) What have been the initial expenses for the measure and what further expenditure is expected to be necessary in the near future?

Colonel Sir Sydney Crookshank: (a) and (b). *Vide* (d) of paragraph 2 of question No. 203.

HEAD OFFICES—ABOLITION OF.

206. **Mr. K. C. Neogy:** (a) Is it not a fact that the difficulty of getting prompt and adequate supply of cash from Sub-Treasuries which occasioned delay in the payment of money orders and in meeting the public demand for withdrawal of money from the Savings Bank, was one of the chief reasons why in 1898 the abolition of the plurality of Head Offices in a district and the retention of only one Head Office at the Treasury Station, were determined upon?

(b) Do not the same reasons that operated in 1898 against the plurality of Head Offices in one district, still exist?

Colonel Sir Sydney Crookshank: (a) Yes—*vide* (a) of question No. 204.

(b) As stated at (d) of paragraph 2 of question No. 203, the Dacca Civil District will sooner or later be divided into Dacca and Narayanganj districts. When this is done, there will be one head office for each district.

INSPECTION OF POST OFFICES.

207. **Mr. K. C. Neogy:** (a) How many Post Offices are now required under the rules to be inspected in one year by the Superintendent of (1) Dacca Division, and (2) Narayanganj Division, and how often?

(b) How many offices and how often were the Superintendents in the Dacca district required to inspect in a year prior to the reduction of the Superintendents' inspection work?

Colonel Sir Sydney Crookshank: (a) Dacca Division 130; Narayanganj 126.

Superintendents are now required to inspect their larger offices ordinarily once a year, and a certain number of the smaller sub-offices and branch offices at their discretion.

(b) Number of offices as in (a).

Before the introduction of the new rule Superintendents were required to inspect head offices and sub-offices with Postmasters on pay above 40 twice a year, sub-offices on 40 once a year, sub-offices on 30 once in 2 years and 10 per cent. of branch offices once a year.

NARAYANGANJ POST OFFICE.

208. **Mr. K. C. Neogy:** (a) Has the attention of the Government been drawn to the letter written to the Director General, Posts and Telegraphs, on the 29th July 1922, by the General Secretary, Provincial Postal and Railway Mail Service Association, Bengal and Assam Circle, published in *Labour* for September 1922, giving reasons why Narayanganj should not be raised to the status of a Head Post Office, and why the post of one Superintendent should be abolished?

(b) Will Government be pleased to state what action was taken on it?

Colonel Sir Sydney Crookshank: (a) and (b). The letter referred to was received by the Director-General, Posts and Telegraphs. The Provincial Postal and Railway Mail Service Association, Bengal, was not officially recognised on that date: no reply therefore was given to the Association. Even if it had been recognised, such a proposal should have been addressed to the Postmaster-General, Bengal and Assam, not to the Director-General. Proposals to modify the postal organisation of a district are made by the Postmaster-General to the Director-General and not *vice versa*.

RAILWAY BOARD EXPENDITURE.

209. **Sir Deva Prasad Sarvadhikary:** Would the Government please lay on the table a statement showing the expenditure on Headquarters establishment of the Railway Board for the last five years, year by year?

Mr. C. D. M. Hindley: A statement giving the information asked for is placed on the table.

Statement showing the expenditure on Headquarters establishment of the Railway Board for the years 1917-18 to 1921-22.

Major Head.	1917-18.	1918-19.	1919-20.	1920-21.	1921-22.	REMARKS.
	Rs.	Rs.	Rs.	Rs.	Rs.	
Pay of Officers	3,20,169	3,74,502	4,08,488	(3,36,507 (84,950)	2,87,430 1,46,150	
Pay of Establishment	1,90,628	2,08,813	2,12,632	3,23,302	3,18,680	
Allowances	60,040	65,517	74,189	71,362	79,000	
Supplies and Services	— 227	
Special charges	3,999	3,490	2,770	
Contingencies including clothing of menials.	45,902	60,142	61,015	60,500	63,000	
TOTAL	6,20,510	7,12,464	7,59,094	8,76,621	8,91,260	

N.B.—Figures for 1921-22 are according to "Revised Estimate" for that year.

RAILWAY COMMISSION EXPENDITURE.

210. **Sir Deva Prasad Sarvadhikary:** (a) Would the Government please lay on the table a statement of the expenditure proposed to be incurred in connection with the newly organised Railway Commission and also a statement of the expenditure already incurred in such connection?

(b) Would the Government please state before what Committees such expenditure, whether proposed or incurred, were laid for consideration or sanction?

(c) Would the Government please state before what Committee new items of Railway expenditure are laid for consideration or sanction?

Mr. C. D. M. Hindley: (a) and (b). The proposals of the Chief Commissioner have only recently been submitted and are now under consideration of Government. No information on the subject can therefore be given at present.

(c) Railway expenditure is incurred in accordance with a programme approved by the Legislature, and the individual items are not laid before any Committee except important items of establishment not within sanctioned grants which are examined by the Standing Finance Committee.

RAILWAY AUDIT SYSTEM.

211. **Sir Deva Prasad Sarvadhikary:** 1. Would the Government please state what system of audit obtains in the case of:

- (a) State-managed Railways,
- (b) Company-managed Railways?

2. What is the difference between the two systems and what are the reasons for such differentiation?

3. Is it contemplated to change the system of audit in either case?

4. If so, in what direction is such change to be effected, for what reasons and under what authority?

The Honourable Sir Basil Blackett: 1 and 2. The audit work on the railways worked by the State is conducted entirely by officers of the Indian Audit and Accounts Service. On the lines worked by Companies the audit is carried out by the Companies' officers but an officer of the Indian Audit and Accounts Service with a small office is attached to each Railway to check the audit in certain respects.

The general system of audit is what is technically known as "Pre-audit" *i.e.*, audit before payment is made.

3 and 4. The recommendations contained in paragraphs 129 to 131 of the report of Sir William Acworth's Committee are under consideration.

INDIAN STORES DEPARTMENT.

212. **Sir Deva Prasad Sarvadhikary:** Would the Government please state:

- (a) the number of Gazetted officers appointed in the Indian Stores Department since its creation?
- (b) the number and qualifications of Indians to whom such appointments have been given?

Mr. A. H. Ley: (a) Six gazetted officers have been appointed in the Indian Stores Department since its creation.

(b) Of these, two are Indians, one of whom is a Bachelor of Arts of the Madras University, a Bachelor of Technical Science of the University of Manchester and an Associate of the Manchester College of Technology. Prior to his appointment in the Indian Stores Department, he served in positions of responsibility in various mills and educational institutions and in a provincial Industries Department and by this means acquired a practical experience extending over a period of about 9 years of the Textile Industry in India. The other is a Bachelor of Science of the Glasgow University, who has had 2½ years practical experience in large engineering works in the United Kingdom and had served, previous to his appointment in the Indian Stores Department, for a period of about 16 months as Superintendent of a large water works pumping station in India.

THE WORKMEN'S COMPENSATION BILL.

The Honourable Mr. C. A. Innes (Commerce and Industries Member): Sir, I beg to move that the amendments made by the Council of State in the Bill to provide for the payment by certain classes of employers to their workmen of compensation for injury by accident, be taken into consideration. I do not think I need say anything about this motion. If there are any Honourable Members who want further information on any particular amendment I shall be happy to give it.

The motion was adopted.

Mr. President: Amendment made by the Council of State:

"That in part (d) of sub-clause (1) of clause 2 of the Bill, after the words 'minor son', the word 'unmarried' was substituted for the word 'minor', and between the word 'daughter' and the words 'minor brother' the words 'married daughter who is a minor' were inserted."

The question is that this Assembly do agree with the Council of State in that amendment.

The motion was adopted.

Mr. President: Further amendment made by the Council of State:

"In part (f) of sub-clause (1) of clause 2 of the Bill, the words 'or body of persons whether incorporated or not' were omitted."

The question is that this Assembly do agree with the Council of State in that amendment.

The motion was adopted.

Mr. President: Further amendment made by the Council of State:

"In sub-clause (3) of clause 11 of the Bill, after the word 'leaves' the words 'without having been so examined' were inserted."

The question I have to put is that this Assembly do agree with the Council of State in that amendment.

The motion was adopted.

Mr. President: Further amendment made by the Council of State:

"Sub-clauses (4) and (5) of clause 11 of the Bill were renumbered (5) and (6), respectively, and after sub-clause (3) the following sub-clause was inserted, namely:

(4) Where a workman, whose right to compensation has been suspended under sub-section (2) or sub-section (3), dies without having submitted himself for medical examination as required by either of those sub-sections, the Commissioner may, if he thinks fit, direct the payment of compensation to the dependants of the deceased workman."

The question I have to put is that this Assembly do agree with the Council of State in that amendment.

Mr. Darcy Lindsay (Bengal: European): Sir, there is a strong feeling in some quarters that this amendment is undesirable in the best interests of all concerned. The Regulation regarding departure from the vicinity should be more adhered to and brought into conformity with another regulation we adopted in this House that no compensation should be given where there was disobedience to orders. If, Sir, a workman leaves the vicinity of his employment without examination it is disobedience, and it does not seem to be logical that compensation should be granted in all

[Mr. Darcy Lindsay.]

such cases where death occurs. I do not wish to oppose this amendment, because I do not want in any way to block the Bill, but I should be very glad of the assurance of the Honourable Member that Provincial Governments will be asked to direct the particular attention of the Commissioners to careful investigation being made before allowing compensation under the powers granted by this sub-section. I can see many possible dangers if very careful investigation is not made. I can point to the possibility of fraud being committed. In ordinary cases, if a workman is so seriously injured that death is likely to occur within a short period, he cannot very well go to his country, but there are other cases which may occur where a man with fraudulent intent gives notice of an accident which may never have happened. In his notice he says ' I have had a fall, and am internally injured '. He can bring forward one or other witnesses, possibly confederates in the same employment, he goes to his country, and in a short time a notification arrives of his death, and from my experiences of life insurance, I can assure the House, and I think many of my lawyer friends will bear with me in this—that evidence, and fairly strong evidence, is on occasions obtainable which would substantiate not only the death of the man but that the death was brought about by the injury he had suffered in his employment. On those grounds, Sir, I think, the utmost caution should be exercised. I quite recognise that the Commissioner would take precautions, but the amendment is somewhat loosely worded. It says " If he thinks fit " he may grant compensation. It seems to me, Sir, that if the Bill allows of compensation being paid, it should be distinctly stated whether the Commissioner has to grant such compensation or not. If the Bill does not allow of such a compensation being paid on the death of a man who has not carried out one of the requirements of the Bill, then I say that it should not be left to the Commissioner as an act of charity to use other peoples' money to grant such compensation. I ask my Honourable friend, Mr. Innes, if he can give me the assurance that the Provincial Governments will be asked to direct the attention of the Commissioners to take the utmost precaution in every case.

Mr. B. S. Kamat (Bombay Central Division: Non-Muhammadan Rural):

Sir, I believe the form in which this amendment has come from the Council of State ought to be acceptable to this House, and I think the apprehensions of my Honourable friend, Mr. Darcy Lindsay, are far-fetched if not entirely misplaced. What this amendment seeks to do is to give a sort of discretion to the Commissioner to give compensation in case of death without medical examination in certain cases, and I do think this sort of discretion to the Commissioner is necessary to cover certain cases of workmen leaving the vicinity of their employment for *bonâ fide* reasons. My friend, Mr. Darcy Lindsay, wanted an assurance from Government that certain instructions to the Commissioners to take certain precautions would be given by the Provincial Governments. I do not see what the difference of that would be from the giving of discretion under the Statute itself to the Commissioners. Mr. Darcy Lindsay wants that the Provincial Governments should write to the Commissioners to exercise certain precautions. What the Bill proposes now to do is also to entrust them with a certain amount of discretion, to make proper investigations and to pay compensation in certain cases *bonâ fide* of death without medical examination. Mr. Darcy Lindsay further pointed out that the Commissioner is apt to use out of pure charity employers' money. Now we are entrusting the Commissioner with vast powers, and we postulate that the Commissioner will be a man

who can use his discretion properly. I do not see why, therefore, in this particular case the Commissioner will not be equally careful in his discretion. I do not think he will give away the money purely out of humanitarian feelings or feelings of charity as Mr. Darcy Lindsay apprehends. I think this amendment ought to be acceptable in its present form, namely, that the Commissioner may, if he thinks fit, give compensation in certain well-deserved cases. I support the amendment.

Rao Bahadur T. Rangachariar (Madras City: Non-Muhammadan-Urban): I am glad that this apprehension which I had when this Bill left the Assembly that, in a case where a man, after leaving the precincts or the vicinity of the scene of the accident, dies, his rights would be altogether lost, the right of his dependents to compensation would be altogether lost, has been removed by the Council of State. Sir, I strongly resent any suggestion that the Local Executive Government should control the judicial discretion which is vested in an officer who is going to be entrusted with the performance of the very duties which this Act confers upon him. Sir, I am surprised to hear my Honourable friend, Mr. Darcy Lindsay, making such a suggestion that the Executive Government must control the discretion of the judicial officer. The law leaving the discretion to a judicial officer like this, I don't think anybody should interfere with this discretion. The apprehensions which my Honourable friend has will be met by the Commissioner when the facts of the case are brought to his notice. The case of fraud which he is afraid of—a man fraudulently proceeding to his home in order to die there, would be very exceptional and persons conspiring with him in order to make him die would equally be a very exceptional case, and in such a case, if the employer is able to make out such a case, he will not award compensation to his dependents. This fear is unfounded. We have hitherto congratulated the employers on the magnanimous spirit which they have displayed in bringing this legislation into effect and I am afraid any such suggestion now made on the employer's side will not be looked upon with favour by the public.

The Honourable Mr. C. A. Innes: Sir, I am aware that this amendment carried in the Council of State has excited some alarm among the employers and I regret that fact very much, for all through this Bill we have managed to carry the employers with us to a very great extent and I regret that at the end there should be any element of discord. At the same time, I do not think myself that there is so much cause for these apprehensions, as has been suggested by the Honourable Mr. Lindsay. We are providing for the case of a man who has been badly injured. It has been put to us very strongly by members on the other side of the House that in that case, the instinct of the Indian is to go to his home, and it was put to us strongly that, owing to that instinct, very hard cases might arise and we endeavoured to provide for these hard cases by giving this kind of discretion to the Commissioner. It has been suggested that this clause will open the door to fraud, that workmen will send in notices of imaginary accidents or very trivial accidents, then will go off home, that a few months later dependents will turn up, will allege that this man has died and that compensation is due. I should like to point out to the House that in that case the onus of proof will be entirely upon the dependents. The dependents will have to prove that the accident took place, that it was an accident arising out of or in the course of employment, and the dependents will also have to show cause why the alleged injured workman voluntarily left the place of employment. On every point, the onus will be on the dependents, and I do not think

[Mr. C. A. Innes.]

that in practice this clause will be found to lead to fraud. But, Sir, as the clause has caused suspicion and alarm among the employers I am quite willing to repeat in this House the assurance that I gave in another place. I am not prepared to ask Local Governments to give the instructions to Commissioners suggested by Mr. Darcy Lindsay, but I am quite prepared to give an assurance that we shall address Local Governments on the subject of this Bill and draw their attention to the fact that these suspicions and apprehensions have been felt in regard to this class. We shall ask them to watch the working of the clause very carefully, and we shall ask them in any annual reports in the working of the Act that may be submitted to let us know whether the clause has in fact given rise to fraud or evasion, and, if we do find that the clause is a loophole for fraud, then I am quite prepared to give an assurance that we shall come before this House with the necessary amending legislation. I hope, Sir, that my friend will accept that assurance.

Mr. Darcy Lindsay: I thank the Honourable Member, Sir, for the assurance that he has given me.

Mr. President: The question is that this Assembly agree to this amendment.

The motion was adopted.

Mr. President: Further amendment made by the Council of State:

"To sub-clause (2) of clause 19 of the Bill, the words 'or to enforce any liability incurred under this Act' were added."

The question I have to put is that this Assembly agree with the Council of State in that amendment.

The motion was adopted.

Mr. K. B. L. Agnihotri (Central Provinces Hindi Divisions: Non-Muhammadan): Sir, I beg to move:

"In sub-clause (2) of clause 28:

(a) Insert the word 'not' between the word 'shall' and the words 'be enforceable'.

(b) For the word 'notwithstanding' substitute the words 'if the agreement be in contravention of or repugnant to'."

After the amendment which I propose, Sir, the clause will read thus:

"(2) An agreement for the payment of compensation which has been registered under sub-section (1) shall not be enforceable under this Act if the agreement be in contravention of or repugnant to anything contained in the Indian Contract Act, 1872, or in any other law for the time being in force."

Sir, under this Bill we have provided that the agreement for compensation between the employer and the employee shall be registered before the Commissioner and after the registration of such agreement the employer will be liable, only to the extent of the amount agreed between the parties. We have also provided under section 29 that in default of such registration, the employer will not be entitled to get the benefit of any agreements that be entered into by him with his employees. Now, the amendment which has been made by the Council of State is good in so far as it gives the finality to the agreements entered into between the employers and employees. But it also gives a loophole which I wish to have amended if possible by

drawing the attention of the House to it. Under clause 2, we have defined that a minor is a person who is below 15 years of age. Now, if a person below 15 years of age were to enter into an agreement with his employer for compensation for injury that he may sustain in the employment, such an agreement under the ordinary laws of contracts will be void and will not be enforceable in any courts of law. Now, if we allow this sub-clause to be retained as has been done by the Council of State in this section, the effect will be that, even an agreement entered into by a minor below 15 years of age with his employer will be valid if registered before the Commissioner under section 28. No doubt, there is a safeguard provided in sub-clause (d) of clause 28, that the Commissioner shall inquire into and find out about the genuineness of the agreement and see that it has not been entered into under any fraud or any influence, but the intervention of the guardian in such agreements between the minor and the employer has not been provided for in clause 28 as it stands. The result would be that the minor's guardian will have no voice in the agreement for compensation that may be entered into between a boy below 18 and the employer. The minor may be induced to accept the terms of the employer that may not after all be suitable or being under his influence he may accept, in which case it will be very difficult for the Commissioner, even though he be a judicial officer, to find out for himself whether the boy was really pleased with the agreement that has been entered into between him and the employer or whether it was under any inducement or temptation that he entered into that agreement or whether or not it was acceptable to guardians. If we allow the provisions of the Contract Act to remain, we shall make it compulsory for the employer to enter into such agreement with the guardian of the minor and over and above that we shall have a further safeguard in its registration before the Commissioner. So, instead of one safeguard that is provided in clause 28, my amendment will give two safeguards in the case of minors in respect of such agreement. I think it desirable to provide further safeguards in such cases. I realise, Sir, that the amendment which I propose is of a sweeping nature in a way—in such a way that even if the agreement is registered before the Commissioner, it will still be possible that the agreement may be declared invalid in the courts of law, but I beg to suggest that such agreements could not be enforceable in the courts of law under the provisions of this very Act. Therefore, even though the agreement be valid otherwise than under this Act, the man would have no right to go to the courts of law and there will be no fear on that score. With these words, Sir, I commend my amendment for the consideration of the House.

Mr. President: Amendment moved in the amendment made by the Council of State:

"In sub-clause (2) of clause 28, as amended:

(a) Insert the word 'not' between the word 'shall' and the words 'be enforceable'.

(b) For the word 'notwithstanding' substitute the words 'if the agreement be in contravention of or repugnant to'."

Sir Henry Molcrieff Smith (Secretary, Legislative Department): Sir, Mr. Agnihotri has explained to the House that his desire is to provide another safeguard. He admits that there is a safeguard already in clause 28 in the proviso, but he thinks that if he makes the provisions of the Contract Act strictly applicable to these agreements, he will provide another safeguard. Now, I would suggest to the House that a provision

[Sir Henry Moncrieff Smith.]

of this kind proposed by Mr. Agnihotri would render clause 28 to a very large extent useless and inoperative. These agreements will not be entered into. Why should an employer take the trouble to negotiate for an agreement when he knows—he has no acquaintance with the Contract Act and he cannot take advice in every case—when he knows that there is a very good chance of that agreement being set aside by Civil Courts subsequently as being in contravention of some or other provision of the Contract Act? Therefore, Sir, the agreement will fail and the two parties will be just where they were to start with. The injured workman or the minor will then start with his claim for compensation under the provisions of this Bill. The answer to Mr. Agnihotri's amendment has, I think, already been given by Mr. Rangacharair this morning. In speaking in reply to Mr. Darcy Lindsay, Mr. Rangachariar emphasised the fact which has been emphasised in the House already that the Commissioner is going to be an officer of ripe judicial experience and the whole basis of the Act is, Sir, that we must trust the judicial officer who will be the Commissioner under this Act to exercise his discretion wisely and well. If, Sir, the Commissioner has regard to the provisos in sub-clause (1) of clause 28 I do not think there is the slightest risk that any agreement entered into by a minor or on behalf of a minor which is not a fair agreement will be registered by the Commissioner. You must trust the Commissioner, and I think that if my friend, Mr. Agnihotri, will accede to that proposition, he will agree that there is no necessity for him to press his amendment.

Dr. Nand Lal (West Punjab: Non-Muhammadan): Sir, to my mind there is a sufficient safeguard embodied in clause (d) of this very section. There it is clearly provided that if there is inadequacy of the lump sum which has been accepted, then the Commissioner will interfere and will not register that agreement. Again it is mentioned there that if there is a fraud then the Commissioner will step in and will not accept registration of that agreement. I think in the face of this very good safeguard, which is incorporated in section 28, clause (d), there is no necessity for any other safeguard which is contemplated by this amendment. If this amendment were accepted, I am afraid, it will give rise to a number of impediments in the way of deciding this sort of questions between employers and employees.

Mr. K. B. L. Agnihotri: How?

Dr. Nand Lal: Will the Commissioner call upon the employer to show who is the guardian of the minor workman? Supposing that guardian is living in a place which is far away, then it will take time to call him. That guardian may be tempted by some other means not to make an agreement. Then all these agreements will be practically blocked and no agreement will come to be entered into and the consequence would be that this measure which is of a very useful character, will lose its object. On these grounds, Sir, I oppose this amendment.

Mr. N. M. Joshi (Nominated: Labour Interests): Sir, not being a lawyer, I am unable to see exactly the effect of Mr. Agnihotri's amendment or the new clause added by the Council of State. But I should like to get some explanation from the Honourable Mr. Innes or from Sir Henry Moncrieff Smith how an agreement entered into by an employer with quite a young child of 9 or 10, engaged in, let us say, a house-building

industry, suffering a small injury, for which there will be not a lump-sum but half-monthly payments, will be registered or will be covered by the proviso to section 28. I do not think that is a desirable state of things. I am told it must be registered. I want to know under what provision there is any necessity to register an agreement with a child of 9 for a small injury for which there will not be a lump-sum payment but there will be half-monthly payments. Sir, if I am satisfied on this point, I have nothing more to say.

The Honourable Mr. C. A. Innes: Sir, Mr. Agnihotri's amendment, I may explain, does not bear in any way on the point raised by Mr. Joshi. We have tried to provide for Mr. Joshi's point by making it clear by the amendment in sections 31 and 19 of the Bill that any agreement can be and is enforceable by the Commissioner. We have made it clear in section 31 that the Commissioner may recover any amount payable by any person under this Act, whether under an agreement for the payment of compensation or otherwise. So, we are giving the Commissioner power to enforce an agreement whether for a half-monthly payment or not, whether registered or not, by the amendment in clause 31.

Mr. President: The question is that that amendment be made in the amendment made by the Council of State.

The motion was negatived.

The Assembly agreed also to the following amendments made by the Council of State in the Workmen's Compensation Bill:

"6. Clause 28 of the Bill was renumbered as sub-clause (1) of clause 28, and to the said clause the following sub-clause was added, namely:—

'(2) An agreement for the payment of compensation which has been registered under sub-section (1) shall be enforceable under this Act notwithstanding anything contained in the Indian Contract Act, 1872, or in any other law for the time being in force.'

7. In clause 31 of the Bill after the words 'under this Act' the words 'whether under an agreement for the payment of compensation or otherwise' were inserted.

8. For clause (iii) of Schedule II to the Bill, the following was substituted, namely:—

'(iii) employed within the meaning of clause (d) of section 3 of the Indian Mines Act, 1923, in any mine which is subject to the operation of that Act; or'

9. In part (b) of clause (vi) of Schedule II to the Bill, after the words 'and is' the words 'has been' were inserted.

10. For part (c) of clause (vi) of Schedule II to the Bill, the following was substituted, namely:—

'(c) a bridge which is, has been, or is designed to be more than fifty feet in length; or'

THE INDIAN INCOME-TAX (AMENDMENT) BILL.

The Honourable Sir Basil Blackett (Finance Member): I move that the Bill to amend the Indian Income-tax Act, 1922, be taken into consideration.

The motion was adopted.

Clauses 1 and 2 were added to the Bill.

Mr. K. B. L. Agnihotri (Central Provinces Hindi Divisions: Non-Muhammadian): I gave notice of an amendment to this clause 3, but that draft having not been approved by the Legislative Department, I have been handed over a draft which has my approval and I beg to move my amendment in the form as drafted by the Legislative Department:

"That for sub-clause (1) of clause 3 the following be substituted, namely:—

'(1) In section 68 of the said Act in the second proviso:

(a) for the words and figures 'to all assessments made under that Act in the year ending on the 31st day of March 1922' the following shall be substituted, namely:—

'to income-tax leviable under that Act in respect of the year beginning on the first day of April 1921 and to Super-tax chargeable under the Super-tax Act, 1920, in that year'; and

(b) for the words and figures 'section 19 of the said Act' the words 'that section' shall be substituted."

Sir, under section 68 of the Income-tax Act which we passed last year we have provided for adjustments of the amounts paid under the old Act. There we have provided that if the assessment had been made in the year ending on the 31st March 1922, all those persons whose assessments had been so made shall be entitled to have their adjustments of amounts made in the same manner as used to be done under the old Act of 1918. But, Sir, difficulties have arisen by the wording of the section, and in my division of the Central Provinces they have been specially very great, because though the proceedings of assessment had been started during the year 1921-22, somehow or other be it due to the negligence of the parties, or the cases being contentious, or through the slackness of the assessing officers, the assessment orders in far too many cases were not passed before the 31st day of March 1922. Some were passed on the 1st or 2nd of April 1922, and some even so late as latter part of the year 1922 with the result that the persons to whom we wanted to extend this concession could not get that concession by the peculiar wording of this proviso. It purports to lay down that only such persons can be allowed such adjustments in whose cases the orders of assessment had been passed before the midnight of 31st March 1922, but if my amendment be agreed to, such cases of hardship will disappear and the benefit of the concession will equally be extended to persons who had been assessed for that year, but after 31st of March 1922, they had no control over delayed assessment. There have also been cases in which orders were to be passed by the Assistant Commissioners or the Commissioner of Income-tax and those orders could not be passed even though the assessment reports were made by the Collectors of Income-tax before the 31st March and the same were subsequently sanctioned. Even such persons could not be allowed the adjustment under section 68 of the present Act. By this amendment we shall do away with all such hardships. With these words, Sir, I move my amendment.

Mr. A. V. V. Aiyar (Finance Department: Nominated Official): Sir, we recognise that it is reasonable in certain cases to extend the concession in regard to adjustments allowed by section 68 of the Indian Income-tax Act of 1922 to assessments made after the 31st day of March 1922, especially in cases in which for no fault of the assessee or for reasons beyond

his control there has been delay in assessment. I accept the amendment on behalf of Government.

The motion that that amendment be made was adopted.

Clause 3, as amended, was added to the Bill.

The Title and the Preamble were added to the Bill.

The Honourable Sir Basil Blackett: I move that the Bill, as amended, be passed.

The motion was adopted.

RESOLUTION RE STATE MANAGEMENT OF RAILWAYS IN INDIA.

Mr. President: The Assembly will now resume consideration of the Resolution moved by Maulvi Miyan Asjad-ul-lah on the 7th September, 1922:

"This Assembly recommends to the Governor General in Council that the Indian Railways Act of 1890 be so revised as to give India the full benefit of State ownership of Indian Railways as is done in other countries where the Railways are owned and managed by the State."

In view of the number of amendments on the paper, I think it may assist the discussion if I give the Assembly some indication of the course which I propose to pursue in regard to them. I shall, in the first place, call upon Mr. Neogy to move the amendment standing in his name. I shall then call upon Dr. Gour to move the amendment standing in his name as an amendment to Mr. Neogy's. Then without putting Mr. Neogy's amendment to the vote I shall call upon Sir Campbell Rhodes to move his amendment as a further amendment to Mr. Neogy's. These will place before the Assembly the principal alternatives and the discussion therefore can proceed on wide lines.

Mr. K. C. Neogy (Dacca Division: Non-Muhammadan Rural): I beg to move:

"That in the Resolution the following be substituted for the words beginning with 'the Indian Railways Act' and up to the end of the Resolution:

'he may be pleased to accept and give effect to the recommendation of the Chairman and four other members of the Indian Railway Committee, 1920-21, that the undertakings of guaranteed Railway Companies, as and when the contracts fall in, should be entrusted to the direct management of the State.'"

I have heard it said that my amendment merely seeks to raise an academic discussion. I maintain that it does nothing of the kind. Looking through the list of amendments I find that some of my Honourable friends are anxious to shirk the real question that is at issue to-day. They are more in favour of temporising with the question instead of solving it in the way in which we should. Sir, this question came up, I think, about half a dozen times in the old Imperial Legislative Council during the last 10 or 12 years. The question did not come up in connection with the future management of the Great Indian Peninsula and East Indian Railways, but Indian opinion has been insistent during all these years that the future policy of management of all State owned railways should be in accordance with Indian opinion which of course favoured State management. Now, Sir, leaving aside those past discussions, what do we find even when we come to the year 1920-21? We find that the Acworth Committee was appointed not for the purpose of advising the Government of India as to what system of management should be accepted in regard to these two lines.

[Mr. K. C. Neogy.]

but generally to advise the Government of India on the question of the future policy of management of railways as a whole. A reference to the Acworth Committee's terms of reference will bear me out in this particular. Then, Sir, when the Acworth Committee proceeded about their business they took care to collect all shades of opinion in regard to this general question. They did not confine their attention to the question of Great Indian Peninsula and East Indian Railways alone. And when the report of the Acworth Committee was published, Honourable Members will remember that several of my Honourable friends in this House in interpellations insisted on an opportunity, and an opportunity being given for the discussion of the whole Report of the Acworth Committee, and not merely the question of the management of the Great Indian Peninsula or the East Indian Railway. Again, Sir, the Government of India in June 1922 addressed Local Governments and the Chambers of Commerce in the various provinces, inviting their opinions on this question. They specifically raised the question of the management of these two lines, but incidentally they referred to this general question as well. They say this in one of the paragraphs of their letter: "Not all Local Governments and Chambers of Commerce are immediately interested in these two lines, but the general question involved is so important that they will no doubt wish to express their views", so that even in June 1922, Government was considering the whole question of the future policy of railway management. After that the Central Advisory Council was asked to pronounce their views, not merely with regard to the management of these two lines, but on the question of the policy of future management of railways as a whole. Therefore, Sir, I maintain that it is not only open to us, but it is incumbent on us, to discuss this broad question of principle to-day. We will be shirking our duty if we confine our attention to these two lines without deciding the question of principle involved. Shall it be said that the Legislative Assembly with an elected majority was afraid to decide the question in the year 1923, while its predecessor in days gone by insisted on the acceptance of this general principle in regard to all State-owned railways?

Now, Sir, I come to the subject-matter of the Resolution. A well-known English writer on British railways, whose sympathies are not at all in favour of nationalisation, says that the question of State or private management is not a general one. It is not possible to say that all private companies are bad and all State Railways are good or *vice versa*. State system and private system may be good, bad or indifferent according to the varying circumstances of different countries. I, therefore, maintain that the analogies of other countries are quite out of place in the discussion on this question, either in favour of State management or in favour of company management in India. Sir, we are all aware that there is no stronger protagonist of company management among the railway experts of the world than Sir William Acworth himself. We find he says in the Report of the Acworth Committee that he and some of those members of his Committee who agreed with him in recommending State management approached this question with a distinct bias in favour of company management. That is a fact which should be borne in mind, because it endows the recommendation of the majority of the Acworth Committee with a special importance of its own. Sir, what are the considerations that led the majority of the Acworth Committee to come to this decision? The majority of the Committee said that the system of company management in India has not been

successful. They maintain that company management properly so called does not exist in India, that the companies have no real initiative, nor has the Government who owns a very large proportion of the railway lines. Later on they say that freedom of private enterprise is non-existent and the establishment of companies with real independence is impossible and it is in fact not even proposed. Then they refer to the Indian demand for State management. They say that Indian public opinion is practically unanimous in demanding that the owner shall manage directly. They then come to the conclusion that no scheme for the establishment of Indian domiciled railway companies is acceptable and that not until they are relieved from all reasonable loss will shareholders subscribe at all. Even when so relieved they will only subscribe relatively small amounts. Such small amounts would not justify entrusting them with substantially independent management; and unless the management is substantially independent, the justification for the existence of a company disappears. And, therefore, approaching the question not as one of national sentiment but purely from the practical point of view the Committee find themselves in agreement with the almost unanimous opinion of Indian witnesses, and recommend that the undertakings of guaranteed companies, as and when the contracts fall in, be entrusted to the direct management of the State.

Sir, the Acworth Committee referred to the remarkable unanimity of Indian public opinion in this matter. We are glad to find that
 12 Noon. this unanimous public opinion has been supported by the various Local Governments. As I have already said, the Government of India consulted the Local Governments in regard to this question; and I find that in reply the Madras Government say that they are strongly in favour of the system of State management generally. The Government of Bombay say that they want the management of the East Indian Railway and the Great Indian Peninsular Railway to be taken over by the State. Then the Government of Bihar and Orissa point out that the right and proper solution is to be found in the assumption of direct control by the State. The Government of the Central Provinces are in favour of State management. The Government of the United Provinces are divided on this question, His Excellency the Governor and the European Member of the Executive Council being in favour of Company management, and the Indian Member of the Executive Council, the Honourable the Raja of Mahmudabad, and the two Ministers being in favour of State management. I do not find the opinion of the Government of Bengal or of the Punjab in the collection of opinions that was placed on the Library table in response to a request of mine; but I find that in a written statement which was placed before the Acworth Committee the Government of Bengal pledged themselves in support of State management. When we come to Assam, we find that the Government of Assam recommend Company management for these two lines, and I very gladly make a present of the Assam opinion to my Honourable friend, Sir Deva Prasad Sarvadhikary. (Sir Deva Prasad Sarvadhikary: "I thank the Honourable gentleman for the present") Sir, a good deal of misapprehension seems to prevail in regard to the question as to whether or not State management of railways is quite as efficient and as economical as Company management. In regard to this matter, I think we have got only expert opinion that we could possibly expect in the circumstances, namely, the opinion of the Railway Board in favour of, or at least not against, State management. We find that in their written statement before the Acworth Committee and in their oral evidence before that Committee, the Railway Board maintained that there

[Mr. K. C. Neogy.]

was absolutely no distinction between State management and Company management so far as efficiency and economy were concerned. We find further that in a Despatch to the Secretary of State in 1917 the Government of India unanimously held this view. I hope that they are not going to resile from that position to-day. Sir, efficiency and economy are very good things indeed, but they must be judged with reference to the immediate aim that we have in view. We must not make a fetish of efficiency and economy. Sir, the main purpose of railways, I maintain, is to develop the resources of the country and to promote the economic well-being of the people. Have the railways, in following the policy that has hitherto been followed, been successful in fulfilling this main condition? (*Mr. J. Chaudhuri*: "To a great extent.") I do not think I am in the wrong when I say that the railway policy in India has so far been directed not so much in the interests of Indian industries, not so much towards the promotion of the well-being of Indians, as in the interests of British manufacturers and British interests generally. (*Sir Montagu Webb and other Honourable Members*: "No, no, no, no!") Sir, in the discussions, to which I made reference, which the old Imperial Council had on this subject, our late lamented friend, Sir Vithaldas Thackersay, and another equally great authority on this question, Sir Ibrahim Rahimtoola, referred to many instances in which the railway policy has been instrumental in handicapping Indian industries. And those who care to go through the voluminous evidence before the Indian Industrial Commission that was presided over by Sir Thomas Holland, will find that there is ample evidence in that showing how the railway policy has been directed towards the handicapping, if not killing actually, of certain industries in India; how the rates have been manipulated with a view to give foreign imports preference over indigenous industries; how the rates have been manipulated to favour the export of raw materials from India. Now, Sir, these charges, the Acworth Committee admit, Indian opinion takes to be absolutely established.

Sir, what is the alternative scheme of management that has been suggested? The alternative is, management by Companies domiciled in India. The other alternative systems advocated by different sections of opinion, I think, were rejected by the Acworth Committee and are not before the Government, so far as I know. Now it is useful to remember that so far as the management of Indian railways by Companies domiciled in India is concerned, the Boards of the Companies, the Home Boards, I mean, are unanimously against such a scheme. They say that such a scheme of management in India by Companies domiciled in India combines the disadvantages of both State management and Company management without the advantages of either system. Sir Walter Lawrence, who is a Director of the Madras and Southern Mahratta Railway and of the Assam Bengal Railway, said that if the present policy were to be changed, he would prefer State management. The question was 'would you give preference to the State management?' The answer was, 'In Indian interests, it would be better to do that, because we do not hold enough capital and the predominant partner can always check us.' Then the Chairman put another question: "are we to take it that the development of Indian national sentiment has caused you to change your view expressed 12 years ago?" The answer was: "Yes, my view is this; if you want to switch Indians from politics, you have to give them something to do and here is this spectacle which you see going through these many thousands of miles of

railway. There is not a single Indian who has any direct interest in the railway." Then Mr. Rendell and Colonel Huddleston who are connected with certain Companies as Directors said that the third proposed alternative, that is to say, management through the agency of an Indian Board, appears to combine the faults of both and the merits of neither system. Mr. Rendell says, "I should undoubtedly transfer the management of railways to the State. I should have an honest State railway. You must run railways in India on bureaucratic lines, to my mind, and if the thing is done in India, we had better leave it in the hands of Government." Then Colonel Constable and Sir Donald Robertson, who are also associated with certain Company-managed Lines, said :

"if there is to be a change, the railways should be handed over not to companies in India, but to the State direct. That is what we think. I think all the companies practically think that."

And then it was pointed out that all the companies had discussed this question together and come to the same conclusion.

Sir, reference has been made to the drawbacks of the State system of management by no less an authority than Sir George Godfrey, Agent of the Bengal Nagpur Railway. He thinks that it is only theorists and political socialists who favour State management. Practical men whether in politics or in business favour company management. I would ask the Honourable Members of this House not to be classed among Sir George Godfrey's practical men for this purpose to-day. I suppose that Sir William Acworth and the Directors of the Indian Railway Companies whom I have quoted just now are not political theorists or socialists. Sir, one of the objections against State management which has been magnified beyond all proportion by Sir George Godfrey is that a system of State management will import politics into the administration of the railways. Sir, if we go through the evidence that was given before the Acworth Committee, and also the evidence that was given before the Indian Industrial Commission, we come across numerous instances in which considerations other than of pure business principles determined the policy of the railways. You will find that an Indian gentleman giving evidence before the Acworth Committee referred to certain cases in which it was impossible for Indian owners of collieries to get sidings, because they were Indians; and in one instance particularly it was pointed out that half the share of a colliery had to be sold by an Indian proprietor to an European at a nominal price in order to enable him to obtain a siding. Reference is also made to the fact that it is racial considerations that determine the distribution of wagons among the collieries, and while every European colliery could expect a due supply of wagons the Indians could not. These are certainly not questions of politics! If you ask for redress of these grievances, it is only then that it becomes a question of politics. Now Sir, when the railways pursued a policy that had the result of handicapping Indian Industries to the benefit of the English commercial interests, that is not to be classed as political! If you ask that the Indian interests should be safeguarded in this matter, if you ask that the railway policy should be so directed in future as to assist in the development of Indian industries even at the sacrifice, if necessary, of British interests, then it becomes politics! Sir, if you ask for the redress of grievances of Indian travellers who are often subjected to humiliating treatment at the hands of European and Anglo-Indian officials of the railways, then it becomes a question of politics! So long as you do not complain, it is not politics. Sir, I am convinced that Sir George Godfrey's objection to State management really springs from

[Mr. K. C. Neogy.]

a guilty conscience, from knowledge that the railway policy in the past has been inimical, deliberately inimical, to Indian interests and that they have done deliberate injustice to India. (*Sir Montagu Webb* "Nonsense.") It is an unpleasant truth. The real secret of the opposition is, that you are afraid that Indian public opinion, as represented in this House, might assert itself and put an end to the policy, the iniquitous policy, followed so long. That is really the secret of this opposition. Sir, I beg to commend my amendment.

Dr. H. S. Gour (Nagpur Division: Non-Muhammadan): Sir, in moving my amendment I shall not be understood to oppose the basic principle which has moved my Honourable friend, Mr. Neogy, in tabling his own amendment. I am entirely at one with him on the abstract question of State *versus* Company management, but I shall presently disclose certain facts and ask the House to decide between his amendment and mine. The Honourable Mover of this amendment has castigated all his opponents as temporizers. He has wound up his speech by saying, "let us not be practical men". Well, Sir, if I have to temporize because I am a practical man, I am not ashamed of temporizing. In dealing with this railway question we must not be pure sentimentalists. We must deal with this question as men of commonsense and as men of business. It is from that point of view that I shall present my amendment for the acceptance of this House. I have said that, generally speaking, I am in entire sympathy with the Mover of the amendment. I entirely agree with him that where the railways are entirely or almost entirely the property of the State, it is the State who should manage its own property. The position of other countries which has often been presented to us by way of illustration affords no parallel. In England we have company management because all the railways are owned by the companies themselves. In Germany and in Japan we have State management because all the railways are capitalized and owned by the State. Consequently the success of Germany or the failure of company management elsewhere affords no parallel to the railway management in this country. The railways in India are almost exclusively the property of the State and yet it happens that these railways are leased out to English domiciled companies who have very little stake in the capital of the company concerned for the purpose of management and upon terms which I cannot but describe as unjust and inequitable, because, while they are entitled to participate in the profits, they are not liable for the resultant losses which are thrown on the tax-payer. That is a position which has given rise to a volume of opinion in this country against company management, and I submit the very strong expression of opinion adverted to in the Acworth Committee's Report and on the platform and in the press is due to this fact, as also to the fact referred to by my Honourable friend, Mr. Neogy, that these railways have become the monopoly of a certain class, of a certain race who are employed in all the highly paid appointments, and the Indians who ought to be employed in the superior service of the railways are relegated to positions of subordination and servility. While a large number of the travelling public are Indians, the guards, drivers, station-masters and ticket collectors and everybody constituting the controlling staff of the stations is either a European or an Anglo-Indian. (*Mr. R. A. Spence*: "What about the Bombay, Baroda and Central India Railway?") Now, these are things which have impressed themselves upon the people and they have decided that as the railways belong to them,

they and they alone shall manage them in the interests of the people and of the State. When I hear my friend, the Mover of this amendment, speaking eloquently on the subject of State management I have no doubt that the sentiments which have prompted him to advocate State ownership and State management are partially, if not entirely, due to the feeling I have described. I have said at the outset that I am in entire sympathy with his feelings. But if we descend from the general to the particular, what are the facts? We have in this country eight State-owned railways. They are all for the present leased out to companies for the purpose of management. Of these eight railways the contract with the East Indian Railway expired in 1919, and it was extended for a period of five years, which will expire on the 31st December 1924. The contract with the Great Indian Peninsula Railway given in 1900 for 25 years will expire in 1925. These are the two railways covering about 6,000 miles, whose contracts will expire next year and the year after the next.

I now give the periods when the contracts of the other six railways will expire. The next that will fall in will be the Burma Railways in 1928; the contract with the Assam-Bengal Railway will terminate in 1931, with the Madras and Southern Mahratta Railway in 1937, with the Bombay, Baroda and Central India Railway in 1941, with the South Indian Railway in 1945, and lastly with the Bengal-Nagpur Railway in 1950. Therefore of all these State railways, the two trunk lines, the most important lines of which the contract will terminate next year and the year after the next are the East Indian Railway and the Great Indian Peninsula Railway; and it is with reference to these two railways that I have given notice of my amendment in which I ask as follows:

"That all the words from the words 'the Indian Railways Act' to the end of the Resolution be deleted, and the following be substituted in their place:

'on expiry of their leases, both the East Indian Railway and the Great Indian Peninsula Railway be taken over for management by the State.'

I have already pointed out, Sir, that there is very little difference in principle between my friend, Mr. Neogy's amendment and mine. The only difference is that I do not want this House to decide upon a question which will arise for practical consideration in certain cases as late as 1950 and in the majority of cases in the years which I have mentioned. Those are questions which, I submit, must be decided in the light of the experience gained during the interval of State management of the Great Indian Peninsula and East Indian Railway Companies. On this point there cannot be any difference of opinion. The majority, at any rate, five members including the Chairman, of the Acworth Committee, speaking of State management of railways point out that so far as State management of railways is concerned, it is at the present moment and as regards these two railways a matter which admits of no choice. But at the same time the Chairman and his colleagues point out that if it were possible to start a genuine indigenous company to take over not merely the management but also the capital of these two companies this question would assume a different aspect; and with reference to this suggestion the Minority Report says: "We should not decide the question of State management as regards these few railways because it is impossible to foretell what may be the opinion on these matters 15 or 20 years hence in India, Europe, or the world generally," and they say it would be unwise at the present juncture to commit the Government of India to a permanent policy of State operation. Honourable Members will see that the

[Dr. H. S. Gour.]

financial position of the country at the present moment is not favourable to the flotation of a company that will take over the capital of the Great Indian Peninsula and East Indian Railways. But in the case of the other railways, the Burma Railways and the other railways I have mentioned, years after it may be possible to raise capital in this country and to form independent and indigenous companies not only merely to own but also to take over the management of these railways, and it is upon this ground that I think it would be premature to commit this House to the policy of State management without adverting to the facts which may hereafter induce us to change our views. It is on this ground, Sir, that I have ventured to differ from my Honourable friend, Mr. Neogy. As I have said before, and I repeat it, that if the question was an urgent one, as urgent as it is in the case of the East Indian Railway and the Great Indian Peninsula Railway, I should unhesitatingly vote with my friend in favour of State management. It is a well known fact, a fact which Honourable Members will find stated by witnesses after witnesses and summarised in this Report, that State management would lead to the unification of railways, to the centralisation of control, to the elimination of conflict of interests, to the placing of favourable contracts, and last but not least, to the removal of colour bar. These are all considerations which weigh with me, and I have no doubt that they will weigh also with the House. But the only point upon which I venture to differ from my Honourable friend is that we should not lay down a policy for 25 or more years in advance, when we shall be in a position to examine the situation as it may then present itself, and if the financial condition of the country then permits of the flotation of a company, we might be advised to entrust the management to a company. I understood my friend Mr. Neogy to suggest that State management is always to be preferred to company management. It is a notorious fact, and a fact which could not be denied, that State management can only be had in the last resort. State management is uneconomical, it cannot compete with a properly organized company. But when we advocate State management, it is not because we are enamoured of the State, but because we think that Company management has led to abuses which cannot be prevented, and that out of the two evils we prefer the lesser evil of State management. It is on these grounds, Sir, that I advocate the resumption of management by the State of the Great Indian Peninsula and East Indian Railway Companies. At the same time, I would ask this House to reserve its judgment as to the future management of the other railways when the proper time comes for it. As I have said before, and I repeat it, that other things being equal, Company management would be far more preferable to State management. (*Cries of "No, no" from different parts of the House.*) We all know my friend, Mr. Neogy, has said so; we know, as a matter of fact, that if the capital of the railways in this country had been subscribed by the people of this country, they would have felt a far greater personal interest in the administration of the railways than they do at the present moment, and let us hope that in the near future such a time may come when the people of this country will start their own companies and take over not only the management but the ownership of their lines. But can any one say what will be the situation 5 years hence, or 10 years hence, or 20 years hence or 25 years hence? And unless Members of this House are prepared to dogmatise and assert that the people of this country will never be able to subscribe to the capital necessary for the purpose of

owning these companies on the termination of their leases and to provide for their management, unless Members of this House are prepared to prophesy that such a state of things is not likely to come during the next quarter of a century, they cannot ask this House to commit itself to an unalterable decision that all railways hereafter shall be managed by the State. (*A Voice*: 'Yes, in India'.) I was only speaking about India and of no other country. I submit, Sir, that this is the sole point of difference between my friend, Mr. Neogy, and myself, and I leave the decision in the hands of the Honourable Members of this House. Sir, I move my amendment.

Mr. President: In order to make the Honourable Member's amendment more clear, is he prepared to move his amendment as an amendment to Mr. Neogy's?

Dr. H. S. Gour: Yes.

Mr. President: Amendment moved:

"That all words after the word 'pleased' be omitted, and the following be inserted in their place:

'On expiry of their leases to take over both the East Indian Railway and the Great Indian Peninsula Railway for management by the State.'

Sir Campbell Rhodes (Bengal: European): Sir, I beg to move:

"That for the words from 'the Indian Railways Act' to the end of the Resolution the following be substituted:

'before coming to a definite decision as to the best railway policy for India, it is desirable to continue for a further period of five years the principles both of State and Company-management, in order that:

(1) Experience may be gained as to the effect on the working of the existing State-managed lines of the Reform Scheme and of the present re-organisation of the Railway Board.

(2) The Company-managed railways may appoint immediately strong local boards in India consisting of an equal number of Indians and Europeans, such boards to have definite and growing powers on the understanding that within the five years they should abrogate to themselves the functions of the home boards.

(3) It may be ascertained which method of management is calculated to produce the best results in regard to:

(a) Economical working;

(b) The comfort of passengers;

(c) The industrial development of the country;

(d) The greater association of Indians and Anglo-Indians in the higher administration of the Railways."

Sir, I cannot congratulate the advocates of State management on the speech which has fallen from my Honourable friend, Mr. Neogy. This House has high traditions, and I hardly think it is in accordance with those traditions to use it as a sanctuary for charges against people, charges of criminal misappropriation for which he has given no data and where he has mentioned no names. I can, however, congratulate the advocates of State management on the advocacy of my friend, Dr. Gour. When there is nothing to be said for a subject, I know of no better advocate for he says it with so much zeal, so much eloquence and convinces us so readily. Mr. Neogy says that the analogies of other countries are out of

[Sir Campbell Rhodes.]

place. Sir, I am going to bore Mr. Neogy. In the Acworth Committee's Report, reference is made to the experiences of other countries :

" 268. We will now allude briefly to the conditions in a few important countries where State management exists. The Swiss Federal railways in seven years (1914-20) have shown a loss of 200 million francs, say 8 to 10 million sterling. Before the war they were earning a small profit. Passenger fares have been increased by 40 to 60 per cent. Prior to 1914 and subsequent to the date of nationalisation there was a steady and often large increase in the cost of the staff and in the operating ratio. The Northern Railway of Austria, before it was taken over by the Government in 1906, paid a dividend averaging for the previous five years 12 per cent.; the Government succeeded in turning that profit into a loss. In Italy for a period of eight years from 1905, when Government took over the working of the railways, there has been a steady yearly increase in the operating costs and the return on the capital has declined. The South African railways show a loss of 2,000,000 £, on the last two years' working. The American railways are in such a bad way consequent on the period of Government control, that President Harding in a recent address to Congress, after referring to the 'heedlessness of cost of Government operations', emphatically asserted that there would be a foundation for rebuilding after the past disaster, if it was clearly understood that there would be no State ownership, and that the people would not be taxed to cover railway deficits. This shows the trend of opinion in a democratic country."

Sir, in addressing the Government, the Bengal Chamber of Commerce quoted some other instances of State railway mismanagement :

" The examples of other countries show equally startling results. Probably no more striking indictment of State management has ever been written than that prepared by Mr. E. A. Pratt, the well-known railway economist, in discussing an exhaustive study of the State Railways of Belgium, a system often pointed to by those who favour nationalisation. Amongst the primary evils he emphasises that of excessive centralisation, the higher cost of staff, and the absence of the elements of competition and initiative. He tells how amendments to the railway budget of 1905 would have augmented the payments for salaries and wages by 40 per cent., and of how the Belgian Chamber discussed the railway budget for five weeks In Germany one of the chief conditions laid down by the German industrial magnates for advancing securities to the German Government is that, as far as possible, State-managed enterprises (including the German State Railways) should revert to private management. But most striking of all, perhaps, is the case of France, where a commission has recently been inquiring into the future management of the railways. The Chamber understand that this Commission have reported in favour of handing over the Western or State Railway system to a company, this proposal being preferred to an alternative proposal that the system should be put under a Board of Management with no direct financial interest in the working results."

And now I come to New Zealand and I should like to quote here a short passage from Lord Bryce's book which probably few of you have read :

" Two questions remain to be considered : the financial position of the Government railways and the service they render. The former is not easy to ascertain, because the form in which accounts are presented, with the habit of sometimes charging to capital what ought to come out of revenue, does not tell the whole story. It seems clear, however, that the lines have been, and are being, worked at a loss, i.e., the receipts do not cover interests on the cost of construction as well as all working expenses, so there is a loss to the general taxpayer. The explanation usually given, besides, of course, an admission of the errors which made the original cost greater than it ought to have been, and which also saddled the Department with unremunerative lines, is that the rates are kept low with a view to the development of the country and the benefit of the travelling public. As regards 'development', this is a term wide enough to cover expenditure on unprofitable lines, and one of the results of 'political' and otherwise extravagant railway construction and management has been to reduce those very railway receipts which might have been used for the building of new lines where they were really wanted. It is alleged that the higher branches of the railway service suffer because it is hard to promote the most capable men without incurring the reproach of favouritism, and it is further asserted that in the lower departments less work is got out of railway employees of all kinds than private employers obtain."

In the face of these extracts, I do not wonder that Mr. Neogy says that analogies of other countries are out of place. The Acworth Committee has given us no lead. Mr. Neogy's arithmetic is as bad as his logic. There was no majority report. The objections to State management mentioned by the five were as follows:

- “(1) constant transfers of senior officials, resulting in lack of continuity of policy;
- (2) the tendency to give promotion on the grounds of seniority alone without sufficient regard to efficiency or local knowledge;
- (3) disregard of public opinion; and
- (4) lack of initiative and flexibility. Further, as regards the co-existence of company-managed railways and State railways, it is urged that improvements in the administration of State railways which have been effected during past years are mainly due to the emulation inspired by company management; in other words, that the initiative lies with the company-managed railways, and that emulation and comparison provide healthy results in the case of State-worked lines.”

Well, Sir, now let me take the arguments of the Acworth Committee in favour of State management. They say in paragraph 223:

“Even if we were to assume that State management would not be better, we are quite sure that its failures would be judged more leniently by the Indian public.”

This, Sir, is putting in another way what Mr. Neogy has put much more eloquently when he says: “let us not make a fetish of efficiency.” I suggest, Sir, that such a sentence in a serious report is to condemn the whole report for prompt consignment to the waste paper basket.

Well, Sir, we now turn to the unanimous conclusions. These are primarily in Nos. 2 and 3:

“2. We recommend that, on the one hand, the reconstituted Railway Department should delegate considerably increased power of day-to-day management to the local railway administrations, and on the other hand should be relieved from control by the India Office and by the Government of India except on large questions of finance and general policy.

3. We recommend that the Finance Department should cease to control the internal finance of the railways”

Sir William Acworth's section of the Committee recommended State management, but they were careful to say, in paragraph 228:

“It is not State management as it has hitherto existed in India, whose functions we recommend to be so greatly extended.”

Then, what is it? The Honourable Mr. Innes has put down a Resolution for to-morrow's debate the meaning of which, I understand, is that the financial recommendations of the Acworth Committee are not to be carried out. We have therefore not got the State management which Sir William Acworth recommended. What again, Sir, is the position of the new Chief Commissioner of Railways? Though this is a controversial subject I think the whole House will agree with me that in the selection of Mr. Hindley as Chief Commissioner the Government have found the very best man they could find in India or possibly in any other country. (Hear, hear.) I am glad to hear the House approves of that. But I want to go one step further. I want to go into Mr. Hindley's antecedents. Where did Mr. Hindley come from? Mr. Hindley got his training in one of those inefficient company lines.

Mr. B. S. Kamat (Bombay Central Division: Non-Muhammadan Rural): What about the seniority argument then?

Mr. K. C. Neogy: Seniority was not insisted on in this case. What became of Colonel Waghorn?

Sir Campbell Rhodes: What are Mr. Hindley's duties? I understand in front of him he has the Assembly wanting to know—if Dr. Gour will excuse the reference—why a certain shed foreman on the North-Western Railway was not paid his gratuity and also wanting to know why certain trains have been taken off in Southern India, and behind him he has the Government and the Secretary of State. Well, Sir, I do not share Dr. Gour's childlike faith in the Government and His Majesty's Secretary of State. And what is the Assembly's position? It has been admitted by one of the chief advocates of State management that it will cost more money. Mr. Neogy, I gather from his remarks, is of the same opinion.

Mr. K. C. Neogy: No.

Sir Campbell Rhodes: In that case, we shall have to find the money, and we shall have to put up more money and stop the development of the country for this new toy of State management like New Zealand, South Africa and the other places I have mentioned. (*An Honourable Member:* 'Is it a new toy'? *Another Honourable Member:* "Is it not old"?) Mr. Neogy has made a charge that the lines of the present companies are being run to help the import trade from other countries. Well, Sir, I submit that he wants to go a step further and help them a little more. Sea freights are falling every day. If railway freights go up, obviously the advantage will be in favour, for instance, of Belgium or German steel against Tatanagar, and therefore, if, as so many of us think and as Dr. Gour fears, State management is going to cost us more, we are going to increase those very evils of which Mr. Neogy speaks so eloquently. His advocacy of State management is to find employment for more Indians. The humdrum of employment in State service, promotion by seniority, no promotion by merit, no weeding out of bad men . . .

Mr. K. C. Neogy: What about the official Members of the Executive Council? They are not senior men.

Mr. President: I have allowed the Honourable Member to interrupt several times because a certain measure of interruption is perfectly in order. But I ask him now to desist from further doing so.

Mr. J. Chaudhuri (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): Are we not entitled to correct, Sir?

Mr. President: When the Honourable Member is called on to speak he can correct what he likes or dislikes.

Sir Campbell Rhodes: Now, Sir, I turn to State management. I have pointed out that we have not yet had the State management which the Acworth Committee suggested. We have not even got it to-day, and therefore, my amendment is to the effect that we should not transfer all our Railways to State management until we see what that State management is. We have not had the Company management which I visualize in my amendment. We are all agreed that we do not want Home Boards. We want our Boards out here as fast as we can train our Directors and it does take time to train Directors to the efficient management of a Railway Company. We want to harness our business men and in the five years I suggest it ought to be possible to train up our new Directors to their new responsibilities. I would go further than that. If I had my

way, I would immediately send Home to the London Board a liaison officer in the shape of some Indian expert in Railway affairs.

Rao Bahadur T. Rangachariar (Madras City : Non-Muhammadan Urban) : Where are they?

Sir Campbell Rhodes : My amendment, therefore, Sir, is to run both side by side until more experience has been gained. This is not, as Mr. Neogy suggests, a racial question. The Resolution passed in January by the Associated Chambers of Commerce was proposed by his very distinguished fellow-countryman, Sir Rajendra Nath Mookerjee and it read as follows :

“ This Association re-affirms the Resolution in this connection passed at the annual meeting of the Association in January 1922; and, in view of the proved disadvantages in almost all countries where it has been adopted, of the system of State Railway Management, and the growing tendency to revert to a company-managed basis, the Association strongly recommends that those railways in India which are now managed by companies should continue to be under Company Management with Boards domiciled in India and should not be transferred to the direct management of the State.”

I believe, Sir, that this demand for nationalisation is on altogether false premises. It is based entirely on the idea that nationalisation and nationalism are synonymous terms. I suggest to the House that they are nothing of the sort. One spells bureaucracy and the other democracy, and I will leave it at that.

Mr. President : Further amendment moved :

“ Before coming to a definite decision as to the best railway policy for India, it is desirable to continue for a further period of five years the principles both of State and Company management, in order that :

(1) Experience may be gained as to the effect on the working of the existing State-managed lines of the Reforms Scheme and of the present re-organisation of the Railway Board.

(2) The Company-managed railways may appoint immediately strong local boards in India consisting of an equal number of Indians and Europeans, such boards to have definite and growing powers on the understanding that within the five years they should abrogate to themselves the functions of the Home boards.

(3) It may be ascertained which method of management is calculated to produce the best results in regard to :

(a) Economical working ;

(b) The comfort of passengers ;

(c) The industrial development of the country ;

(d) The greater association of Indians and Anglo-Indians in the higher administration of the Railways.”

The Honourable Mr. C. A. Innes (Commerce and Industries Member) : Sir, there are now three amendments before the House and I think it will be convenient if at this stage I define the attitude which Government desire the House to take up. I do not propose to deal at any length with the amendment proposed by Mr. Neogy. I entirely agree with Dr. Gour that at this stage it is unwise and unnecessary indeed for this Assembly to attempt to lay down for ever what should be our right policy in regard to Railway management. As Dr. Gour has pointed out, some of our existing contracts with some of our existing Companies do not expire till 1941, 1945

and 1950. Is it any use for us to-day to try to dictate to our successors what view they ought to take when those contracts expire? No responsible man, Mr. Neogy least of all, would suggest that in pursuance of the policy which Mr. Neogy desires to see adopted we should terminate, before their termination is due, the existing contracts. (Mr. K. C. Neogy : “ I did not say that.”) I am sure Mr. Neogy would not say that,

1 P.M.

[Mr. C. A. Innes.]

and that being so, is it not wiser to leave it to our successors to decide that question for themselves? They will not pay the slightest attention to anything that we may say to-day. What they will look at will be the experience they have gained in the period which will intervene before the contracts expire. That being so, I suggest to the House that we should confine ourselves to-day to discussing the real practical issue, namely, the issue raised by Dr. Gour's amendment. That amendment raises the question of what is to be the future management of the East Indian Railway and the Great Indian Peninsula Railway when their contracts expire in 1924 and 1925. It puts in a more concrete form the general question of policy. When we are discussing this concrete question we can discuss also the general question of policy.

Before I go on, I think that I should clear the ground in one material respect. We will all agree I think with the unanimous recommendation of the Ackworth Committee that as the existing contracts of the guaranteed companies expire the management and control of those companies should be transferred to India. Even though Sir Campbell Rhodes' amendment asks that the transference should be gradual, it does not derogate in any way from the principle which I have enunciated, and I am perfectly sure that that principle will secure general acceptance. Before I pass on, I should like to say one thing. Though we arrive at the conclusion that the system of guaranteed companies with Boards located in London are no longer suited to modern conditions in India, let us not forget that these guaranteed companies with their Home Boards have played a very great part in the development of the Indian railway system, and I should be very sorry indeed if anything that I have said to-day might be thought to belittle that part or in any way to belittle the services which have been rendered and are being rendered to-day by the servants of those companies in India. Those services are very often criticised, often I am afraid maligned, and I am glad to be able to take this opportunity of saying that in my opinion there is no more hard-working body of public servants and no body of public servants which deserves better of the State.

As I have said, Sir, this amendment of Dr. Gour's raises in substance, if not in form, the whole question of the State *versus* Company management. There is no question on which public opinion is more sharply divided and there is no question on which feeling runs higher. If we may judge by Mr. Neogy's speech, if we may judge by the evidence tendered before the Ackworth Committee, and if we may judge by the replies which we received to our circular of July last, I think we may take it that Indian opinion generally has ranged itself in favour of State management. European opinion, or at any rate, European business opinion has ranged itself in favour of Company management. (*Rao Bahadur T. Rangachariar*: "Not entirely. Karachi does not.") I will leave Sir Montagu Webb to answer for Karachi. It seems to me essential that the two schools of thought should try and understand one another's point of view and I have been at considerable pains both in the Central Advisory Council and elsewhere to try and ascertain the reasons which each school has for the faith that is in it. I take the Indian view first.

In the first place, I think most Indians and I am prepared to agree that it is the theoretically correct view,—many Indians think that railways perform public services of such immense importance to the public that they ought to be managed by the State in public interest. They ought not to be managed by companies for the benefit of their shareholders. There is the

sort of feeling that Company management connotes exploitation of the public for the benefit of the shareholders and this feeling, as Mr. Neogy's speech has shown, is accentuated in India by the fact that the companies are directed from London. It is believed that the Indian public is exploited for the benefit of the British shareholder. Then it is hoped that by bringing these railways under State management they would be brought more under the influence of public opinion in India as expressed in this Assembly, and that the pressure of this public opinion and the pressure of the Assembly will tend to the removal of certain grievances which the Indian public generally has against the railways. It is believed, as Dr. Gour has said, that the railway services, especially the upper grades and the upper subordinate grades of those services, are the close preserves of the Europeans and the Anglo-Indians and that Indians do not get a fair share of the appointments in those grades. It is also believed that popular control will ensure that railway rates are not manipulated directly against Indian industries—I am merely stating the belief. I do not for a moment admit that railway rates are in any way manipulated either for imported goods or against Indian industries. That is the belief, and it is believed that popular control will prevent the Indian railway rates from being manipulated so as definitely to handicap Indian industries. Again, national sentiment comes into play. It is felt that the Indian railways are essentially India's own concern and the demand is made that India should be allowed to run her railways in her own way. It is believed that a great majority of educated Indians are in favour of State management, and that is in my opinion one reason why the demand for State management is so strong. Finally, of course, those who hold the view in favour of State management have derived great support from the report of the Acworth Committee.

The European business opinion takes a more detached, and I think I may say, a more practical view of this very vexed question. They regard the railway as essentially a method of transport and an instrument of commerce. The watchwords of the management of a railway should be efficiency and economy, that is, in other words, the railways must be so run as to render the best possible services to the public at the lowest possible rates. Now, Sir, there is not a vaster or a bigger commercial undertaking than a railway, flung like the East Indian Railway or the Great Indian Peninsula Railway, across half a continent, carrying millions of tons of goods and millions of passengers a year and coming into contact at every turn with the public. The European business community believes that only a company can successfully run a commercial undertaking of this magnitude. The Directors are themselves financially interested in the concern. The pressure of the shareholders makes for economy. The pressure of public opinion,—and mind you, public opinion is making itself more and more felt in India now,—makes for efficiency. Bureaucratic management, it is said, can never be real business management. It cannot dismiss or promote servants with ease. It is not elastic enough. It is bound by red tape and by meticulous rules. As Sir Campbell Rhodes has pointed out, this view is supported by the experience of practically every democratic country in the world. In practically every democratic country where State management has been tried, it has resulted in inefficient service and multiplication of staff and in the railway becoming a burden upon the tax-payer. Now, Sir, I think what I have said is a fair summary of the views of the two schools of thought. Partly it is a difference of outlook and temperament. Every Englishman has a lurking distrust of his own Government.

[Mr. C. A. Innes.]

He regards Government as a necessary evil to be kept in its place and he regards with the utmost suspicion the intrusion of Government into the domains of commerce and industry. Possibly for historical reasons the Indian does not seem to have the same distrust of the Government.

I feel that I have skated very superficially over a very difficult and a very big subject. But the point I have to make now is that the issue to-day is not a clear cut issue between State management and real Company management. Had that been the issue we know perfectly well on which side Sir William Acworth would have come down. As Mr. Neogy put it, Sir William Acworth is the great protagonist against State management. He has written a book upon the subject and a more damning indictment of State management was never penned. Yet so far as India is concerned, Sir William Acworth came down in favour of State management. That is a very remarkable fact but the reason is not far to seek. The main burden of that part of Chapter VII of the Acworth Committee's report which was written by the Acworth half of the committee is that guaranteed companies in India are not real companies and that they do not give India the benefits of real Company management. This disability is inherent in the system. Government owns the railways, Government finances the railways, Government cannot divest itself of its responsibility for the railways and therefore Government can and must exercise control—control not only in matters of policy but in matters of details such as scales of pay. The result is that we fall between two stools according to Sir William Acworth. Government ownership, Government finance and Government control deprive the companies of all real initiative. On the other hand by reason of the interposition of the Companies, Government themselves do not feel bound, to take the initiative. If they did, they might be hampered by the measure of power which the companies enjoy. Hence Sir William Acworth arrived at the conclusion that the present system is logically indefensible and that it is unsatisfactory in practice. He and his colleagues saw no prospect of being able to replace that system by real companies and therefore by the logic of his own argument he was driven to come down in favour of State management as on the whole the right form of management for India. His conclusion was that since it was a choice between whole-hearted State management and Company management so controlled, so hampered, and so diluted as hardly to be worth the name of Company management, his conclusion was that he would prefer State management. Well, in the form in which his argument has been put, I do not think that there is any gainsaying it. I am prepared to admit that logically it is difficult to defend the existing system of Company management in India. Whether that system has been so unsatisfactory in practice is a very much more arguable point. In fact the Acworth half of the committee contradict themselves on this point. In paragraph 212 of their Report, they find that Company management has been unsatisfactory in practice. In paragraph 230, they devote themselves to proving that there is no reason to believe that State management in India has proved itself less efficient and less enterprising than Company management. In fact the argument may be stated thus. Logically the Company management cannot be defended in India. In practice it is no more efficient than State management. Indians are hotly in favour of State management. Therefore let us go in for State management. I think it is a fair summary of the argument of the Acworth half of the Committee. But, Sir, I think there is an obvious flaw in that

●

argument. Personally I am prepared to admit that as things are at present there is not much to choose between State-managed railways and Company-managed railways, and if things were to go on in India in the future as they have gone on in the past I do not think that it would matter so very much whether we embark on a policy of State management or continue the existing guaranteed companies. In that case the main objection to universal State management would be the enormous, I may say, the intolerable burden it would throw upon the railway commission at headquarters. I should like this House to realise that I do not believe that there is any officer in the whole of India on whom a greater burden of responsibility lies even at present than my friend, the Chief Commissioner for Railways and you must always remember that as you extend the system of State-managed railways *pro tanto* you add to that burden. Where you have a Company railway, you have at any rate a Board of Directors and to that extent you take away some of the burden from the Chief Commissioner. But, Sir, though I am prepared to admit that as things are at present there is not much to choose between Company railways and State railways, yet we have to look to the future. India is changing. Her constitution is bound to become more and more democratised. This Assembly is bound to become more and more a popular Assembly and the Railway Commission is bound to become more and more subject to pressure from this Assembly. Now, Sir, Sir Campbell Rhodes has given many instances of the experience gained of State management in other democratic countries. I will content myself with giving only one. As I have said I do not think there is any democratic country in the world where State management has proved anything but a gross failure. Let me read the conclusion of Sir William Acworth himself in his book 'State Railway Ownership.' He writes as follows: 'Professor Hertzell has summed up the conclusions of the Italian Railway Commission based on the railway experience of the world as it existed 45 years ago.—I hope Mr. Neogy will listen very carefully—' (1) Most of the pleas for State management are based upon the idea that the State would perform services much cheaper than they are performed by private Companies. This is a mistake. The tendency is decidedly the other way. The State is much more likely to attempt to tax industry than to foster it. (2) State management is more costly than private management. (3) The political dangers would be very great. Politics would corrupt Railway management and Railway management would corrupt politics.' Sir William Acworth goes on: 'and the conclusions of the Italian Commission still seem to stand firm. The essential lesson of history may be said to be this. It is impossible to obtain satisfactory results from Government railways in a democratic State unless the management is cut loose from direct political control.' I am aware, Sir, that the Acworth Committee make a passing reference in paragraph 233 of their Report to the experience of other countries. It is said that that experience is irrelevant, that we are concerned now with the future policy of Railway management in India, in India's own conditions. That may be so, Sir, but I cannot see myself any reason why India can afford to neglect or to shut her eyes to the experience of other countries. I have shown that India must become more and more democratised. Sir William Acworth himself has stated that it is impossible to obtain satisfactory results from Government-managed railways in a democratic State unless the management of those railways is entirely divorced from political control. Now, Sir, is this Assembly, unlike any other democratic Assembly in the world, is this Assembly likely to relax its control over the railways? If so, what becomes of those aims and objects on

[Mr. C. A. Innes.]

which Mr. Neogy has laid such stress: the Indianization of the services, arrangements for rates so as to favour Indian industries, and so on? I ask this House, Sir, is there any reason why the universal experience of State management in other democratic countries should not be repeated in India? The Acworth Committee was on stronger ground when it laid stress on the logical position. It is perfectly true that the State in India does own in whole or part the railway lines. It is perfectly true that our guaranteed Companies are not real Companies: they are rather anæmic Companies. It might well be argued that the whole of our policy in regard to these guaranteed Companies in the past has been definitely directed to one logical conclusion, namely, State management, and it is also perfectly true that it is easy enough to argue against State management; but the real difficulty begins when you try to find an immediate satisfactory alternative to State management.

That, Sir, brings me to the problem which we are discussing to-day,—the problem of the form of management we are to introduce when the existing contract of the East Indian Railway expires in 1924 and when the contract of the Great Indian Peninsula Railway expires in 1925. Are we to take these two railways under direct State management, or are we to entrust them to a Company, and if so, to what type of Company? Sir Campbell Rhodes, Sir, if I may say so, has practically given up the problem in despair. His amendment is merely a plea for delay. (Dr. H. S. Gour: "For only five years' delay!") And perhaps, Sir, it will be convenient if I just state very briefly my objections to this amendment at this stage. Personally, I doubt very much whether clause (2) of the amendment could be carried out in practice. As I understand the amendment, the existing contracts are to be extended for five years. During the course of those five years the Home Boards are, so to speak, to transfer their functions to India; they are gradually to transfer their functions to Subsidiary Boards in India. Well, Sir, these Directors are after all responsible to their shareholders for the proper management of the Company, and I doubt very much myself whether any Board of Directors would be content in this way to transfer their functions to any other Board in India. Again, Sir, personally, I do not like these short-term contracts. Especially in the case of the Great Indian Peninsula Railway, where the shareholders own some £2,575,000 worth of shares. If we are going to have a short-term contract of that kind, obviously the interests of your shareholders are not the interests of the Government; there must be a conflict of interests. In railway management you have to take long views, and if you have a contract extending only for five years, the interest of the shareholders is to get as much revenue as possible. Dr. Gour, Sir, arrived at the conclusion that he had come to favour State management merely because there was no other course open to him. He regards State management as the lesser of two evils; and I see, Sir, from the number of amendments of which notice has been given to-day that the minds of very many Honourable Members of this House have been exercised over this very difficult problem of the alternatives to State management, just as our own minds have been exercised. Government have done their best to find an alternative to State management, and I may as well admit at once that we have failed. The House will no doubt recollect that when we addressed Local Governments in July last on this question, we attached to our letter two tentative schemes of Company management. Scheme No. 2 was, in effect, an attempt

merely to transfer to India the same type of Company as we have now with an English domicile. Nobody could pretend that a scheme of that kind would give us real Company management, and as a matter of fact the Chambers of Commerce throughout the country practically passed over the scheme in silence. The other scheme is a more promising scheme. It suffers from certain disadvantages, but it does represent a real measure of real Company management. But I do not think that even the representatives of the European business community in this House present here to-day would seriously contend that in the present conditions of the finances of India and the money market generally there would be any chance of floating a company on those lines successfully in India now. Accepting, therefore, as we do, the unanimous recommendation of the Acworth Committee that our policy should be, as the existing contracts come to an end, to transfer the domicile of these companies to India, we must admit that we have failed to devise any satisfactory alternative scheme to State management which we can introduce within the period of time which is still left to us. To this extent, therefore, State management seems to be inevitable. There is another reason why Government do not object it—I will not put it higher than that. For some months past, in fact ever since Mr. Bell, then President of the Railway Board, wrote a very valuable note on the subject in June last, our thoughts have been tending in the direction of grouping. We want to group our railways, so far as may be, into larger systems. We think it essential to bring down the cost of the administration, and, generally speaking, the larger the system the less the cost of administration and supervision will be in relation to the work done and the traffic carried. Therefore we have no doubt that we must make grouping a definite part of our policy and that we should take the opportunity offered by the lapse of these two contracts to initiate this policy of grouping. I do not deny that grouping between company railway and company railway is not impossible. At the same time it is obvious that grouping of this kind will be carried out ever so much more easily if you have the railways concerned under direct State management. I do not propose to go fully into detail, but I may say that our idea is that, when we take over the East Indian Railway we shall probably amalgamate it with the Oudh and Rohilkhand Railway, and we shall probably give the Great Indian Peninsula direct access to Allahabad by transferring to it the Jubbulpore-Naini section of the existing East Indian Railway. Those ideas of course are merely provisional. We have therefore decided that when the contracts of these two railways expire next year we must take them under direct State management. But I do not wish to be misunderstood. I am not making a statement of policy. I do not wish it to be implied that we are adopting this course because we are convinced that State management is the best form of management for India. On the contrary, many of us view the prospect that all our railways should be brought under direct State management with the grave concern. Let me repeat what I have already said before, namely, that experience does show that the State does not and cannot manage railways more efficiently, more economically or with greater comfort to passengers or with quicker despatch of freight than company railways. And though we do not propose that all State railways should immediately be handed over to companies, we think that it will be necessary to maintain a substantial portion of our railway system under company management. We desire to adopt the course I have indicated in regard to the East Indian and the Great Indian Peninsula Railways solely for practical reasons. Let me repeat my syllogism. In the first place we are agreed that we have got to transfer the railways to Indian

[Mr. C. A. Innes.]

control as the contracts expire; secondly, we have failed to devise a satisfactory alternative to State management which alternative could be introduced within the time which is left to us before these two contracts expire; and thirdly, we believe that by a period of direct State management we shall be able to carry out a really useful measure of grouping. But the Government are opposed to banging and locking the door, so to speak, against a return to company management. In respect of these two railways the moment, it is true, is not propitious for floating a company, which must necessarily be a large company. But market conditions may improve, and I am not without hope that for the East Indian Railway at any rate we may be able to devise a scheme which will give India the benefits of real company management. I am less hopeful about the Great Indian Peninsula. But some of you may have seen the speech delivered by Sir Thomas Catto at the meeting of the Bengal Coal Company in December last. In that speech Sir Thomas Catto suggested that after various measures of grouping had been carried out means could be found whereby a real company might quite conceivably be formed to take over one or other of these groups. We intend to explore that possibility, and there may be other possibilities. I am quite sure that this House will agree with me that all possibilities of this kind must be explored. Let me appeal to the House to clear its mind to-day of all prejudice and preconceived ideas. Let me appeal to the House to clear its mind of those racial animosities of which Mr. Neogy, I was sorry to see, made some use in his speech. We have got to remember that the question we are discussing to-day is a question of vital importance to India. I hope that the House will consider dispassionately the bearing on India of the lessons which other democratic countries have learnt in respect of State management. Let not the House lay the flattering unction to its soul that by some peculiar virtue inherent in India India will be able to escape the common fate. Let me assure the House that as India becomes more and more democratised she will find State management more and more expensive, more and more inefficient, as every other democratic country in the world has found it. Let me remind the House of the experience of France in regard to that Western Railway to which Sir Campbell Rhodes referred. There we have an almost exact parallel. When, in 1909 I think it was, the question of that railway and State management was considered, the argument used was that, the company management was not proper company management; the company had never yet earned its guaranteed dividend and therefore it was a mere caretaker. And so the French Parliament decided to take over that railway. Within a few years the Minister of Public Works stated publicly that the experience of taking over that railway had proved that State management was nothing but "a frightful fraud". Again, not long ago, a Commission had to be appointed to consider the future of this very railway. It rejected all schemes for keeping the railway under State management and entrusting its management to Commissions like Port Trusts. It decided and it recommended to the French Parliament that there was only one way of restoring that railway to efficiency and solvency and that was by leasing it or transferring it in some way to a company. Lessons of this kind stare India in the face. Is India going to shut its eyes to these lessons? I do not ask for very much. All I ask is that the House should not, as I have said, bang the door against any well-considered scheme for company management. It will be a company domiciled in India, an indigenous company. All the ideas, all the hopes and all the aspirations of

India in regard to Indianization of the Railway Services will be fulfilled just as adequately by a company of that kind, an indigenous company, as by the State, and with, I am sure, very much less cost to the country. What I suggest and what I propose to the House and what I would ask Dr. Gour to accept—and mind you I am merely carrying out Dr. Gour's idea which he developed in the course of his speech that real company management would be very much better than any form of State management—Dr. Gour said that State management was merely the lesser of two evils—I suggest that at the end of Dr. Gour's amendment we add the following words :

“but that efforts should be continued to concert measures with the object of handing over one or other of the two railways after such grouping as may be necessary to an indigenous company calculated to, give India the benefits of real company management.”

The effect of that is that we take over the two railways in the first instance, but that we continue our efforts with the object of handing over one or other of them to a real private indigenous company.

The Assembly then adjourned for Lunch till Fifteen Minutes to Three of the Clock.

The Assembly re-assembled after Lunch at Fifteen Minutes to Three of the Clock. Mr. President was in the Chair.

MESSAGE FROM THE COUNCIL OF STATE.

Secretary of the Assembly: Sir, the following Message has been received from the Council of State :

“ I am directed to inform you that the Council of State has at its meeting held on the 27th February, 1923, agreed without any amendments to the following Bill which were passed by the Legislative Assembly :

A Bill to consolidate the law relating to the Government Paper Currency.

A Bill to amend certain enactments and to repeal certain other enactments.

RESOLUTION RE STATE MANAGEMENT OF RAILWAYS IN INDIA.

Dr. H. S. Gour : Sir, I should like to explain my position with reference to the Honourable Mr. Innes' amendment to my amendment. I should like, Sir, clearly to state as to what is my view with reference to the rider which the Honourable Mr. Innes proposes to add to my amendment. For the reasons I have given against Mr. Neogy's amendment, I submit the same reasons apply with equal if not greater force to Mr. Innes' rider to my amendment. I submit that his proposal is as premature as the proposal of my friend, Mr. Neogy. He wants this House to stand committed to a policy which he has but faintly adumbrated in his amendment. Honourable Members have got the exact words of his amendment. They are these: “ But that efforts should be continued to concert measures with the object of handing over one or other of the two railways

[Dr. H. S. Gour.]

after such grouping as may be necessary to an indigenous company calculated to give India the benefit of real company management". Now, in the first place, if this rider is accepted by the House, the management by the State would be a mere stop-gap management, and the Government will not feel the same responsibility in regard to the management of these two companies by the State which they would feel if this House was to decide that the State was to manage without any limitations or conditions these two Indian Railways. If the efforts are to be continued and an indigenous railway company comes into existence, which we ourselves approve of, it will then be time for the Honourable Mr. Innes to formulate his concrete proposal and bring it before this House and ask its concurrence to a company thus formed. But to ask this House to consent to the formation of a company and ask Government to make efforts in that direction would be giving the Government power to negotiate about a future company about which we at present know nothing. I therefore suggest that the House should not accept the amendment proposed by the Honourable Mr. Innes and adhere to the amendment I have moved.

Sir Deva Prasad Sarvadhikary (Calcutta: Non-Muhammadan Urban): Sir, it is with some hesitation but no misgivings that I venture to offer considerations not fully in accord with the views of many of my colleagues here and many of my countrymen outside. I do so because I strongly feel that the "other point of view" should have full and deliberate consideration. Mr. Hutchinson's new creation "Mr. Sabre" was not singular in his misfortune and in the world of success nothing is more fatal than the weakness of seeing the "other point of view." I am, however, by no means singular in the views that I am going to urge, for they are in some shape or other shared by many of my distinguished countrymen in Bengal and elsewhere, including 9 out of 19 Indian witnesses before the Railway Committee, and by leading and representative journals like the "Bengalee." It has found unexpected and strong support in principle, both from Dr. Gour and the Honourable Mr. Innes. I am really not in serious disagreement with the general opinion that has been voiced either by Dr. Gour or Mr. Neogy. It is from my friend, Sir Campbell Rhodes, that I materially differ, but if he has given up his scheme in despair, I am afraid the scheme of the Honourable Mr. Innes in its halting condition is also a counsel of despair. We start with a notable admission in the Acworth Report. It says: "A Report on Indian Railways is not the place to discuss the general question of State *versus* Company management." It proceeds: "Unless it is fully discussed, isolated details are valueless; for its adequate discussion a volume would hardly suffice." This is no dictum of the dissenting half, but of the other half—it may be the better half or even the greater half—but certainly not the majority, for a majority with a casting vote of the Chairman is in some sense worse than the minority. Sir William's own views, as has been explained here to-day, and as set forth in his monumental volume before he came out to India, are in favour of non-State management, if I can give it a non-committal name. The Honourable Mr. Innes has read out portions from his writings. He was converted to the other view in India, I am afraid, somewhat on the fur-coat line of argument. If there is no company management in the correct sense of the term in India, there is no State management either. Colonel Minshall, Consulting Editor of the "Railway Gazette" in London, states: "State-worked lines in India are not State-worked lines in the same sense as those under democratic Government

directly influenced by the Legislature." This cuts both ways, and shows the fallacy of Shibboleth analogy which Mr. Neogy has rightly discounted; and if this is really the case there is reason to pause and ponder, and the Honourable Mr. Innes has been obliged to do so. But I would urge graver reasons against the present or near future management by the State with its present arrangements. Dr. Gour has already anticipated me. I would remind the House of the dead wall up against which it has always found itself in connection with the development, improvement and Indianization of the staff of our Railways. What was there so long, at least, after the Reforms, to prevent the Government, at least in the State Railways, from taking up the matter in right earnest? Nearly the uniform answer has been that local management is to be left alone even in matters of more than detail. There may be good sense and good reason in this, for proper decentralization sufficiently controlled, if I may so put it, is the essence of success in these affairs. And, Sir, in passing one cannot help noticing that in the recent constitution of the Railway Commission to which, together with Sir Campbell Rhodes—I am glad to welcome an old Bengal friend—the Assembly had no voice or share whatsoever. I do

not know what happened in the Blue Beard Chamber of the
 3 P.M. Railway Advisory Committee. Few know what happened. The other day, there was an attempt in the House to ascertain whether opportunity would be given for the consideration of the question of the reconstitution of railway administration. I tried to get the proceedings of the Railway Advisory Committee,—by no violation of official secrets,—and the Department informed me—and I hold the letter in my hand—that *such proceedings as are there* are recorded and are not available to those outside the office. And, when I asked Mr. Innes, here, how one could have them, Mr. Innes insisted upon notice of the question. Mr. Ley the other day in answer to a supplementary question said that the suggestion would receive consideration, whatever that may mean. It is through machinery like this that our friends expect to influence the railway administration when State management is further extended. The new-found love for Government, which Mr. Neogy has been cultivating, somewhat like the new-found statesmanship of Mr. Rangachariar which Mr. Neogy derided the other day, makes him accountably enthusiastic about a machinery like this. Mr. S. C. Ghosh, commenting on the extensive powers given, or shall I say permitted, by the Government to Managers of State Railways, said that these powers were the real reason for greater powers being given by Government to companies and by companies to their agents. It may be the old, old story of the blanket not letting one go, but establishes the point that the State, through its railway administration, has been largely giving away powers to State as well as company managers, that cannot be wholly for the good of the interests concerned. Possibly, company managers, finding it easy to slide into State berths and *vice versa*, may be answerable for such a vicious circle, the circle may sometimes lead to stray good results like the transfer of the Chief Commissioner from a sphere of activities elsewhere. But this does not augment or strengthen the case for State management so called. The Acworth majority has not been helpful. Its own deliberate dictum is that so important a question cannot be exhaustively discussed in the Railway Report. It proceeds all the same to lay down the law for our governance. And I say an *ipse dixit* emanating even from the highest quarters regarding even the most ancient and threadbare of questions, can hardly be accepted, particularly when there is a strong, balanced and reasoned "another point of view." Mr. Innes has told us that State management can succeed only if the Assembly

[Sir Deva Prasad Sarvadhikary.]

will not interfere and if politics is not introduced. That, in effect, as I understood it, was what was stated. Well, political, racial and communal considerations, however strong and tempting, ought certainly not to be allowed to cloud business and economic issues, but, in the changed order of things the Assembly must control what the Government controls. For these reasons and in quite an allied concern, I wholly differ from and strongly deprecate suggestions about the likelihood of corruption and jobbery in the wake of the extension of State management, as shown in some democratic countries. This is a species of red-herring that can be trailed across the path of any progressive movement. I shall assume, nay confidently claim, that high standards of efficiency and purity will be attained and maintained when the Assembly is directly and really influencing the State Railway administration. This, however, will not be, till there is nearly responsible Government and better machinery. Let us examine the machinery at the Executive end, suggested by the Acworth Committee in the formidable genealogical sort of tree in the Acworth report, with which the Assembly must by now be familiar. They suggest a Member for Communication, a Chief Commissioner, four other Commissioners, six Directors and a General Secretary and Statistical Officer and staff, both ordinary and extraordinary. Other experts have since spoken and they would like to see this list added to, though they think it will not permit of any appreciable reduction in the decentralized local bodies. Let us look at the question of cost that remains to be budgetted for. Where, physically speaking, I ask, are the staff and organization to come from that will ensure complete and effective State management of two of the most important lines, even on the terms suggested by Mr. Innes? Philip sober to Philip drunk will not solve the question.

Then there is the financial question. Some of our friends here insist that the question of a separate Railway Budget should stand over till the question of policy is settled. I say that unless and until you settle the question of a separate Railway Budget the question of State management, pure and simple, cannot be adequately dealt with. Nor do I agree with the recommendations of the Mackay Committee, though endorsed by the Dissenters of the Railway Committee, that it should borrow in favourable years and keep up a fairly unemployed railway reserve, against a rainy day. That is not a business proposition, at least now. But I do say that the question of railway finance, particularly in view of the contingencies ahead, has not been adequately considered. I cannot anticipate to-morrow's debate on Mr. Innes' Resolution of which we have just received notice.

Sir, the Railway Committee's estimate of the efficiency of management by the State and by Companies is equipoised. I shall not seek to condemn either for both have done good work. For my purposes, it is not necessary to decry one against the other. There are good and bad points in both and both are capable of improvement, and, in such a process, both are bound to be mutually helpful. About State management, however, it is impossible not to remark upon the notable indecision and want of settled policy on the part of Government and incapacity to provide sufficient capital. In this state of things outside aid and counsel are of great moment, so long as they are not ultimately and really inconsistent with State interests. Nor can it be overlooked that decentralised control is of the essence of administrative success in these

days. Efficiency and cheap transport must not be overtaxed. And nowhere is such an arrangement well managed by the bureaucracy. And, Sir, as a training ground for industrial development, which this country badly needs, it cannot be wholly a Government Department. I do not propose continuance of the present unsatisfactory state of things, even with the improvements foreshadowed by Sir Campbell Rhodes. My amendment, if it came up, of which there seems to be little likelihood, would show that I am in favour of modified and better State management and Mr. Neogy's gratuitous gift of his hobby horse to me might go behind. Frankly speaking, I do not understand Sir Campbell Rhodes' amendment. Even if the East Indian Railway and the Great Indian Peninsula management was to be taken over by the State entirely, Company and State management would continue side by side for many years and Sir Campbell Rhodes would have abundant opportunities for the researches that loom so large in his amendment. I want something more. We must recognize that non-State management cannot for a long time to come be barred out, and so long as company management so called does continue and side by side with it State management, also so called, does continue, we might as well see whether a *tertium quid* cannot be evolved which will be an object lesson to both and by which both might profit. It is up to Government and this Assembly to devise such a compromise and that is what I believe Mr. Innes' amendment suggests by not banging and locking up the door. If it fails, one need not shriek about screwing one's courage to the sticking place for what is proposed on the other side is not ideal. It is a case, at the worst, of 6 on one side and half a dozen on the other. The dissenting half of the Committee could not give a definite scheme, for there is no definite policy yet. Some shadowy policy has been adumbrated to-day, to borrow Dr. Gour's language. It was not the dissenters' fault that the cart could not be placed before the horse, and what Sir Rajendra Nath Mookerjee and his colleagues could not do, it would be foolhardy to attempt here, except in a general way, as a basis for further consideration. That is why I venture to indicate in the amendment standing in my name some general outlines which could be adopted. Sir, the question of absolute nationalisation of railways is always difficult. It is receiving a set-back in Europe and America particularly after the war. In England and America non-State management is being welcomed back, not because of deficits that are a legacy of the war times, but for other and graver reasons. President Harding has declared that the people cannot be taxed to cover railway deficits. What is going to happen here? This morning's papers show that our own State Railway earnings for the year up to 3 weeks ago, was 77.84 crores against a Budget estimate of 99.5 crores and there is already a declared deficit of more than 7 crores. Well, Sir, more than a set-back has begun in France, Italy, Switzerland, Canada, South Africa, New Zealand, and in fact everywhere in Europe and America. Those matters need not be gone into in detail. Our own experience about the Post and Telegraph, and shall I add our recollections of the recent Munitions Board's activities, are not of the cheeriest kind and I would not lay further burdens of direct business management on the Government till the Government is nearly responsible and till the needful machinery is more in order and more amenable to popular control in spite of what the Honourable Mr. Innes says. Mr. Neogy never read my amendment. If he had he would not have insisted that I am against State management proper, good and right. While the dual system of State and Company management obtains in India, as it must obtain for some time, let a third something be evolved

[Sir Deva Prasad Sarvadhikary.]
 if possible, by which wholesome private enterprise, which, God willing, may soon be largely Indian, may have a chance of development. Railway enterprise and industrial activities cannot be divorced from one another, and revenues out of people's necessities like Post, Railways, Telegraphs and even canals, the so-called productive Public works, can never be the ideal and ought not to be the goal. They should pay their way no doubt, and they should not be a drag on the revenues.

India is advancing and will advance politically, industrially and educationally. Companies may and should come which will undertake much larger railway undertakings than the State can undertake. The State has done much to set the pace. The people also should have their opportunities and chances. If the third something, that I think of, succeeds, it will be a notable object lesson and even on the failure of that we can build. If this finds acceptance in some shape or other, a brighter chapter in industrial development will commence. Even the most politically minded of people should not permit industry, politics and education to be mixed up and confused. It will not be helpful to any.

Sir, finally I say the question cannot be dismissed in the cynical fashion, inexplicably indulged in by the Aeworth "majority." Extracts have already been read out by Sir Campbell Rhodes which will bear repetition:

"We do not think that in this fallible world company management can be so good as to escape fierce, often unfair, criticism from Indian opinion. Even if we were to assume that State management would not be better, we are quite sure that its failures would be judged more leniently by the Indian public."

Will it be? I think not, particularly if it means having to pay more, I ask, Sir, in all seriousness, is this the way in which Indian public opinion is to be reconciled in vital nation-building matters. I shall not insult my Colleagues by asking if they assent.

Mr. T. V. Seshagiri Ayyar (Madras: Nominated Non-Official): May I know your ruling, Sir, as regards the other amendments on the paper, as to whether you will allow Members to move their amendments or whether they should speak on the amendments before the House.

Mr. President: The amendment now under discussion were chosen in view of the fact that they raised separate definite issues and covered practically all the other amendments on the paper. Though in point of phrasing the amendment in the Honourable Member's name, as also that in Mr. Samarth's, are slightly different from Dr. Gour's, Dr. Gour's raised it in a more definite form and therefore I thought it desirable to put the issue as raised by him against the issue raised by Mr. Neogy's original amendment. I think we have reached a point when we might dispose of one or more of the amendments before the House and I therefore now propose to put the amendment moved by Sir Campbell Rhodes against the amendment as originally moved by Dr. Gour.

Dr. H. S. Gour: Yes, Sir.

Mr. President: The question is that for the amendment moved by Dr. Gour the following be substituted, namely:

"That before coming to a definite decision as to the best railway policy for India, it is desirable to continue for a further period of five years the principles both of State and Company management, in order that:

(1) Experience may be gained as to the effect on the working of the existing State-managed lines of the Reforms Scheme and of the present re-organisation of the Railway Board.

(2) The Company-managed railways may appoint immediately strong local boards in India consisting of an equal number of Indians and Europeans, such boards to have definite and growing powers on the understanding that within the five years they should abrogate to themselves the functions of the Home boards.

(3) It may be ascertained which method of management is calculated to produce the best results in regard to :

- (a) Economical working;
- (b) The comfort of passengers;
- (c) The industrial development of the country;
- (d) The greater association of Indians and Anglo-Indians in the higher administration of the Railways."

The amendment was negatived.

Sir Montagu Webb (Bombay: European): Sir, I should like to speak in support of the Honourable Mr. Innes' amendment. First, I must heartily congratulate the Honourable the Commerce Member, on the very great ability with which he put forward the problem which is now engaging the attention of this House. He stated very fully, and I think impartially, the arguments of those who are in favour of State management. Then he detailed the reasons, supplemented with hard facts, against State management; and in the end he was forced to the conclusion that Dr. Gour's amendment was perhaps the most acceptable to Government, because, as he was very careful to explain, no better scheme, no definite, practical, acceptable scheme of Company management, had so far been put forward. He accordingly on behalf of Government accepted Dr. Gour's amendment but with a few words added thereto advocating that efforts should still continue to be made in the direction of Company management. Now, Sir, a reference was made, I think by Mr. Neogy, or by some other speaker, to the Karachi Chamber of Commerce. I should like to draw the attention of the House to the fact that the Karachi Chamber of Commerce gave evidence before the Acworth Committee in the form of a letter dated 31st March, 1921, in which they stated quite clearly and explicitly that whilst they were of opinion that the main lines of railway in this country should be owned by Government, they strongly urged *management* of those railways by private enterprise on a profit-sharing basis by a company with headquarters,—headquarters be it noted,—and a Directorate in India. It is quite true that on a subsequent date when a proposal was put before the Karachi Chamber of Commerce by the Railway Board setting forth two definite schemes of Company management, the Chamber looking at those two definite schemes and weighing those against the advantages of State management,—the Chamber pronounced against those schemes and in favour of State management. In other words, they did not think that those particular schemes that were put forward, were acceptable. But I can assure this House that on the several matter of principle, I feel certain that a majority of the Members of the Karachi Chamber are still in favour of private enterprise to manage the railways of India rather than the State,—I mean real Company management,—private enterprise backed by rupee capital raised in this country, and managed in this country, by a directorate working in this country. Now, Sir, I should like to say that I am myself strongly opposed to State management and for the reasons which have been very fully and carefully set forth by the Honourable Mr. Innes. In the book on State Railway Ownership by Sir William Acworth from which an extract was read, we find, to use the words I think employed by the Honourable Mr. Innes, the most damning condemnation of State management ever written. I think, however, that further evidence has

[Sir Montagu Webb.]

accumulated since that book was published. If we are to believe the news which has come through by cable from Italy, the present Italian Government are about to dispense with the services of some 45,000 superfluous employees of the State railways of Italy; and further, the Italian Government are now contemplating handing the whole of those railways, or at any rate, some portions of those railways, back to private Company management. There we see the very latest action of a Government who have had experience of State management and condemned it. I think if we have any doubt as to the direction in which State management will develop in this country we can derive some information from Mr. Neogy's remarks that he wants our railways managed for the benefit of India's industries, for the development of the resources and industries in this country—a very admirable idea,—but, of course, if the railways are to be developed *not* on business principles as Mr. Neogy suggested,—I think he said he did not wish us to be classed as practical men,—he implored us not to make a "fetish of efficiency,"—if the railways are managed on that principle, it is absolutely certain that the results will be in India precisely and exactly the same as they have been in every other country which has endeavoured to control the railways democratically; that is to say, very shortly they will show heavy losses. The cost of staff and of management will increase; the operating ratio, that is, the ratio of expenses to total income will increase; efficiency in the work generally will be very much lower; inconvenience and loss to the public will occur; and in the end, our railways will become a heavy burden on the State. That is the invariable history of State railway management in every other country. And I would ask Honourable Members of this House not to imagine for a single moment that in this country where the problem of State railway management will be far greater and far more intricate than in any other country, (because our railway mileages are so great and the local conditions so very complicated here), we shall not incur heavier losses by State management than would have been incurred in other countries.

Now, Sir, I have been studying for a long time the arguments of those who condemn Company management. I have collected hundreds of cuttings from the newspapers. I have read I suppose nearly everything that has been written on the subject. What are the complaints that are made of the Company management? As far as I can make out, lack of attention,—lack of facilities for third class passengers comes very much to the fore. Inadequate waiting rooms, no refreshment rooms, insufficient latrines, not sufficient trains, especially at times of fairs,—these things are no doubt deplorable and every effort should be made to remedy them. But I would ask Honourable Members, can they point out in the case of the North-Western State railway or the Oudh and Rohilkhand State Railway, that these conveniences are any better? Is there better accommodation on those railways for third class passengers? Are there better waiting rooms, better refreshment rooms and more trains on these railways? If you lived where I do (in Karachi) you would hear more about the defects of State-managed railways than you would about the Company-managed railways. I can assure the House I have at this minute telegrams in front of me, shouts from Karachi about the inadequacy of the rolling stock ("Steamers undergoing detention in Karachi harbour," and no produce to put into them). I have before me telegrams which show that the Karachi Chamber of Commerce at this particular time is certainly far from pleased with State management. I think we may take it, Sir, that there is little

or no difference between State management and Company management so far as conveniences for third class passengers and adequate supplies of rolling stock are concerned. And if there is no very great difference between the efficiency of the management of the State-managed lines and the Company-managed lines, I would suggest, Sir, the reason is that at the present moment we are happy in India in enjoying the competition of Company-managed lines which prevents our State railways from dropping behind in the general quality of their work. But if all India's railways were managed by the State, I have no doubt that we should not be in the happy condition in which we now find ourselves.

I have endeavoured to summarise the defects which the Indian community consider should be attended to first and foremost in connection with our railways. What is required is an amelioration of the facilities and accommodation afforded to third class passengers; a re-investigation of the problem of goods rates with the object of giving more encouragement to the development of Indian industries and Indian trade; and thirdly, the employment of Indians,—of more Indians that is,—in the higher branches of the rail-services. Now, Sir, these are most admirable aims and there is nobody who has a greater sympathy for those aims than myself. But I would appeal to Honourable Members as business men, that the way to get these things carried out is not to ask Government to take over the direct management of our railways, but to take over the railways yourselves; in other words, I urge that what we ought to do is to encourage in every possible way the creation of companies in this country with rupee capital, Indian shareholders, Indian Directors, and Indian Managers, in order that the changes in the railway administration that we require, can be carried out by them. It is surely a strange paradox that whilst on one hand we see in every direction continuous attacks against the bureaucracy,—whilst we are constantly hearing of the terrible things that the bureaucracy do in India, on the other hand it is now suggested that the best way to get out of our present railway difficulties is to create one million more bureaucrats, and turn our railway administration into a huge State machine, when we should get everything all right! Surely this is entirely unbusinesslike, improbable and impracticable. Surely the way to get the improvements which we all desire,—improved facilities, modifications of the rates so as to encourage the development of Indian industries, and a management of the railways more acceptable to the Indian community, is not to create more officials,—tens of thousands of officials, perhaps millions of officials, (so that we cannot go from one place to another without salaaming to some bureaucrat,—it may be only a porter who carries our luggage), but to form our own Indian companies to manage our properties in a businesslike way. If we are to choose between the amendments which have been put before us, I would appeal to this House to support Dr. Gour's amendment with the additional words proposed by the Honourable Mr. Innes on behalf of Government. It gives us everything that we require. In this way both the East Indian Railway and the Great Indian Peninsula Railway will be taken over by the State. That is precisely what you want. And then we utilise the experience of the whole world by recognising that we shall get the best, the most efficient and the most satisfactory management through Company management, and we shall direct our attention, and the attention of the public to devise some Indian company with Indian capital, Indian managers and Indian directors to carry on this work of ours. No Company can come into existence and nothing can be done in the direction of Company management without the sanction of this House.

[Sir Montagu Webb.]

I therefore submit there is not the slightest danger in taking advantage of the experience which has been gained in all parts of the world, and in giving our approval to the amendment now before the House with the additional words suggested by the Honourable Mr. Innes.

Mr. T. V. Seshagiri Ayyar: A great deal has been said about the failure of State management in other countries and it has been argued that the fate of State management in India would be the same; and that consequently we must turn our back upon the suggestion made in that behalf. The instances given do not relate to State management in countries where it has been successful. I have before me an extract from the Commercial Gazette of Calcutta which shows that between the years 1906 to 1910, in Germany, the number of new miles of railway was 2,191; whereas in England in the same period the mileage was 34; and also so far as Germany is concerned the gross passenger receipts increased by 55 per cent., whereas in England it was only 13 per cent. Germany reduced the rate as regards passengers by 14 per cent., and no reduction was made in England. That shows that there is another side to the picture which has been painted by Members like Sir Montagu Webb. There are instances in other countries where State railways have been more economically managed and more efficiently managed. I shall now refer to railway management in India itself, take the case of the Eastern Bengal Railway about which some figures will be given by Mr. Chaudhuri and take the case of the North Western Railway. Have they suffered in comparison with company managed railways? It has been pointed out that so far as company management is concerned, during the last two years, the cost of management has risen from 51 per cent., to 76 per cent. As regards the North Western Railway and the Eastern Bengal Railway there has been no corresponding increase in the managing expenses. That shows that economy is not on the side of company management. It is on the side of State management. Therefore, Government cannot by reference to State railways in other countries say that because they have not been economical in those countries, the same thing would happen in India. On the other hand our experience in India has been that company management is worse than State management. It is more ruinous to the people than State management. In comparing India with other countries sufficient attention has not been paid to what the Acworth Committee's report says on the impossibility of making any real comparison. For example, it has been pointed out that whereas the State in India owns railways to the value of 428 crores, companies have interest only to the extent of 75 crores; and is it right, as has been asked by the Acworth Committee that one-sixth of the shareholders should be entrusted with the management of the other five-sixths. Is it a right thing to do? Can you say that this is a businesslike arrangement? I submit to the House that it will be regarded as a gross abuse of the business management, if we allow persons who have got only one-sixth right in the concern to manage the whole concern.

Mr. R. A. Spence (Bombay: European): What about mill agents?

Mr. T. V. Seshagiri Ayyar: I do not know anything about mill agents. I have no figures before me. But if the mill agents who have got only a small share manage the other shares, then they are not acting fairly. One mistake does not justify another mistake. Therefore, Sir, the fact that in this country the Government owns five-sixths of the railways is a good

argument for not accepting the suggestion that we should allow those who hold only one-sixth of the railway to manage the concern. It has been pointed out that in England, Italy and other countries there has been some failure by the management of the railways by the State. As has been pointed out in a well-written communication addressed by the Bombay Merchants Association, it is because of conditions of war the management has not been as efficient as before, but during the time when there was no war State management has been very beneficial; therefore no valid reason has been shown for saying that State management under all circumstances would be a failure. It has been admitted by Mr. Innes that Company management has not been more economical than State management in India. If that is correct why continue management by Company? If Company management has not been more economical, it is desirable that when an opportunity occurs for the people to take up the management, they should do so. Sir, the contracts as regards the two railways will come to an end in 1924 and 1925, and an opportunity should be given to the State to manage these railways, as they have managed other railways well. Now, Sir, as regards the amendment of the Honourable Mr. Innes to the proposition I believe the arguments which he advanced as against Mr. Neogy's amendment stand good as against him also. Why pledge this House to something which should be done in case the Government is able to float a good Company, and indigenous Company with shares subscribed in India? Why commit this House to anything which may be done later on? Why not leave that matter to be decided when you are able to announce the successful formation of a Company? Why not ask them, that as we have got a good Company which would be equal to managing the concern, that permission should be granted to entrust the management to that Company? As a matter of fact if you care to read what the Acworth Committee says, you will find,—the majority report points out,—that if once the State takes up the management, it will be easy for it to divest itself of its powers and to hand over the Railways to a Company for management. All, therefore, that we ask is that the State should take up the lines when the contracts fall in and continue to manage them unless and until it finds that some other arrangement would be more beneficial. If it finds that a Company can manage it, and is able to show that it would manage better than the State, then Government can hand over the management; but why ask at this moment for a message from this House, why ask this House to commit itself to the proposition, that, if Government is able to find a Company, it should be entrusted with the management? It is premature, and for that reason alone the amendment of Mr. Innes should be voted against. Sir, it is not necessary for me, having regard to the fact that my amendment is in exactly the same terms as the amendment of Dr. Gour, to move it. But I may say, Sir, that I support Dr. Gour's amendment not for the reason given by him, namely, that it is a choice of two evils, but for the reason that the people should have an opportunity of managing their own affairs especially, as admitted, it has not been shown that management by the State has proved a failure.

Mr. W. S. J. Willson (Bengal: European): Sir, I am afraid I am not entirely convinced by the amendment of Mr. Innes—the words of which I have not got but the substance of which we know—for the simple reason that, after you have adopted State management, with the “fine” results pictured to-day by Sir Montagu Webb, it will be a far more difficult business to find a decent Company to take it over in a decent manner, and their terms will be a great deal more expensive than we might be

[Mr. W. S. J. Willson.]

able to arrange during the 18 months before us before the first of these contracts expires. I, Sir, have travelled round the world, on the railways of England, Ireland, Scotland, Wales, France, Holland, Belgium, Italy, Egypt, India, Burma, Japan, America, and Canada and I have no hesitation in telling the House that my general experience of the lot of them is that whether you have State management or Company management, the difference to the passenger is not very enormous. But, Sir, I have also spent 25 years of my life in this country connected with transport, in that experience, very largely as a carrier by sea but largely as a consignor of goods on Government and other railways. I should like this House to consider very carefully what the difference between the two railways is. I personally am dead against State management. I would have liked an opportunity to have discussed Sir Campbell Rhodes' amendment further and made one or two points in connection therewith, but that opportunity is now deprived. You have, however, the knowledge that Sir William Ackworth was in 1920 very dead-against State management. The Honourable Mr. Innes described Sir William Ackworth's arguments as some of the strongest that had ever been written against State management, but there was actually a book published in England some years ago entitled 'The case against the Nationalization of Railways'. Now railway nationalization seems to me to start principally from the point of view of the employee. Nationalization has been for some years a political cry in many countries who have not got it and it is very largely political with a view to more wages for the employee. My own experience is that you cannot get out of a State railway, the same treatment for development that you can get out of a private Company. Now, Sir, I know there are some people who will say that this is not so, but I can tell you as a carrier, and anybody else who has any experience as carriers will bear me out, that the whole essence of a carrier is to earn good-will. He must have the good-will of his constituents and his clients; he must be out to develop his trade, he must throw the sprats to catch the mackerel; he has business sense, but he also has business scents, by which he scents out the different lines where new traffic may be developed,—and he is not, as Mr. Neogy suggested, out to handicap anybody's trade, whether on racial grounds or whatever else it may be. Mr. Neogy said that the Railway Boards at Home exist for the purpose of benefitting certain manufacturers. Now I do not want to develop that point, I am convinced it is not so, but I would like to ask Mr. Neogy three questions:—Has he ever heard of some of the opposing shipping Companies bringing goods to India? Has he ever heard of the Den line, the Well line? Has he ever heard of the firm of Gorman and Smith? I merely mention those three. Well, he has not: yet those three concerns all built up a business directly encouraged by the India Office, London, in shipping out cargoes by steamers opposed to what Mr. Neogy would call the "vested interests."

If we had State management, I am convinced we should also find a great deal more of unprincipled competition against private interests. Now I know that private commercial interests are not very strongly represented in this House. But I do know this, that the Assam-Bengal Railway is a State railway; I do know that their action in carrying goods below cost, at a loss, has provoked an enormous amount of objection on the part of Bengal land-owners—Sir Deva Prasad Sarvadhikary will bear me out.

Mr. K. C. Neogy: The Assam-Bengal Railway is company-managed.

Mr. W. S. J. Willson: But it is run for strategical reasons, and is not a paying proposition at all. The consequence is that these State railways in many cases practically oppose private interests; far more they do so in a more unprincipled and less fair-minded manner than any Company-managed are really likely to do. Business ideas do not permeate the Government offices, for a simple reason—it is not the fault of Government officers themselves, where would you find more amiable gentlemen than the Honourable Members on some of those front Benches? Would you like the railways to be managed by them? But they are too amiable and the consequence would be that you would lose your profits. Now there is an extraordinary feeling against any Government department ever making a profit. If a Government department ever makes a profit, there is immediately an outcry, either that they are over-charging the public, or that they are under-paying their staff, and the public won't have it. However, in the reference I made to London I did not for a minute want this House to think that I am in favour of continuing the London Boards—the sense of this House is, and I agree with it that the London Boards must absolutely go, that we are absolutely able to manage the railways in India and I want it now under what I would call a decentralised scheme. I want the Bengal railways managed in Calcutta; I want the Bombay railways managed in Bombay; I want the Madras railways managed in Madras, and so on. (*A Voice:* “By the State?”) No, not by the State. I do not want even so charming a gentleman as Mr. Hindley, about whom Sir Campbell Rhodes made such nice remarks this morning, or any one man at the head of such an enormous system as are the railways in India.

All the advantages which Mr. Innes pointed out were to be obtained, can be obtained by company management. Take, for example, his reference to Mr. Bell's report as to grouping. Now, surely to goodness, a scheme of grouping could be easily thought out within the next 18 months. That is in no sense a reason why Government should first take over the railways while that is being leisurely thought out; not at all.

I am also afraid, Sir, that if we go to State management we shall aggravate that horrible system of buying of stores abroad, or principally in England. As it is at present, so I am afraid it would go on, but I do think that local Boards would be far more inclined to encourage local enterprise.

Then again, on the question of the separation of railway finances, which is one of the biggest factors in the whole problem of railway management

Mr. President: I cannot allow the Honourable Member to discuss that in anticipation of to-morrow's Resolution.

Mr. W. S. J. Willson: Then that rather disposes of the rest of my remarks.

Captain E. V. Sassoon (Bombay Millowners' Association: Indian Commerce): Sir, I will not detain the House very long. I think, however, that my point of view is probably different to any that has been heard up to the present time. As far as I can see there are three methods in which we can look at this problem. One is management as at present

[Captain E. V. Sassoon.]

by companies domiciled in England and which I think we are all agreed should not continue. The only two points therefore which we have now to consider are whether we should have State management neat, as proposed by the Mover of the amendment, or State management diluted, as suggested by the Honourable Mr. Innes. When I read, as I have been reading here, this work of Sir William Acworth's, the more I look at State management the less I like it. I find, in spite of what Mr. Seshagiri Ayyar has said, that the rates of freight in the United States are half as much as in France and Germany. I find that they are the same as those in India, which apparently seems to be the lowest with the United States; and this will interest Mr. Joshi: in America the workman earns a sovereign whereas in India he earns a shilling. So that shows that the existing system of management from England has not been entirely successful from the point of view of efficiency. But then Mr. Seshagiri Ayyar says, why should we agree with the Honourable Mr. Innes and pledge ourselves or pledge this House to Company management in the future? I ask myself in this House, why should we pledge ourselves to State management. I see that France by State management increased the yearly deficit from £580,000 to £3,000,000. I see that the trains were slowed down in that period, accidents increased, compensation for accidents rose from £80,000 to £400,000, and I ask myself, can this House, which is on the last lap of its existence, pledge the country to State management with these possibilities—I only call them possibilities—in view? It may be that we cannot get what some of us would like to have management by indigenous companies. It may be that the Government have attempted to get such a management, but I for one have not heard of it. I wonder whether the Government has explored that avenue right to its depths. I personally would like this debate to be postponed till the new Assembly. (*Voices*: "No, no.") I do not know whether every Member of this House is confident of being returned in the next House. I for one have hopes but am not sure, and I therefore would prefer not to pledge the country to a possibility of a very large deficit lasting for several years. Because, if the Honourable Member for Commerce is right, it may not be so easy to find an indigenous company to take on this burden, and I would therefore prefer the new House with fresh support from its constituencies to come and pledge this Government to what is a liability rather than that it should be done by this House. It is very easy for people who may not return here to pledge the Government to a policy which may lead to very heavy losses and then let their successors find the money to pay for those losses. Because, Sir, one thing is certain, if there is a deficit it will not be paid by shareholders, it will be paid by the tax-payer. The very gentlemen who vote for something which may lead to a deficit may not be here to find the money to pay for that deficit. Therefore, with the greatest deference, Sir, I submit that the whole of this question is one that should be decided not by those of us here who have only one budget to consider, a budget which I understand is already in the course of being printed, but by those who will have future budgets to consider, because they are the people who will have to find the money to pay the piper.

Mr. Manmohandas Ramji (Indian Merchants' Chamber and Bureau: Indian Commerce): Sir, as my amendment is not coming before the House, I will not take up very much of the time of the House in dealing with the points raised in my amendment. Sir, as the question is confined

between these two railways whose contracts are falling due within a very short time and Mr. Innes' rider, I think that the best course for this House to adopt is to accept Dr. Gour's amendment as it is without the rider proposed by the Honourable Mr. Innes. I might ask the Honourable Mr. Innes, if his rider is accepted by the House, whether the Secretary of State may not arrange with some company for taking over the management of any of these railways, without this House having an opportunity to intervene. Therefore there is some risk in accepting the principle on which the rider is based and I want the House to reject it. Of course, I quite agree that, instead of accepting the Honourable Mr. Neogy's amendment, we should first of all give a trial to these two trunk lines connecting Bombay with Calcutta and other business centres and see what the result is. On that we can base our future policy after gaining experience in these two lines. Of course, the Honourable Mr. Innes

4 P.M. pointed out that there are no schemes forthcoming. But I had supplied him with a scheme; I do not know whether he has studied it. I was going to put it before this House, but as there is no opportunity of putting it I refrain from doing so. I am not going to put it before the House to-day; but when occasion arises I shall do so; and although that scheme advocates State management, pure and simple, I say it will be much better than Company management which is now out of question. With these few remarks I support Dr. Gour's amendment.

Colonel Sir Henry Stanyon (United Provinces: European): Sir, I am not an expert in railway administration; in fact I know nothing about it; I have made no particular study of the subject before the House; I do not even own a share in any railway in the world; but I am a British-Indian tax-payer, I am a British-Indian traveller on the railways in this country, and so are my constituents; I have a little commonsense, and I have had some experience in drawing inferences from evidence. Therefore, I think the House will bear with me while I trouble it with remarks from, as it were, the man in the street. My vision of this subject is that of the on-looker who not infrequently sees most of the game. What are the facts, either admitted or beyond reasonable dispute? First of all, State management has failed wherever it has been tried (*Rao Bahadur T. Rangachariar*: "Not in India.")—wherever it has been tried, during the war or during peace; and this House, I think, would be wanting in the sagacity for which it is noted if it cast aside as irrelevant evidence which is almost conclusive. We have had some experience of State management in India. I am surprised to hear some Members suggest—they have not actually said so—that State management has been successful. Fares have gone up, freights have risen, complaints of discomfort from passengers increase daily and hourly, and we have had unpunctual trains, a bureaucratic staff down to the very ticket collector, and hopeless centralisation. That is one fact. The next fact is that India is in a state of transition; her very constitution is at present in the melting pot; we are carrying on towards a very much larger and more responsible state of self-government; and I submit to this House that we ought not to stumble over the rocks and pitfalls at our feet while we stare at a roseate horizon and build dreams of the future.

The third undoubted fact is the awakening of the country to industrial development. Industrial development is one of our immediate problems. In my humble opinion, there is no greater barrier in the way of industrial development than State interference with private enterprise. There was

[Colonel Sir Henry Stanyon.]

a time when this country looked to Government for everything that it wanted, the old policy of "Sircar, Ma-Bap." That day has not entirely gone yet, but its sun is setting. We are learning to make things for ourselves; we are learning to do things for ourselves. Private enterprise does a good deal now that used to be done by the Public Works Department. Jail manufactures and Government workshops are also retiring before private enterprise. It is not consistent, I submit, with the advance of democracy, with our claim to govern ourselves, and with our efforts towards industrial development, to ask that our railways, like our roads, canals, public buildings and forests, should be wholly and permanently given over to State control.

But now comes a fourth fact which also we must take into consideration. We have no proper Company management available at present. We have companies which are not British-Indian companies, managing railways in which they only have fractional interests in partnership with Government. Government uses its control primarily for revenue. The companies in London use their control primarily for their dividends. So the Indian tax-payer and the Indian traveller and trader are, as it were,—I say it with all respect,—between the devil and the deep sea. This state of things is worse than State management. At any rate the State management for which we are all asking to-day will be wholly British-Indian.

Well, from these facts, to my mind, two commonsense inferences arise. First, in the immediate present, we have no alternative except State control to replace Government control *cum* London Board control. State management is an immediate necessity. The second inference is that State management is a constantly growing evil which must be eradicated as soon as possible. Here we have reached the present limit of our vision. As a House it is for us to deal with actualities and not with dreams. Therefore, it seems to me that as a House we are in a position to resolve (a) that the present management of the East Indian Railway and the Great Indian Peninsula Railway, having become obsolete and unsuited to the country, must be changed as soon as possible; (b) that the only alternative which presents itself at the present time is State management; (c) that on the evidence before us, there is reason to apprehend that that change will mean going from the frying pan into the fire; and (d) that we owe it to the country not to commit it irrevocably to stay in that fire. Government,—I say it with all respect again,—has a way of holding on to what it once lays its hands upon. The cases of roads, buildings and forests afford ample evidence in support of that charge. We can foresee the Railways being taken over for the benefit of the travelling and trading public; but soon that public will cease to be the chief beneficiary and revenue will become the first consideration. We do not want Railways to be run chiefly and primarily for Government revenue. We want the public, ourselves, to be the principal beneficiaries. Therefore, it is up to us to let Government understand that though we ask them, for want of any better alternative, to take over these two Railways as soon as the present contracts fall in, we only make them over to Government until we can find some better and more satisfactory management for them. That is all that the amendment of the Honourable Mr. Innes would commit us to. It really commits Government to this that they join with us in a Resolution which binds them to give State control until something better can be

found, while it binds us only to whatever we may think best hereafter. Its heads we win and tails they lose. Sir, I put it to the House, that the acceptance of this amendment will place this House in an extremely strong position, because we will have the Government with us. If we reject the amendment put forward by the Honourable Mr. Innes, the only amendment which will remain, even though it may be supported by a majority, is that of Dr. Gour; but it will be, after all, the opinion of a majority only and not the combined voice of the whole House. I therefore support the amendment of the Honourable Mr. Innes.

Mr. B. S. Kamat: Sir, I shall attempt to draw inferences unlike my friend, Sir Henry Stanyon, not as a lawyer, but purely as a practical layman. I shall confine myself to the amendment of the Honourable Mr. Innes. It is true, Sir, that while summarising the views of the two schools of thought in the Railway Report the Honourable Mr. Innes was exceedingly fair. But in his concluding portion he described to us the evils of State management of railways in Italy, France and other countries. He also told us about the possible inelasticity and bureaucratic management in State-managed Railways. In fact, the effect of his speech this morning, so far as the question of holding the balance even between the two views is concerned, at any rate, the effect left on my mind was, I must say with considerable disappointment, that he as the spokesman of the Government of India condemned State management and that he was in favour of Company management. As a layman, Sir, the inference I should draw from his amendment is this. Either the Government of India should commit itself one way or the other between these two schools of thought, or they should leave the question of Company *versus* State management absolutely alone without showing their bias or their prejudice one way or the other. This amendment does not do anything of that sort. In the first place, the Honourable Mr. Innes in his speech said that he was prepared to accept the taking over of these two railways for State management as a sheer matter of necessity because there was no other solution which was acceptable to him. But he does not stop there; he proceeds to say in his amendment "that efforts should be made continually to concert measures of handing over one or other of the two railways to an indigenous company calculated to give India the benefits of real Company management". Now the wording of this amendment postulates that there are certain benefits of real Company management. I am not prepared to postulate or beg any such question. If Government want to hold themselves aloof from either school of thought and to declare a non-committal policy on the ground that the Government of India should not bind itself and its successors to any policy at all, I think they should not insert in this amendment any wording regarding the benefits of real Company management. On general grounds, therefore, we must have one of the two courses; either decide, only about the two railways we are talking about leaving the question of State *versus* Company management alone, or let an open debate take place and let the House decide whether it wants State or Company management, pure and simple, one of the two. That is my general objection to acceptance of the amendment of the Honourable Mr. Innes.

Now I will come to the merits of this amendment. It goes forth to the country with a sort of imprimatur on behalf of the Government of India that their leanings are towards Company management. That is not

[Mr. B. S. Kamat.]

desirable, if the Government of India want to hold a non-committal policy. In the second place, this amendment says that one of the two railways will be handed over to some company. Even there, Sir, if you accept the principle of grouping, I do not think we should accept the idea of handing over either of these railways, because it conflicts with the principle of grouping and I am for grouping. It is one of the greatest advantages for State management. If you go in for State management, one of the advantages is that you can amalgamate a number of railways in the country. If you now record this amendment, it only means that you must hand over one or other of these two railways to some other company thereby militating against the principle of grouping or amalgamation. Therefore, it implies that you are prepared to drop, as it were, from your mouth a hot potato as soon as the first opportunity offers itself. I do not think we should commend this amendment. We should not bind this House to that particular policy. These are my remarks with specific reference to this amendment and its merits.

Now coming to the other part of the debate, the Honourable Mr. Innes tried to throw as much cold water as possible on the question of State management. He quoted Sir William Acworth from his book and said that he was inherently in favour of State management. Well, if that is so, I contend it is the greater reason in favour of our argument that a man who was wedded all his life to a view against the State management was specifically with special reference to India in favour of State management. My friend, Sir Campbell Rhodes, tried to speak something about emulation. I am not going to emulate him, at any rate, in one particular respect when he said that from his point of view the Acworth group and their views were worthy of being thrown in the waste paper basket. To me, Sir, the Acworth view is far more valuable for the simple reason that Sir William Acworth, although he was committed to certain views in other countries, still on merits came to the view that in India State management was unworkable, and not only Sir William Acworth but his colleagues also who had an impartial mind and who had no vested interests whatsoever unlike the other group came to the same conclusion. I am not prepared to say that Sir William Acworth's view and the views of his colleagues are worthy of being thrown into the waste paper basket. Neither can I say that the views of those who talk about State management of railways are something like a toy. On the other hand, I am inclined to think, Sir, that the companies existing in India are nothing but toys, companies which own not more than one-tenth of the capital and are exploiting all the properties of the tax-payers of the State.

A great deal, Sir, has been made of the fact that more economy can be effected under Company management. I do not think that anybody during this debate has proved that Company management is necessarily more economical. If we go into figures, I can show—I have got the whole thing on my table, but there is no time to go into those things,—if we go into figures I can show that Company management is not as economical as it is made out to be. You must not compare unlikes but compare only likes. Well, the comparison is vitiated by the fact that in the case of a particular railway it may be nearer the coal mines or coal fields or in the case of another it may have tunnels to negotiate thereby adding to working expenses. Thus, any inferences drawn regarding the economic working

of Company railways merely from statistics are likely to be vitiated by the special features of each railway concerned. But I can contend, Sir, that in favour of State management there are two distinct advantages which nobody so far has tried to controvert. When you talk about the economic working of Company management, people forget the fact that in the case of Company management they have to take into account the profits which we pay to the Companies as share of surplus profits under their contract. Now, if you go into the statistics, here again it will be seen that we as the tax-payers are losing every year under the contracts with these companies crores of rupees. Now, the last year, for instance, for which I have statistics, shows that the Government of India paid under their contracts over a crore of rupees to certain companies as share of surplus profits. In the previous years also the Government of India had to pay large surplus profits according to the terms of contract. Why are the tax-payers to lose all this money as surplus profits when as a matter of fact the whole of the property and the capital belongs to the taxpayer? You talk of economy about Company-managed railways but you do not take into account the fact that all this is taken from the exchequer of the Government of India.

Mr. President: I really must call upon the Honourable Member not to pursue that further. It is much too near to-morrow's subject.

Mr. B. S. Kamat: The Honourable Mr. Innes also mentioned something about the principles of seniority and transfers, if the whole of the management were given to the State. And I think it was my friend, Sir Campbell Rhodes, who cited the case of Mr. Hindley, an extremely efficient officer borrowed from a Company-managed line. I can give him just as many instances of Government officials borrowed by Company-managed lines, men like Major Hepper, Mr. McLean and various others. Therefore, it is no use drawing an inference either way about efficiency of Railway officials. Then again, Sir, the Honourable Mr. Innes' amendment speaks about an indigenous company. I fail to see, Sir, the exact meaning of that word. If by indigenous he means only a company whose *habitat* is Calcutta, whose domicile is here, I don't think I would recognise that as an indigenous company. When you ask us to commit ourselves to this amendment, when you want us to agree to the principle of transferring the management to indigenous companies, you must define what an indigenous company is. I am not in favour of transferring either of these railways in any case at all, because all the money that has been sunk in these two railways is our property. We have paid practically every penny for the capital of these two railways and there is absolutely no reason whatever why they should be transferred to any company now. But assuming we should seek a company what is the sort of company that Mr. Innes wants. Is it a company which has the whole of its capital raised in India? If the capital were to come here from some syndicate in London and if that is to be the meaning of an indigenous company, certainly I don't want the transference of any of these railways to any indigenous company at all. My own definition of an indigenous company, a real company is that the company must be started in India wholly with Indian capital. Now, is there any possibility in the next few decades that any company can be able to raise capital and take over either of these railways from the hands of Government? I do not see any chance, Sir. The whole question is "Why should we commit ourselves to-day to a policy which, so far as we can see in the distant future is not likely to materialise, when we know definitely

[Mr. B. S. Kamat.]

that, in view of the financial position of the money market no Indian company can be able to raise 80 crores of rupees to buy the East Indian Railway, or 120 crores to buy up the Great Indian Peninsula Railway. The possibility is so remote.

Sir, I oppose the Honourable Mr. Innes' amendment and I think we should not commit ourselves to either view. The only thing we can do is to determine that these two railways should be taken over for State management for the time being, leaving the question of transference to any company absolutely alone.

(Some Honourable Members: I move, Sir, that the question be now put.)

• **The Honourable Sir Malcolm Hailey** (Home Member): Watching the course of the debate in this House, I think, I may say that since lunch time it has taken only one turn, for the House has discussed simply the alternatives between Dr. Gour's amendment and Dr. Gour's amendment plus Mr. Innes' rider. In other words, if I am correct, the larger question of the principle of State *versus* Company management has dropped out, and what we are now considering is a choice of two somewhat narrow alternatives, which I would define as follows. If I say I am right in believing that Mr. Neogy's original proposition has dropped out of the minds of the House (Honourable Members: "No, no.") There seem to be five murmurs in favour of Mr. Neogy; I see I was right, and Mr. Neogy's proposition has dropped out. Then what are we considering? Dr. Gour's amendment is that the Governor General in Council be advised to take over the East Indian and the Great Indian Peninsula Railways, that is exactly what the Governor General in Council has announced his intention of doing. That proposition then does not carry us very far. As to Mr. Innes' rider, the reason for putting forward this proposition is simply this, in the words that he used himself, that Government does not desire to be debarred from entering into the negotiations which would be necessary if a true Indian company were to be started to take over either of these Railways at a subsequent date, the only real issue is whether you desire definitely to force Government to the conclusion that any action taken on its part to negotiate for an Indian company would be subsequently disowned by this House. I ask the House to consider what substantial grounds it has for objecting to such a proposal. I am not going again into the larger question of State *versus* Company management. One might draw some amazing inference and some amusing conclusions if one did so. For a long time it has been part of my duty to defend the action of Government officials. It is now apparently the firm conviction of this House that the Government official is the only true business man, but I refrain from dwelling on the point. I lay however the greatest stress on this fact, that neither Mr. Kamat, Mr. Seshagiri Ayyar, or other Members who have spoken of the comparative attractions of State and Company management as applied to India—and I speak only of India—have so far been able to prove by any form of fact or figure that there is any advantage in State over Company management. The whole of the arguments used are *à priori* and based purely on theory. Now, there is in the minds of many of us, as in the minds of many speakers this afternoon a profound conviction that Company management offers many attractions. Let me take the first. It should relieve—this is a question which is of peculiar interest to me—it should relieve greatly your difficulty in

financing your capital programme. That is to say, that, if you succeed in raising Indian capital for an Indian company, you will thereby relieve your own capital programme for other works such as Irrigation. In the second place, there is no doubt that it does offer the advantage of providing that incentive which is derived from competition with State working. Thirdly, it prevents the delays and other disadvantages likely to follow from excessive centralization at headquarters. On these grounds alone—and I am going no further than that—it would be unreasonable absolutely to close the door to negotiation for an Indian company. I am asked what we mean by an Indian Company. I think it is only necessary to quote the words of Sir Montagu Webb. An Indian company means obviously a company of which the capital is rupee capital, of which a proportion of the Directors are Indian Directors; if capital comes from Home towards that company, it must come in the form of rupees; you cannot bar the entry of capital from outside India, because when once it is in India in the form of rupees, you cannot identify its origin. As to the constitution of the Directorate, that can either be provided for by the conditions of the lease or left to be decided by the shareholders; but it must be managed in India. We are asked by Captain Sassoon whether we have ever made any attempts to negotiate with such a company. It is one of the objects of Mr. Innes' amendment that we should be in a position to enter into these negotiations which we have hitherto not been able to undertake. Mr. Manmohandas Ramji suggested that the only object of introducing this amendment (which indeed he opposed on his ground) was to enable the Secretary of State to negotiate with some company for taking over these Railways. But this is to be an Indian company, and the negotiations must be undertaken by the Indian Government, which will have to arrange to attract Indian capital in India itself. Mr. Ramji may well relieve his mind of that apprehension. As to the possibilities of finding such a company, Mr. Kamat suggested that it will be quite impossible to look forward to a time when India can provide 80 crores for taking over one of these Railways. But it is not necessary that India should at once provide 80 crores for taking over a Railway of this type. All we need look to is that a company should be started on a sufficient financial basis to enable it to take over such portion of the capital represented as to ensure it the true character of company management. That we should wait until we can find a company which can provide sufficient capital to purchase the full assets of these Railways is quite unnecessary. We are told by Mr. Seshagiri Ayyar that the argument which Mr. Innes applied against Mr. Neogy tells also against Mr. Innes, namely, that Mr. Innes is seeking to tie the Assembly to a definite line of action with regard to the Indian company. And another speaker said that if you pass this amendment, then you are bound to give one of our Railways over to a company. Neither argument is correct. If you pass this amendment, all that follows is that Government would be in a position to undertake the inquiries and negotiations necessary to forming an indigenous company on lines which would be accepted as suitable in India. Nor is it in any way true that the argument which Mr. Innes has applied against Mr. Neogy applies also against Mr. Innes for the reason that it does not bind either Government or the Legislature to any future action.

Mr. T. V. Seshagiri Ayyar: Then why have a legislation?

Dr. H. S. Gour: Show us your company first and we will discuss it afterwards.

The Honourable Sir Malcolm Hailey: Unless, Sir, it is possible to enter into these negotiations, it would not be possible to show you the company, to use Dr. Gour's words. No financial body would enter into negotiations if they thought that the whole of their time would be wasted owing to the inability of Government to implement or complete these negotiations. I repeat that this rider of Mr. Innes does not in any way compel us to any future action; all it does is to leave open the door to Government to negotiate with some effect, since responsible people will not negotiate unless they are convinced that Government can implement any negotiations into which it enters.

Dr. H. S. Gour: Nothing prevents them.

The Honourable Sir Malcolm Hailey: That, Sir, is the simple proposition and I put it to the House that it will be by no means well advised to attempt to close to Government an avenue of negotiation which would be open to it under Mr. Innes' amendment.

(Several Honourable Members: "I move that the question be now put.")

Mr. President: The question is that the question be put.

The motion was adopted.

Mr. President: Amendment moved:

To Dr. Gour's amendment to add the following words at the end:

"but that efforts should be continued to concert measures with the object of handing over one or other of the two Railways after such grouping as may be necessary to an indigenous Company calculated to give India the benefits of real company management."

The question I have to put is that that amendment be made.

The Assembly divided:

AYES—42.

Abdul Rahim Khan, Mr.
Abdulla, Mr. S. M.
Aiyar, Mr. A. V. V.
Akram Hussain, Prince A. M. M.
Allen, Mr. B. C.
Barua, Mr. D. C.
Blackett, Sir Basil.
Bradley-Birt, Mr. F. B.
Bray, Mr. Denys.
Cabell, Mr. W. H. L.
Chatterjee, Mr. A. C.
Clark, Mr. G. S.
Cotelingam, Mr. J. P.
Crookshank, Sir Sydney.
Faridoonji, Mr. R.
Fraser, Sir Gordon.
Ghulam Sarwar Khan, Chaudhuri.
Hailey, the Honourable Sir Malcolm.
Hindley, Mr. C. D. M.,
Holme, Mr. H. E.
Hullah, Mr. J.

Innes, the Honourable Mr. C. A.
Jamall, Mr. A. O.
Ley, Mr. A. H.
Lindsay, Mr. Darcy.
Mitter, Mr. K. N.
Moncrieff Smith, Sir Henry.
Muhammad Hussain, Mr. T.
Percival, Mr. P. E.
Rhodes, Sir Campbell.
Sams, Mr. H. A.
Sarfaraz Hussain Khan, Mr.
Sarvadhikary, Sir Deva Prasad.
Sassoon, Capt. E. V.
Singh, Mr. S. N.
Spence, Mr. R. A.
Stanyon, Col. Sir Henry.
Tonkinson, Mr. H.
Tulshan, Mr. Sheopershad.
Webb, Sir Montagu.
Willson, Mr. W. S. J.
Zahiruddin Ahmed, Mr.

NOES—56.

Abdul Rahman, Munshi.
 Abul Kasem, Maulvi.
 Agarwala, Lala Girdharilal.
 Agnihotri, Mr. K. B. L.
 Ahmed, Mr. K.
 Ashan Khan, Mr. M.
 Aiyer, Sir P. S. Sivaswamy.
 Asad Ali, Mir.
 Asjad-ul-lah, Maulvi Miyan.
 Ayyangar, Mr. M. G. M.
 Ayyar, Mr. T. V. Seshagiri.
 Bagde, Mr. K. G.
 Basu, Mr. J. N.
 Bhargava, Pandit J. L.
 Chaudhuri, Mr. J.
 Das, Babu B. S.
 Faiyaz Khan, Mr. M.
 Ginwala, Mr. P. P.
 Girdhardas, Mr. N.
 Gour, Dr. H. S.
 Gulab Singh, Sardar.
 Ibrahim Ali Khan, Col. Nawab Mohd.
 Ikramullah Khan, Raja Mohd.
 Iswar Saran, Munshi.
 Jamnadas Dwarkadas, Mr.
 Jankar, Mr. B. H. R.
 Joshi, Mr. N. M.
 Kamat, Mr. B. S.

Lakshmi Narayan Lal, Mr.
 Latthe, Mr. A. B.
 Mahadeo Prasad, Munshi.
 Man Singh, Bhai.
 Misra, Mr. B. N.
 Mudaliar, Mr. S.
 Muhammad Ismail, Mr. S.
 Mukherjee, Mr. T. P.
 Nabi Hadi, Mr. S. M.
 Nag, Mr. G. C.
 Nand Lal, Dr.
 Nayyar, Mr. K. M.
 Neogy, Mr. K. C.
 Pyari Lal, Mr.
 Ramayya Pantulu, Mr. J.
 Ramji, Mr. Manmohandas.
 Rangachariar, Mr. T.
 Reddi, Mr. M. K.
 Samarth, Mr. N. M.
 Schamnad, Mr. Mahmood.
 Singh, Babu B. P.
 Singh, Raja K. P.
 Sinha, Babu Ambica Prasad.
 Sinha, Babu L. P.
 Sircar, Mr. N. C.
 Subrahmanayam, Mr. C. S.
 Venkatapatiraju, Mr. B.
 Wajihuddin. Haji.

The motion was negatived.

Mr. President: Further amendment moved :

“That in Mr. Neogy's amendment all the words after the word ‘pleased’ be omitted in order to insert the words ‘on expiry of their leases, to take over both the East Indian Railway and the Great Indian Peninsula Railway for management by the State.’”

The motion was adopted.

Mr. President: The question is :

“That the following be substituted for the words beginning with ‘the Indian Railways Act’ and up to the end of the Resolution :

‘he may be pleased, on expiry of their leases, to take over both the East Indian Railway and the Great Indian Peninsula Railway for management by the State.’”

The motion was adopted.

Mr. President: The question is that the Resolution, as amended, be adopted.

The motion was adopted.

THE MUSSALMAN WAQFS REGISTRATION BILL.

Maulvi Abul Kasem (Dacca Division: Muhammadan Rural): I beg to move that:

“Raja Ikramullah Khan, Mr. Muhammad Faiyaz Khan, and Syed Nabi Hadi be added to the Select Committee on the Waqf Registration Bill.”

Several Muhammadan Members of this Committee are now out of Delhi, and therefore I want to add these three.

The motion was adopted.

The Assembly then adjourned till Eleven of the Clock on Wednesday, the 28th February, 1923.

TUESDAY, 27TH FEBRUARY, 1923—*contd.*

Resolution <i>re</i> State Management of Railways in India	2861—2881
Message from the Council of State	2881
Resolution <i>re</i> State Management of Railways in India	2881—2903
The Mussalman Waqfs Registration Bill	2903

WEDNESDAY, 28TH FEBRUARY, 1923—

The Prisoners (Amendment) Bill	2905
Statement laid on the Table	2905—2913
Resolution <i>re</i> Separation of the Railway from General Finance	2914—2923
Conference <i>re</i> Regulations under the Electoral Rules	2923
Meetings of Legislative Assembly	2923

THURSDAY, 1ST MARCH, 1923—

Question and Answer	2925
Budget for 1923-24	2926—2945
The Indian Finance Bill	2945

MONDAY, 5TH MARCH, 1923—

Member Sworn	2947
Questions and Answers	2947—2961
Unstarred Questions and Answers	2961—2965
Incheape Committee's Report	2965
Message from the Council of State	2965
General Discussion on the Budget—(First Stage)	2966—3018

TUESDAY, 6TH MARCH, 1923—

Questions and Answers	3019—3025
Unstarred Questions and Answers	3026—3027
Governor General's Assent to Bills	3027
Message from the Council of State	3028
General Discussion on the Budget—(First Stage)	3028—3093

THURSDAY, 8TH MARCH, 1923—

Draft Notification <i>re</i> Emigration of Unskilled Labour to Mauritius	3095—3096
Questions and Answers	3096—3108
The Prisoners (Amendment) Bill	3108
Election of Members to Public Accounts Committee	3109
Demands for Supplementary Grants	3109—3110

FRIDAY, 9TH MARCH, 1923—

Member Sworn	3111
Questions and Answers	3111—3129
Unstarred Question and Answer	3130
Particulars <i>re</i> Lump Retrenchment Figures	3130
Messages from the Council of State	3131
The Criminal Law Amendment Bill	3131—3133
The Indian Penal Code (Amendment) Bill	3133—3138
Resolution <i>re</i> Emigration of Unskilled Labour to Mauritius	3138—3168