

**JOINT/SELECT COMMITTEE
REPORTS OF LEGISLATIVE
ASSEMBLY - 1924**

The Steel Industry (Protection) Bill

List of Reports of Select or Joint Committees
presented in the Legislative Assembly in 1924.

Serial No.	Short title of the Bill.	Date of presentation.	Remarks.
1. The Central Board of Revenue Bill.	18.2.24.		
2. The Indian Coinage Bill.	18.2.24.		
3. The Indian Penal Code('Amendment') Bill.	19.2.24.		
4. The Indian Tariff('Amendment') Bill.	26.2.24.		
5. The Indian Income-tax('Amendment') Bill.	10.3.24.		
6. The Indian Penal Code('Amendment') Bill(<i>Age of Consent</i>) by Dr. Hari Singh Gour.	15.3.24.		
7. The Steel Industry('Protection') Bill.	30.5.24.		
8. The Imperial Bank of India Bill.	8.9.24.		
9. The Indian Criminal Law('Amendment') Bill.	10.9.24.		
10. The Indian Merchant Shipping('Amendment') Bill.	11.9.24.		
11. The Land Customs Bill.	11.9.24.		

LEGISLATIVE DEPARTMENT.

WE, the undersigned, Members of the Select Committee to which the Bill to provide for the fostering and development of the steel industry in British India was referred, have considered the Bill and have now the honour to submit this our Report, with the Bill as amended by us annexed thereto.

2. Before discussing the details of the Bill we proceeded in the first place to a discussion of the desirability of applying to the steel industry certain general principles, without prejudice to the question of the admissibility of those principles in view of the scope of the present Bill.

3. The first subjects discussed were the questions of nationalization, option to purchase, profit-sharing and control, by the Government and Legislature, and it was decided, by a majority in each case, that none of these principles should be introduced into the Bill.

4. Another such question which we considered was the desirability of making some provision to the effect that the right of any company or firm to enjoy the benefit of the protection conferred by the Bill should be conditional upon the recognition by the company or firm of associations of their employees and upon its agreement to submit all labour disputes to arbitration. It was decided by a majority that some such provision should, if possible, be inserted in the Bill. But, on a ruling being given that a definite amendment on these lines would be outside the scope of the present Bill, a majority of the non-official members of our Committee desired an expression of their opinion that the acceptance of the principle of protection renders even more urgent than before the necessity for legislation in regard to trades unions and trade disputes, which we are given to understand is at present engaging the attention of Government.

5. We also discussed, again without prejudice to its admissibility in connection with the present Bill, the question of advisability of restricting the benefits of the protection which the Bill is designed to afford to companies or firms having a certain minimum proportion of Indian capital and a definite Indian element in their management. The majority of us are not prepared in this Bill to recommend the insertion of any definite provisions in this regard. The majority, however, of the non-official members of our Committee incline to the opinion that the possibility should be seriously considered at an early date of securing for Indian capital a substantial share in industries benefiting by State assistance.

6. On the relative advantages of attaining the end in view solely by a system of bounties instead of by the combined system of duties and bounties contained in the Bill, a majority of us are of opinion that the former course is impracticable if only by reason of the additional revenue from other sources which it would be necessary to raise in order to carry it out and that, even if practicable, it would not for many reasons be so satisfactory in operation as the latter.

7. We further considered the question of the duration which should be given to the provisions of the Bill, and the majority of us are of opinion that it is desirable to state somewhat more clearly in the Bill that, although the actual rates recommended in the case of duties and bounties respectively should only subsist for three years, there is no intention of abandoning at the end of that period the policy of discriminating protection itself. We have accordingly amplified the preamble, omitted the extent clause in clause 1 of the Bill, added to clause 2 an additional sub-clause providing that the protective duties specified in Part VII of Schedule II shall remain in force for three years only, and inserted after clause 4 of the Bill a new clause laying a statutory obligation upon the Government to hold an inquiry during the course of the year 1926-27 as to the extent, if any, to which further protection is needed by the industry, and as to the amount of the duties and bounties which will be necessary in order to confer that protection.

8. In regard to the general question as to whether the rates of duties and bounties provided in the Bill are adequate, more especially in view of the possibility of a considerable drop in the prices of steel imported from countries with a depreciated currency, we are satisfied that the rates proposed are generally sufficient. Any attempt to base the scale in accordance with the price of the cheapest grades of steel would place an unfair burden on the consumer. We think that the only possible remedy for grave fluctuations of prices is the application of a system of off-setting duties for which the bill provides.

9. We next turned our attention to the question of according protection to the locomotive industry in India. A majority of our Committee, consisting of non-official members, is of opinion that a further careful examination of this question is necessary and should be undertaken by Government with a view to deciding whether this industry fulfils the conditions requisite to enable it to qualify for such protection.

10. We then examined various claims which were put before us for exemption from the provisions of the Bill.

The first claim was advanced on behalf of Burma. We are, however, again by a majority, of opinion that the claims of Burma are no greater than those which might be advanced on behalf of other parts of British India; and we consider that it would be wrong in principle to attempt to differentiate in the matter of customs duties between different parts of British India.

We next discussed a suggestion that the increased duties should not be leviable on constructional and other steel ordered from abroad for specific works under contracts entered into before the publication of the Tariff Board's report. The consideration of this question involved the consideration of claims on behalf of the Bombay and Calcutta Municipal Corporations for the exemption of large quantities of steel for which orders

have been placed. We were, by a majority, of opinion that, unless the operation of the protective scheme is to be indefinitely postponed, it would be impossible to make exceptions in particular cases, and further that, if any such exceptions were recommended, it would be difficult to draw distinctions between the numerous claims which would undoubtedly be made.

11. We then proceeded to a consideration of the details of the Bill.

The Preamble.—We have adopted a suggestion to amplify the meaning of the expression "discriminating protection" by inserting words indicating that the policy has been adopted subject to the consideration that due regard will always be had to the well-being of the community. The other amendment which we have suggested in the Preamble is referred to in paragraph 7 of this report.

Clause 2.—The only amendment which we suggest in this clause is one of a purely drafting nature.

Clause 3.—We have made a slight amendment in this clause to provide for the fact that, in the case of certain company-managed railways, steel rails and fish plates are made to specifications which are approved, but not actually prescribed, by the Railway Board.

The Schedule.—We have made only one alteration in the Schedule, namely the omission of Item No. 155 in the list of articles liable to protective duties. The omission involves a slight consequential amendment in sub-clause (e) of paragraph 3 of the Schedule to the Bill. The effect of the alteration will be to leave tin plates in the position in which they were before, that is to say, they will be liable to duty at 10% *ad valorem* under Item 61 of Part IV of the Schedule. We have carefully considered the Chapter of the Tariff Board's report which relates to the protection of the manufacture of tin plates, and the majority of us think that the difficulties experienced by the only company which it was proposed to protect are due to excessive capital expenditure and are

not such as to warrant assistance from the general tax-payer.

12. We have carefully considered all the amendments of which notice has been given. Our conclusions on many of these is set out in the foregoing paragraphs of this report. With the exception of one such amendment, namely, the omission of Item No. 155 in the list of protective duties, to which we have already referred, we have rejected all these amendments either unanimously or by a majority. In regard to a series of amendments suggesting that various bodies should be constituted for the purpose of advising the Government in the matter of off-setting duties, we desire to say that we consider that the body most fitted to advise the Government in any such matters is the Tariff Board, which has formulated the present proposals and is familiar with all aspects of the subject.

In regard to the amendment which suggests the reduction of the duties on galvanized sheets, a majority of us consider that the revenue which would be sacrificed would be out of proportion to the advantage which would be derived by certain sections of the community.

13. In addition to the amendments of which notice has been given, we considered certain other suggestions for the amendment of the Bill. In the first place, we rejected a proposal for the exemption from protective duties of the articles specified in Items Nos. 143, 146 and 153 (b), i.e., various agricultural implements, wire nails and light rails. Our reason is that we consider it necessary to protect the various Indian companies which have recently commenced the manufacture of these articles.

14. The Bill was published in the Gazette of India, Extraordinary, dated the 13th May, 1924.

15. We think that the Bill has not been so altered as to require re-publication, and we recommend that it be passed as now amended.

16. We regret that our colleague Pandit Madan Mohan Malaviya was prevented by illness from attending our meetings.

M. A. JINNAH.

C. A. INNES.

BASIL P. BLACKETT.

MOTILAL NEHRU.

W. S. J. WILLSON*

V. J. PATEL.*

BIPIN C. PAL.*

M. RAMACHANDRA RAO.

E. G. FLEMING.*

PIYARE LAL.

MOHAMMAD YAKUB.

H. S. GOUR.

A. RANGASWAMI IYENGAR.

K. G. LOHOKARE.*

JAMNADAS M. MEHTA.*

CHAMAN LAL.*

N. M. JOSHI.*

K. C. NEOGY.*

DEVAKI PRASAD SINHA.*

S. K. DATTA.*

*Subject to minutes of dissent.

The 30th May, 1924.

MINUTES OF DISSENT.

Although we accept the decision of the Chairman ruling out of order any proposals to safeguard the interests of workers being incorporated in this Bill, we respectfully beg to point out that we fail to understand how in any Bill intended to give protection to an industry proposals to protect the employees of that industry can be considered to be irrelevant. On the contrary we feel that no proposals for the protection of an industry can be complete unless they include at least some to protect the rights and interests of the workers employed in that industry. The need for including clauses to secure recognition for the Labour Associations, for establishing the proper machinery for the settlement of disputes between the employers and the employees and making the grant of bounties conditional upon the employers satisfying Government that the labour employed was fairly treated, is especially felt in this case as the Tata Iron and Steel Company has been refusing for some time to recognise the Jamshedpur Labour Association

and some of the most serious grievances of the workers at Jamshedpur will remain unaddressed. Our contention is borne out by Mr. C. F. Andrews who recently, at the request of some of the Directors of the Company, had gone to Jamshedpur and has reported in favour of unconditional recognition of the Jamshedpur Labour Association and urging the fulfilment of the terms of the settlement of the last strike at Jamshedpur. We are very thankful to the Chairman to have allowed the Committee to discuss our proposals and to have given it an opportunity to show by the vote that a large majority was in favour of the principle of our proposals.

V. J. PATEL.

N. M. JOSHI.

JAMNADAS M. MEHTA.

DEVAKI PRASAD SINHA.

29th May, 1924.

The countrymen of Clive and Hastings were engaged between 1760 and 1825 in killing and did eventually kill the indigenous industries of this country in the interests of the British Manufacturer. The disastrous results of that process of destruction on the economic life of India are too well known to require any specific reference here. It is therefore not without significance that a hundred years later, perhaps in a mood of belated repentance the countrymen of the same two great men have launched a definite policy of fostering and promoting Swadeshi manufacturing industries. Of course, the Select Committee have throughout carried on their deliberations under the consciousness that only such modifications of the Bill could be effected as were assented to by Government; this is a position very far removed from Fiscal Autonomy and practically the whole fight for achieving it remains to be fought.

Coming to the merits of the Bill it is common ground that protection to the Steel Industry if it is to be given at all must be adequate; but there is no agreement as to what measure of protection should be called adequate. The Tariff wall that is proposed in the Bill is in my opinion inadequate both as regards rates and duration. It may be just enough to keep the Tata Steel Co. alive but it will certainly not attract fresh capital and the factor of internal competition which alone can reduce prices and benefit the consumer is thus practically eliminated. I am therefore of opinion that the dura-

tion of this Bill at any rate ought to be extended up to the 31st March 1930.

Even if the protection given be adequate it is not desirable that the private manufacturer should get rich and prosperous at the cost of the public without any corresponding benefit to the taxpayer. It would be unfortunate if the result of this Bill were to be the enrichment only of the share-holders of the companies concerned. Some scheme of nationalization of the industry or of profit sharing by the State and by the workmen would be a most equitable arrangement. A very desirable alternative would have been a provision in the Bill giving the State the option of purchasing the industry within a certain number of years at a price to be fixed by arbitration; all these proposals were unfortunately defeated in the Select Committee by the narrowest majorities; the refusal of the Select Committee to exempt the steel imports of the Bombay Municipal Corporation for the construction of the Tansa Pipe Line betrayed a thorough disregard of the special equities of the case.

Regarding the safeguarding of the interests of the workmen at Jamshedpur I have appended a joint minute with Messrs. V. J. Patel, N. M. Joshi, and others. Subject to this I have signed the report of the Select Committee.

JAMNADAS M. MEHTA.

29th May, 1924.

I admit the absolute necessity of developing in India industries other than agriculture. But I feel that the methods by which this object is sought to be achieved are not the best from the point of view of the interests of the general community. In the case of a basic material like the steel, a high import duty will affect the prices of the products of a large number of other industries and will thus become a tax upon the common people of the country. Admitting that

this sacrifice is necessary in order to keep alive an industry of national importance when its existence is threatened, it is but fair that, when the industry recovers its prosperity, the common taxpayer should derive the full benefit of that prosperity. The proposed protection by high import duties deprives the taxpayer of what is thus due to him. Moreover, under this method, the consumer is asked to pay a tax for the sake of an industry but has no control over the man-

agement of that industry. I, therefore, feel that the best method of protecting an industry, at least a basic industry like the steel manufacturing, is to take it under the control of the State so that the industry will be run in the interest of the community which will share both in its adversity and prosperity and will have control over it. Moreover, nationalisation is free from several disadvantages incidental to the system of high import duties. The burden of import duties falls upon the consumer without any regard to his ability to bear it. The losses sustained under the system of nationalisation can be met by placing their burden upon those who are best able to bear it:

It is not necessary for us to state all the arguments in favour of the system of nationalisation in preference to the system proposed in this Bill. But I content myself by stating my deep conviction that instead of the proposals as contained in the Bill Government ought to have made a proposal to take over under the management of the State the steel works at Jamshedpur. At least the future interests of the community

ought to have been safeguarded by giving the State the option to purchase the undertaking after a certain period. I regret that these proposals should have been defeated in the Committee by a majority (8 voting for and 9 against). But the fact that the majority had only one vote more gives me a clear hope of my view being acceptable in the near future.

I also regret very much that the Select Committee should have thrown out the proposal which certainly did not amount to nationalisation but proposed to give some control to the Legislature and to the workers over the protected industries in order to safeguard all the interests involved. I am also equally sorry that the proposal to allocate the profits of the protected industries among the capitalists, the workers and the State should have met the same fate.

N. M. JOSHI.

29th May, 1924.

While fully accepting the policy of State protection to infant or nascent Indian industries either by bounties or tariffs or both, embodied in the present Bill, I am very strongly of opinion that this Bill should also recognise the additional responsibility which this policy places upon the Government, as representatives of the interests of the general population of the country, to provide against the exploitation of its natural and human resources by individuals or capitalist combines, that has led to serious consequences, economic, political, social and moral in other countries. In this view I hold it very strongly that the State has a right to claim, in return for the help which it offers to these industries or capitalist enterprises, a fair share (1) of supervision, in the interests of the general taxpayer, of their work, and (2) of their

profits over and above a certain percentage. I further hold it very strongly that the State has no right to give protection to any industry without providing for adequate guarantees that these industries shall secure the fundamental rights of the labourers employed by them, namely, the right to fair wages, the right to adequate leisure, suitable housing accommodation, special attention being paid to sanitary conditions and such like means of assuring healthy environments, the right to association and making collective representations to and to negotiate through their associations or unions with their employés in regard to matters affecting their interests as wage-earners.

BIPINCHANDRA PAL.

May 29, 1924.

We do not agree to the finding of the Committee with regard to the case of Burma and we submit that this Province should be ex-

cluded from the operation of the Steel Industries Protection Act.

E. G. FLEMING.
S. K. DATTA.

29th May, 1924.

We disagree with the conclusion set out in paragraph 6 of the Report. We consider that the protection proposed should be effected by means of bounties only.

W. S. J. WILLSON.
E. G. FLEMING.
S. K. DATTA

DEVAKI PRASAD SINHA.*

N. M. JOSHI.

K. G. LOHOKARE.†

*Subject to his separate note.

†Subject to discrimination recommended in paragraph 292 of Fiscal Commission's Report.

This Bill has been introduced with a view to give protection to the steel industry in this country which has been rightly described as a basic industry. On the general question of protection *versus* free trade itself there is likely to be very great difference of opinion, but since it is not necessary for us to discuss this merely academic question we can dispose of it by saying that neither protection nor free trade can be accepted as absolutely the correct economic policy for any country to pursue. In a country like India where the fiscal powers of the Assembly are very much limited and where Indians are not free to choose and to direct any policy they consider most suitable for the industrial development of their country, I think that protection is not a very safe weapon to wield. Protection in order to be of help to a country must be accompanied by certain other factors which are entirely beyond our control at present; in the absence of these factors protection may turn out to be a dangerous weapon. This was also the opinion of the late Mr. Gokhale.

I believe that this Bill is not intended to usher in that policy of protection which Indian publicists have clamoured for, nor to my mind will it tend to make this country self-sufficient so far as iron and steel industries are concerned. This is a Bill intended purely for the purpose of giving protection to one of the premier industrial concerns in the country and nothing more. I do not by saying so imply that the attempt to give protection to the Tata Iron and Steel Company at Jamshedpur is in any way discreditable. On the other hand, I consider it a patriotic duty on the part of every Indian to save this company from going to rack and ruin. But I prefer to put my case at that, nothing higher.

It is obvious that in any economic policy which we pursue the interest of the consumer as a whole must be kept in the forefront. We have to weigh and balance the disadvantages which this Bill brings to the community against the future advantages that the community may hope to derive from the company which we are endeavouring to save. The agricultural population of the country is proverbially poor and any additional burden imposed upon it is likely to be felt very strongly. It is not difficult to imagine that the marginal sacrifice which an extra cost in agricultural materials such as kudalies, powrahs, hoes, etc., would entail, would be considerably higher than any marginal sacrifice which would be required of the richer section of the community by an enhancement of the cost of other articles. The best form of taxation, whether direct or indirect, is that based upon the principle of equi-marginal sacrifice. My greatest objection to this Bill therefore is that it imposes the greatest sacrifice upon that portion of the community which is the least able to bear it. In this view of the matter I would propose that all articles required for agricultural purposes should be excluded from the schedule to this Bill. The same reasons would apply to iron and steel sheets that are used for the purpose of building houses by the poor and the "lower middle" classes of Bengal and some other provinces. These also should not be subject to an enhanced tariff duty. Wire nails would also come under the same category and they should

also not be taxed further. On the same principle I would suggest that the enhancement of tariff duty on materials required for the purposes of the railways should be subject to the condition that the incidence of this tax should not fall on 3rd class passengers—that is to say, the Government should give an undertaking that railway fares for 3rd class passengers would not be increased by reason of this enhanced tariff duty.

I am very doubtful if in spite of this Bill the Tata Iron and Steel Company at Jamshedpur would be able to keep its head above water. One of the universal phenomena of economics is that capital always flows into the protected area. In this case, as it would not be easy to raise capital in this country, the natural result would be that foreign capital would be invested in the building up of rival steel and iron manufacturing companies. The report of the Tariff Board mentions that there is already one company of the name of the United Steel Corporation of Asia which is likely to start work if conditions are advantageous. Any such company which starts work at present would have several initial advantages. According to the estimate of the Tariff Board themselves the assets of the Tatas are valued in their books at 20 crores; but the Tariff Board consider that about 4 crores have to be written off and the valuation of the assets would come to between 15 and 16 crores. Now any new company which starts work will start with an initial advantage of 4 crores worth of capital over the Tata's. It will also have the additional advantage of improved machinery and organisation. These things, coupled with the fact that a foreign company in India has a greater chance of finding a market than a purely Indian concern, would make the position of the Tatas very shaky.

This brings me to my third point, namely, what remedies I would suggest. To my mind it seems that the least objectionable remedy which can be applied to the present conditions is the grant of bounty to the Tata and other iron and steel manufacturing concerns in India. The Tariff Board have dismissed the question of bounty with a small paragraph and have not cared to investigate further into this question; but I agree with Mr. Willson that bounty would not be a more costly remedy than protection in the form of tariff. The obvious objection to bounty is that it means an immediate expense of about 60 lakhs of rupees in the first year, which would go on increasing up to 107 lakhs (this is roughly the figure given by Sir Charles Innes in his speech). It is said that the finances of the Government of India would not be able to bear this burden. But the sacrifice of 14 crores per year which these tariff proposals demand from the country is also the cost paid by the country for protecting Tatas. It is always much better and bolder to have recourse to direct taxation rather than to tax the country indirectly. Indirect taxation always means that people have to pay much more than what the State receives. But the greatest advantage in a system of bounty is that it would not artificially raise the price of commodities and would not disturb the laws of demand and supply. As soon as we find that the Tatas are looking up, we shall be in a position to withdraw our help and even

to demand a return of the subsidy which we have paid. This can of course be done if we make it a condition precedent to the grant of bounty.

As for the defects of the Company I do not wish to emphasise them unduly. They have been referred to at pages 59, 60, 61 and 62 of the report of the Tariff Board, and although the Tariff Board have in the end given the Tatas a certificate of efficiency one cannot help thinking that all has not been well with the management of the company. But I prefer to take a charitable view of the question and would not make these causes any reason for penalising the company. There is however one important thing to note in this connection, and that is the condition of labour. On this question I, along with others, have appended a separate note drawing attention to the necessity of redressing the grievances of labour but there is one point which I would like to add and that is the question of Indianisation of the higher staff. The Company it seems have proceeded much more lethargically in this matter than the Government of India and there are many offices at present occupied by Europeans or Americans which could very well have been given to Indians. But these are matters of detail.

I am not unaware of the fact that my suggestions would mutilate this Bill considerably

and may make it ineffective for the purpose which it is intended to meet. But I am very strong on one point, viz., that the interest of consumers and of the poorer section of the community must not be made a holocaust at the altar of Capital. I shall be very sorry if the Tata Iron and Steel Company go to the wall, but I do believe that the needs of the poor and the demands of the consumers generally are more important than the necessities of one corporation or company. All my proposals therefore are for the protection of consumers. As for the Tata Iron and Steel Company of Jamshedpur, I consider bounty as the proper remedy. Over and above the grant of bounty the Government of India should guarantee to the Tatas the market provided by the State, and all articles of iron and steel purchased by Government, Railways, or public bodies should be those manufactured by Indian companies, provided the prices charged not exceeding'ly high.

Protection once given tends to expand and to make itself perpetual. This is what the history of other countries teaches us. There are also other political evils which Protection brings in its train and which we would not like to see transplanted to this country.

DEVAKI PRASAD SINHA.

29th May, 1924.

The principle of protection is an outcome of nationality. It is an absolute necessity that the claims of the natives of a country must receive foremost consideration in any legislation offering protection to any industry in that country. It pains me to see that the present Bill does not safeguard the interests of Indians as against the foreign manufacturers behind the tariff wall. The Bill is one which has all the features and disadvantages of Free Trade to India and yet adds to the burden of the consumer by the import duties and bounties.

India desires protection to industries managed, and owned by natives of India. The country cannot think of the idea of a large number of purely foreign manufacturers establishing in India, to take advantage of the tariff,—the burden of the poor—and yet take away the profit of an industry depriving the country of her wealth. The present Bill does not avoid this exploitation by foreign industrialists, nor does it impose any restrictions on them. Such manufacturers, in addition to the inducements offered by the tariff, have further advantages of low income-tax here than what they have to pay in their own countries, and the benefit of cheap labour in India. They are thus to be placed in a better position in India, and the Bill therefore offers them a practical invitation to come and exploit India and be in possession of such a basic industry as steel manufacture.

The Fiscal Commission have distinctly laid down in para. 292, the conditions under which Indian tax-payers' money is to be devoted to the stimulation of an industry, and the Government of India had distinctly given an assurance during the course of a debate in the Assembly on March 1922—"a repeated assurance" in the words of the Official Mem-

ber. The Hon'ble Mr. Chatterjee "that no concession should be given to any firms in regard to industries in India, unless such firms have a rupee capital, unless such firms have a proportion at any rate, of Indian directors, and unless such firms allow facilities for Indian apprentices to be trained in their works". This assurance the Bill proposes to shelve.

In the zeal, therefore, of aiding one Indian firm, we have been overlooking the imminent and immediate chances of foreign industrialists taking the advantage of the Indian taxpayer's money without a commensurate or even a less proportionate return to the country. There are firms of foreign capital and management already in the field, with the necessary concessions of coal and iron ore fields from the Government of India. They are prepared to run in the field at a short notice. The capital of these foreign companies is more than four times that of the only native concern—the Tatas for whose present need the Bill is being pressed without any safety against immediate danger of permanent foreign exploitation in the future. The future political and economic disadvantages of the burden of such basic industry in India to be in foreign hands are far greater than the immediate gain in saving the Tata.

No future legislation can touch them or their growth, and a permanent burden is being created to-day. To allow the Bill therefore to pass without any adequate provisions for a proportion at least of native capital and management in the industry to be fostered by the taxpayer's money is to create a most disadvantageous burden to the country.

I do recognise that the Bill cannot become law unless the Government of India and the Legislature agree. The anxiety of the

Assembly to tide over the present impending catastrophe of the failure of the Indian concern—the Tatas—is the only incentive to a consent to this Bill, though the desire to have adequate safeguards against exploitation at the hands of foreign industrialists is not less keenly felt. To shelve the question in this particular Bill with a hope to remedy the evil by some future enactment is to avoid the responsibility distinctly laid down in the Fiscal Commission Report (para. 292), and take a step retrograde in the advance already made by the previous legislatures in fiscal matters. Besides, subsequent legislation will not help the case then. To add to this, that Government of India should take advantage of this necessitous position of the members in this respect—to say the least of it—clearly speaks against the professed sincerity and good intentions of the executive in India, when we consider the repeated assurances given by the Government themselves on various occasions.

I would therefore request my Honourable Friends to be prepared to suffer the immediate evil of catastrophe of the failure of an important indigenous enterprise at the hands of the Government rather than create an infinitely

greater burden on the country endangering her future political and economic existence, and pray they would not press for the Bill without adequate provisions, such as my amendment provides re the condition of rupee capital and registration of the manufacturing firm in India and the management to be half Indian.

The Fiscal Commission Report, para. 292, lays it down distinctly, but it was ruled out of order in the Select Committee, as being out of scope of the bill.

If, however, the Bill yet gets through without it I would at least request omitting rails under 30 lbs. a yard and fishplates therefrom from the tariff schedule or allowing the item a bounty as the one of heavier weight in consideration of the fact that the need of the country for subsidiary and feeder narrow gauge railways is urgent for developing the remoter districts. Without such a provision the poor agriculturists of the country will suffer both ways in getting proper price for their produce in addition to the burden of the protection.

K. G. LOHOKARE.

29th May, 1924.

The first question I have to deal with is whether a case for protection of the steel industry has been made out by the Tariff Board. It is admitted by the Board that the steel industry in India possesses advantages not enjoyed by any other country in the world. It is admitted for instance that Indian iron ore can be mined more cheaply than in any other country; that although the quality of coal used in the manufacture of steel is somewhat inferior yet its cheapness is undoubtedly; that Indian steel industry is distinctly at an advantage over other countries in the matter of transport facilities in the supply of its raw materials which are mostly to be found within a radius of fifty to a hundred miles of the works; that even in respect of the supply of fluxing materials India economically is at no disadvantage. The result of these important natural advantages is that India produces, according to the estimate of the Tariff Board, pig-iron "more cheaply than any other country in the world". Couple with this the undoubtedly fact that Labour in the steel industry is paid atrociously low wages and we have a picture of an industry which should reasonably be in a position to compete most favourably with similar industries abroad. And yet the fact remains that the Indian steel industry is unable to do so. What then are the basic reasons for this inexplicable state of affairs? The Tariff Board remarks that although the natural advantages are undoubtedly lost "owing to the higher cost of the subsequent processes". This then is the conclusion—that because of the lack of efficiency in the technical management of the higher processes the consumer and the taxpayer are called upon to pay the price of sustenance and support to the great capitalists of India.

I confess I am unable to agree either with the economics or the ethics of an argument which if admitted would heavily burden the

already poverty-stricken masses of this country whose average *per capita* income is reckoned to be no more than one anna per day, without at the same time affording some adequate compensation for the sacrifice sought to be imposed upon them.

Nevertheless even if it were granted that the steel industry which is admitted to be of primary importance for the purposes of national defence, which everyone is anxious to call a national industry and yet anxious promptly to forget that it must really be made national, would die a speedy death but for state assistance, which in this case means the imposition of an incalculably heavy burden upon the poor, the obvious plan would be to nationalise that industry in order that any countervailing advantages that may hereafter arise should be made available not for private monopolists but for the common people of India. Without this plan it would be nothing short of the economic assassination of the masses. Not to adopt this plan would be equivalent to taking up the position of the hangman who said to Don Carlos "I shall assassinate thee: but it is for thy good." In this matter I take my stand upon the terms of the Resolution which brought forth the Tariff Board inquiry. It says the principle of protection is to be applied "with due regard to the well being of the community." I fail to see how in strengthening the hands of the powerful capitalists of India, in creating a virtual monopoly for them, in handing the consumer to their monopolist mercy, in burdening every man, woman and child in India who will be affected both directly and indirectly, the supporters of the Bill in its present form are paying any regard whatsoever to the well being of the community. Already one memorandum submitted to Honourable Members states that three steel concerns, excluding Tatas, have combined to charge 25 per cent. more for their pig-iron to the Indian consumer than their export quotations. The State is making, if the Bill is passed, a

handsome present to the monopolists to the detriment of the interests of the masses unless the State in this case takes up the position of a monopolist itself. -

II. Politically the history of Protection is no doubt wrapped up with the history of the growth of a spirit of Nationalism—a fact which explains the vehement demand on the part of the middle classes and the manufacturing classes for its adoption in India. But it is equally true that the interests of the masses have been ignored in so far as they conflict with the interests of the classes. If sustenance and support are to be given to the steel industry in India let that be done for the benefit of the masses and not for the benefit of the profit-making private producer. Not Protection *sans phrase*, not subsidies and bounties without condition but nationalisation it seems to me is the only method which can secure this end. That this proposition was defeated in the Select Committee by only one vote gives hope to its supporters.

III. The question has been raised of applying Protection with discrimination, that is, only to those industries which are Indian both in capital and in management. Although no doubt the disadvantage of foreign shareholders and bondholders drawing regularly their interest and their dividends out of the country without any return is obvious, yet obvious also is the fallacy which considers that capitalists *inter se* recognise any national boundaries. We must look upon these not as national heroes but as international brigands. Even the Tata Iron and Steel Company shews a debenture list of nearly 4½ crores mostly in the hands of foreign bondholders.

IV. But the question most vital to an examination of the Bill is the question of labour. The Honourable the Commerce Member is in favour of protecting the steel owner, not so the steel worker. Whereas he would assist industry unable to stand upon its own legs, he can see no logic in assisting a Trade Union similarly placed. Whereas he is in favour of forcing an enquiry into the conditions of an industry, he can see no reason for forcing a similar enquiry into the conditions of the workers engaged in that industry. The Honourable the Commerce Member is a Protectionist qua industry and a Free Trader qua labour. We have claimed, and we are supported in this view by a majority of the members of the Select Committee, that the interests of the workers engaged in the Steel Industry should be safeguarded in this Bill. Human lives are more important than dividends, the welfare of the workers is more important

than the welfare of absentee capitalists who owe their position to the exploitation of human labour applied to land. Can there be any doubt that it is a short-sighted view which seeks to protect industry by excluding from the scope of its protection the workers who make that industry possible? It is a common cliché that the welfare of the workers is wrapped up in the welfare of the industry although the reverse of this statement is almost generally lost sight of. Even the Tariff Board report the losses suffered by the Tata Iron and Steel Co. as a result of the discontent prevailing amongst the workers at Jamshedpur which led them twice in recent years to resort to the weapon of a general strike. It is for these reasons that we suggested:—

- (1) the recognition of the Unions of workers engaged in the steel industry,
- (2) the appointment of Conciliation Boards for the settlement of industrial disputes arising in the industry,
- (3) an economic enquiry into the conditions of wage-earners engaged in the Steel industry with a view to the amelioration of such conditions.

My conclusions therefore are:—

- (1) that the Tariff Board have made out no case for Protection but merely a case "for the higher cost of subsequent processes" in the manufacture of steel although even here the Board have failed to draw the inevitable conclusion. And I make a present of this statement to those who talk glibly of the "inefficiency" of Indian Labour as compared with the efficiency of "imported labour" engaged in the "subsequent processes" ;
- (2) that I am unable to support the Bill without the safeguards of nationalisation taking as I do my stand upon the interests of the tax-payer and the consumer who are being delivered into the hands of monopolists whose concern is not the well-being of the community but the security of their profits ;
- (3) finally that the present Bill defeats its own purpose since it seeks to protect industry without at the same time seeking to protect the interests, rights and liberties of hundreds of thousands of workers engaged in the production of steel and the raw materials necessary for its manufacture.

(Sd.) D. CHAMAN LAL.

I regret that the Select Committee have not agreed to an amendment proposed by me, in which I sought to exclude galvanised sheets below $\frac{1}{4}$ (one-forty second) inch in thickness from the scope of the enhanced import duties. This would leave galvanised sheets of the corrugated variety of less than 23 standard gauge—which are in very general use for building purposes even among the poorest classes—subject to the existing import duties. Our annual requirement in galvanised sheets is estimated at 150

thousand tons, of which not a single sheet has so far been manufactured in India. It is expected, however, that the Tatas will be able to turn out a total of 18 thousand tons at the end of the third year of protection, and at least 13½ thousand tons would still have to be imported. On the principles laid down by the Tariff Board, this item appears to me to be a fit subject for bounties, and not protective import duties. It may be pointed out that in recommending an increase of duty on this item, the Board had

admittedly no reliable data as to the likely cost of manufacture. The Tatas estimated their works cost at Rs. 194 per ton, exclusive of overhead charges and profits. And the import price, as given in the tariff valuation, varies between Rs. 390 and Rs. 425 per ton. The average difference between the works costs and the tariff valuation would be over Rs. 100 per ton. It should, in this connexion, be remembered that galvanised sheets come very largely from Great Britain, and the danger of price-cutting in this case is much less than in the case of continental competition. We are not assured that this difference is not enough to protect this product against British competition. It is, therefore, difficult for one to agree to the proposed enhancement on duty on gauges more than 23. I am, however, alive to the fact that the items that I want to leave out, constitute the bulk of the import

of galvanised sheets. And the financial result of my amendment would be to reduce the estimated increase of customs revenue by over ten lakhs. In so far as it proposed to find the money necessary for giving bounties under clauses 3 and 4 of the Bill, out of this estimated increase of customs revenue, this reduction in receipts will place Government in a difficult position. If this item of increased duty is justified on this ground, it is a case of ordinary enhancement of taxation for putting Government in funds and cannot be justified as a measure of protection.

I may add that the thicker variety of galvanised sheets would, under my amendment, remain subject to the proposed enhancement of duty.

K. C. NEOGY.

May 29th, 1924.

The Bill and the proceedings in the Assembly and the Select Committee thereon ought to convince those who were jubilant over the recommendations of the Joint Committee of both Houses of Parliament in regard to fiscal autonomy that fiscal freedom without political freedom has no meaning. Any proposal for the protection of any industry emanating from the Government of India puts the Assembly in the horns of a dilemma. The Assembly must either accept the Bill as it stands or reject it altogether. No modification for the purpose of making the proposed protection real and effective can be made unless the Government choose to agree. Under the Government of India Act and the rules made thereunder, the President claims the right to rule out any amendment suggesting increased duty or which in his opinion goes outside the scope of the Bill. But, even if the President were to allow such amendments on a more liberal interpretation of the Act and the Rules and the Assembly passes the Bill in the amended form, the Government would render the Act so passed nugatory unless they themselves are in agreement with the proposals. It goes without saying that the Government of India are not at all likely to agree with the Assembly in any proposal regarding tariff which does not find favour with the British Government to whom they are responsible. If the Government of India were responsible to the people of India, they could disagree with the Assembly only at the risk of dismissal from office. Unless, therefore, the Government of India are made responsible to the people of India, it is unnatural to expect them to agree with the Assembly in any proposal which goes against the interests of the Britishers however beneficial such a proposal may be to the people of India. I quote below the text of the recommendations of the Joint Committee on the subject of fiscal autonomy for a fuller understanding of what I say in this note :

"In the opinion of the Committee, therefore, the Secretary of State should, as far as possible, avoid interference on this subject when the Government of India and its Legislature are in agreement and they think that his intervention when it does take place, should be limited to safeguarding the international obligations of the Empire or any fiscal arrangements within the Empire to which His Majesty's Government is a party."

The Government of India have refused to accept any suggestion for the improvement of this Bill as will be seen from what follows.

(1) The steel industry is a national industry and is of special military value being essential for national defence. Some of us thought that the industry should therefore be nationalised. In my opinion this was the most opportune occasion for any Government that cares for the welfare of the people to take over the concern and run it on behalf of the State after putting high tariffs against import. The question was discussed in the Select Committee and several members favoured the idea. The Government, however, refused to accept the proposal.

(2) Another important proposal was that a clause should be inserted in the Bill that the State should take over the profits of the concern in excess of a certain fixed percentage on the capital and also for a share in the management. This proposal was lost by the vote of the Chairman of the Committee. But, as I have already pointed out, the carrying of these proposals either in the Select Committee or in the Assembly would not take us any further so long as the Government of India do not accept them.

(3) Then, again, some of us put forward and carried by 11 votes against 4 in the Select Committee certain proposals for the improvement of the condition of the labour engaged in the steel industry. These proposals have been detailed in the Minute of Mr. Joshi, Diwan Chaman Lal and others. I have put my signatures on that Minute and therefore I need not add any comment on this subject here except saying that the Government of India have refused to accept this proposal also.

(4) It was also proposed in the Select Committee that a clause should be inserted in the Bill providing that the Government should have the option of acquiring the concern at Jamshedpur at a certain price at the end of a certain period after the passing of the Act. This proposal was also not acceptable to Government.

(5) Pundit Madan Mohan Malaviya in his speech on the Bill in the Assembly stated that

the Bill was a standing invitation to foreign capitalists to start similar concerns and, unless proper safeguards are provided in the Bill against such an inroad, the purpose of encouraging Indian industry will be frustrated. In fact, he had expressed his suspicion that several such foreign concerns are about to be started in anticipation of this Bill being passed into law. In the Select Committee I proposed that it should be provided in the Bill that no company, firm or other person engaged in the business of manufacturing steel shall be entitled to any bounty unless Government are satisfied that three-fourths of the capital invested in the concern is Indian. This proposal was also opposed by the Honourable Sir Charles Innes on behalf of Government.

(6) Apart from the question of nationalisation or profitsharing or protection of labour, I am convinced that the protection proposed to be given is hopelessly inadequate. I will cite only two instances in support of this view.

(a) *Structural shapes.*—The Tariff Board in paragraph 110 state that they propose a duty of Rs. 30 a ton and remark that a somewhat higher duty would be required to raise the selling price to Rs. 180. The reason why they have preferred in this case to take this lower figure is that their proposals about rails in paragraph 116 will, at any rate in the first year, give the manufacturers rather more than Rs. 180 a ton. It seems that the Tariff Board have thought that Rs. 187, that is Rs. 7 above the average that this Company would be getting for rails, would compensate it for the Rs. 5 under the average that their proposals would give for structural shapes. The Government have accepted this recommendation and proposed a duty of Rs. 30 a ton on structural shapes. The company, as I will show in the next paragraph, is not likely to realise anything like Rs. 180 per ton on rails this year and if that be so the duty on structural shapes should have been put higher than Rs. 30.

(b) *Rails.*—The total estimated output of rails of this company for the current year is 83,000 tons. The total quantity which the company is bound to deliver during the current year in pursuance of contracts is over 94,000

tons. The average rate at which that quantity will have to be delivered will be only Rs. 122. Therefore, even with the bounty of Rs. 32 that the Bill proposes to give, the total price that the company will receive for its rails will be Rs. 134 as against Rs. 187 that the Tariff Board thought the company ought to receive. I therefore maintain that bounty on rails for the current year should be raised to such a figure as will give this company an effective rate of Rs. 180 per ton if the proposed protection is to be of any use.

I have thus shown that both in respect of structural shapes as well as rails the Bill fails to make adequate provision. It is also not recognised that the company will have to suffer most severely from accumulation of stocks already imported at present import prices and the prevailing rates of duty which together make the value of such stocks far lower than the average fixed by the Tariff Board. It is also to be noted that until these accumulation are worked off the company has very little prospects of realising Rs. 180 average for its own products. It is also not realised that the need of the company will be the greatest in the first year because it will take time before it brings its full plant into operation and thereby reduce costs. I do not understand why no increased duty is proposed on rails. By the time the full plant comes into operation huge quantities of rails might be dumped into this country and it will be difficult for the company to compete. It is well known that about 100,000 tons of rails are imported from Britain. In fact, the bulk of the requirements of this country in respect of rails is met by British import and it is significant that the Bill omits to propose any increased duty on such import.

For these and other reasons I am convinced that the protection proposed in the Bill is inadequate; but, as I have already pointed out so long as the Government of India are not responsible to the people of this country, the Assembly will have to deal with such half-hearted, halting proposals which will lead us nowhere in the direction of effective protection of Indian industries. The only remedy therefore is responsible Government.

V. J. PATEL.

I am opposed to any protective tariff. If protection cannot be given by bounties, in the present stage of development I do not think that protection should be given by a high tariff. This leads me to suggest that the Bill, as amended by the Select Committee, should be circulated to all Local Governments and might be the basis of discussions in the Provincial Legislatures, municipalities and district boards, as well as public bodies of all kinds, not merely those concerned with industrial or commercial interests. It is the consumer whom

we desire to protect. In the words of the resolution passed by the Assembly on the 16th February 1923. "the principle of protection" it said, "should be applied with discrimination with due regard to the well-being of the community." I fear that the interests of the consumer have not been taken into account. He has not even had a full opportunity to make his wishes and desires known, and without this information, to my mind it is disastrous to proceed further with the Bill.

S. K. DATTA.

(AS AMENDED BY THE SELECT COMMITTEE.)

(Words printed in italics indicate the amendments suggested by the Committee.)

BILL

to

Provide for the fostering and development of the steel industry in British India.

WHEREAS it is expedient, in pursuance of the policy of discriminating protection of industries in British India *with due regard to the well-being of the community*, to provide for the fostering and development of the steel industry by increasing the import duties leviable on certain iron and steel articles and by enabling bounties to be granted to manufacturers in British India of certain such articles, *and to determine the duties and bounties which shall be payable in respect of such articles during the first three years of the application of that policy to the said industry*; It is hereby enacted as follows:—

1. This Act may be called the Steel Industry (Protection) Act, 1924.
Short title.
2. (1) To section 3 of the Indian Tariff Act, VIII of 1894, the following sub-section shall be added, namely:—
Amendment of Act VIII of 1894

"(1) If the Governor General in Council is satisfied, after such inquiry as he thinks necessary, that articles of any class chargeable with duty under Part VII of the Second Schedule are being imported into British India from any place outside India at such a price as is likely to render ineffective the protection intended to be afforded by such duty to similar articles manufactured in India, he may, by notification in the Gazette of India, increase such duty to such extent as he thinks necessary either generally or in respect of such articles when imported from or manufactured in any country or countries specified in the notification."

(2) In the Second Schedule to the same Act there shall be made the amendments specified in the Schedule to this Act.

(3) *The amendments made by sub-section (2) shall have effect up to the 31st day of March, 1927.*

3. On the production by any company, firm or other person engaged in the business of manufacturing steel of a certificate granted by an officer authorised by the Governor General in Council by order in writing in this behalf that such company, firm or other person has on a specified date, not earlier than the 1st day of April, 1924, completed the manufacture of any steel rails of a weight per yard of not less than 30 pounds avoirdupois or of any fish-plates suitable for use with such rails, and that the rails or fish-plates have been wholly manufactured in British India from material wholly or mainly produced

from Indian iron ore and comply with *any* specification for the time being prescribed or approved by the Railway Board for steel rails or fish-plates, as the case may be, the Governor General in Council shall cause to be paid to such company, firm or other person a bounty in respect of such rails or fish-plates at the following rate, namely :—

- (a) Rs. 32 per ton of rails or fish-plates the manufacture of which has been completed before the 1st day of April, 1925;
- (b) Rs. 26 per ton of rails or fish-plates the manufacture of which has been completed on or after the 1st day of April, 1925, and before the 1st day of April, 1926;
- (c) Rs. 20 per ton of rails or fish-plates the manufacture of which has been completed on or after the 1st day of April, 1926, and before the 1st day of April, 1927.

4. (1) The Governor General in Council may, in each of the financial years commencing on the 1st day of April, 1924, 1925 and 1926, pay such sum, not exceeding seven lakhs of rupees in any one financial year, as he thinks fit by way of bounties upon iron or steel wagons in respect of each of which he is satisfied—

- (a) that it is suitable for the public carriage of animals or goods on a railway in India; and
- (b) that a substantial portion of the component parts thereof has been manufactured in British India.

(2) The Governor General in Council may, by notification in the Gazette of India, prescribe the conditions subject to which and the manner in which such bounties may be paid.

5. The Governor General in Council shall, before the 31st day of March, 1927, cause to be made by such persons as he may appoint in this behalf an inquiry as to the extent, if any, to which it is necessary to continue the protection of the steel industry and as to the duties and bounties which are necessary for the purpose of conferring such protection.

TIME SCHEDULE.

ADDITIONS TO BE MADE IN SCHEDULE II TO THE
INDIAN TRADE ACT, 1861.

(See section 2.)

1. In the heading to Part II, after the words "Table to" the word "non-protective" shall be inserted.

2. For item No. 60 the following shall be substituted, namely:—

"IRON ALLOYS.

„ angle, channel and tee not otherwise specified (see No. 144).

„ bar and rod not otherwise specified (see No. 145).

„ pig.

„ rice bowls."

3. In Item No. 61—

(a) the second paragraph beginning with the signs and words " „ „ beams, joists, pillars, girders and other structural shapes" and ending with the words "door and window fittings and the like; (see No. 96)" shall be omitted;

(b) after the words "nails, rivets and washers all sorts" the words "not otherwise specified (see No. 146)" shall be inserted;

(c) after the words "plugs, valves, cocks and the like" the words "excluding pipes, tubes and fittings therefor otherwise specified (see No. 147)" shall be inserted;

(d) for the words "IRON OR STEEL, rails, chairs, sleepers, bearing and fish-plates, spikes (commonly known as dog-spikes), switches and crossings, other than those described in No. 63, also lever boxes, clips and tie-bars" the following shall be substituted, namely:—

"IRON OR STEEL, railway track material not otherwise specified (see Nos. 63 and 153) including bearing plates, sleepers and fastenings therefor, and lever boxes.

„ „ tramway track material, including rails, fish-plates, tie-bars, switches, crossings and the like materials of shapes and sizes specially adapted for tramway trucks";

(e) after the words "sheets and plates, all sorts" the words "not otherwise specified (see Nos. 147, 148, 149 and 154)" shall be inserted;

(f) for the words "wire, including fencing-wire, piano-wire and wire-rope, but excluding wire-netting (see No. 97);" the words "barbed and stranded bearing-wire and wire-rope" shall be substituted.

4. For Item No. 62, the following shall be substituted, namely:—

- “ 62. STEEL, angle and tee not otherwise specified (see No. 151).
- “ bar and rod not otherwise specified (see Nos. 152 and 154).
- “ alloy, crucible, shear, blister and tub, all kinds, and steel for springs and cutting tools made by any process.
- “ ingots, blooms and billets, and slabs of a thickness of 1½ inches or more.
- “ expanded metal.”

5. In Item No. 63, for all the words beginning with the words “ cylinders, girders and other material ” and ending with the words “ other materials for fencing ” the following shall be substituted, namely:—

“ sleepers and fastenings therefor; bearing plates, fish bolts and nuts, chairs, interlocking apparatus, brake-gear, couplings and springs, signals, turn tables, weighbridges, carriages, wagons, traversers, trolleys, trucks, and component parts thereof; switchers, crossings and the like material made of alloy steel; also cranes and water-tanks when imported by or under the orders of a railway company ”.

6. In Item No. 87, for the words “ CONVEYANCES, including ” the words “ CONVEYANCES not specified in No. 142, namely,” shall be substituted.

7. After Part VI the following Part shall be added, namely:—

“ PART VII. ”

Articles which are liable to protective duty at special rates.

No.	Name of Article.	Unit or method of assessment.	Rate of duty.
Articles wholly or mainly manufactured.			
CONVEYANCES.			
142	COAL TUMS, tipping wagons and the like conveyances designed for use on light rail track, if adapted to be worked by manual or animal labour and if made mainly of iron or steel; and component parts thereof made of iron or steel.	Ad valorem	25 per cent.
CUTLERY, HARDWARE, IMPLEMENTS AND INSTRUMENTS.			
143	Picks, kodalies, powrahs, mamooties and hoes.	Ad valorem	25 per cent.
METALS—IRON AND STEEL.			
144	Iron, angle, channel and tee— (a) not fabricated, kinds other than galvanized, tinned or lead coated or Crown or superior qualities; (b) fabricated, all qualities ..	Ton	Rs. 20.
		Ad valorem	15 per cent.

GOVERNMENT OF INDIA.
LEGISLATIVE DEPARTMENT.

Report of the Select Committee on the
Bill to provide for the fostering and
development of the steel industry in
British India.

(Bill as amended.)