

Thursday, 11th September, 1924

THE  
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**FOURTH SESSION**  
OF THE  
**COUNCIL OF STATE, 1924.**



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## COUNCIL OF STATE.

*Thursday, 11th September, 1924.*

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

**ABSENCE OF MEMBERS FROM COUNCIL ON DAYS WHEN QUESTIONS OR RESOLUTIONS, OF WHICH THEY HAVE GIVEN NOTICE, APPEAR ON THE AGENDA.**

The Honourable the President called out the name of the Honourable Khan Bahadur Ebrahim Haroon Jaffer, but the Honourable Member was absent.

**THE HONOURABLE DR. MIAN SIR MUHAMMAD SHAFI (Law Member)\*.** Sir, with your permission, I should like to invite your attention to the fact that some Honourable Members of Council who have given notice of questions, and also Resolutions sometimes, stay away from the Council, no doubt for unavoidable reasons, on the days when their questions and notices are set down on the agenda paper. I think, if I may venture to say so, courtesy to the Council, as well as to the officers of Government who have to reply to those questions and meet those Resolutions, requires that in case Honourable Members are unable to attend the Council, they should give due notice of the fact to the Secretary or to yourself, Sir, and also to the officer in charge who has to reply. It has been a painful necessity for me as the Leader of the House to invite your attention to this fact, and I do hope that in future Honourable Members will be careful in this respect.

**THE HONOURABLE THE PRESIDENT:** I think the Council will agree with me that the remarks which fell from the Honourable the Leader of the House are in every way justified. It savours of discourtesy, not only to the Government Members concerned, but to the Council as a whole, for Members to have business put down on the agenda and then not to be present, whether it is to move a motion or to ask a question. I realise that what I say does not apply to Honourable Members who are now present, and that it is not for the Chair to give them a lecture on the subject. By their presence they show that they realise what is due to the Council. But I shall make it my business to draw the attention of the Honourable Member, in whose name the unput questions stand to-day, that he appears to have offended against the traditions of the Council.

### **\*QUESTIONS AND ANSWERS.**

**PUBLICATION OF AN INCORRECT AND UNAUTHORISED LIST OF INDIAN CANDIDATES SUCCESSFUL IN THE ADMISSION EXAMINATION INTO THE MILITARY COLLEGE AT SANDHURST.**

**377. THE HONOURABLE KHAN BAHADUR EBRAHIM HAROON JAFFER :**  
**(a) Was an incorrect and unauthorised list of Indian candidates successful**

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*\* The member in whose name these questions appear was not present.*

in the admission examination into the Military College at Sandhurst published in June last ?

(b) If so, how did it come to be published ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: (a) Yes.

(b) The information was given to the Press under a misapprehension.

#### PREVALENCE OF ANTHRAX AMONG INDIAN WORKERS.

378. THE HONOURABLE KHAN BAHADUR EBRAHIM HAROON JAFFER:

(i) Has the attention of Government been drawn to the attitude taken by Sir Louis Kershaw with reference to the question of anthrax at the International Labour Conference at Geneva in June last ?

(ii) What is the policy of Government regarding the study of the question of anthrax and its effect on Indian labour ?

(iii) Is there any material to show the extent of the damage done to the people of India by anthrax ?

THE HONOURABLE MR. A. H. LEY: (i) Yes. Sir Louis Kershaw acted throughout in accordance with instructions from the Government of India.

(ii) The question of the effect of anthrax on Indian labour is not directly connected with the proposals so far considered at International Labour Conferences, and I am glad of this opportunity of explaining the position. Anthrax, as an industrial disease, can be contracted from the handling of wool, hair, hides and skins, horns, hoofs and bones. The proposals considered at International Labour Conferences have related principally to wool and long hair. So far as these substances are concerned, the proposals were mainly designed to protect workers in wool-importing countries, and particularly in Great Britain, from anthrax contracted from wool exported from the exporting countries, and more especially India. The proposals involved the setting up of stations to disinfect wool before use. The effect of this in India would have been two-fold. First, we should probably have been compelled to set up stations to disinfect the wool used in India, although there is every reason to believe that anthrax is almost unknown among industrial workers in this country. Secondly, as it was clear that the majority of importing countries were unwilling to set up stations, we should have been virtually compelled to undertake disinfection at the ports as a condition of export. Apart from the fact that the people of India would have gained no appreciable benefit from the disinfection of wool, there are grave difficulties, administrative, technical and financial, in the way of disinfecting wool before export from Indian ports. The Government of India accordingly opposed the proposals for an International Convention and, thanks largely to the efforts of Sir Louis Kershaw, they have been successful in securing the recognition of their point of view by the International Labour Conference. The Conference also recommended the consideration at a future Conference of possible agreements relating to the measures to be adopted to prevent anthrax arising from horse-hair, horns and hoofs and bones. To this proposal the Government of India's representatives offered no opposition.

(iii) Yes : special inquiries made by the Public Health Commissioner between 1919 and 1921 led to the conclusion that anthrax is a rare disease among Indian workers.

SUPPLY TO INDIA OF NEW FORMIDABLE ARMOURED CARS.

379. THE HONOURABLE KHAN BAHADUR EBRAHIM HAROON JAFFER :  
(a) Was a new formidable armoured car inspected in London last May by the India Office officials, and have any such cars yet reached India ?

(b) If so, how many such cars are in India at the present time ?

(c) If none have arrived yet, when are they to be expected ?

(d) What part of India are they to be used in ?

(e) How many are being constructed for India ?

(f) Who is going to pay for them ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : (a) The answer to both parts of the question is in the affirmative. I would, however, explain that the armoured car in question is no more formidable than those that have been in India for some years.

(b) 44.

(c) Does not arise.

(d) Bareilly, Delhi, Kirkee, Quetta and Secunderabad.

(e) 80.

(f) The Government of India.

ARCHEOLOGICAL EXCAVATIONS BY AMERICANS IN INDIA.

380. THE HONOURABLE KHAN BAHADUR EBRAHIM HAROON JAFFER :  
(a) Will Government be pleased to state whether any inquiries have been received from scientific institutions or individuals in America requesting permission to undertake archæological excavations or investigations in India ?

(1) If so, what are the names of such people or institutions ?

(c) What reply was given by Government ?

(d) What conditions, if any, were laid down ?

THE HONOURABLE SIR NARASIMHA SARMA : (a) No such inquiries have been made in recent years.

(b), (c) and (d). Do not arise.

COST OF NEW AERODROME AT ALLAHABAD.

381. THE HONOURABLE KHAN BAHADUR EBRAHIM HAROON JAFFER :  
Will Government be pleased to state the cost of the new aerodrome at Allahabad ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : There is no aerodrome in Allahabad. Presumably the Honourable Member is referring to the Brigade Parade ground which has recently been prepared as a temporary landing ground at a cost of Rs. 202.

**COST OF FLIGHTS ACROSS INDIA BY THE BRITISH AND AMERICAN ROUND-THE-WORLD AVIATORS.**

**382. THE HONOURABLE KHAN BAHADUR EBRAHIM HAROON JAFFER :** Will Government state the actual cost to India—

- (a) of the flight across India by the British round-the-world aviator ; and
- (b) of the flight across India by the American round-the-world aviators ?

**THE HONOURABLE MR. A. H. LEY :** (a) and (b). Figures for the actual cost are not yet available ; they will be supplied to the Honourable Member when received.

**EXPENDITURE ON THE INDIAN DELEGATION TO THE LABOUR CONFERENCE AT GENEVA.**

• **383. THE HONOURABLE KHAN BAHADUR EBRAHIM HAROON JAFFER :** Will Government be pleased to state the total expenditure incurred on account of the Indian delegation to the Labour Conference at Geneva in June last ?

**THE HONOURABLE MR. A. H. LEY :** As the accounts have not yet been received no exact figures can be given. The total expenditure is probably about Rs. 20,000.

**COURSES OF STUDY FOR ARMY OFFICERS IN JAPANESE, TURKISH, ARABIC AND RUSSIAN.**

**384. THE HONOURABLE KHAN BAHADUR EBRAHIM HAROON JAFFER :** (a) Will Government be pleased to state whether the Army Order recently issued in London intimating that 40 vacancies have been allotted for courses of study for Army officers in Japanese, Turkish, Arabic and Russian applies to the Indian Army or those officers in India ?

(b) If so, how many such vacancies are being offered in India ?

(c) Are Indian officers eligible for these courses ?

**HIS EXCELLENCY THE COMMANDER-IN-CHIEF :** (a) The Army Order referred to by the Honourable Member applies only to officers of the British Army.

(b) The Government of India have no information on the subject. British officers of the Indian Army, while on leave in the United Kingdom, may apply for permission to attend a course of study in the languages in question. The Secretary of State for India arranges for the number of vacancies required for officers of the Indian Army.

(c) Indian officers holding King's Commissions are eligible to attend these courses.

**FREE SUPPLY OF GOVERNMENT PUBLICATIONS BY THE DIRECTOR OF PUBLIC INFORMATION.**

**385. THE HONOURABLE KHAN BAHADUR EBRAHIM HAROON JAFFER :** (a) Will Government be pleased to state which newspapers in the country are supplied free with all Government publications by the Director of Public Information ?

(b) What is the general policy of this department regarding free distribution of material in India ?

(c) What is the policy regarding supply of material to foreign countries ?

**THE HONOURABLE MR. J. CRERAR :** (a) A list of Indian newspapers, to which free copies of the publications issued by the Director of Public Information are supplied, has been placed in the Members' Library.

(b) The general policy of the Director of Public Information in the matter of the free supply of Government publications is to restrict such supply to newspapers and public institutions of importance. As regards information not contained in Government publications, the Director of Public Information meets requests for such information, free of charge, to the extent to which the information is available and can, in the public interest, be supplied.

(c) Publications issued by the Director of Public Information are supplied in exchange to the Governments of the Dominions and are sent free to certain publicity organisations, public libraries and institutes in Europe and America which have specially asked for them. Requests for information received from foreign countries are dealt with by the Director of Public Information in the same manner as those received from persons in India.

**PAYMENT OF COMPENSATION TO THE DEPENDANTS OF THE VILLAGER SHOT AT LOHOGAON BY PRIVATE C. J. WALKER OF THE KING'S SHROPSHIRE LIGHT INFANTRY.**

**386. THE HONOURABLE KHAN BAHADUR EBRAHIM HAROON JAFFER:**

(a) Will Government be pleased to state whether any compensation has been paid to the dependants of the villager, who was shot at Lohogaon in the Bombay Presidency by Private C. J. Walker of the King's Shropshire Light Infantry who was out on a shooting party ?

(b) If so, by whom ?

(c) If so, how much ?

(d) If not, is there any intention to pay compensation ?

(e) If not, why not ?

**HIS EXCELLENCY THE COMMANDER-IN-CHIEF :** (a) No.

(b) and (c). Do not arise.

(d) and (e). I propose to consider myself whether some compassionate grant should not be made.

**MANAGEMENT OF THE DELHI-UMBALA-KALKA RAILWAY BY THE STATE.**

**387. THE HONOURABLE KHAN BAHADUR EBRAHIM HAROON JAFFER :**

(a) Will Government be pleased to state its reasons for taking over and working the Delhi-Umballa-Kalka Railway on the termination of the present contract with the East Indian Railway Company at the end of the year ?

(b) Do Government expect to make any profit out of this concern ?

(c) What are the reasons for terminating the present contract with the East Indian Railway Company ?

**THE HONOURABLE MR. G. L. CORBETT :** (a) Under the terms of the contracts between the Secretary of State and the Delhi-Umballa-Kalka Railway Company, the Secretary of State is required to work the Delhi-Umballa-Kalka Railway either through the agency of some Railway company or through State agency. The Delhi-Umballa-Kalka Railway is now being worked by the East Indian Railway Company, but on the termination of the contracts with the Company on the 31st December 1924 and the subsequent management of the East Indian Railway by State agency, the Delhi-Umballa-Kalka Railway has necessarily to be taken over for working through State agency unless a separate company is formed to work it.

(b) The relations between the Secretary of State and the Delhi-Umballa-Kalka Railway Company as defined in the contracts with the Company will remain unaffected by the change in the agency for working the railway.

(c) The termination of the contract with the East Indian Railway Company is in accordance with the announcement made by the Honourable Sir Charles Innes in the Legislative Assembly on 27th February 1923, and I would invite the Honourable Member's attention to the published report of the debate on that date.

#### DOMINION SCIENCE SCHOLARSHIPS.

**388. THE HONOURABLE KHAN BAHADUR EBRAHIM HAROON JAFFER :** (a) Will Government be pleased to state how many nominations were received from the various Universities and other bodies for the two Dominion science scholarships granted this year ?

(b) From what Universities have previous winners of these scholarships been nominated ?

**THE HONOURABLE SIR NARASIMHA SARMA :** (a) Twelve.

(b) No such scholarships have been awarded in the past.

#### SUPPLY TO THE COUNCIL LIBRARY OF COPIES OF THE JAMESON CODE AND AITCHISON CODE.

**389. THE HONOURABLE KHAN BAHADUR EBRAHIM HAROON JAFFER :** Will Government be pleased to place a copy of the Jameson Code and Aitchison Code mentioned in the Cantonment Manual, Appendix 19, printed at the Government Monotype Press, 1920, in the Library of the Council Chamber ?

**HIS EXCELLENCY THE COMMANDER-IN-CHIEF :** If it is found that copies of these old publications can be spared, I will comply with the Honourable Member's request. I am having inquiries made on the point and will let the Honourable Member know the result.

#### LEASE ENTERED INTO WITH THE MUHAMMADANS OF THE POONA CANTONMENT FOR THEIR IDGAH.

**390. THE HONOURABLE KHAN BAHADUR EBRAHIM HAROON JAFFER :** (a) Will Government be pleased to place on the Council table a copy of the lease entered into with the Muhammadans of the Poona Cantonment, when the land was given for the use of " Idgah " in the Poona Cantonment near the Cantonment Hospital ?

(b) Who is the present occupant ?

(c) Whether the dimensions of the land are still the same or curtailed ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : The local military officers have been addressed on the subject, and a reply will be sent to the Honourable Member as soon as possible.

THE CIVIL HOSPITAL AT DELHI.

391. THE HONOURABLE KHAN BAHADUR EBRAHIM HAROON JAFFER : (a) Will Government be pleased to place on the Council table a copy of the report of the Civil Hospital of Delhi for the last year ?

(b) What is the amount of the usual Government grant given to this hospital ?

(c) Was any reduction made recently and, if so, for what reasons ?

(d) Do Government intend to increase the grant ?

(e) Is there any plan of the new out-patient department under preparation ?

(f) If so, do Government intend to help this new department ?

THE HONOURABLE SIR NARASIMHA SARMA : (a) Government receive no report on the Civil Hospital, Delhi.

(b) A grant of Rs. 5,000 is made for the Eye Department of the Hospital.

(c) Before April 1921 grants larger than Rs. 5,000 were given in order to build and equip the Eye Department. Since April 1921 the grant has been reduced to Rs. 5,000 per annum since the maintenance of this department of the hospital is primarily the duty of the Municipality and the amount now given is adequate recognition of the service rendered by the Eye ward to Government servants.

(d) No.

(e) No.

(f) This does not arise.

EXEMPTION FROM TAXES OF SHOPS ATTACHED TO THE MOSQUE IN ALLAHABAD CANTONMENT.

392. THE HONOURABLE KHAN BAHADUR EBRAHIM HAROON JAFFER : (a) Is it a fact that certain shops are attached to the mosque in Allahabad Cantonment ?

(b) Is it a fact that the Cantonment authority there has imposed cantonment taxes on these shops like other house property ?

(c) Is it a fact that the shops are intended for the maintenance of the mosque and as such constitute a part and parcel of that religious building ?

(d) Do the Government propose to direct the cantonment authority to exempt the shops from taxes and to issue general instructions that the house and landed property endowed for the maintenance of a religious building are a part of that building and are to be treated as such ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : (a) and (b). Yes.

(c) The answer to the first part of the question is in the affirmative. As regards the second part, this appears to be a matter of opinion.

(d) No, one reason being that Government are informed that the practice of the Allahabad Municipality in this respect is similar to that followed in the cantonment.

REGULATIONS RELATING TO HOUSE PROPERTY IN CANTONMENTS.

393. THE HONOURABLE KHAN BAHADUR EBRAHIM HAROON JAFFER : (a) Is it a fact that effect has not been given to the assurance by Government to which reference is made in the report of the Joint Select Committee on clause 4 of the Bill, which became the Cantonments (House-Accommodation) Act, 1923, and that house-owners in cantonments are being put to great trouble and loss by their house property being dealt with under the old undefined regulations ?

• (b) Have the old Army Regulations and executive orders not consistent with the Act been repealed ? If not, why not ?

(c) Will the Government be pleased to lay on the table :

(i) the regulations they propose to cancel under the above assurance ;  
and

(ii) the regulations which they wish to retain in the form of rules under the Act ?

(d) Are the Government aware that in some Cantonments, owners of houses are not allowed to reside therein ? If so, what are the reasons for this prohibition ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : (a) and (b). The regulations to which the Honourable Member is presumed to refer fall under two main heads :

(i) Rules governing sites which were granted prior to the introduction of the Cantonment Code, 1899, and

(ii) Executive orders regarding the occupation of houses.

The rules referred to at (i) are not inconsistent with the Cantonments (House-Accommodation) Act, 1923, since they refer only to houses which are expressly excluded from the operation of the Act under section 4 thereof. As regards the executive orders referred to at (ii), instructions have been issued to military and cantonment authorities, which have the effect of repealing such executive orders as are inconsistent with the Cantonments (House-Accommodation) Act, 1923, and the rules made thereunder. Copies of these instructions have been sent to the All-India Cantonments Association, of which it is believed the Honourable Member is a member. In view of the very great amount of work that the reorganisation of Cantonment administration has involved, it has not yet been found possible to revise the volumes which contain the old orders, but the work will be put in hand in the near future.

The Government of India are not aware that the old rules are being used to the detriment of house-owners.

(c) Rules under the Cantonments (House-Accommodation) Act, 1923, have been framed and published : and, in the circumstances stated in the reply

to parts (a) and (b) of the question, it is impracticable to lay on the table a statement distinguishing between the executive orders which are to be cancelled and those which are to be retained.

(d) The only instance known to Government is that of the Honourable Member's own house. This house has continued in the occupation of a military officer while negotiations have been proceeding between Government and the Honourable Member for a solution of certain difficulties on lines satisfactory to both parties.

CONSTRUCTION OF QUARTERS FOR MILITARY OFFICERS IN CANTONMENTS.

394. THE HONOURABLE KHAN BAHADUR EBRAHIM HAROON JAFFER :  
(a) Is it a fact that the Government have constructed or intend to construct Government quarters for military officers in some Cantonments ?

(b) Will the Government be pleased to state in which cantonments such quarters have been constructed and in which the proposal of the construction of such houses is under consideration ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : (a) Yes. Government have constructed quarters for military officers in places in which either there is a shortage of accommodation or the rents charged by private house-owners are exorbitant. This policy will be continued as funds permit.

(b) I lay a statement on the table.

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Government quarters for military officers have been constructed, so far as information is readily available, at the following Cantonments :

Peshawar.	Kalabagh.
Kohat.	Bara Gali.
Lahore.	Risalpur.
Upper Topa.	Meerut.
Lower Topa.	Lucknow.
Upper Barian.	Barrackpore.
Lower Barian.	Poona.
Ghariai.	Jubbulpore.
Khyra Gali.	Quetta.
Ghora Dhaka.	Maymyo.
Khanspur.	Mandalay.
Changli Gali.	Rangoon.

Proposals are under consideration for the provision of Government quarters for military officers at the following Cantonments :

Bannu.	Kamptee.
Cawnpore.	Nasirabad.
Kirkee.	

APPOINTMENT OF INDIANS AS EXECUTIVE OFFICERS IN CANTONMENTS.

395. THE HONOURABLE KHAN BAHADUR EBRAHIM HAROON JAFFER :  
(a) Is it a fact that so far only four posts of Executive Officers in Cantonments have been offered to Indians ?

(b) Is it a fact that the emoluments of the Indian Executive Officers are much less than those of their European colleagues ?

(c) If so, will the Government state the reasons for this difference of pay ?

(d) Why has Khan Bahadur Sardar Khan, some time an Assistant Cantonment Magistrate, not been appointed an Executive Officer ?

(e) Do the Government propose to consider the desirability of appointing more Indian Executive Officers as vacancies occur ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : (a) Yes.

(b) and (c). The rate of pay, which is lower than that drawn by British officers of the Department, was fixed partly with reference to the pay which these officers would have received as combatant officers and partly with reference to the pay which Extra Assistant Cantonment Magistrates received in the old Cantonment Magistrates' Department. It was considered in all the circumstances of the case to be an adequate rate of pay.

(d) The officer in question did not possess the necessary qualifications.

(e) It is the intention of Government to appoint more Indians to the Department as vacancies occur.

ELECTION OF A MEMBER TO REPRESENT CANTONMENTS IN THE LEGISLATIVE ASSEMBLY.

396. THE HONOURABLE KHAN BAHADUR EBRAHIM HAROON JAFFER :  
(a) Is it a fact that the All-India Cantonments Association urged the Government in 1923 to form the Cantonments into a separate constituency for returning a Member to the Legislative Assembly ?

(b) Is it a fact that the Government expressed their inability to do so, on account of the undesirability of disturbing the electorate at that advanced stage of elections, but agreed to consider the reservation of a nominated seat for a representative of the Cantonments ?

(c) Is it a fact that the Association was informed several times that the question was under the consideration of the Government, but the Government ultimately refused to give a nominated seat to the Cantonments, *vide* Government of India, Legislative Department, letter No. 270-A.C., dated the 24th March 1924 ?

(d) Is it a fact that this decision of the Government has caused great resentment among the people of the Cantonments and that the All-India Cantonments Conference, held recently at Lucknow, passed a strong resolution protesting against this treatment by the Government ?

(e) Do the Government propose to take steps to assign an elected seat to the Cantonments at the next elections to the Legislative Assembly ?

THE HONOURABLE DR. MIAN SIR MUHAMMAD SHAFI : (a) Yes.

(b) As regards the first part of the question, Government expressed their inability to accede to the request, but did not base their decision on the advanced stage of the election.

The answer to the second part is in the negative. Government never undertook to consider the reservation of a nominated seat for a representative of Cantonments. What they did undertake was that, in the event of no person

having a special knowledge of cantonment conditions being returned at the late general election to the Assembly, they would consider whether it would be possible to nominate such a person.

(c) In the letter referred to by the Honourable Member the Association was informed that, in the opinion of Government, the requisite referred to in the answer to (b) had been sufficiently met by the result of the elections.

(d) Government are not prepared to accept the Honourable Member's estimate of the extent of the resentment caused by their decision. They have seen the resolution to which the Honourable Member refers.

(e) Government are unable to give any such undertaking at present.

ELECTIONS TO CANTONMENT BOARDS IN PESHAWAR AND NOWSHERA.

397. THE HONOURABLE KHAN BAHADUR EBRAHIM HAROON JAFFER :

(a) Is it a fact that the decision of Government not to allow election in the constitution of Cantonment Boards in Peshawar, Nowshera and other Cantonments in the North-West Frontier Province has caused considerable agitation ?

(b) Do the Government propose to reconsider the matter and to concede the elective principle at least to the Cantonments of Peshawar and Nowshera ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : (a) Government are not aware of any such agitation.

(b) Not at present.

INTERFERENCE BY MILITARY OFFICERS WITH THE TRANSFER OF HOUSE PROPERTY IN CANTONMENTS.

398. THE HONOURABLE KHAN BAHADUR EBRAHIM HAROON JAFFER :

(a) Has the attention of the Government been drawn to Resolution No. 15 of the All-India Cantonments Conference held recently at Lucknow ?

(b) Is it a fact that in several cantonments, local military officers interfere with the transfer of house property from one house-owner to another by making demands for leases, etc. ?

(c) Are the Government aware that the interference has taken an acute shape in the Cantonment of Jhansi ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : (a) Government have seen a copy of the resolution referred to by the Honourable Member.

(b) and (c). I regret that I do not clearly understand the Honourable Member's question, but if he will let me have any actual examples of the class of cases which he has in mind, I will have the matter investigated.

PAY OF CIVILIAN HOSPITAL WRITERS AND STOREKEEPERS, ETC.

399. THE HONOURABLE KHAN BAHADUR EBRAHIM HAROON JAFFER :

(a) Will the Government be pleased to lay on the table a statement showing the number and average rate of pay of permanent civilian hospital writers and storekeepers and of clerks and storekeepers in military offices, respectively, from 1895 to 1924, year by year, and to state whether any steps have

been taken to place them on an equal footing, especially in the matter of bonus, special promotions and rewards during the Great War ?

(b) Is it a fact that several civilian Writers and Storekeepers have been entertained temporarily on higher rates of pay than the permanent staff since the beginning of war ?

(c) Is the temporary staff still in service ?

(d) What is the excess expenditure incurred ?

(e) What are the present rates of pay ?

(f) What extra allowance has been granted to permanent incumbents ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: (a) I am afraid that it is quite impracticable to furnish the information desired by the Honourable Member.

(b) The answer is in the affirmative.

(c) Yes, in order to meet temporary requirements in field units employed on the Frontier.

(d) I presume the Honourable Member wishes to know the extra expenditure incurred as a result of employing those temporary hospital writers and storekeepers. If so, the answer is that no separate record of this expenditure is maintained.

(e) The temporary staff are entertained on local market rates of pay.

(f) The extra allowances granted to members of the permanent staff are the local allowances admissible for serving at Aden, in Burma and in Baluchistan.

#### TRANSFER OF CIVILIAN HOSPITAL WRITERS AND STOREKEEPERS TO MILITARY OFFICES, ETC.

400. THE HONOURABLE KHAN BAHADUR EBRAHIM HAROON JAFFER :

(a) Is it a fact that several civilian Hospital Writers and Storekeepers have been transferred to military offices ? If so, will Government state their number and their present rates of pay ; and whether these transfers have been made with due regard to the seniority and services and other qualifications ?

(b) Is it a fact that several clerks have been entertained in military offices on high rates of pay during the Great War and have since been made permanent on the very rates of pay in preference to those who are senior to them and are still in receipt of lesser rates of pay ?

(c) Is it a fact that a time scale of pay has been granted to permanent hospital writers and Storekeepers ? If the answer is in the affirmative, under what terms and conditions ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: (a) and (b). Unless the Honourable Member can specify the " military offices " which he has in mind, and give me fuller particulars in other respects also, I regret I am unable to answer these questions. So far as I am aware, there has been no regular practice such as he appears to describe.

(c) Yes, a time scale of pay has recently been sanctioned for permanent civilian hospital writers and storekeepers. I will furnish the Honourable

Member separately with a copy of the Army Instruction (India) giving the terms and conditions, etc.

ALLOWANCES OF CLERKS IN MILITARY OFFICES AND OF CIVILIAN HOSPITAL WRITERS AND STOREKEEPERS.

401. THE HONOURABLE KHAN BAHADUR EBRAHIM HAROON JAFFER :  
(a) Will Government be pleased to state whether there are any clerks in military offices who receive compassionate or special allowance owing to inadequacy of their salaries? Are similar allowances being granted to civilian Hospital writers and storekeepers? If not, why not?

(b) Is it a fact that civilian hospital writers have been entertained for station duties, and that they are not liable to be transferred from one station to another? If the answer is in the affirmative, have any of them been transferred? If so, why?

(c) Are any facilities being granted to civilian hospital writers and storekeepers for the education of their children? If not, are any steps being taken to grant them this concession?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: (a) So far as Government are aware, the answer to the first part of this question is in the negative. The remaining parts of the question, therefore, do not arise.

(b) The answer to the first part of this question is also in the negative. The remaining parts do not, therefore, arise.

(c) The answer to both parts of this question is in the negative.

PREVENTION OF THE HOOKWORM DISEASE IN INDIA.

402. THE HONOURABLE KHAN BAHADUR EBRAHIM HAROON JAFFER:  
Will Government be pleased to state—

(a) the extent of the Hookworm disease in India;

(b) what measures are being taken to cure it; and

(c) what measures are being taken to prevent its spread?

THE HONOURABLE SIR NARASIMHA SARMA: (a) I would refer the Honourable Member to the Report on the Distribution and Control of Hookworm in India by the International Health Board, Rockefeller Foundation, published in Vol. X, October 1922, of the Indian Journal of Medical Research, a copy of which is available in the Secretariat Library.

(b) and (c). The results of investigations into the life history of the worm by workers in India and America have been placed at the disposal of Provincial Governments who are giving effect to the measures necessary for its cure and prevention to the extent that their financial resources permit. The problem of elimination and prevention is one of enormous magnitude so far as certain areas in India, such as Madras, are concerned; but commercial concerns (e.g., tea gardens, mines, works) and institutions (e.g., jails, schools, asylums) are being systematically freed from infection on the approved lines and once Provincial Governments are willing to accept the principle of eradication and control, financial considerations alone are likely to limit the general application of these measures.

“ *Bona fide* VALUE ” OF HOUSE PROPERTY IN CANTONMENTS.

403. THE HONOURABLE KHAN BAHADUR EBRAHIM HAROON JAFFER: (a) Will Government be pleased to state what is meant by the “ *bona fide* value,” mentioned in the Government General Order No. 569, dated 8th November 1849, published in the Cantonment Manual, Appendix 19, on page 60, which is a reprint from Part V, Government of India Gazette, 1898 ?

(b) Does it mean the present market value of the building or the value when the house was built 75 years ago ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: (a) and (b). The manner in which it was intended that *bona fide* value should be calculated is stated on the same page of the Cantonment Manual as that to which the Honourable Member has referred me. Government have no other information as to what those who used the term ‘ *bona fide* value ’ intended it to mean.

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STRANDED MADRAS COOLIES IN ASSAM.

THE HONOURABLE MR. G. A. NATESAN: Has the attention of the Government been drawn to the fact that a number of Madras coolies were induced to go to Assam on false pretences and are now stranded there ?

THE HONOURABLE MR. A. H. LEY: Government have seen reports in the press. They have called for a report on the matter from the Government of Assam ; and, pending receipt of the Local Government’s reply, I regret I can give no further information.

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RESULT OF ELECTION OF MEMBERS TO SERVE ON THE EXTERNAL CAPITAL COMMITTEE.

THE HONOURABLE THE PRESIDENT: I have to announce to the Council the result of the election held the other day of Members to serve on the External Capital Committee. The following Members have been elected :

The Honourable Mr. J. W. A. Bell,  
the Honourable Mr. G. A. Natesan, and  
the Honourable Dr. Dwarkanath Mitter.

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RESOLUTION *RE* ANNUAL PROVISION FOR THE REDUCTION OR AVOIDANCE OF PUBLIC DEBT (CONTD.).

THE HONOURABLE THE PRESIDENT: The Council will now proceed with the adjourned debate on the Resolution moved by the Honourable Sir Maneckji Dadabhoy, namely :—

“ This Council recommends to the Governor General in Council that the Government be pleased to take steps to introduce suitable legislation at an early date to provide for an annual provision for the reduction or avoidance of public debt.”

THE HONOURABLE MR. J. W. A. BELL: (Bengal Chamber of Commerce) : Sir, I listened on Monday with great pleasure and interest to the speech by my Honourable friend Sir Maneckji Dadabhoy in which he moved the Resolution now before the House. I think that this Council is to be congratulated on

having as one of its Members one who has such an intimate knowledge of the financial history of India and one who is always so willing to place his expert knowledge of finance and wide experience at the disposal of the Government and the country. I desire to support very strongly the Resolution moved by my Honourable friend.

The subject of finance is to most people a very dull and uninteresting one, and I do not propose to weary Honourable Members by traversing again the ground covered by my Honourable friend in his speech on Monday, or by more or less repeating arguments which he put forward with a great clearness and great force.

The financial side of Government is, although on a much larger scale, very much like the financial side of an ordinary business and the provisions, which my Honourable friend in his Resolution has asked Government to make in the conduct of the affairs of the country, are very similar to the provisions, which a prudent businessman makes for payment of his liabilities in the ordinary conduct of his affairs.

Hitherto, or until very recently in connection with recent loans, no systematic provision has been made for sinking funds for the reduction of debt. Any provision that has been made, whether it has been large or small, has been of a more or less haphazard character. No definite system has been followed, because there has been no definite system to follow. Had provisions been made years ago, on the lines now recommended by my Honourable friend, I think it possible that the credit of this country might have stood higher in 1916 and 1917, and it might not have been necessary, then and later, for Government to pay such a high rate of interest for their loans, with such disastrous results to those who had invested in earlier loans, such as, Government 3½ per cent. paper, which, as Honourable Members will remember, fell in a very short period from 96 to something like 52.

There is nothing unusual in the course which my Honourable friend has asked Government to follow. He has merely requested that a methodical provision be made year by year for the reduction of the public debt. His Resolution means that and nothing more. The course which he recommends is one which is followed by every country which occupies a high position in the world of finance.

His Resolution is one which I think will commend itself to the present Finance Department of the Government of India, because they themselves have in recent times followed a more enlightened policy, and have made provision for sinking funds in connection with recent loans.

For the reasons I have given, I strongly support the Resolution which has been moved by my Honourable friend.

**THE HONOURABLE DR. DWARKANATH MITTER** (West Bengal: Non-Muhammadan): Sir, I feel considerable difficulty in supporting the Resolution moved by my Honourable friend Sir Maneckji Dadabhoy. While I recognise the principle of the general position that the redemption of public debt is desirable, I think that the time is not opportune for the introduction of legislation of the kind which my Honourable friend suggests in the Resolution. For, in my humble judgment, it is hard to think of legislation to

[Dr. Dwarkanath Mitter.]

provide for a fund in the nature of a sinking fund while we are confronted year after year with deficit budgets. For it is a general axiom of political economy, which has been recognised by great political economists, that you can think of a sinking fund while there is an actual surplus, in other words, while the receipts are in excess of the expenditure. Both with regard to public and private credit, it is indisputably true that repayment can be made in no way except by excess of the receipts. So far back as 1813 in the last century the distinguished financier, Robert Hamilton, said :—

“ The excess of revenue over expenditure is the only real sinking fund by which public debts can be discharged.”

And recent political economists, one of whom I may name here the distinguished professor of Political Economy in the University of Dublin, Dr. Bastable, affirms in the year 1917 that the dictum which was enunciated in this respect by Hamilton in 1813 stands true even at the present day. In his book on public finance he says :—

“ That in Hamilton's words — the excess of revenue over expenditure is the only real sinking fund by which public debts can be discharged—is a position too evident to require formal vindication ”.

Now, Honourable Members will remember that for the last four years before the last Budget was presented, we have been confronted with deficits. Last year—I mean in the last Delhi Session—the Budget was balanced by the imposition of a tax on salt. In these circumstances, I do not think that this is precisely the moment when the Government should be asked to legislate for the purpose of starting a sinking fund so that a particular part of the revenue may be earmarked or marked off for the purpose of sinking the national debt. Gentlemen, there is a further consideration even assuming that we are so lucky as to get in the years to come a surplus. Having regard to the present economic condition of the world after the war, when the economic condition of the world including India has not reached a stable equilibrium, even if we have a surplus, demands will be made by the people for utilising the surplus towards improving the betterment of the economic condition. That is another reason which makes me think that we should not ask the Government to introduce legislation for the purpose of earmarking a particular portion of the revenue for sinking the national debt.

Of course it does not prevent the Government, in a fortunate year, when they find either by reason of a windfall or any other cause that there is an actual surplus, from devoting that surplus towards wiping out the national debt. For that purpose legislation of the kind which is suggested, which will compel the Finance Member to devote a portion of the revenues towards the national debt, is undesirable. In this connection, Sir, before resuming my seat, I would say that the inefficacy of a sinking fund is illustrated by a passage which I quote from page 636 of Bastable's “ Public Finance ”, with regard to the English debt, where it is pointed out :

“ The French wars brought the English debt to its maximum point. Since that date there has been some, though insufficient, reduction of it. The whole course of treatment has tended towards the adoption of a sounder and more careful policy guided in a great

degree by the influence of theory. The criticisms of Hamilton and Ricardo exposed completely the sinking fund fallacy. As a result of careful inquiry it was settled in 1819 that a real surplus of £5,000,000 annually should be preserved; but after various difficulties and changes the sinking fund as a positive institution was abolished in 1829, whatever actual surplus existed at the end of each financial year being marked off for redemption of debt."

Without suggesting the introduction of legislation of this description, it would be better if it was recommended that the Finance Member should be in a position, in case of actual surplus, to devote a portion to the liquidation of the national debt. The Honourable Mover did not indicate how this national debt was to be reduced, whether by general contribution or addition of taxation. Of course general contribution is impossible. With regard to additional taxation my submission is that the taxable capacity of the people has reached its utmost limit, and it would not be wise to bring pressure on the present generation by the imposition of further taxation for the purpose of reducing the national debt. For these reasons, Sir, I oppose the Resolution.

THE HONOURABLE SIR ARTHUR FROOM (Bombay Chamber of Commerce): Sir, I support the Resolution of my Honourable friend, Sir Maneckji Dadabhoy, though I do not propose to go so far as to insist on legislation. I think that, if this Council had an undertaking from the Finance Department that a definite system for the redemption of the national debt should be adopted and pursued in, we should be satisfied. It is quite true that the national debt of this country after all does not assume very alarming figures. It may be taken roughly as about 800 crores, or say something like five or six hundred million pounds sterling. That a redemption system should be adopted, and rightly adopted, was clearly in the mind of the Honourable Finance Member when he made his budget speech, and I would remind Honourable Members that in that speech he proposed or hoped to make a provision over the next few years of something like 4 crores a year towards this redemption. He then went on to point out that so long as year by year this country has to borrow for productive measures, *i.e.*, to arrange for productive loans, that this redemption fund in a way would take the form of a book entry. I am sure the Financial Secretary will correct me if I am wrong in what I say. Supposing you have to go to the country for a loan of 15 crores. After having taken into consideration your requirements of 4 crores for redemption you actually borrow 11, and presuming the non-productive debt of this country stands to the productive debt in the relation of 1 to 3, having borrowed your 11 crores you take into consideration 1 crore for the reduction of the non-productive debt and 3 crores for the reduction of the productive debt. These figures, of course, will be modified slightly according to the number of years over which you propose your redemption should take effect. I think the Honourable Sir Basil Blackett suggested that 50 years might be a reasonable period for the non-productive debt, and 80 years for the productive debt. In referring to these figures what I wish to understand is that having borrowed 11 crores with your requirements of 15, and the 1 crore which I refer to is applied to the non-productive debt, the non-productive debt is actually reduced by that one crore which is added on to the productive debt. Is that the way in which Government keep their accounts? The Honourable Sir Basil Blackett mentioned that it was not possible in a budget speech to treat the whole subject exhaustively, and I think if the Finance Member or the Finance Department would prepare a brief and short statement showing the position of the two debts

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it would be very illuminating for the Members of this Council. Perhaps in the non-productive debt there are items which rightly might be transferred to the productive debt. I have an idea that in the non-productive debt we might find Government buildings and that these Government buildings bring in certain income from rent. I think such might suitably be transferred to the productive debt. Perhaps the Honourable Finance Secretary would kindly take up these points when he replies in this debate. I think it would be interesting to the Council. I repeat what I said in the beginning that I do not propose to support this amendment so far as introducing legislation. I am not satisfied that it is necessary to go so far as that, but I should like from the Finance Department an undertaking that a definite system will be adopted and pursued in.

THE HONOURABLE MR. G. A. NATESAN (Madras : Nominated Non-official) : Sir, I very much regret that I cannot vote for this Resolution. It would be a pity to introduce such legislation in the present state of the financial affairs of this country. I feel very strongly that we should not even take in hand the consideration of the suggestion made by my Honourable friend, Sir Arthur Froom, that Government should at least give an undertaking to do something in this direction. I am not a student of political economy, and I have not the extensive commercial experience of my Honourable friend, Sir Maneckji Dadabhoy or of Sir Arthur Froom, but I speak with the ordinary instinct which the prudence of a small businessman dictates to me. During the last few years it was with considerable difficulty and with a great deal of unpopularity which the Honourable Finance Member had to face that the Government of India have been able to produce a sort of budget, trying to make two ends meet and to show something like a surplus.

You must remember that the Provincial Contributions are still hanging over the heads of the various Provinces. My Province particularly suffers from a very heavy impost that Anglo-Indians, officials and non-officials have gone to the length of describing as almost iniquitous. There are also other Provinces which suffer from this impost. With some difficulty the Honourable Finance Member brought forward last year an alternative proposal to divide a crore and something more between the Provinces, so that the burden of this impost might be reduced. That proposal, for reasons which need not be gone into here, was not adopted, and the Provinces are still suffering from the burden of this contribution. It has prevented the Provinces from devoting adequate attention to education, sanitation and local self-government and prevented them from developing their agricultural and other resources. Is it just at this time that my Honourable friend Sir Maneckji Dadabhoy would venture to ask the Government of India to take steps to make provision for this redemption of public debt? What is expected by many people is that, taxation being in many cases at a high level, it should be the duty of the Finance Minister who wishes to carry the Central Legislature with him, as far as possible to find out ways and means of reducing taxation, at least in those cases where taxation is at an admittedly high level. The efforts of future Finance Ministers and the Government of India should be to reduce taxation. Is it just at this time that a proposal of this kind should be made?

More than anything else this is a proposal that ought to be considered only at a time when the Finance Minister, after enabling the Provinces to wipe off their contributions according to the terms elaborated by Lord Meston's Committee, and after trying to reduce as far as possible some of the taxes which can legitimately be reduced, is able to show a surplus; then it will be time enough to consider this proposal. I feel that at present this Council will not be justified in voting for the measure now adumbrated by Sir Maneckji Dadabhoy, and the Government of India, which have so many difficulties, ought not add to the number. I am therefore unable to support the proposal of my Honourable friend Sir Maneckji Dadabhoy.

THE HONOURABLE MR. A. C. MCWATTERS (Finance Secretary): Sir, as two dissentient voices have been raised in this debate, somewhat, I confess, to my surprise, I should like to say at the outset that the Government of India are in entire agreement with what they take to be the main principle of this Resolution, namely, that there should be a comprehensive programme for the redemption of the public debt, taking into account Government's capital liabilities as a whole, and that this programme should be based on principle and not on chance. We have heard the views of Members of great commercial experience as the Honourable Sir Maneckji Dadabhoy, the Honourable Mr. Bell and the Honourable Sir Arthur Froom, and the House will surely attach great weight to the opinions of men of such practical knowledge of business. The Government has also got its business aspect. The Honourable Sir Maneckji Dadabhoy suggested that we ought to have a periodical review of our assets, and I agree with him. Now the principal asset of a Government is its credit, and there is no way in which the credit of Government can be maintained better than by making adequate provision for a reduction of their capital obligations to the public. It is just the same with Government's currency; they have to avoid over-issue, and they have to make adequate provision for reserves, so with the public debt. They should avoid over-borrowing for unproductive purposes and make adequate provision for redemption of that debt. Therefore, so far as the principle of this Resolution is concerned, Government are in complete agreement with it. I will return later to the subsidiary, though important point as to whether the programme should be embodied in legislation at the present moment.

The Honourable Mover of this Resolution paid a graceful tribute to the Honourable the Finance Member in acknowledging his indebtedness to him for having attracted general attention to this subject in his budget speech. In that speech the Honourable Finance Member gave a full account of the position of our public debt and the provisions which existed for redeeming it, and the Honourable Sir Maneckji Dadabhoy has also given the House a very full historical account of our debt, so that it will not be necessary for me to go into any detail in this matter. There is general agreement on one point that no systematic provision has hitherto been made for the redemption of the public debt. It has been largely a matter of chance. I can in half a dozen sentences sketch the position to the House. So far as India is concerned, there is no depreciation fund or sinking fund for any of the earlier loans. For the long term 5 per cent. loans raised during the war a depreciation fund of 1½% of the face value of the loans was introduced, in order to guarantee to

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subscribers that the capital value of their subscriptions would not be impaired. In England the circumstances have been different; the greater part of the provision for reduction of debt is due to the various methods by which large railway properties were taken over by the State many years ago. They were taken over in two ways, a certain portion by issue of 3 and  $3\frac{1}{2}$ % Government of India stock in purchase of annuities and debenture stock of certain railways. In these cases statutory sinking funds are attached by Acts of Parliament. The other method was by annuity payments over a long period of years, which include both capital and interest, and this is an important point, because as these payments continue until they are extinguished about 1946-47, the capital portion is an increasing amount and the interest portion a diminishing amount each year. The same applies to the provision made for redeeming our obligations in respect of the £100 millions British war loan taken over during the war. The greater part of this was met from the proceeds of the War loans issued in India, but a portion remained which is now approximately 19½ millions. This is also being extinguished by equated annual payments, and of these equated annual payments an increasing amount each year represents capital and a decreasing amount represents interest, until our obligation is extinguished, also in 1947. In addition to these provisions, there are in England a number of discount sinking funds, which were introduced when loans were issued below par, and these are an annual charge against revenue, spread over a number of years. In India, on the other hand, on the few occasions when we have issued loans below par, the discount has been written off against the revenue of the year concerned, with the sole exception of last year, when a similar discount sinking fund was introduced for the loans which were then floated. That is the present position, and nobody will maintain, I think, that it is in any way a scientific one; it is due purely to chance.

When the Honourable Finance Member rather more than a year ago took up this question in a scientific way, he found, I will not say to his surprise, because he has never expressed surprise to me about it, but he found that the actual contractual and obligatory payments which we were making towards the redemption of debt were approximately equivalent to the figure arrived at on a scientific examination as an adequate provision from revenue for this purpose. This, I think, is important; and the conclusion I draw from it is that if we are putting our house on a securer foundation and introducing a more scientific system, we do not thereby imply any reflection on our predecessors.

Indeed, those who, like myself and most members of this House, have had personal acquaintance with such Finance Ministers as the late Sir William Meyer and his predecessors will, I think, acknowledge that they managed the finances of the Government of India in both a skilful and cautious manner, the result of which was that when the war broke out, the Government of India's unproductive debt had been practically extinguished and the credit of India at the beginning of the war stood high and enabled this country to meet better than most countries the cataclysm which overcame the whole world. Therefore, although we propose to treat the matter now in a different fashion, it is without any reflection on our predecessors, to whom we owe a debt of gratitude.

Now, some time before notice was given of this Resolution, the Government of India had already been in communication with the Secretary of State on this question, and I am able to inform the House that complete agreement has been reached. Some minor details are still unsettled; but a Government Resolution will be issued shortly in which a definite scheme of debt redemption to cover the next five years will be laid down. The basis of this scheme is the existing amount of our total capital obligations on 31st March 1923, for which we have audited figures. We have examined the whole question again very carefully and are satisfied that, for the redemption of the debt at that period, a provision of 4 crores from revenue is sufficient. That is the basis of the scheme. To that amount will be added each year in respect of any new capital borrowings one-eightieth of any new sums borrowed. The amount so arrived at will be applied to the avoidance of debt or the reduction of such debt as the Governor General in Council will determine. Our Statutory and contractual obligations will of course remain, but the amount charged against revenue in any year will be determined on the basis above described. It will be a definite figure based on the total amount of debt as certified by the Auditor General at the end of each year taking into account any fresh borrowings since March 1923. In addition we propose that any actually accrued surpluses shall be applied automatically to the reduction of debt.

In reply to the objections which have been raised by the Honourable Dr. Dwarkanath Mitter that a scheme for reduction of public debt may involve the country in new taxation, I would like to say that this is an entire illusion. The fact that we are making a definite and more scientific provision for the reduction of public debt does not necessarily mean that that amount will be in excess of the amount which is set aside from revenue now. In fact, as I have pointed out in connection with the terminable Railway annuities and the annual payments in connection with the British War Loan, the capital amount in each case is an increasing figure, which in the case of the Railway annuities would amount in 1946 to £2½ millions; so that the present unscientific system might well be far more burdensome than a scientific one. Incidentally, we should not overlook the fact that by making a proper provision for reduction of debt we improve our credit and may hope to reduce our borrowing rates and interest charges to the benefit of the tax-payer. With regard to the statement of Dr. Mitter that no reduction of debt is of any use unless there are real surpluses, I am in general agreement with him, but I hope that we have passed the period of deficits. When I was speaking last March in this Council in connection with the Budget, I said that we anticipated at that time on our revised estimates a probable deficit of 38 lakhs irrespective of the windfall in connection with enemy ships. I am glad to be able to tell the House that so far from there being a deficit last year we expect quite a comfortable surplus. As for the prospects of the present year, I can of course make no prophecies, but must leave it to the House to judge whether they are favourable or not. This, then, Sir, is the scheme which Government put forward, and I hope the House will agree that if that scheme is introduced and persisted in, as the Honourable Sir Arthur Froom said, it will be to the great advantage of India's credit both at Home and abroad. With regard to the particular questions which the Honourable Sir Arthur Froom addressed to me, I think the real answer to one of the questions is, that any provision for the reduction of

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debt, while we still have unproductive debt outstanding, is really a reduction not of our total debt but of the unproductive debt.

It is in fact a contribution from revenue towards productive capital expenditure. I shall specially note the point he made that the public would like to have definite figures of our productive and unproductive debt put before them in a clear way.

I now turn to the subsidiary point as to whether it is desirable that this programme should be embodied in legislation. This involves a somewhat difficult constitutional point, which, I am glad to see, nobody in the House has raised. I prefer to discuss it as a practical question. The arguments for including a provision of this kind in legislation are usually based on what is done in other countries, particularly in England. The English system is an interesting one, with a history which I should like to mention briefly. It begins in the year 1786, when the British Parliament practically first took serious control of public expenditure, and what is known as the consolidated fund was introduced. Against that fund are charged two separate classes of expenditure. The first is expenditure which is laid down definitely by Parliamentary Statute, either permanently or for a long period, as a first charge against the consolidated fund. The second class of expenditure is expenditure which has to be brought before the House of Commons for its cognisance and scrutiny each year. Now, with regard to the first class of expenditure of a more or less permanent character, this of course includes the interest charges of the public debt. To these have been added also from time to time other items, such as the civil list, payments for His Majesty's Judges, annuities and pensions and various other items, which for obvious reasons it has been considered desirable to reserve from the annual vote. So far as sinking funds for the public debt are concerned, these fall as a first charge against the consolidated fund if there is a statutory enactment to that effect, otherwise they would come as an annual vote before Parliament. So in England there has been a gradual growth, developing a system less rigid than our system of voted and non-voted heads of expenditure, although there are also certain items removed from the annual vote of the Legislature. I do not wish to pursue the matter further, but simply to point out that the development in England has been gradual and the fixation of a Statutory Sinking Fund would not naturally apply to a case where we are only laying down a programme for a limited period of five years. If we were in a position to say now that we could introduce a programme which would hold good for 50 years or for ever, I think there would be a strong case for embodying it in legislation. But we are feeling our way in this country, and have not got much experience yet. An important further point is that we shall, as I said, have set aside actually accrued surpluses for the reduction of debt. At the end of five years when we know what those surpluses are, we shall be able again to review the position and decide what is a reasonable charge against revenue for a further period. The only argument which has been adduced for making this provision statutory, so far as I have heard, was that of the Honourable Mover who distrusted future Finance Members.

THE HONOURABLE SIR MANECKJI DADAEHOY : I did not say that I distrusted the future Finance Member, but I said that the whole policy, the

provision for redemption, will depend on the caprices and whims of the future Finance Member. It is quite a different thing to "distrust"; he may honestly take a different view of the general policy from that of his predecessor, Sir Basil Blackett. Another Finance Minister may honestly take another view of debt redemption. There may be honest differences of opinion. I therefore want statutory provision.

THE HONOURABLE MR. A. C. MCWATTERS: I accept the correction. But, Sir, I do not think any Finance Member who is worth his salt would depart materially from a considered scheme which was working well. The position then is that Government are in entire agreement with the main object of this Resolution, but they cannot accept it as it stands. With your permission, Sir, I should like to move an amendment, of which I have given private notice to the Honourable Mover.

The amendment is :

"That for the words 'suitable legislation' be substituted '*a considered programme*.'" I trust that the Honourable Mover will see his way to accept this amendment, which I think gives him all that he really wants. If he does accept this amendment, Government will be pleased to give him their most hearty support.

THE HONOURABLE SIR DINSHAW WACHA (Bombay: Nominated Non-Official): Sir, I am sure that everyone in this House as well as outside it will be quite gratified to hear.....

THE HONOURABLE THE PRESIDENT: I am afraid I must interrupt the Honourable Member so as to put the amendment formally to the Council.

The original Resolution is:—

"This Council recommends to the Governor General in Council that the Government be pleased to take steps to introduce suitable legislation at an early date to provide for an annual provision for the reduction or avoidance of public debt."

To this an amendment has been moved :

"That in place of the words 'suitable legislation' the words '*a considered programme*' be substituted."

That amendment is now before the House. Does the Honourable Sir Dinshaw Wacha wish to speak on that amendment or on the main Resolution ?

THE HONOURABLE SIR DINSHAW WACHA: Sir, I shall speak on the amendment. I am sorry, Sir, that I had to leave early on Monday last and therefore had not the pleasure of hearing the excellent speech of Sir Maneckji Dadabhoy. But I entirely agree with what has fallen from my Honourable friends, Mr. Bell and Sir Arthur Froom. I am getting a little deaf nowadays owing to my advancing age, but, so far as I have heard the Honourable Mr. McWatters, I can say that not only the Honourable Members here but the public outside will be quite gratified to hear the very lucid statement that he has made and the intention of the Government in regard to the reduction of debt in the future. Of course, it must be understood that I am entirely for the amendment which my Honourable friend Mr. McWatters has now proposed. What has happened, however, is this: for years past everybody has been demanding that there should be some sort of a permanent provision for the reduction of debt. But the position, ever since the time

[Sir Dinshaw Wacha.]

that the transfer of India came to the Crown from the East India Company, has been that the Government have never been able to boast of what we may call stable and elastic finances, much less prosperous finances. For the last so many years the Government have practically lived from hand to mouth. Sometimes there have been surpluses. But if you look at the Budgets of the last 64 years, say from 1860, you will find that there have been more years of deficits than of surpluses. When Government had had more or less annual deficits to meet, which are, of course, met by taxation, it was not possible that they could be in a position to start a statutory provision for the reduction of debt. Everybody, of course, will agree that there can be nothing more desirable and expedient than a scheme for the reduction of debt in every civilized country. I would like to take the Honourable Members, so far as India is concerned, to the year 1882 when Sir Evelyn Baring (afterwards Earl Cromer) was the Finance Minister. While remitting considerable taxation, which practically made India a Free Trade Country, he observed that India had "no true surplus" to speak of. He was quite right in making that pertinent remark. Whatever the surplus whenever obtained, it was simply a modest excess of receipts over expenditure. What Sir Evelyn Baring meant by "true surplus" was this. That India had never such a substantial surplus which could warrant a certain amount of it to be set apart as a reserve fund for the reduction of debt. If there was some surplus left in a given year it was generally applied to remission of taxation. Given an adequate surplus the first duty should be to set apart a sum for the reduction of debt and thereafter to remit taxation. That is the principle which the Government of India have always borne in mind. But they have not been able up to this time to see their way how to do it, the finances being more or less far from fluid. Now, of course, times are changed. Our war debt has increased. Our productive debt has increased and also our unproductive debt. So far as the productive debt is concerned, there is nothing to apprehend, because it will in time repay itself, if a certain sum is annually set apart from railway gain for depreciation. But as far as the unproductive debt is concerned, it is time that we did deliberately take some steps, and I can only say that it was wise that the Honourable Sir Maneckji Dadabhoy had brought before the House his proposition in order that the Government may now seriously make a beginning. That beginning should, in my opinion, be in the direction of the amendment which the Honourable Mr. McWatters has moved. So far, I think, the House ought to be grateful not only to Sir Maneckji Dadabhoy but also to the Government, who now propose to proceed on lines which will, I hope, ease our Indian finances in the future and put them on a more stable footing than they have been during the last 64 years. We are, of course, now living in different times, which make me believe that there will be more taxation in the future than there has been in the past. The question then will arise—How are we going to avoid or reduce our debt unless we have a very big surplus? In this connection the first thing to see is, what is the present yield of your taxation? If your taxation is not sufficient to meet your demands from year to year, then, the Government will be obliged to impose heavier taxation. How is that to be done? That is a very difficult question. It is very easy to say that you must reduce your debt. But, at the same time, the Honourable the Finance Member,

who has the interests of the Indian finance at heart will have to see how it can be practically and prudently done. That will be the problem the Finance Member will have to solve. It is pretty certain that all the present taxation will be needed and it is possible more will have to be imposed. That is one of the biggest problems which occurs to my mind. I do not know whether it similarly strikes my Honourable Colleagues in this House. That is one of the problems which will have to be closely looked into when the Government come forward to propose a scheme for the reduction of debt. I think that will be the proper time to consider the different aspects of this difficult question in order to arrive at a satisfactory solution of it. In the meantime, I do repeat and say that the step that we are going to take to-day as a preliminary to a future reduction of the debt is a step in the right direction, and I congratulate both the Government (the Honourable Mr. McWatters) and the Honourable Sir Maneckji Dadabhoy for having brought the matter into the domain of sound finance.

THE HONOURABLE DR. SIR DEVA PRASAD SARVADHIKARY (West Bengal: Non-Muhammadan): Sir, the answer to the question very pertinently put by the Honourable Sir Dinshaw Wacha, who, in spite of his deafness, hears all that is worth hearing, has been furnished by the Professor from whom the Honourable Dr. Dwarkanath Mitter quoted and I wish to read just one more sentence!

“Debt reduction must also be effected by the imposition of taxation. Where inconvenient and oppressive debts are levied it may be wiser, even with a view to the ultimate repayment of loans, to relieve industry and trade from their burdens and trust to the increased productiveness of the reformed system for compensation.”

There lies the solution in a nutshell and that is a solution towards which we have been asking Government to concentrate their attention. I am glad, Sir, to know that the Honourable the Finance Secretary does not agree with the idea of legislation and I have not the least doubt that the Honourable Mover of the Resolution will accept his amendment. But, whether we pass that amendment or not, we are not doing much useful work, because the Honourable Mr. McWatters has already told us that Government have been in communication with the Secretary of State and a considered programme of the proposed solution is likely to be published soon as a Resolution experimentally spreading operations over five years or so. But what is the crucial point here also? A sum of four crores of rupees a year has to be provided. And where is that four crores of rupees likely to come from without either adding to or continuing “inconvenient and oppressive duties” such as are mentioned above, say like the enhancement of the salt duty. That is a question, Sir, to which we have been looking forward for a clear answer from the Honourable Mr. McWatters and I am afraid we have not had it. It is not enough for him to assure this House that there will be no fresh taxation. We want a guarantee for something more and that is that the present “inconvenient and oppressive taxation” shall be reduced and more money shall be found for what have been called the nation-building departments. Without complying with these requirements, I am afraid no considered scientific programme will be acceptable, let alone legislation.

**THE HONOURABLE SIR MANECKJI DADABHOY** (Central Provinces : General) : Sir, I am exceedingly grateful to this Council for favourably receiving my Resolution, and I cordially thank my Honourable Colleagues, the Honourable Mr. Bell and

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Sir Arthur Froom for the judicious support they have given to this Resolution. I am also grateful to the Honourable Mr. McWatters for the very sympathetic manner in which he has dealt with the whole question, as well as for the enormous amount of light that he has thrown on the question. Objections have been taken by my three Honourable Colleagues, Dr. Dwarkanath Mitter, Sir Deva Prasad Sarvadhikary and Mr. Natesan on the ground that any system of debt redemption would involve additional taxation, and, as Dr. Mitter put it, unless we have got an excess of revenue over expenditure there can never be a real sinking fund. This is a fallacy which needs no refutation. Theories and abstract doctrines may be very good, but they do not always serve our purpose. What we have to find out is the way in which other nations far more advanced than India have dealt with their financial responsibilities and more particularly with the national debt. My Honourable friend, Mr. McWatters has rightly said that the constitutional question was not discussed by any Honourable Member here. I intended to discuss that question in my opening speech the day I moved my Resolution, but unfortunately the time-limit prevented my doing so. The Honourable Mr. McWatters has in a way completely and ably answered my friend, Dr. Mitter and that relieves me of the onerous duty of criticising and analysing his arguments to any great extent. My Honourable friend, Mr. McWatters referred to this Act of 1786, the circumstances under which that Act came into existence in England and the provision for debt redemption that was made. That Act is known to lawyers as "Mr. Pitt's Sinking Fund", XXVI George III, c. 31, to which my Honourable friend Mr. McWatters has referred. The constitutional history in England has been slightly different from what has been stated by the Honourable Mr. McWatters. The British Parliament did not remain content with the Act of 1786, and as the crux of the problem became more and more difficult and engaged public attention in the year 1829 they passed another Act which was called the "Old Sinking Fund", which Act considerably enlarged upon the scope of the Act of 1786. That Act in its turn was further modified by the new Sinking Fund Act brought into operation by Sir Stafford Northcote which is known as 38 and 39 Vic., c. 32. The Old Sinking Fund and the New Sinking Fund are now utilised for reducing the debt. The whole thing has been systematised, and there are Commissioners appointed for the due discharge of the Debt. That system has placed the English financial position on a proper basis. Now I do not want to detain the Council with the history of other countries. I can show what France at one time did and what America is doing for the redemption of national debt, and the manner in which statutory steps were taken towards this object. There is no doubt that no amount of general or temporary arrangement can come up to any statutory organisation. In every country, in every Legislature, doctrines and ideas rapidly change; the financial problems which were looked at from one angle of view are now looked at from a different standpoint. It was therefore deemed expedient that some sort of statutory obligation consistent and compatible with general revenues and the circumstances under which loans could be repaid was proper to introduce. It is on such lines

that other countries have proceeded. I am aware of the difficulties in India. I am aware of the deficit budgets to which my learned friend Dr. Mitter has referred ; but the one panacea for deficit budgets is, as you all know, the consolidation of our finances and putting our finances on a proper and well organised basis. If once that is done the effect of that policy will influence all the departments of finance and our deficit budgets with a wise, judicious and well considered financial policy will soon become a matter of the past. A statutory programme does not necessarily imply the imposition of additional taxation. In 1921 Sir Malcolm Hailey in order to prop up the 5 per cent. and 4 per cent. securities asked the Council to vote an additional amount of 80 lakhs and he then stated that that was a meagre provision, and that he was more or less prepared to adopt the "heroic measure" of additional taxation. I myself on that occasion opposed that policy, and I said I would not be a party to the imposition of additional taxation for the purpose of redemption ; that redemption was to proceed from revenues that may be regarded as surplus. The surplus revenues would depend on the manner in which your general accounts are shaped and prepared, and this is the position. I am therefore very pleased and express my gratitude to the Government for having now awakened to the necessity of taking suitable steps for the purpose of consolidating the financial policy of Government in a matter so important as debt redemption. I realise the difficulties of imposing a statutory obligation as much as any one in this Council, and that is why I stated the other day that the matter will have to be threshed out by financial experts who may also call for the assistance of experts from Home. I therefore welcome the amendment which my Honourable friend Mr. McWatters has now suggested as a prelude and a preliminary step towards that ultimate realisation of a statutory programme. I see that Government have practically decided to go in for a definite scheme to cover the period of the next five years and to lay down principles and a policy in connection therewith. Mr. McWatters has also stated that a sum of one-eighth of the amount will be added every year. I understand that this extra addition will proceed on the principle that the loans are to be repaid as far as possible within a period of 80 years. On that basis I am quite prepared to accept the suggestion. The suggestion is a valuable one and it would prepare and educate this country, at any rate it will enable us to know in the next five years what provision we can adequately make for the redemption of our debt and what policy we should adopt hereafter. As a prelude to future action, and as an experimental scheme, I am quite prepared to accept this amendment in preference to my Resolution. I have much pleasure therefore in announcing that I am willing to accept the amendment proposed by the Honourable the Finance Secretary.

THE HONOURABLE THE PRESIDENT: The original motion is :

"That this Council recommends to the Governor General in Council that the Government be pleased to take steps to introduce suitable legislation at an early date to provide for an annual provision for the reduction or avoidance of public debt."

To this motion an amendment has been made. "That for the words 'suitable legislation,' the words '*a considered programme*' be substituted."

The question before the Council is that that amendment be made.

The motion was adopted.

THE HONOURABLE THE PRESIDENT: The motion now before the Council is :

“ That this Council recommends to the Governor General in Council that the Government be pleased to take steps to introduce a *considered programme* at an early date to provide for an annual provision for the reduction or avoidance of public debt.”

The motion was adopted.

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RESOLUTION *RE* THE PURCHASE BY A PRIVATE COMPANY OF THE EAST INDIAN RAILWAY OR THE GREAT INDIAN PENINSULA RAILWAY.

THE HONOURABLE SARDAR JOGENDRA SINGH (Punjab : Sikh) : Sir, I beg to move :

“ That this Council recommends to the Governor General in Council that he may be pleased to allow a private company to purchase the East Indian Railway or Great Indian Peninsula Railway outright.”

I may mention at the outset that I am not entering into the conflict, which has been set at rest, by the Acworth Committee, regarding State management and Company management of the railways. The recommendations of the Acworth Committee mainly concern the State-owned railways managed by companies. This is the distinction I want to draw from the very beginning. The report has clearly set forth the reasons why it is not possible to keep this system, as it lacks all the advantages of Company management and the dual control is not likely to work well in the future. I do not see any objection to a purely company-owned railway managed by a company that provides the finance for that railway. So far as I can see, Sir, in that Report no decision was arrived at regarding a purely company-owned railway. The advantage of private enterprise, and of an undertaking run by private people, need not be elaborated; there is the human element, the directorate is all the time concerned in making profits, in affording facilities to attract traffic, exploring all the possibilities of increasing earnings. I would not say that State management cannot be as efficient; it certainly can be efficient, but at the same time there is always the change in the directorate every five years. New men come in, new policies are initiated, and no permanent policy can be maintained. Then again, Sir, in India the need for encouraging private enterprise is greater to-day than it was in the past; indeed my Resolution is complementary to the Resolution which has just been moved and passed by this Council regarding the reduction of our national debt. If a private company could come forward and take over one of our railways, there can be no doubt that we could immediately proceed with a very large reduction of our debt, and at the same time ensure larger credits, which might be available, not only for pushing forward State enterprise in the matter of railways, but in other directions also. My point is, that if there is a company which can be found to take over one of our railways, it would be in the interests of the State to encourage that company to do so, so that the State may take up the building of new railways. When I am talking about this, Sir, I may also mention, that I am never afraid of capital coming out from England or from any other country. The idea of preventing the flow of capital from outside should never be entertained. For instance if I need

money and it came from Timbuctoo, I would welcome it, to extend my business; and when we are talking of England, to talk of England as a foreign country seems to me rank heresy. I will never admit that English capital is foreign capital. England is the predominant partner in this great Empire; England has done a great deal to push enterprise and business in India, and if England will give us capital, we should welcome the capital that we can utilise out here. English capital is partly our capital, and I want in this House to make it clear that we do not wish to shut out the flow of capital from England. We should do all that we can to induce capital to flow into India to help our enterprises. There can be, Sir, no greater partnership between India and England than that based on pure business relations. When both the countries are linked together and realise their economic interdependence, the partnership will become a reality, which pure politics can never make real.

The history of State management in other countries is not very encouraging so far as we can see from the Report of the Acworth Committee, and I think India may well take a lesson from what has happened in other countries, where the State has taken over the railways and tried to manage them. This is what is stated in paragraph 77 on page 268 of the Report :

"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 American railways are in such a bad way consequent on the last period of Government control, that President Harding in a recent address to Congress, after referring to the 'heedlessness of cost of Government operation,' 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."

If in democratic countries where the Governments are stabilized, where there is no transitional period to be passed through, where political influences are not likely to become strongly intrusive, it has been found that State management has not been profitable, then how can we in India expect that immediately we take over the railways, we would make them profitable?

The way to look at the Railway undertakings which is one of our biggest enterprises is not to look at it from the sentimental point of view, but purely from the business point of view, from the tax-payers' point of view. We must safeguard the interests of the tax-payer, for which most of the Honourable Members were very anxious a little while ago, by providing efficient, economic and elastic management; that private management have greater chances of proving itself efficient, profitable and enterprising no one can deny. As I am on the point, Sir, I do not mean to say that State management is inefficient. I think our officers are doing their best. But we cannot ignore the human element which comes into play when personal profits are concerned. I may also say—it may be a far-fetched view—but I think that the private

[Sardar Jogendra Singh.]

wealth which any individual may accumulate in a State ultimately belongs to the nation as a whole. Therefore, the wealth that may accumulate in the hands of a company, Indian or English or Indo-English will form part of our national wealth. You may in a bigger sense say that the railways do not cease to be national because private individuals own shares and run the railway. That is the view which we may take from the political aspect of the question. Again, Sir, I find it very difficult to understand why there should be opposition to the private owning of railways. I can quite understand the opposition to a dual system which has so far existed; I personally also am opposed to that system. But, at the same time, if it is possible to raise such a large amount of capital that we need, if it is possible to induce capitalists in England to come forward and the capitalists in India to join hands in taking up our railway enterprise, the State certainly would be well advised to decentralise by handing over the railway to one of these private companies. We have just heard the enormous debt of 800 crores which India now shoulders. The figures supplied to me by the courtesy of the Railway Department show that these two railways, the Great Indian Peninsula and the East Indian Railways, are worth at least 300 crores. It is a very large figure to think of. But if it were possible to raise this amount by the sale of these two Railways, we could immediately pay off 300 crores, save the interest on these 300 crores and be in a position to lighten taxation. From the figures available, you can easily imagine that in income-tax alone the State will get nearly Rs. 1,10,00,000 from the East Indian Railway and from the Great Indian Peninsula Railway nearly 81 lakhs income-tax alone. If you hand over these Railways to private concerns, you save interest on 300 crores, and add an income of 2 crores from the income-tax, not a bad bargain from the tax-payers point of view. Then, Sir, taking the working of the Great Indian Peninsula Railway for 20 years, it has not been giving more than about 3% as profit less than the interest which the country has been paying. On the East Indian Railway, the profits have been larger, ranging in the neighbourhood of 8 per cent., but I suppose the average will be about 6 to 7 per cent. Even then, it would be an advantage to the State to have a permanent and assessed income rather than to depend on its own enterprise and management to earn it. I do not wish to detain the House very long over the figures. My object in moving this Resolution is twofold. In the first place, I wish this House to record that it has absolutely no opposition to the flow of foreign capital into the country.

THE HONOURABLE SIR MANECKJI DADABHOY: Will it flow in the present unhappy state of the political condition of the country?

THE HONOURABLE SARDAR JOGENDRA SINGH: That is another matter.

THE HONOURABLE SIR MANECKJI DADABHOY: That is a very important matter.

THE HONOURABLE SARDAR JOGENDRA SINGH. In the second place, to show that we as a country and a nation are not opposed to private enterprise and that, if necessary, funds are forthcoming, we would welcome the idea

of handing over the railways to a company that can properly finance the enterprise. These are the two objects with which I move the Resolution. As there has been a great deal of talk in the country about the nationalisation of the railways, I want to warn the country that in these difficult days, the country would be taking upon itself a very serious undertaking, in taking up these two large railways under State management. In the report of the Acworth Committee, the results of the State-managed railways and the Company-managed railways have been very clearly set forth, and if I have read the report aright, it seems to me that the balance is still in favour of Company-managed railways. In these circumstances, Sir, I put this Resolution to you and seek your support in putting this before the country that we, the Members of this Council of State, are not opposed either to the flow of capital into India or to the Company management of railways if sufficient finances can be found.

THE HONOURABLE SIR CHARLES INNES (Commerce Member): Sir, when I received notice of the Honourable Mr. Jogendra Singh's Resolution, to use a popular expression, I wondered what he was at. I could not make out why he proposed to move this particular Resolution just at this time. He has now told the House that he had two objects in view. The first object is that he wishes this House to declare that it does not object to the flow of capital into India. Sir, I am perfectly sure that the House will entirely agree with the Honourable Member in that statement. But if the Honourable Member had wished this House to agree to that statement, I suggest that he would have been better advised if he had moved a Resolution in those exact terms instead of camouflaging that Resolution under a discussion of the relative merits of State and Company management. He also wishes this House to declare that it does not object to private enterprise. Well, Sir, I am sure that no House, no popular House, would object to private enterprises; we might as well ask them to say that they do not object to, say, economy. Sir, I propose to take the House back to the precise terms of Mr. Jogendra Singh's Resolution, and I should like to say that most of the sentiments expressed by Mr. Jogendra Singh were, in my opinion, absolutely unexceptionable. My only criticism of the Resolution is that I rather doubt whether at this particular period any useful purpose would be served by discussing in the abstract the question whether any particular railway should be transferred to Company management. Now, let me restate the position which Government have taken up in regard to this very thorny and vexed question. As the Council no doubt knows, we discussed it with the greatest care in connection with the Acworth Committee's Report. In the first place, everybody accepts the first proposition of the Acworth Committee, namely, that as the contracts of different companies fall in, the domicile should be brought to India. Everybody accepts that. We proceeded to discuss the question particularly in regard to the East Indian Railway and the Great Indian Peninsula Railway whether, when those contracts fell in, we should take the companies under State management or whether we should try to transfer them to a company.

Now, I may say at once that we in the Government of India, and I think I may say that many Members of the other House, when we discussed this question, saw all the dangers of and objections to State management. I wish to guard myself rather carefully in making that remark. As regards the State management in India at the present time, I am not prepared to admit that it

[Sir Charles Innes.]

is in any way inefficient. I am not prepared to admit that there is much difference in the matter of efficiency between our State-managed lines and our Company-managed lines. But the House has got to remember that the Railways in India are now governed by what, for the lack of a better term I may style a bureaucratic body, namely, the Railway Board. The dangers that I see in State management are the dangers that will inevitably arise as India becomes more and more democratised and as your popular Assembly exercises more and more influence and control over the management of railways. It is no use saying that in India the popular Assembly will not attempt to exercise that control. It is common experience that in all democratic countries the popular Assembly has interfered with the railway management, and it is also common experience that in all these democratic countries pure State management has been a failure. It has been the inevitable result that your railways have been a charge upon the State. In view of this experience the modern tendency in democratic countries is, as the Council no doubt saw in the telegram which appeared quite recently stating Sir William Acworth's view, to guard against those dangers by separating off the railway finance from the general finance and as far as possible getting your railways away from the interference of the popular Assembly. Now, that is the danger that we have always seen in regard to State management; and it was in view of that danger that two years ago we made strenuous efforts to try and devise a workable system by which we might get the benefits of real Company management for these two railways. We prepared, after careful thought and consideration, two alternative schemes. We circulated those schemes. One of the schemes was practically no more than the carrying on of the existing system of Company management. If there is anything that is perfectly clear from the Acworth Committee's Report it is this, Sir William Acworth was the great protagonist of Company management. He has also always condemned State management. But he came down in favour of State management in India because he did not regard the existing system of Company management as anything more than a very anaemic form of real Company management. One of our schemes was quite rightly condemned on that ground. The other scheme received an equally lukewarm reception and we had to admit that we had failed. We had to admit that we had failed to devise any scheme which would give us the benefit of real Company management in India. We had other considerations which weighed with us. In particular, the taking over under State management of these two big railways enabled us to carry out some very useful measures of grouping. We hope to be able to group the East Indian Railway and the Oudh and Rohilkhand Railway together to make them into one system in time, which will enable us not only to get a more coherent and more efficient service on these two railways but also, we hope, to reduce our overhead charges. Those are the two main reasons which influenced us in deciding last year that we should take over these two railways under State management. At the same time, in view of the dangers which I have already pointed out, I expressly stated in another place that we were anxious not to bolt the door against Company management in India. I made it clear that the kind of management that we had in view was real Company management, and I understand from my Honourable friend that he entirely

agrees in that proposition. I also said in the other place that we would explore any possibility which might present itself in that direction. I wondered, Sir, when I saw the notice of the Honourable Member's Resolution whether he was trying to find out from me what we have done in that particular matter. I am very happy to tell the Council we have done nothing at all. In the first place, we have not yet taken over these two railways. We shall not take the East Indian Railway till the 1st of January next and we shall not take over the Great Indian Peninsula Railway till the 1st July next. Therefore, we have not been able to carry out, though we are making arrangements, those measures of grouping to which I have just referred. In the second place, we have been very busy on another line of advance. We have been working very hard for more than a year in the Railway Board to try and devise a workable method by separating railway finance from general finance. If our proposals are accepted by the Legislature, then I may say quite clearly that many of the objections which I have taken hitherto to State management will be, if not removed altogether, at any rate very greatly diminished. We hope, Sir, that, if these proposals are accepted, we should be able to make our railway finance more elastic and we hope that we shall be able to get rid of many of those objections which are always taken to State management, namely, that it is too much bound down by red-tape and that it is too bureaucratic. The result is, Sir, that, as I have said, we have taken no action at all in regard to exploring the possibility of handing over either the East Indian Railway or the Great Indian Peninsula Railway to a private company. I think, Sir, that the Council on reflection will see that it will be an extremely difficult business to hand over either of these two railways to a real company in India. Just let me take the East Indian Railway. The capital of the East Indian Railway amounts approximately to a hundred crores of rupees. If we group the Oudh and Rohilkhand Railway with the East Indian Railway, then the capital of the two systems combined will amount to something between 125 and 130 crores of rupees. Sir, the East Indian Railway goes through the richest part of India and it is the most paying line of India. It has paid on an average, with the exception of the last two or three years, something like 8 per cent. If we had to capitalise that concern for the purpose of handing it over to some private undertaking, we should have to capitalise it with something like 150 crores of rupees. Sir, that is a very large sum. It is possible to say that we might be able to arrive at some arrangement by which Government would take half in the form of debentures. That would leave a share capital of something like 75 crores of rupees. Possibly Government—I am simply discussing a sort of scheme that might be put up—shares to the extent of, say, 50 crores of rupees. Even that would necessitate raising from the public 25 crores of rupees in the shape of share capital. The House will see that it will be an extremely difficult matter at the present time to raise 25 crores of rupees in share capital in India. It would also be extremely difficult to show that it would pay the country, at any rate for some time to come, to hand over those concerns to a private company. Those are the difficulties which have always faced the Government. We have not tried to deal with the matter as a purely abstract question. I do not wish to discuss *in vacuo* the relative merits of State and private management. I myself hold theoretically that there is no doubt about the question, theoretically there is no doubt that railways ought to be managed by the State, because they render such extremely

[Sir Charles Innes.]

important service to the public. In actual practice, however, State management has always been inefficient management, and no one will quarrel with the Honourable Sardar Jogendra Singh's statement that generally speaking real company management is more efficient than State management. But as I say you have to bring this question down to real practical issues. Is it practical, is it possible, that any one should float a company of that kind at the present time? Then we would have to examine other questions, as for instance whether it is going to be of actual advantage to the State that such a thing should be done. Therefore my criticism of the Honourable Sardar Jogendra Singh's Resolution is that he has not carried the matter any further than it was when I left the subject in March 1923 in the other House. It seems to me that it would be rather doubtful whether it would be useful for this Council to express an opinion upon the abstract question raised by the Honourable Sardar Jogendra Singh. If the Honourable Sardar Jogendra Singh's object is merely to ascertain what action we have taken in regard to this matter, well his object has been served, and he will no doubt consider the advisability of withdrawing his Resolution; but if he wishes to put it to this House as an abstract question, whether State or private management is better for India, the Government will be extremely interested in the decision of the House; but Government do not propose to take part in the division.

THE HONOURABLE DR. SIR DEVA PRASAD SARVADHIKARY: (West Bengal: Non-Muhammadan): Sir, Sir Charles Innes' reply has certainly been useful in clearing up matters. He has referred to what had taken place elsewhere last year and referred to two alternative schemes of private management. May I remind him that there was a third alternative, somewhat on the lines that he indicated at the close of his speech, to-day, definitely put before the Assembly, and which might have been carried if Government were of the same mind as Sir Charles Innes indicates that they are to-day. That State management in the sense that the Assembly then wanted to be taken up was not likely to be successful was clear to a very strong minority in the other place, and if there was sufficient lead from Government I make bold to say that that scheme would have been carried: and that scheme would not only have been carried in theory, but I assert from personal knowledge that there were people ready then and there who would have made themselves answerable for the 25 crores of rupees which Sir Charles Innes says would be required to start efficient private management but would now be difficult to find. If Government were the predominant shareholders in that concern, which as owners they must be, and if those shareholders were now going out, and the general public were allowed to subscribe the 25 crores of rupees that is now mentioned as the minimum requisite would have been really much less. It was an opportunity that the Government let go and that is not likely to repeat itself. What Sir Charles Innes tells us to-day, shorn of all extraneous matter, really comes to this that unless railway finance is separated from general finance and unless uninterfered bureaucracy prevails State management will be a failure. There can be no other meaning that I can put to his speech. We have seen in the press that the Committee which was considering the question of the separation of railway finance from general finance has by a majority decided that that separation should not take place. I myself have no doubt what will happen

elsewhere. What will happen here is another matter. Until that separation can be secured and unless democratic interference can be eliminated Sir Charles Innes tells us that State management of both these companies will fail. Sooner or later, even sooner perhaps than is imagined Government will have to come to the Legislature for sanctioning some scheme as the third scheme which had been put forward in the other place but which was not accepted because of lack of Government support. Those are the outstanding features of this problem that have been brought home to us to-day. I am not concerned with the Honourable Sardar Jogendra Singh's Resolution to-day because it is far too wide and has not the stamp of that businesslike consideration which the House requires to bestow on subjects like this. But the debate has brought out innate germs of failure, to which I wish to call attention prominently. Government will no doubt do their best. As has been pointed out elsewhere the Railway Board has not yet that element of popular representation which the present requirements of the country require and outside influence against which Sir Charles Innes warns has been eliminated. They have not been able to find so far, they say, an Indian of sufficient training whom they could associate with the Railway Board which will go on as it is doing. Therefore practically Company management in the innermost sense of the term will continue under the costly supervision of the bureaucratic Railway Board. This is nearly the sort of thing that is bound to go on in real company management also, because no company management is absolutely free. The Railway Board is entitled to exercise its advisory and dominating influence upon the management of these private companies, and what more will go on when the State management of the Great Indian Peninsula and E. I. Railways comes? What some of us apprehend very seriously will come about, costs will go up, losses will multiply and the public will be where they are. And ultimately want of success will make it obligatory on the Government to think anxiously, nay with alarm, of ways and means by which some businesslike machinery of the kind that was discarded will have to be brought into existence for the purpose of saving the situation.

**THE HONOURABLE SARDAR JOGENDRA SINGH:** Sir, I am deeply indebted to the Honourable Commerce Member for the statement that he has made. He has shown us the difficulties that are in the way of coming to direct grips with the problem. He has been trying to explore for the last year some way of separating railway finance from general finance. If I may say so, I am in entire sympathy with the separation of railway finance from general finance.

He has also told us that under the present conditions it is impossible to raise the required capital, and that really clinches the problem. Unless the money can be raised, it would be useless to talk of Company management at the present juncture. If I am not wrong, and reading between the lines, I can see that the Commerce Member would welcome Company management if it were possible to raise the necessary capital. But since the necessary capital is not available, we have no other alternative but to adhere to the decision that has already been arrived at. In speaking of Company management and State management, he certainly laid great emphasis on State management being as efficient as Company management. I never questioned that.

[Sardar Jogendra Singh.]

What I wish even now to go on the record is whether State management would be as efficient in profit earning and providing the same facilities for travelling which Company management provides.

Sir Deva Prasad Sarvadhikary in his remarks said that Company management will continue even under the changed conditions. This I have not been able to understand. How will Company management of a railway continue after the Government have taken it over? Then again, Sir, as the Commerce Member pointed out, it is really a question of practical politics, whether the capital can be raised, and since the capital cannot be raised, I would not like to go into the question any further. My purpose has been served in getting the statement the Commerce Member has made, in pointing out that India would welcome the free flow of capital, and if not to-day, in future, India may find that Company management is to its advantage more than State management. I will ask the permission of this Council to withdraw the Resolution.

THE HONOURABLE THE PRESIDENT: Is it your pleasure that the Resolution be withdrawn?

THE HONOURABLE MR. R. P. KARANDIKAR (Bombay : Non-Muhamadan) : Before I accord my sanction to it, I have a word to say.

THE HONOURABLE THE PRESIDENT: I am afraid the Honourable Member has missed his opportunity. The Honourable Mover has replied. The Honourable Member (Mr. Karandikar) should have got up before him.

THE HONOURABLE MR. R. P. KARANDIKAR: If it is open to me, I oppose it.

THE HONOURABLE THE PRESIDENT: Does the Honourable Member for Commerce wish to speak before I put the question?

THE HONOURABLE SIR CHARLES INNES: No, Sir.

THE HONOURABLE THE PRESIDENT: The motion before the Council is:

"That this Council recommends to the Governor General in Council that he may be pleased to allow a private company to purchase the East Indian Railway or the Great Indian Peninsula Railway outright."

The motion was negatived.

The Council then adjourned till Eleven of the Clock on Monday, the 15th September, 1924.