

1st March, 1926

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LEGISLATIVE ASSEMBLY DEBATES

(Official Report)

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(10th February to 1st March, 1926)

FOURTH SESSION

OF THE

SECOND LEGISLATIVE ASSEMBLY, 1926



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Legislative Assembly.

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THE HONOURABLE MR. V. J. PATEL.

Deputy President :

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MR. ABDUL HAYE, M.L.A.

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MR. ABDUL HAYE, M.L.A.

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LEGISLATIVE ASSEMBLY.

Monday, 1st March, 1926.

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

MEMBERS SWORN.

Mr. Andrew Gourlay Clow, M.L.A. (Industries Department: Nominated Official), and Mr. Allan Hubert Lloyd, M.L.A. (Member, Central Board of Revenue).

QUESTIONS AND ANSWERS.

JAPANESE COMPETITION WITH THE INDIAN PIECE-GOODS.

1016. ***Mr. O. S. Ranga Iyer:** (a) Are Government aware that since 1917 the market for Indian piece-goods in China is practically closed, owing to Japanese competition?

(b) Are Government aware that Japan has captured the foreign markets of India such as Egypt and South Africa also?

(c) Are Government aware that Japanese goods are being sold in the Indian markets at prices which are often less than what it costs Indian mills to manufacture identical goods?

(d) If the answer to (a), (b) and (c) is "yes", will the Government be pleased to state the reason why?

(e) Have the Government taken any remedial measures? If not, why not?

(f) Do the Government propose to take any remedial measure?

The Honourable Sir Charles Innes: I place on the table a statement showing the total exports of Indian made piece-goods in each year from 1912-13 to 1924-25 as well as exports to the countries mentioned by the Honourable Member. The outstanding feature of the statement is that the total exports in 1924-25 were more than double those of 1913-14, though the direction of the exports has changed in some respects. The Honourable Member will see from the statement that China never was an important market for Indian piece-goods as opposed to Indian yarn. Exports of Indian piece-goods to South Africa are greater than before the war. Exports to Egypt greatly increased during the war and are now back approximately to the pre-war level.

As we all know, complaints of Japanese competition in the piece-goods trade in India have been recently placed prominently in the public eye. The Indian mill industry has been helped by the removal of the cotton excise

duty. More recently it has been assisted even more by the rise in the Japanese exchange. The Bombay millowners have now intimated their desire to discuss the whole question with me and the Honourable Member may rest assured that I shall listen carefully to their representations.

Figures are in lakhs of yards.

Year.	China excluding Hongkong.	Hongkong.	Total China and Hongkong.	Egypt.	South Africa.	Total of the year's exports.
1912-13	11	1	13	18	1	8,65
1913-14	7	3	9	29	1	8,92
1914-15	7	1	1.7	12	6	6,72
1915-16	4	...	4	48	2	11,35
1916-17	24	4	3	89	12	26,38
1917-18	8	4	1.2	1,15	24	18,94
1918-19 . . . . .	...	2	2	23	57	14,91
1919-20	6	2	6.2	1,29	5	19,66
1920-21	8	6	1.4	55	32	14,64
1921-22	2	0.2	2	4	36	16,10
1922-23	4	0.4	4	12	10	15,70
1923-24	5	0.4	5	24	16	16,53
1924-25	8	0.2	8	19	12	18,15

Mr. B. Das: May I inquire if the development of the Indian Mercantile Marine will not help and facilitate Indian Trade with Japan and South Africa?

The Honourable Sir Charles Innes: I think the Honourable Member is entirely incorrect.

NATIONALITY OF BRITISH INDIANS WHOSE CERTIFICATES OF UNITED STATES CITIZENSHIP HAVE BEEN WITHDRAWN.

1017. ***Mr. B. Das:** With reference to the reply given by Sir Denys Bray on the 9th February, 1926, to my supplementary question on Sir Hari Singh Gour's starred question No. 724, will Government be pleased to state what happens to British Indians who are no more Americans? Do they remain British Indians or have they no nationality at present?

Sir Denys Bray: The question is one which can only be finally answered in a court of law. In the case of Indians however whose certificates of United States citizenship have been withdrawn on the ground of ineligibility for naturalization, His Majesty's Government propose to proceed executive-ly for purpose of eligibility for British passports and the like on the assumption that they revert to Indian British nationality.

PROVISION OF SERVANTS' COMPARTMENTS IN UPPER CLASS CARRIAGES ON THE BENGAL AND NORTH-WESTERN RAILWAY.

1018. ***Mr. Gaya Prasad Singh:** With reference to the reply of Government to starred question No. 139 of the 23rd January, 1925, that a servants' compartment has been provided in the latest design of upper class carriages and that new upper class carriages will be built to this design

in future on the Bengal and North Western Railway, will the Government kindly state how many second class carriages with servants' compartments have been put on the rails on the Bengal and North Western Railway; and since when, and on which sections?

Mr. A. M. Hayman: Inquiry has been made and the result will be communicated to the Honourable Member in due course.

CHIEF SUPERINTENDENT, INDIAN STORES DEPARTMENT.

1019. ***Mr. Ambika Prasad Sinha:** (a) Is it a fact that the Chief Superintendent, Indian Stores Department, was employed in the Office of the Deputy Accountant General, Central Revenues, as a probationary accountant, and was ordered to be reverted to the grade of a clerk on a low salary on his failing to pass the Subordinate Accounts Service Examination in the two chances that were given him?

(b) If the answer to (a) is in the affirmative, why was he taken as a Superintendent in the Indian Stores Department on Rs. 350? Was not the order of his reversion brought to the notice of the Chief Controller, Indian Stores Department, at the time of his appointment in that Department?

(c) Is it a fact that some time after he joined the Indian Stores Department, he was given Rs. 400, with effect from the date of his first appointment in the Department, and thus made senior to others, better qualified than himself?

(d) When did this supersession take place, and when was the proposal submitted, and sanction obtained, for the post of Chief Superintendent?

(e) Did the creation of the appointment of Chief Superintendent follow the supersession? Was the supersession planned to prepare for the eventual elevation?

(f) Is it a fact that the recommendation of Sir L. Smith's Committee went against such and similar appointments?

(g) Do the Government still consider that the necessity exists for such an appointment? If so, in what respects does the work actually turned out by the Chief Superintendent differ from what he was doing as Superintendent, D Branch?

The Honourable Sir Bhupendra Nath Mitra: (a) The Chief Superintendent, Indian Stores Department, was previous to his appointment to that Department employed in the office of the Deputy Accountant General, Central Revenues, but not as a probationary accountant. He held substantively the temporary appointment of Assistant Superintendent and had been officiating as a Superintendent. On the introduction of the Subordinate Accounts Service scale of pay in the establishment of the Deputy Accountant General, Central Revenues, the Government of India issued an order that Mr. Kirpa Ram should be required to pass the Subordinate Accounts Service Examination, failing which he should be reverted to the clerical grade, but before the examination was held Mr. Kirpa Ram was appointed to the Indian Stores Department as a Superintendent in a temporary capacity. On his appointment being made permanent, he was absorbed in the permanent establishment of the Stores Department, and the necessity for his appearing in the Subordinate Accounts Service Examination therefore disappeared.

(b) In the circumstances explained above, this part of the question does not arise.

(c) Approximately nine months after he joined the Indian Stores Department, Mr. Kirpa Ram's pay as Superintendent was raised from Rs. 350 a month to Rs. 400 a month. This was done in order:

(i) to avoid the anomaly of a member of the clerical establishment of the Indian Stores Department junior to Mr. Kirpa Ram receiving a higher rate of pay than the latter on his promotion to the rank of Superintendent;

(ii) to grant Mr. Kirpa Ram a rate of pay commensurate with the value of the services rendered by him.

(d) Mr. Kirpa Ram's promotion to Rs. 400 a month was sanctioned in August, 1923, with effect from the 9th July, 1923. The proposal to create a post of Chief Superintendent in the office was made in September, 1924, and was sanctioned in June, 1925.

(e) The answer to the first part of the question will be apparent from the preceding reply. The answer to the second part of the question is in the negative.

(f) The answer is in the negative.

(g) Yes. The Superintendent of the D Branch is concerned only with the work pertaining to that Branch. The Chief Superintendent is required to carry out certain classes of work concerning all the branches of the office and moreover relieves the Assistant Chief Controller of certain routine duties which formerly devolved on that officer.

ALLEGED NEPOTISM OF THE CHIEF SUPERINTENDENT, INDIAN STORES DEPARTMENT.

1020. ***Mr. Ambika Prasad Sinha:** (a) Is it a fact that the Chief Superintendent, Indian Stores Department, secured appointments for two of his near relatives—one his brother-in-law, another his near relation—and has them in his own section? Is it because it was thought that, if they worked in other sections, their incompetence would be found out?

(b) Is it a fact that one of the said relations was given a big jump on the ground of his problematical success in the Subordinate Accounts Service Examination?

The Honourable Sir Bhupendra Nath Mitra: (a) A connection by marriage—to be specific, his mother's sister's son's wife's brother—and a brother-in-law of the Chief Superintendent have been appointed to the clerical establishment of the office of the Chief Controller of Stores. The former was selected on account of special accounts experience which he possessed and the latter was engaged for the discharge of routine work on the minimum pay admissible to the clerical establishment of that office. Both these individuals are employed in the Direction Branch of the Department. They are performing their duties efficiently, and there is no reason to believe that they would not prove suitable if employed in any other branch of the Chief Controller's office.

(b) The pay of one of the individuals in question was increased from Rs. 160 a month to Rs. 190 a month in order to retain his services which were of value to the Department. The rate of Rs. 190 was decided upon

in consideration of the nine years' service already rendered by him under Government and of the position of his confreres in the establishment of approximately the same length of service.

Mr. K. Ahmed: The Chief Superintendent, Indian Stores Department, has also a nearer relation than his mother's sister's son's wife's brother, which is too remote a relationship. May I inquire of the Honourable Member about the nearer relation of the Chief Superintendent, Indian Stores Department?

The Honourable Sir Bhupendra Nath Mitra: I am very sorry, but I would like to see that question on paper.

Mr. K. Ahmed: I am also equally sorry but I inquired whether the Chief Superintendent had not a nearer relation than his mother's sister's son's wife's brother who might have been fixed up by him also.

RECRUITMENT FOR THE CLERICAL ESTABLISHMENT OF THE CHIEF CONTROLLER OF STORES.

1021. ***Mr. Ambika Prasad Sinha:** Is it a fact that there were references to corruption in the matter of appointments in the Indian Stores Department in the newspapers some months ago? Is it a fact also that since references in the Press appeared nominations for vacancies are not made by the office, but by the Staff Selection Board?

The Honourable Sir Bhupendra Nath Mitra: In April, 1924, an article appeared in a newspaper in which, *inter alia*, it was insinuated that appointments to the clerical establishment of the Indian Stores Department were not made in accordance with correct principles. This insinuation had no foundation in fact and was in no way responsible for the decision that recruitment for the clerical establishment of the office of the Chief Controller of Stores should be effected from among the passed candidates of the Staff Selection Board. On the constitution of that establishment on a temporary footing it was decided that at the outset, in view of the special character of the work of the Department, the Chief Controller of Stores should be empowered as a tentative arrangement to effect recruitment direct. About two years later the matter was considered by the Chief Controller of Stores, and he on his own initiative submitted a proposal that recruitment for his office establishment should in future be effected from among those who had passed the Staff Selection Board's tests. In making this recommendation he was partly influenced by the fact that there were a large number of men who had passed that test but were unprovided with appointments, and partly by the fact that the stage had then arrived at which recruitment could, without prejudice to the work of the Department, be effected from that source. Almost coincidentally with this proposal the sanction of the Secretary of State had been received to the placing of the establishment of the Stores Department on a permanent footing, and the Government of India thereupon decided to accept the Chief Controller's proposal.

TIME-SCALE PAY FOR POSTAL CLERKS STATIONED AT CERTAIN LARGE TOWNS.

1022. ***U. Tok Kyi:** (a) Are the Government aware that the recent revision of time-scale pay of postal clerks stationed at certain big towns only has caused great disappointment among the mufussil postal clerks and menials in Burma?

(b) Will the Government be pleased to state whether and when they propose to take up the case of the latter class of postal employees?

The Honourable Sir Bhupendra Nath Mitra: (a) The time-scale pay of clerks stationed at certain large towns has not been recently revised, though a proposal to this effect has been accepted by the Standing Finance Committee. Government are aware that the Director General has received telegrams of protest from various local Postal Associations in Burma regarding this proposal.

(b) I am unable to give any assurance in this matter.

COMPENSATORY ALLOWANCES OF POSTAL CLERKS STATIONED IN RANGOON AND BOMBAY.

1023. ***U. Tok Kyi:** (a) Which classes of the subordinate staff of the Postal and Telegraph Department are entitled to compensatory allowances?

(b) Do the postal clerks stationed* in Rangoon and Bombay get such allowances? If not, will the Government be pleased to state why?

The Honourable Sir Bhupendra Nath Mitra: (a) and (b). No class of subordinates of the Postal and Telegraph Department is entitled to compensatory allowance. The postal clerks in the selection grades in Rangoon receive an allowance and the grant of a similar concession to the corresponding officials in Bombay is under consideration. The postal clerks on the ordinary time-scales of pay receive no allowance as their pay is fixed with reference to local conditions.

APPOINTMENT OF BURMANS AS SUPERINTENDENTS OF POST OFFICES.

1024. ***U. Tok Kyi:** (a) Have there been any Burmans appointed as Assistant Superintendents or Superintendents of Post Offices during the past 5 years? If so, will the Government be pleased to name them?

(b) How many non-Burmans have been appointed as such during the same period?

The Honourable Sir Bhupendra Nath Mitra: (a) In the Post Office there are no such appointments as 'Assistant Superintendents'. One Burman named Maung Thein has been appointed Superintendent of Post Offices in the last five years.

(b) One in Burma.

ARTICLE IN THE OBSERVER OF LAHORE ENTITLED "THE STORES DEPARTMENT AND INDIAN INDUSTRIES".

1025. ***Khan Bahadur Sarfaraz Hussain Khan:** (a) Has the attention of Government been drawn to the article entitled "The Stores Department and Indian Industries" published in the *Observer* of Lahore, dated the 4th October, 1925?

(b) If so, are the statements made therein correct?

The Honourable Sir Bhupendra Nath Mitra: (a) Yes.

(b) No; the article is full of inaccuracies.

PURCHASE OF STORES FOR RAILWAYS BY THE INDIAN STORES DEPARTMENT.

1026. ***Khan Bahadur Sarfaraz Hussain Khan:** (a) Is it a fact that the stores purchased by the Railway Administration in India in 1923-24 were of the value of nearly seven crores as stated in the article mentioned in my preceding question?

(b) Is it a fact that all these purchases were made without utilising the services of the Indian Stores Department?

The Honourable Sir Bhupendra Nath Mitra: The amount stated is not correct.

The attention of the Honourable Member is invited to paragraph 73 of the Railway Board's Report on Indian Railways for the year 1923-24, Vol. I, a copy of which is available in the Library.

The Indian Stores Department purchased stores to the value of Rs. 9,37,937 for Railways in India.

Khan Bahadur Sarfaraz Hussain Khan: May I know what is the real function of the Indian Stores Department? Do the different departments of the Government of India, for instance the Home Department and the Railway Department, get their stores through the Indian Stores Department?

The Honourable Sir Bhupendra Nath Mitra: If the Honourable Member will kindly read the last report of the Indian Stores Department, he will get the information which he is asking for.

Mr. B. Das: May I inquire if the Honourable Member is satisfied with the treatment we are receiving from the Railway Board and the different Railways in their not purchasing their stores through the Indian Stores Department?

The Honourable Sir Bhupendra Nath Mitra: Sir, that question starts with the assumption that the Indian Stores Department is not receiving any orders from the Railway Department. As I have said, the facts of the case are fully disclosed in the last report of the Indian Stores Department, and I have nothing to add to the facts brought out therein.

UTILIZATION OF THE SERVICES OF THE INDIAN STORES DEPARTMENT FOR THE PURCHASE OF GOVERNMENT STORES.

1027. ***Khan Bahadur Sarfaraz Hussain Khan:** (a) Is it a fact that the services of the Indian Stores Department are not utilised by the different purchasing departments of the Government of India mentioned in the article referred to in the previous question?

(b) If so, will the Government be pleased to state the reasons?

The Honourable Sir Bhupendra Nath Mitra: (a) No. I would draw the Honourable Member's attention to paragraph 10, Chapter III of the Administration Report of the Indian Stores Department for the year 1924-25.

(b) Does not arise.

AMALGAMATION OF THE ORIYA-SPEAKING TRACTS.

1028. ***Pandit Nilakantha Das:** Will the Government be pleased to state what progress has been made in putting the Oriya-speaking tracts together in one province?

AMALGAMATION OF THE ORIYA-SPEAKING TRACTS.

1029. ***Pandit Nilakantha Das:** Will the Government be pleased to state what time they expect to take for achieving the amalgamation of the Oriya-speaking tracts?

AMALGAMATION OF THE ORIYA-SPEAKING TRACTS.

1030. ***Pandit Nilakantha Das:** Do the Government propose to effect the amalgamation of the Oriya tracts before the next revision of Reforms?

AMALGAMATION OF THE ORIYA-SPEAKING TRACTS.

1031. ***Pandit Nilakantha Das:** Do Government propose to make a full statement regarding the amalgamation of the Oriya tracts? If so, when?

The Honourable Sir Alexander Muddiman: I propose to answer questions Nos. 1028—1031 together. The whole question of the amalgamation of the Oriya-speaking tracts in one province is under the consideration of Government, but I am unable to state when it will be possible for a final announcement of Government's recommendations in the matter to be made.

FOLLOWERS OF THE LATE SARDAR AYUB KHAN.

1032. ***Mr. S. Sadiq Hasan:** Are the Government aware that many persons accompanied the late Sardar Mohammad Ayub Khan when he came down to India in 1888 to take shelter under the British Government?

FOLLOWERS OF THE LATE SARDAR AYUB KHAN.

1033. ***Mr. S. Sadiq Hasan:** Will the Government be pleased to state whether in the treaty with Sardar Mohammad Ayub Khan he and his followers were treated as one party or were they dealt with separately? Will the Government be also pleased to state the terms of the treaty?

GRANT OF ENHANCED ALLOWANCES TO THE FOLLOWERS OF THE LATE SARDAR AYUB KHAN.

1034. ***Mr. S. Sadiq Hasan:** (a) Are the Government aware that in the stipends granted to the heirs of the Sardar there are occasional increments as the cost of living increases and that the pensions granted to his followers have throughout remained the same in spite of a large increase in the cost of living? Will the Government be pleased to account for this difference of treatment? Was it laid down in the treaty that the Government would provide all the necessities of life for them?

(b) Is it a fact that several petitions have been sent to the Government by these Afghan pensioners and that the Government have given no answer? Will the Government be pleased to state whether they have considered the question and whether they propose to do something to ameliorate the condition of these people?

Sir Denys Bray: I propose to answer questions 1032, 1033 and 1034 together. When Sardar Ayub Khan came to India, Government agreed to place at his disposal reasonable allowances for his followers to be granted in his name and distributed by him. On his death in 1914 Government made a careful redistribution of the allowances. Seven or eight years later small increases were sanctioned owing to the rise in the cost of living in instances

recommended by the Local Government. Any individual case of hardship that comes to their notice is considered by Government and decided on its merits.

LEVY OF NEW TAXES IN THE PESHAWAR MUNICIPALITY.

1035. ***Mr. S. Sadiq Hasan:** (a) Is it a fact that several new taxes have been levied by the Municipal Committee, Peshawar?

(b) Were the people consulted or their opinions invited before the levy of the new taxes? If not, will the Government be pleased to state whether they propose to order the discontinuance of these taxes?

Mr. J. W. Bhore: A reference has been made to the Chief Commissioner, North-West Frontier Province, and on receipt of his reply I will give the Honourable Member the information he desires.

ALLEGATIONS AGAINST THE SPECIAL MAGISTRATE APPOINTED TO DEAL WITH MUNICIPAL CASES AT PESHAWAR.

1036. ***Mr. S. Sadiq Hasan:** 1. (a) Have the authorities appointed a Special Magistrate to deal with the municipal cases at Peshawar?

(b) If so, will the Government be pleased to state the object of this appointment?

(c) Is the gentleman so appointed as a Special Magistrate also working as the Sub-Registrar of Peshawar?

(d) Has the attention of the Government been drawn to the fact that widespread discontent prevails in Peshawar ever since the appointment of this Special Magistrate and several complaints against him have appeared in the Press? If so, will the Government state what action they propose to take in the matter?

2. Is it a fact that this Special Magistrate holds his court after finishing his work as Sub-Registrar, and that it puts the public to great inconvenience?

3. Has the attention of the Government been drawn to the fact that this Special Magistrate has been inflicting very heavy fines for trivial offences? Will the Government be pleased to give the total amount of fines imposed by this Magistrate since his appointment, and for a similar period by his predecessor?

The Honourable Sir Alexander Muddiman: 1. (a) Yes.

(b) The object of the appointment was to secure better compliance with municipal laws.

(c) Yes.

(d) No.

2. The Special Magistrate is frequently compelled to hold his court as stated. The public at large are not inconvenienced thereby.

3. The answer to the first part of the question is in the negative. The total amount of fines imposed by the Special Magistrate from the 1st April 1925 to the 31st December, 1925, was Rs. 6,601-8-0 for 701 cases or an average fine of Rs. 9-6-0 per case. The total amount of fines imposed by the Bench of Honorary Magistrates from the 1st April, 1924 to the 31st December, 1924, was Rs. 1,017-2-0 for 743 cases, or an average fine of Rs. 1-6-0 per case.

CIRCULARS ISSUED TO TRAVELLING TICKET EXAMINERS REGARDING THE AMOUNT OF EXCESS FARES TO BE COLLECTED BY THEM.

1037. ***Mr. S. Sadiq Hasan:** (1) Is it a fact that the officers of some Railways, notably the Bombay, Baroda and Central India Railway have issued orders to their Travelling Ticket Examiners that the Ticket Examiner who does not collect at least Rs. 30 as excess fare every day will be degraded in his post? Was a circular to that effect issued by the District Traffic Superintendent, Fatehgarh?

(2) Do Government propose to cancel any such orders?

Mr. A. M. Hayman: Inquiry will be made as to part 1 of the question and the Honourable Member informed of the result in due course.

INDENTS FOR SLEEPERS BY THE GREAT INDIAN PENINSULA RAILWAY.

1038. ***U. Tok Kyi:** 1. (a) Are the Government aware that the Great Indian Peninsula Railway has recently invited tenders for the supply of 229,000 jarrah wood sleepers?

(b) If so, will the Government be pleased to state the reasons for calling for tenders for foreign sleepers? Is not teak wood suitable for railway sleepers available in abundance in India and Burma?

(c) Do Government propose to issue instructions to stop such calling for tenders for foreign sleepers by the Great Indian Peninsula Railway which is now under State management?

The Honourable Sir Charles Innes: (a) Yes.

(b) The Chief Engineer of the Great Indian Peninsula Railway's original estimate for the year 1926-27 for main line sleepers from Eastern Group was 175,000, and an indent for this quantity was placed with the Sleeper Control Officer, Eastern Group, and he was asked to supply 6,000 sal wood and 169,000 Burma teak sleepers. The price quoted for teak sleepers was prohibitive and, as at this time the Sleeper Control Officer, Eastern Group, was not able to give any definite information as to delivery of sal wood sleepers, it was decided to advertise for jarrah wood sleepers. At the same time, as the advertisement was inserted in the papers for the jarrah wood sleepers, the Sleeper Control Officer, Eastern Group, was asked whether he was in a position to supply all or part of the requirements in sal wood sleepers. In the event of these sleepers being available at a favourable rate and on favourable terms of delivery no action will be taken on the tenders for jarrah wood sleepers.

(c) The purchase of foreign wooden sleepers by State Railways is subject to the approval of the Railway Board, and is sanctioned only under special circumstances.

Sir Hari Singh Gour: May I beg to inquire what is the duration of life of teak wood sleepers and sal wood sleepers as compared with jarrah wood sleepers?

The Honourable Sir Charles Innes: I am afraid the Honourable Member must put that question down.

Sir Hari Singh Gour: I have done so, Sir.

The Honourable Sir Charles Innes: Well, then he will get his reply in due course.

OMISSION OF SPEECHES OF CERTAIN HONOURABLE MEMBERS OF THE
LEGISLATIVE ASSEMBLY FROM THE PUBLICATION, "INDIA'S
PARLIAMENT".

1039. ***Mr. C. S. Ranga Iyer:** (a) Is it a fact that "India's Parliament" is published by the Director, Bureau of Public Information?

(b) Is it a fact that it contains selections from the proceedings of the Sessions of the Legislative Assembly and the Council of State?

(c) Is it a fact that the said selections exclude the speeches of certain Honourable Members on a particular debate selected by the said Director?

(d) Is it a fact that Mr. K. Rama Aiyangar's speech during the general discussion of the Railway Budget, 1925, was omitted?

(e) Who was responsible for the said omissions?

(f) Why were they omitted?

(g) Will the Government be pleased to state whether the speeches of all the Honourable Members on a selected debate will be published henceforward?

The Honourable Sir Alexander Muddiman: (a), (b), (c) and (d). Yes.

(e) The compiler of "India's Parliament".

(f) Because if the volume is to serve the purpose for which it is intended, it must be kept down within a reasonable size and it is, therefore, not possible to include all speeches.

(g) It is impossible to give such an undertaking for the reasons given above.

OMISSION FROM "INDIA'S PARLIAMENT" OF THE DEBATE IN THE
LEGISLATIVE ASSEMBLY LAST YEAR ON THE OPIUM POLICY.

1040. ***Mr. C. S. Ranga Iyer:** (a) Was the debate on the opium policy in the Legislative Assembly last year during the Budget omitted from "India's Parliament"? If so, why?

(b) Is it a fact that "India's Parliament" is circulated both in India and Europe?

The Honourable Sir Alexander Muddiman: Yes: because it is impossible to include all debates and the compiler has to use his discretion so as to include debates on subjects that excite most interest among the public.

Mr. C. Duraiswami Aiyangar: May I know whether the debate on opium, which has become the burning question of the day in the League of Nations, was considered to be so unimportant as not to be included?

The Honourable Sir Alexander Muddiman: I could answer that question if I had been the compiler of the publication in question.

Mr. C. Duraiswami Aiyangar: Will the Honourable Member give instructions to the compiler to include all important debates?

The Honourable Sir Alexander Muddiman: That is the general instruction.

Mr. Gava Prasad Singh: What is the use of publishing this book when the proceedings of the Assembly are published in full already?

The Honourable Sir Alexander Muddiman: Because many people are of opinion that to read the whole of the proceedings of this Assembly would be burdensome.

Mr. C. Duraiswami Aiyangar: In that case is it not necessary that the Members of Parliament should know the Indian opinion in the Assembly better by an extract like that?

The Honourable Sir Alexander Muddiman: I agree.

Mr. Chaman Lall: Will the Government ask the compiler of the extract for his reasons for the omission of that debate?

The Honourable Sir Alexander Muddiman: The compiler of this volume is no longer in Government service, and I do not propose to address him.

Mr. K. Ahmed: Is not that the reason, Sir, that I had put a supplementary question last month in regard to this matter asking that an appendage should be added to the volume to make it complete?

The Honourable Sir Alexander Muddiman: I am unable to say what is the reason which induced my friend to put a supplementary question.

Mr. K. Ahmed: Is it not a fact that the Government of India and the Secretary of State should let the public know what we are doing here and what is the true state of affairs?

The Honourable Sir Alexander Muddiman: If the public wish to know, they can buy the whole debates.

Mr. K. Ahmed: Do the Government realize that the whole object of the publication of this book will be frustrated if the absolute truth is omitted?

The Honourable Sir Alexander Muddiman: No, Sir, Government are not so aware.

Mr. H. G. Cocke: Will Government kindly say whether they have received any complaints from various Members of this House with reference to the omission of their speeches from this publication?

The Honourable Sir Alexander Muddiman: I have on certain occasions had private complaints.

Mr. K. Ahmed: Is it not a fact at any rate, that that book has given a one-sided opinion and not the whole, and that the country did not receive the benefit, but it was simply for the benefit of the Government of India that that volume was published?

Mr. Devaki Prasad Sinha: Will the Government kindly issue instructions to the publisher of this volume to demand full advertisement rates from those Members who wish to get their speeches published therein?

The Honourable Sir Alexander Muddiman: The matter will receive the sympathetic consideration of the Government. (Laughter.)

NUMBER OF MUSLIMS AND NON-MUSLIMS IN THE INCOME-TAX
DEPARTMENT IN THE BOMBAY PRESIDENCY.

1041. ***Khan Sahib M. E. Makan:** With reference to my starred question No. 697 asked on the 7th September, 1925, are the Government now in a position to give the required information about the number of the Muslims

and non-Muslims employed in the high and low grades of the Income-tax Department in the Bombay Presidency?

The Honourable Sir Basil Blakett: The information was communicated to the Honourable Member by a letter dated the 16th September, 1925. As the letter presumably did not reach the Honourable Member, I am having another copy sent to him.

ABSENCE OF WAITING ROOMS AND GOODS SHEDS IN THE STATIONS ON
THE BROACH-JAMBOOSAR BRANCH OF THE BOMBAY, BARODA AND
CENTRAL INDIA RAILWAY.

1042. ***Khan Sahib M. E. Makan:** With reference to the starred question No. 699 asked by me on the 7th September, 1925, will the Government be pleased to state whether any action has been taken to remove the inconvenience and loss caused to the public on account of the absence of waiting rooms and goods sheds in the stations on the Broach-Jamboosar Branch of the Bombay, Baroda and Central India Railway?

Mr. A. M. Hayman: As promised in reply to the previous question referred to by the Honourable Member a copy of that question and answer was sent to the Agent, Bombay, Baroda and Central India Railway Company, for such action as he considered necessary. Government have no information as to what action he has taken in the matter.

SEATS FOR MEMBERS OF THE LEGISLATIVE ASSEMBLY IN DURBARS.

1043. ***Khan Sahib M. E. Makan:** Do Government propose to direct the Provincial Governments to fix seats for the Members of the Legislative Assembly in the Viceroy's and the Governors Durbars according to their position and status?

Sir Denys Bray: No, Sir.

The question of seating in Durbars in provinces is left to the Local Governments.

REDUCTION OF THE POLITICAL PENSION OF THE EX-NAWAB OF
BROACH.

1044. ***Khan Sahib M. E. Makan:** (a) Will the Government be pleased to state why the political pension granted to the ex-Nawabs of Broach was reduced?

(b) Do the Government propose to raise the political pension of the ex-Nawab of Broach to the amount which was originally sanctioned for his forefathers?

Sir Denys Bray: (a) According to information just received from the Bombay Government no reduction has taken place during the last 65 years and such reduction as took place 65 years or more ago was due partly to the lapse of a share of the allowances and partly to rectification of previous errors in conversion of currency.

(b) In view of the above the point does not seem to arise but it is within the discretion of the Local Government to submit any recommendation which they may consider suitable.

Maulvi Muhammad Yakub: May I know what was the amount of the pension originally granted and what is the amount of the pension now paid?

Sir Denys Bray: I am afraid I must ask to see those questions on paper.

Mr. K. Ahmed: The question does arise according to the rules of business and the Standing Orders, does it not? What was the amount of pension 65 years ago and what amount is being paid at present?

COMPULSORY REGISTRATION OF THE TRANSFERS OF SHARES OF LIMITED LIABILITY COMPANIES.

1045. ***Sir Darcy Lindsay:** (a) Are Government aware that owing to non-presentation of transfers for registration the share register of many Limited Liability Companies are misleading in that they contain the names of a large number of individuals who are no longer the actual holders of the shares?

(b) If the answer is in the affirmative, have the Government ever considered or are they prepared to consider the desirability of amending the Indian Companies Act, 1913, to make the dating of the form of transfer compulsory by the seller as also the due registration thereof by the buyer within a period of three months from such date?

The Honourable Sir Charles Innes: The Government are aware that the share registers of many Limited Liability Companies are not up to date and they have frequently considered whether remedial action could not be taken. The question is of course mixed up with the difficult question of blank transfers and I place on the table an extract from a letter to the Government of Bombay, dated the 1st December, 1924, which contains the latest pronouncement of the Government of India on the subject. The suggestion made by the Honourable Member was also considered in 1921 and I place on the table an extract from a letter from the Government of Bombay on the subject. This extract shows some of the difficulties in the way of the Honourable Member's suggestion.

Extract from a letter to the Government of Bombay, No. 5781, dated 1st December 1924.

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Legislation prohibiting blank transfer or rendering Contract Notes obligatory could easily be evaded by devices that would not amount to an infringement of the law, and if the law were actually infringed it would be difficult to detect such infringement. Even if blank transfers were void regarded as deeds of transfer, they would still—the Governments are advised—remain operative as equitable transfers of ownership subject to any superior equity. Such transfers are not illegal in England, and the Government still adhere to the view that in such matters India should rather follow the lead of England than attempt to show her the way. If the system of blank transfers has not been found to create a necessity for legislation in England it would be difficult to make out a convincing case for suppressing it by law in India.

Extract from a letter from the Government of Bombay, No. 784-A., dated 21st September 1921.

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It has been suggested that blank transfers might be regulated and discouraged by a provision that the vendor should be compelled under penalty to note the date of his sale and the Company should not be permitted to accept a transfer of longer date than one month. But it is pointed out that this provision would also be easily defeated, for a vendor would be induced to sign a fresh transfer within the period provided for acceptance of registration by the Company; and it is also pointed out that banks frequently hold shares nominally while transfers are in frequent passage between their clients, and that this system could be developed to a very much greater extent than already obtains.

REPORT OF THE COMMITTEE APPOINTED IN 1922 TO INQUIRE INTO THE WORKING OF THE BENGAL AND NORTH WESTERN RAILWAY.

1046. ***Mr. Gaya Prasad Singh:** (a) Will the Government kindly state if a Committee was appointed in 1922 to inquire into the working of the Bengal and North Western Railway, as stated in reply to a question in the Bihar and Orissa Legislative Council on the 24th August, 1922?

(b) Who were the members of the Committee, and what were the terms of reference?

(c) Was the report considered by the Railway Board; and what action, if any, has been taken on it?

(d) Is any copy of the report available?

Mr. A. M. Hayman: (a) and (c). The Honourable Member is referred to the reply given to question No. 926 asked in this Assembly on the 24th March, 1924.

(b) The Committee consisted of the following:

1. Mr. J. Coates, Senior Government Inspector of Railways, Circle No. 3, Lucknow.
2. Lieutenant-Colonel W. R. Izat, D.S.O., R.E., Agent, Bengal and North Western Railway.
3. Mr. J. S. Stevinson, Commissioner of Gorakhpur, Official representative of the United Provinces Government.
4. Mr. Shakir Ali, M.L.C. of Gorakhpur, non-official representative of the United Provinces Government.
5. Mr. W. S. Bremner, Secretary to Government, Bihar and Orissa, Public Works Department, Railway Branch, official representative of the Bihar and Orissa Government.
6. Babu Nirsu Narayan Sinha, M.L.C. and Babu Ambika Prasad Upadhyaya, M.L.C., non-official representatives of the Bihar and Orissa Government.

The terms of reference were to investigate certain complaints referred to in Resolutions passed at the meetings of the Bihar and Orissa and the United Provinces Legislative Councils held on the 22nd July, 1921, and 6th December, 1921, respectively.

(d) No.

Mr. Devaki Prasad Sinha: May I know, Sir, if the Government have given effect to any of the recommendations contained in that valuable report?

Mr. A. M. Hayman: All I can say, Sir, is that the matter came under the consideration of the Railway Board and, as the result of the inquiry showed that the railway administration was paying careful attention to the conveniences of the public and was willing to meet all reasonable requirements, the Railway Board did not consider it necessary to take any action.

Mr. Devaki Prasad Sinha: Did the Government satisfy themselves independently of any report submitted by the Bengal and North Western Railway authorities that any of the recommendations was actually carried into effect?

Mr. A. M. Hayman: I am afraid, Sir, I cannot answer that question now. The Honourable Member must put it down on paper.

Mr. Devaki Prasad Sinha: Will the Honourable Member be pleased to inquire of the railway authorities definitely whether all the recommendations of that Committee have been given effect to, and if so, what those recommendations are?

Mr. A. M. Hayman: I shall be obliged if you will put that down also on paper.

Mr. Gaya Prasad Singh: May I know why a copy of the report is not available?

The Honourable Sir Charles Innes: As far as I know we have only got one copy of the report and we did not consider it of sufficient importance to reprint it for publication?

Mr. Gaya Prasad Singh: Is there any copy in the Library, Sir?

The Honourable Sir Charles Innes: Not that I am aware of, but if you want I shall have that point considered.

Mr. Gaya Prasad Singh: I would like to have a copy placed on the table.

The Honourable Sir Charles Innes: Not on the table but in the Library.

Mr. Gaya Prasad Singh: I mean the table of the Library.

Lieutenant-Colonel H. A. J. Gidney: Sir, I want to know whether any strike or disaffection developed on this Railway as the result of the inquiry?

Mr. A. M. Hayman: I have not seen anything in the newspapers, Sir.

GRANT OF PERMISSION TO THE PEOPLE OF BURMA TO REMOVE THE
REMAINS OF THE LATE EX-KING THIBAW AND HIS SECOND
QUEEN FROM RATNAGIRI TO FORT DUFFERIN, MANDALAY.

1047. *U. Tok Kyi: (a) Are the Government aware of the desire of the people of Burma to have the remains of ex-King Thibaw and his second Queen removed from Ratnagiri to Burma to be interned near King Mindon's tomb in Fort Dufferin, Mandalay?

(b) Are the Government aware that no funeral rites have been performed according to the Buddhist religion in connection with the death of the late ex-King Thibaw?

(c) Will the Government be pleased to state whether they are prepared to give permission to the people of Burma to remove the remains from Ratnagiri to Mandalay and have the necessary funeral rites performed?

Sir Denys Bray: (a) Government are aware that this desire was recently expressed at a meeting of certain citizens of Rangoon.

(b) Yes. Government had offered to import from Burma the necessary apparatus to enable full Buddhist rites to be performed at Ratnagiri, but the offer was rejected by the ex-Queen who expressed herself satisfied with such arrangements as could be made locally.

(c) The Government are not, as at present advised, prepared to give permission.

LIABILITIES OF THE LATE EX-QUEEN SUPAYALAT.

1048. ***U. Tok Kyi:** What is the total amount of debt incurred by the late Queen Supayalat and left unpaid by her? Do Government propose to undertake to pay them up?

Sir Denys Bray: The information is not available, but the matter is receiving the attention of the Government of Burma.

CONSTRUCTION OF A NARROW GAUGE RAILWAY FROM GAUHATI OF PANDU GHAT TO SHILLONG.

1049. ***Sir Darcy Lindsay:** (a) Are Government aware that the inhabitants of Shillong and the potato cultivators in the surrounding district are anxious to secure railway communication between Shillong and Gauhati?

(b) Do Government propose to examine the question of

(i) constructing a narrow gauge railway from Gauhati or Pandu Ghat to Shillong?

(ii) generating electric current for the line from one of the available falls in Shillong or near Burnihat with a view to securing reduction in working cost?

The Honourable Sir Charles Innes: The Agent, Assam Bengal Railway, has recently been asked to re-examine the prospects of the line, and to investigate the feasibility of working it by electricity to be generated by water power.

Mr. K. Ahmed: Sir, is it not a fact that there are more important lines needed in the rural agricultural centres? Should not the Government inquire into and start at once the construction of certain other railways which the agricultural masses desire and which are more central than this potato place in Shillong?

The Honourable Sir Charles Innes: I would refer the Honourable Member to Demand No. 7 in the recent Railway Budget.

UNSTARRED QUESTIONS AND ANSWERS.

STEAMER FARES CHARGED TO PILGRIMS TO THE HEDJAZ.

197. **Haji Wajihuddin:** Are Government aware that the rates of steamer fares charged during the last Haj season by the steamship companies from Bombay and Karachi to Rabigh and Jeddah have generally been felt to be "most exorbitant"?

Are Government prepared to consider the question of granting sanction to carry pilgrims only to those firms who may fix a reasonable amount for return tickets to carry deck passengers? If not, how do the Government propose to safeguard the interests of Indian pilgrims in the matter?

Mr. J. W. Bhore: The Honourable Member is referred to my reply to Maulvi Muhammad Yakub's question No. 576 (a) on February 2nd, 1926.

DISMISSAL OF GHULAM NABI, A GUARD ON THE NORTH WESTERN RAILWAY.

198. **Mr. S. Sadiq Hasan:** (1) (a) Will the Government please state whether Ghulam Nabi, guard, North Western Railway, was dismissed from his post?

(b) Did the words of the Sessions Judge, Multan, recommending departmental action form the basis of his dismissal?

(c) Were the words expunged by the High Court later?

(d) Was Ghulam Nabi re-employed in railway service? If so, what were the reasons for his subsequent dismissal?

(2) Are the Government aware that several other persons who had similar cases against them and who were even proved guilty by the Police and the Department have been reinstated in their former positions? Why was then Ghulam Nabi dismissed in spite of the High Court's decision in his favour?

The Honourable Sir Charles Innes: I have received a memorial on the subject and I will look into it.

COMPULSORY RETIREMENT OF ABDUL RAZAK KHAN, RECORD CLERK IN THE ROYAL MAIL SERVICE, SAHARANPUR.

199. **Mr. S. Sadiq Hasan:** (1) Will the Government please state whether it is a fact that one Abdul Razak Khan, record clerk in the Royal Mail Service, Saharanpur, was forced to retire though many of his departmental officers recommended an extension of service in his case and a Civil Surgeon pronounced him quite fit physically?

(2) Is it a fact that his claims amounting to Rs. 2,000 regarding (a) leave allowance, (b) contingent, (c) selection allowance, (d) 3 months' pay under article 436, Civil Service Regulations, prior to the date of his retirement have not been paid?

The Honourable Sir Bhupendra Nath Mitra: Government have no information, as no appeal was submitted by the individual to Government under the memorial rules within the prescribed period. I understand however from the Director General that Abdul Razak Khan was retired on attaining the age of 55 on grounds of lack of efficiency and that there are no claims of his outstanding against Government which can be sustained under Regulations.

INSANITARY CONDITION OF PESHAWAR CITY.

200. **Mr. S. Sadiq Hasan:** 1. Is it a fact that the attention of the Municipal Committee, Peshawar was drawn about March or April last to an urgent and serious grievance of the general public of Peshawar city with regard to the insanitary condition of the city and the indifference of the present Health Officer towards his duty?

2. Is it a fact that the Chief Medical Officer, who is the highest medical authority in the province, considering the insanitary conditions of the city disgraceful, suggested improvements several times to the Deputy Commissioner of the city and that no action has been taken?

Mr. J. W. Bhoré: On receipt of the requisite information which has been called for, it will be supplied to the Honourable Member.

ALLEGED HARASSMENT OF PASSENGERS ON THE GREAT INDIAN PENINSULA RAILWAY.

201. **Mr. Jamnadas M. Mehta:** 1. Has Government's attention been drawn to Mr. Jivraj G. Nensey's letter complaining of harassment of passengers on the Great Indian Peninsula Railway, as published in the *Bombay Chronicle*, dated the 28th May, 1925, and a few Gujarati papers including the *Jame-Jamshed*?

2. Are Government aware that the Great Indian Peninsula Railway Agent, in replying to Mr. Nensey's complaint selected only one particular Gujarati paper the *Jame-Jamshed*?

3. Has Government's attention been drawn to Mr. Nensey's further letter to the Agent and in the *Bombay Chronicle*, dated 6th July, 1925, protesting against the manner and method employed by the Agent in redressing a public grievance?

4. Has Government's attention been drawn to the Agent's reply to Mr. Nensey in the *Bombay Chronicle*, dated 10th July, 1925, and the paper's editorial notes over the heading "Railways and the Public" and "Rude" in its issues, dated 10th July, 1925, and 12th July, 1925, respectively?

5. Will Government be pleased to state whether Mr. Nensey's complaint was discussed at the meeting of the Great Indian Peninsula Railway Advisory Committee, and if so, with what results?

6. Did the Committee recommend any action against the ticket collector complained of?

7. If the reply to the above be in the negative, will Government be pleased to state whether it was not the duty of the Agent as the Chief of the Administration to take steps in the matter brought to his notice both by Mr. Nensey and by a member of the Advisory Committee?

8. Were the imputations made by Mr. Nensey found to be untrue either by the Agent independently in his departmental inquiry or by the Committee at its meeting? If untrue, why were not any steps taken by the ticket collector against Mr. Nensey for having defamed him?

9. Is it a fact that the Great Indian Peninsula Railway Agent at first did not undertake to enter into correspondence about matters that have been discussed by the Advisory Committee or that can be brought to the notice of the Railway by that Committee?

10. Will Government be pleased to state whether the Agent yet desires either to take any steps against the ticket collector or to order him to vindicate himself in a court of law?

Mr. A. M. Hayman: 1. Yes.

2. Yes. Government understand that the Agent considered it advisable to reply to the complaint in the first paper, namely, the *Jame-Jamshed* in which it was published.

3. and 4. The replies are in the negative.

5. Yes. The matter was explained fully to the Local Advisory Committee.

6. No.

7. and 8. Mr. Nensey was asked to forward the original letter through the member of the Advisory Committee referred to as without that no action could be taken.

9. Yes. The Agent received a letter from the Honorary Secretary of the Passengers' and Traffic Relief Association through a member of the Advisory Committee, and, as the matter had begun in this manner, it seemed reasonable that further communications should be forwarded through the Advisory Committee.

10. Without the original document the Agent is unable to take any steps.

(On the conclusion of the questions for oral answers, Mr. President called upon the Honourable Sir Basil Blackett.)

The Honourable Sir Alexander Muddiman: Sir, with your permission I desire to answer a very important question of which an Honourable Member has given private notice.

Mr. President: The Chair has received no notice of any such question and therefore cannot allow it to be put. The Chair is very sorry. Sir Basil Blackett.

THE BUDGET FOR 1926-27.

INTRODUCTORY.

The Honourable Sir Basil Blckett (Finance Member): Sir, in the Budget for 1925-26 the Government of India and the Legislature had the satisfaction of making a substantial beginning in the reduction of Provincial contributions, when, apart from other temporary relief, a permanent diminution of Rs. 2½ crores was effected in their total. We were enabled to take this welcome step in view of substantial realised surplus in each of the years 1923-24 and 1924-25, and in expectation of a balance on the right side in the year 1925-26. I am glad to be able to inform the House that, in spite of the considerable revenue which we then gave up in relief of the Provinces, a realised surplus for 1925-26 is now assured. The exact figure is of course still a matter of estimating, but there is no doubt that the balance will be on the right side; and this notwithstanding the very unusual step taken during the year in regard to the Cotton Excise Duty. This duty ceased to be levied as from the 1st of December 1925 and in the announcement regarding the cessation of its levy it was made clear that, barring unforeseen accidents, suspension was intended in all but form to be equivalent to abolition.

2. This announcement inevitably takes away some of the beautiful uncertainty of anticipation, some of the pleasant thrill of expectancy, which is supposed to attach to the opening of a Budget. Instead of hoping—shall I say, against hope?—that this Budget may perhaps contain proposals for bringing to an end this tax, so long the subject of controversy, Honourable Members have, I suspect, already in their minds written it off, and, as they listen to me, are waiting in anxious suspense, not to learn the fate of the Cotton Excise Duty, but only to know what other reliefs, if any, may be in store for them. In regard to the Cotton Excise Duty, I will keep them in doubt no longer. I will admit them at once to the secret that the Finance Bill about to be presented to the House includes a clause abolishing the Cotton Excise Duty finally and entirely. The patient died on December the 1st, 1925, and it only remains for us to assist at his obsequies and give the corps decent interment. We have no need to fear even its unlamented ghost. No miracle can restore it to life at this time other than some unthinkable accident in the passing of the Finance Bill.

3. Before satisfying the curiosity of Honourable Members in regard to Actual outturn of other proposals in the Budget, I must first review shortly the actual figures for 1924-25 and, in somewhat greater detail, the revised estimates for the year 1925-26. Our revised estimates for 1924-25 anticipated a surplus of almost 4 crores. The audited accounts which have just been published show a surplus of 5.68 crores—an improvement of nearly 1.69 crores on our expectations of a year ago. Under all the heads of the Civil Budget, apart from Railways, the net variation between the revised estimates and the actual figures amounts to 15 lakhs only, though there are appreciable variations in both directions under individual heads. The increase in the realised surplus is accounted for almost entirely by a reduction in net

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military expenditure amounting to 70 lakhs and an increase in the contribution from Railways amounting to 1,14 lakhs. The savings in military expenditure arose from underspending in England due partly to decreased expenditure on purchase of stores and partly to an adjustment in India's favour of some payments to the War Office arising out of claims in connection with war expenditure. These claims, I may say, have no connection with the important sums in dispute between the War Office and the Government of India in regard to war expenditure. Negotiations for the settlement of these latter have been vigorously pursued during the year. The issues are complicated, and I am not yet in a position to announce the final outcome, but I have every hope that the result will in the end be regarded as not unfavourable to India. The large variation amounting to 1,14 lakhs under Railways is the result of an increase in the net railway earnings which, after the deduction of the fixed contribution of 5.09 crores, proved to be 8.07 crores instead of 4.65 crores as anticipated. There were savings in working expenses owing partly to adjustments in connection with the Privy Council decision regarding Customs duties on stores for Companies' lines. On the other hand, the gross traffic receipts exceeded expectations by 1.48 crores, chiefly because heavy traffic in grain and cotton developed in February and March, the movement of these crops beginning earlier than usual. One result of this is that the railway receipts in the early part of the current year fell below our anticipations. The final outturn of the year 1924-25 shows a revenue of 138.04 crores and an expenditure of 132.36 crores, leaving a realised surplus of 5.68 crores. The usual comparative table showing the actual outturn in each of the last ten years is attached to the printed Budget speech.

REVIEW OF THE YEAR 1925-26.

4. Weather conditions in India in the year 1925-26 have not been altogether favourable. The winter rainfall a year ago was not unsatisfactory—I regret to say that it is less satisfactory in Northern India this year—but the wheat crop suffered from excessive cold and high winds. Almost throughout India the monsoon came to an end too early. In old days this might have caused really bad famine conditions in some areas, but the great improvement in our communications in recent years has contributed materially to a reduction of famine risks especially when, as in 1925, the monsoon rainfall was not entirely deficient. Indian trade and commerce during the year have, however, been less under the influence of internal conditions than under that of external conditions affecting world trade. I drew attention a year ago to the gradual recovery of trade from world-wide depression under the stimulus of greater general security and reduced prices. Similar forces have operated in India during 1925-26, but the fall in prices has been more marked than in the previous year. For all commodities the general index figure came down from 176 at the end of December 1924 to 163 at the end of December 1925. Prices of cotton piecegoods and, in a lesser degree, of raw cotton were a year ago entirely out of tune with the general price level. Raw cotton appears now to have returned very nearly to its pre-war relation to other prices, and this fact holds out the prospect of an increased volume of trade in cotton piecegoods as soon as prices become steadier. Cotton piecegoods are, however, still priced

at a level considerably above the general average in spite of a very marked fall especially during the last six months of the calendar year. It is perhaps not unnatural that during this painful period of restoration of price equilibrium the cotton mill industry, particularly in Bombay, has been subjected to serious difficulties and that there has been a considerable decrease in our imports of cotton piecegoods. During the first 9 months of 1925-26 there was a fall of 22 per cent. in value and 15 per cent. in the quantity of piecegoods imported. In our export figures a large reduction in the quantity and value of our exports of wheat is the most notable feature during this period.

5. Apart from these two commodities, the trade figures of the year have been satisfactory. The tea industry has had another prosperous year, while the prices both of raw jute and jute manufactures show a considerable advance. A significant feature of the year which is of great importance in relation to the question of transport facilities in India has been the growth of the use of motor vehicles. There has been a large increase in the number of private cars in use and an even more striking increase in the number of vehicles plying for public hire. The number of motor vehicles imported has gone up by 24 per cent. Our receipts from the excise duty on petrol reflect the increase in the use of motor vehicles in a striking manner. Though the rate of duty was reduced by 33½ per cent. a year ago, yet our revenue from the duty is as high as before. Among other features of interest I may mention that imports of artificial silk have gone up seven-fold in two years.

6. During the course of 1925 the League of Nations issued a table designed to compare on a gold basis the total foreign trade of all the countries of the world in 1913 and 1924. According to the figures in that table India stood in 1913 eighth on the list of countries in the matter of the total value of foreign trade. In 1924 she had risen to the fifth place, and there is little doubt that she has maintained that position throughout 1925. In spite of a fall in values and the depression in the piecegoods trade, India's total foreign trade in the first ten months of 1925-26 amounted to 496.43 crores or only 16.81 crores less than the figure for the corresponding period of the previous financial year. The net imports of bullion during the calendar year 1925 amounted to 80.92 crores of which 60.69 crores represented gold. This latter figure is the highest ever recorded. But the boom in the demand for gold had nearly spent itself in the first three months of the calendar year, and the imports of gold in the ten months of the financial year beginning on the 1st of April, 1925, at 28.10 crores are 18.09 crores below the corresponding ten months of 1924-25. The visible balance of trade including private imports of treasure was in favour of India at the end of January to the extent of 85.82 crores of rupees—a figure which should be compared with 42.29 crores a year ago and 63.30 crores in the corresponding period of the year 1923-24.

7. The rupee-sterling exchange has shown persistent strength almost throughout the year, and for the time being at any rate we seem to have come to an end of the wide fluctuations which have been a feature of the post-war period. Thanks in large measure to the steadiness of exchange and also to other causes such as the abstention of the Government of India from the loan market for purposes other than conversion—a subject to which I shall have occasion to refer later—the busy season of 1925-26 promises to be remarkable for an almost complete absence of stringency in the money market. After the severe stringency of the

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winter of 1923-24, conditions in the following season of 1924-25 showed a noticeable improvement and the Bank rate did not rise above 7 per cent. and that only for a period of 4 months from January to May, 1925. It was reduced by the third week in May to 6 per cent. and by the first week in July to 4 per cent. The rate was raised again to 5 per cent. in the fourth week of September and remained there till the first week of December, when it went up to 6 per cent. If, as seems possible, we are able to get through the busy season of this year with a rate not higher than 6 per cent., this will be the first occasion since the establishment of the Imperial Bank of India when the rate has not risen as high as 7 per cent., and if we leave two exceptional war years out of the account when conditions were artificial, it will represent what I think must be a record in the history of Indian banking, and will be an achievement for which the authorities of the Imperial Bank of India will deserve our special thanks and congratulations.

REVENUE, 1925-26.

8. Our Customs revenue for the current year reflects accurately the trade conditions at which I have glanced. The suspension of the Cotton Excise Duty from December onwards, coupled with the notable fall in values, has had the result of reducing our income from the duty by 71 lakhs as compared with the Budget estimate. The yield from the import duty on cotton goods was estimated cautiously at 7·30 crores, or 40 lakhs less than the revised estimate for 1924-25, but it is not now estimated that we shall collect much more than 6 crores. On the other hand, the increase in the world production of sugar has resulted in a very heavy fall in sugar prices leading to a large increase in the imports into India, and thanks to the action of the Legislature a year ago in passing an Act converting the previous *ad valorem* duty on sugar into a specific duty, our revenues have benefited very materially. Our present anticipations point to an increase of 1,30 lakhs under sugar, fully counterbalancing the decrease under cotton piecegoods. Protective duties show increased yields, and as I have already mentioned, the reduction in the excise duty on motor spirit has proved a great success in that it has led to no such decrease in the yield as cautious estimating made it necessary for us to anticipate a year ago. Thanks to these counterbalancing factors, we now anticipate, in spite of the loss of 71 lakhs on Cotton Excise Duty, gross receipts from Customs for the year of 47·83 crores, which is 30 lakhs higher than the Budget figure. A probable saving of 20 lakhs under refunds enables us to anticipate a total improvement of 50 lakhs in the net receipts which we now put at 46·85 crores.

9. Under Taxes on Income, which are based on the profits of the previous year, we made what we considered a conservative estimate for 1925-26 in taking a net yield of 17·35 crores which was 87 lakhs below the Budget estimate of 18·22 crores for the previous year, though the figure actually realised in 1924-25 proved to be 16·01 crores only. Unfortunately our estimate under this head has again proved oversanguine. The gross receipts are now estimated at 17·88 crores, which is 69 lakhs less than the Budget estimate, while refunds, etc., exceed the estimate by 41 lakhs, making the net yield 16·25 crores, or 1,10 lakhs less than anticipated.

10. With the salt duty at Rs. 1-4-0 we budgeted for a normal year's receipts. It has proved, however, that we made insufficient allowance for the large accumulation of stocks which followed on the reduction of the duty in March 1924. The off-take of salt in the early months of the summer, particularly from the Northern India Salt sources, was much below normal and for the year as a whole we expect a decrease of 55 lakhs, making a net yield of 6.40 crores in comparison with the Budget figure of 6.95 crores.

11. A supplementary grant of 51 lakhs was passed by this House during the Simla session in order to meet extra payments to cultivators in the United Provinces on account of the high outturn of the opium crop. The extra payments required, owing partly to savings elsewhere, are now expected to be 35 lakhs only, and they will be more than counterbalanced by the increase in receipts. The stocks of excise opium in treasuries which, as I explained in my Budget speech last year, were taken over and paid for by the Local Governments as on the 1st April, 1925, have proved to be higher by 24 lakhs than we had allowed for, thus adding by this amount to our non-recurrent receipts under this head. After taking these and other factors into account, we now anticipate that our net revenue from opium in the year will be 2.24 crores, which is 48 lakhs higher than we estimated last March.

12. In framing our estimate of the receipts of the General Budget from Railways we allowed for the fixed contribution of 5.09 crores together with an estimated receipt of 15 lakhs representing one-third of the excess over 3 crores expected to be transferred to the Railway reserve. The net earnings from railways have proved, as the House is aware, slightly higher than anticipated in the original Budget, so that our share in the surplus over 3 crores is increased by 8 lakhs, and the total contribution from Railways is estimated at 5.32 crores.

13. We expect an increase of 43 lakhs under Interest owing mainly to higher rates for short money in London and higher cash balances there, and for similar reasons we anticipate an additional 46 lakhs of interest on investments of the Currency Reserves. The receipts from the Enemy Ships account and the first instalment of Reparation payments from Germany under the Dawes scheme give us an extra 21 lakhs under the head of Extraordinary revenue. This completes my survey of the Revenue side of the account for 1925-26, and explains my reasons for putting the revised estimate of revenue for the year at 131.35 crores instead of 130.68 crores.

EXPENDITURE, 1925-26.

14. For a great part of the year we have been effecting our remittances at the fixed figure of 1s. 6 $\frac{3}{4}$ d. and we are now able to anticipate that the average rate of exchange for the year as a whole for accounts purposes will be 1s. 6 $\frac{3}{4}$ d. as against the Budget figure of 1s. 6d. Apart from an improvement of 6 lakhs in our railway revenues which affect us only indirectly, and again of 7 lakhs in regard to our capital expenditure, the revised figure for exchange accounts to the extent of 10 lakhs for an improvement in our revised budget of revenue and expenditure.

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15. The variations in the largest item of our expenditure, Military Services, are not of the same magnitude as in previous years. The net expenditure on Military Services, according to the Budget estimate for the current year, was 56½ crores. Accuracy in reaching a revised figure for military expenditure at this period of the financial year is always specially difficult to attain, but the course of expenditure up to date points to a total net figure of 56·28 crores, or practically the same figure as our first forecast. Scrutiny of the account for non-effective services between India and the War Office has led to a special credit, for which no provision was made in the estimates of about 70 lakhs, representing a revision of the account with retrospective effect from 1919. As against this, expenditure in India has markedly exceeded the estimate in certain directions. A special provision amounting to 40 lakhs has had to be made for the purchase of certain kinds of ordnance equipment in which serious shortage has been disclosed. His Excellency the Commander-in-Chief has instituted an expert inquiry into the whole question of ordnance equipment with a view to ensuring that the real facts may be brought into clearer light and that the reasons for these shortages, which ought not to have occurred, if the system of control had been working properly, may be fully disclosed. A special grant of 15 lakhs has also been allotted for the purchase of supplies of ghee in March in advance of next year's requirements, it having been ascertained that by purchasing at an earlier date each year considerable economies can be effected. Savings of 16 lakhs on pension charges in India and an excess expenditure of about 20 lakhs owing to higher prices for articles of food and forage, are among the most important of the other variations. Since the net result of these variations is to bring the revised figure for net military expenditure out at practically the same total as the original Budget, the Finance Department are entitled to congratulate themselves on the satisfactory operation of the system introduced in connection with the 1925-26 Budget, of making a lump sum cut, which amounted this year to 20 lakhs, over the total military estimate.

16. I have already mentioned the excess of 35 lakhs in opium expenditure. Interest charges on permanent debt also exceed the estimate by 35 lakhs owing to the capital expenditure on railways having been less by 3½ crores than the budgeted figure, to a reduction in the interest chargeable to the Posts and Telegraphs Department, of which I shall speak later, and to the fact that the rate of interest chargeable on railway and other capital expenditure since 1917, which is arrived at by taking an average of the rates at which the Government of India have borrowed since that date has proved to be less than the figure assumed at the time of the preparation of the Budget. Plans are being worked out with a view to a modification of this rather complicated system of calculating interest and the substitution of a new procedure which will be less likely to disturb our Budget estimates. On the other hand, the revised figures of 1925-26 profit by an unexpected credit of 30 lakhs under the head of Interest owing to the payment by the Bombay Government of interest to the Provincial Loans Fund for 15 months instead of 12 months—a change of procedure introduced in order to bring their interest dates to the 31st March in each year. Slight variations in regard to other Civil expenditure apart from Posts and Telegraphs mostly cancel each other.

The increased bounties on steel are almost exactly set off by the transfer of the charges on account of the Security Printing Press at Nasik to capital.

17. I have already referred to the successful operation, so far as military expenditure is concerned, of the system introduced a year ago, with a view to preventing over-budgeting, of making a lump sum cut. The total cut made in the estimates of Civil expenditure was 15 lakhs. It was made under twelve different heads, and in all except two cases the cut has justified itself, the total expenditure having been kept by the Departments concerned within the reduced grants. The two exceptions are the Survey of India and the Indian Stores Department, in regard to both of which the House has already voted supplementary grants. As I explained in my Budget speech a year ago, this new procedure was regarded as experimental and we are proposing to repeat it for a second year in connection with the Budget for 1926-27.

18. The working of the Indian Posts and Telegraphs Department in the current year requires rather fuller treatment. The total gross receipts are now expected to be 10.28 crores, or 18 lakhs lower than the estimate. On the other hand, there is a saving of 19 lakhs in working expenses which, owing to certain abnormal circumstances which I shall explain shortly, are now estimated to amount to 9.57 crores. This makes the net receipts 67 lakhs as against our anticipation of 65½ lakhs. This figure is of course exclusive of interest charges. At the time of the Budget it was anticipated that the final result of the working of the department for the year, after adjustment of interest, would be a small loss of Rs. 60,000. The figure included in the Budget for interest was 66 lakhs and was based, as I explained a year ago, on a rough figure, not at that time completely examined, for the total capital outlay on the Indian Posts and Telegraphs Department. The figure taken was lower than the capital outlay as shown in our books, and the intention was that the interest actually charged should be based on the depreciated block value of the assets of the department on the 1st of April 1925 when finally ascertained. The departmental investigations into the value of this block have now been completed, but the report is still under consideration. According to the figures in this report, the value of the assets is very much less than the book value, but the exact figures have still to be settled. For the present, I have felt justified in taking a round figure of 49 lakhs for interest as against the figure of 66 lakhs taken in the Budget. On this assumption, the net result of the working of the department as a whole is a profit of nearly 18 lakhs. This surplus is, however, non-recurring. The expenditure on postal stationery and stamps included in working expenses was 10 lakhs below the normal owing to the fact that the department was eating down stocks during the year. In addition, a previous wrong adjustment to the extent of about 8 lakhs under the head of Stationery and Printing charges has had to be corrected in this year's accounts, thus reducing the working expenses by a non-recurrent sum of 8 lakhs. The true estimated profit is thus reduced to vanishing point unless further savings accrue in working expenses, and unfortunately there is still some doubt as to the correctness of the figure for interest.

19. The House will remember that in my Budget speech a year ago I explained that it was proposed to transfer to capital the stocks of postal and telegraphic stores carried on revenue account on the 31st March 1925. The total value of such stores in the Indian Posts and Telegraphs Department

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was then estimated to be 1,24 lakhs. The actual balance has proved to be 1,61 lakhs. The stocks held in the Indo-European Telegraph Department have also to be taken into account, and as the credit on this account has proved to be 15 lakhs more than we allowed for, the total amount of this non-recurring credit to Revenue during the year 1925-26 will be 1,81 lakhs.

20. It will be seen that the revised estimates of revenue and expenditure for the current year have had to be arrived at after taking into account considerable variations not contemplated in our Budget estimates. The most important of these, apart from the results of suspending the Cotton Excise Duty, are the increased credit to revenue of 52 lakhs from Posts and Telegraphs stores which I have mentioned, the increase of 24 lakhs in the value of the stocks of opium at treasuries taken over and paid for by Local Governments this year, the transfer of 17 lakhs of revenue expenditure to capital account in the case of the Security Printing Press at Nasik, and the decrease in net expenditure under the head of Interest amounting to 30 lakhs resulting from the payment by the Bombay Government of interest for fifteen months instead of twelve. All of these four items are in the nature of book-keeping transactions, but they have none the less the effect of swelling our surplus. The figures given in the Budget estimate for revenue and expenditure for the year were 190.68 crores and 130.44 crores respectively, leaving an estimated surplus of 60.24 lakhs. The improvement shown in the revised estimates is 1.06 lakhs, the figure for revenue being 131.35 crores and for expenditure 130.05 crores. The four special items which I have mentioned aggregate 1.23 crores and more than account for the increased surplus.

21. The following statement shows the main variations in revenue and expenditure working up to this total:—

	Lakhs.	
	Better.	Worse.
Customs	50	...
Taxes on Income . . . . .	...	1,10
Salt . . . . .	...	55
Opium (net)	48	...
Interest receipts	43	...
Currency receipts	46	...
Extraordinary receipts	21	...
Interest on debt (net) . . . . .	...	35
Posts and Telegraphs	77	...
Railway contribution	8	...
Other heads	13	...
	3,06	2,00
	Total, better	1,06
	Budget surplus	24
	Revised surplus	1,30

22. This anticipated surplus would in the ordinary course be applied automatically to the reduction or avoidance of debt. The Government of India, however, desire to place before the Legislature a proposal for the utilisation of 50 lakhs of this surplus for the formation of an Indian Archæological Fund.

Fund. The details of the proposal which will be embodied in a Bill will be explained more fully to the House in due course. Its financial effect will be to apply 50 lakhs of the surplus, which would otherwise go to debt redemption, for the purpose of capitalising our liabilities in connection with archaeological research. It is not therefore except in form a departure from the sound rule that a realised surplus should go to reduction of debt. Future budgets will be saved from a revenue charge on this account, but as it may be assumed that our outstanding debt will be 50 lakhs higher than it would otherwise be and our interest charges consequently increased, the net ultimate effect on future budgets is nil. Its immediate effect upon our revenue estimates for the current year will be to reduce the revised figure for the surplus to 80 lakhs.

23. We who are living in Delhi do not need to be reminded of our debt to the Archaeological Department. When in the intervals between our deliberations we visit any one of the historical monuments that surround us, we realise the care and skill which have been devoted to preserving these ancient structures and to beautifying their surroundings. We realise and are grateful. But this is not the only side of the Department's activities. There is another which is perhaps less well-known, the work of excavation. Some of us have had the privilege of visiting Taxila and studying the fascinating antiquities, taking us back two thousand years in Indian history, which have been unearthed there in the last two decades. We are glad that they are now to be housed in a suitable museum. But if Taxila takes us back two thousand years, the recent discoveries at Harappa and Mahenja-Daro will, if the evidence is confirmed, transport us in one flight to a period of Indian history three thousand years earlier. Nay more: they hold out expectations of enabling us to get back thousands of years earlier still to a period in human history which was as remote from the inhabitants of Mahenja-Daro in the year 3000 B. C. as those ancient Indians of the Indus valley are from us to-day. The Indo-Sumerian discoveries open up a vista which may once again revolutionise the world's knowledge of the early history of mankind. Their possibilities are such that they must excite even the most unimaginative.

24. Sir John Marshall, to whom since the day when the late Lord Curzon brought him here Indian archaeology owes a very great debt, has stated that a hundred crores of rupees could be spent on archaeological research in India without doing more than scratch the surface. Almost the only source from which funds are at present available for excavation in India and Burma is the Central Budget. However desirable archaeological expenditure may be in the cultural interests of India and of mankind, it is obvious that the taxpayer cannot be asked to give more than comparatively small sums. In 1923-24 the grant for Archaeology was cut down severely under the influence of retrenchment. In 1925-26 the sum available for research was about 1.3 lakhs including the provision made in connection with Sir Aurel Stein's special work in Central Asia. The Finance Department have been pressed to provide a considerably larger sum in 1926-27, but we intimated that about 2½ lakhs was the maximum which we could see our way to grant.

25. Meanwhile, in spite of the obvious importance of following up the recent discoveries, the Archaeological Department have found that they cannot frame a considered programme for a period of years and cannot train young Indians as archaeologists in the absence of the possibility of giving them security of tenure or employment. The idea has accordingly been

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mooted that an Indian Archæological Fund should be started, and a Board of Trustees established somewhat on the lines of the Trustees of the British Museum. Once the Fund came into effective existence, it might, it is hoped, attract donations from Indian Princes and from others interested in archæology and from winter visitors to India whose imagination is I find always stirred by Indian monuments. The essence of the proposal which will be placed before the Legislature therefore is that, instead of voting a grant of 2½ lakhs in the estimates for 1926-27 it should make a supplementary grant of 50 lakhs out of the surplus of 1925-26 as an initial endowment for the Fund. As I have already explained, this amounts to little more than a book-keeping change so far as our budgets for 1926-27 and for future years are concerned. Meanwhile, however, the Fund will be well started; the interest on the endowment of 50 lakhs will bring in approximately 2½ lakhs a year to be spent on archæological research. The Trustees will be able to make an attractive appeal in other quarters for additional endowments and can go ahead to frame a programme and to train budding archæologists. Archæological excavation is the most practical form of historical research, and it is a form in which I am convinced India can make an immense addition to the world's historical knowledge. But it is ineffective unless it can be pursued on an adequate scale and according to a programme based on the regular receipt of at least a minimum income. The income of the proposed Archæological Fund will be devoted to systematic and continuous archæological excavation. The people of India are justly proud of their past and I feel sure they will welcome the establishment of this endowment for historical research.

WAYS AND MEANS AND PUBLIC DEBT.

26. The real improvement which has come about in the finances of the Government of India during the last few years and the strength of our position during the financial year 1925-26 are strikingly reflected in the figures of our Public Debt and of our debt position generally and in the story of our ways and means operations. The House will remember that in my Budget speech last year I stated that not only did we not anticipate any necessity for borrowing outside India during the year, but also that the maximum amount that we should require to raise by a rupee loan in the open market in India would be 12 crores. I stated that it was not improbable that at the same time as we approached the market for a rupee loan we should also place before the public a conversion offer with a view to beginning operations for the conversion of early maturing bonds. In the event, we found ourselves able in June, 1925 to announce that our operations in the market in India would be confined to a conversion loan in view of the improvement shown by the figures of our actual balances on the 31st March, 1925 in comparison with our anticipations indicated in the revised budget figures. This increase in balances was mainly due to the increase in the net railway earnings which affected both our revenue surplus and our ways and means position, and to the drawings upon us by the Provincial Governments proving very much less than they had anticipated at the time they framed their budgets.

27. Our ability to dispense with a cash loan was most welcome to the money markets of India, but it was a subject of some comment in various quarters that the estimates framed at the time of the introduction of the Budget were proved only three months later to be so far out. I am inclined to think that the phraseology consecrated by long usage in Indian

budget speeches which refers to the ways and means portion of the statements as a "Ways and Means Budget" is somewhat misleading, in that it may tend to give the public the impression that the figures and estimates in the ways and means portion of the Budget make a claim to comparative exactness not inferior to that made by the figures of our revenue and expenditure estimates. Our Ways and Means Budget is intended to be and necessarily must be illustrative rather than exact. The ways and means figures bring together the net results of operations of very varying character all over India and Burma and in London. To a large extent these operations are either not under the control of the Government of India at all or only very indirectly under their control. The aggregate result of the variations in the estimates of incomings and outgoings of the Provincial Governments on Revenue and Capital account brought to light between the date at which the Central Budget figures were prepared and the date when the balances of the Provincial Governments on the 31st March, 1925 began to be approximately ascertained—a period of from 3 to 4 months—accounted for a reduction of not far short of 6 crores in our estimate of the finance required during the year 1925-26 for meeting aggregate outgoings. Apart from the operations of the Provincial Governments, our balances are affected by the incomings and outgoings on account of various deposit and advance heads, sums received and paid out in respect of provident funds of various descriptions, deposits and withdrawals of the Post Office Savings Bank, and purchases and encashments of Post Office Cash Certificates. In these circumstances it is neither possible nor desirable to attempt to lay down a rigid ways and means programme far in advance. The only result of doing so would necessarily be to swell our balances needlessly. At the same time it is certainly desirable that we should do anything that may reasonably be possible to secure greater accuracy in the estimates of Provincial Governments' incomings and outgoings, and I am not entirely satisfied that improvement in the machinery for dealing with our deposits and advances accounts is unattainable. These and cognate subjects are at the present moment engaging the careful attention of the Finance Department of the Government of India.

28. The decision to confine our market operations to the conversion loan in the summer of 1925 has been amply justified by results. In spite of heavy remittances in advance of requirements in London, we have been able to finance our outgoings in India without serious inconvenience, and without resort to the money market for temporary accommodation or assistance from the Imperial Bank in the form of ways and means advances. The conversion loan resulted in conversions of bonds maturing during the years 1925 to 1928 to a total of 30.61 crores, of which over 25½ crores were conversions into the 5 per cent. income-tax free loan of 1945-55, and about 4½ crores into the new issue of 10-year bonds liable to income-tax. The conversion loan involved immediate cash payments which amounted to 87.6 lakhs. This sum, however, included the premiums on 1925 and 1928 bonds to the extent of 23.4 lakhs which would have had to be paid at maturity in any case. The additional amount of cash payments involved may therefore be put at 64.2 lakhs. As the result of the conversion loan we have effected an annual saving in interest on the bonds converted of approximately 18.7 lakhs, and in addition 4½ crores of the public debt have become subject to income-tax instead of being income-tax free. Moreover, apart from this considerable reduction in our annual

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charge for interest we have reduced our liabilities for the repayment of maturing loans during the next three years by nearly 29 crores, and in particular our liability in respect of the 6 per cent. bonds maturing in September, 1926, has been brought down from 37.9 crores to 20.05 crores. This operation has thus materially eased the problem of dealing with our maturing debt, the magnitude of which I had occasion to explain to the House in a speech on February 18th, 1925, as well as in my Budget speech a year ago, and we hope to reap further reward from this successful conversion operation when the time comes for the issue of a rupee loan next summer.

29. Before dealing with this latter question it would be convenient for me to summarise our ways and means position for the years 1925-26 and 1926-27. The figures are as follows:—

	(Figures in crores of rupees.)	
	Revised, 1925-26.	Budget, 1926-27,
	Rs.	Rs.
<i>Outlay.</i>		
1. Railway capital outlay	19.5	26.0
2. Other capital outlay (including Delhi, Post and Telegraphs, Vizagapatam Harbour, etc.)	4.5	2.5
3. Provincial Governments transactions	6.0	7.0
4. Discharge of Debt	38.3	23.8
	68.3	59.3
<i>Resources.</i>		
1. Surplus . . . . .	.8	...
2. Rupee Loan	30.6	22.0
3. Postal Cash Certificates	6.4	4.0
4. Other unfunded debt (including Postal Savings Banks)	5.8	5.6
5. Debt Redemption	5.0	5.0
6. Depreciation and reserve funds	7.0	5.6
7. Miscellaneous (net) . . . . .	.7	2.1
8. Reduction of Cash balance	12.0	15.0
	68.3	59.3

30. The House will share the satisfaction of the Finance Department and of the Government of India in the strength of the position which these figures disclose. During the year 1925-26, instead of borrowing over 7 crores net in the market in India as anticipated in the Budget statement, we have discharged 2 crores net of market debt in India and have paid off 5.7 crores of market and other debt in England. Nevertheless, we have financed during the year new capital expenditure chargeable to loan funds to a total of 30 crores of which 6 crores is on behalf of Provincial Governments through the Provincial Loans Fund. How has this striking result been achieved? A fuller explanation would involve a closer analysis of the figures than is perhaps desirable in a Budget speech, and I must be content to refer only to the main items. Our capital expenditure has been financed in the first place to the extent of about 12 crores by a reduction of balances, though these are still about 14 crores higher than we anticipated a year ago. Our Debt Redemption scheme gave us 5 crores and our revenue surplus will give us 80 lakhs. The Post Office Cash Certificates and other unfunded debt, including the surplus of Post Office Savings Bank deposits over withdrawals, and the

railway reserve and depreciation funds provided us with the balance. The incomes from railway reserve and depreciation funds and from cash certificates were in each case about 2 crores more than we had estimated.

31. In 1926-27 maturing debt falling due for repayment including railway debentures to be redeemed in England amounts to nearly 24 crores. The capital expenditure of the Central Government amounts to 28½ crores of which 26 crores is railway capital outlay. The Provincial Loans Fund estimate shows an outgoing of 7 crores for advances to Provincial Governments. We thus require nearly 24 crores for maturing debt and 35½ crores for new capital expenditure or nearly 60 crores in all. In order to meet this liability we expect to be able to draw further on our cash balances to the extent of 15 crores. We look for 11½ crores from miscellaneous sources including Post Office Cash Certificates and other unfunded debt, and about 5 crores each from the Debt Redemption provision and from railway reserve and railway and other depreciation funds. So far therefore as we are able to judge from our present estimates, we shall require to raise a loan in the money market of an amount not exceeding 22 crores. There is no likelihood of our having to resort to external borrowing during 1926-27, this being the third year in succession in which the issue of an external loan will have been avoided. We expect to confine ourselves accordingly to the issue of a rupee loan in the Indian money market for a sum not exceeding 22 crores, of which 20 crores will be for the renewal of the bonds maturing next September. The net amount of new money required from the Indian market will not exceed 2 crores, which is less than the amount needed to pay off external debt in London. More than the whole of our new capital programme amounting to over 35 crores will be financed without recourse to market borrowings. It will be a matter for consideration whether at the same time as we issue our rupee loan we should offer a further opportunity to holders of bonds maturing after 1926 for anticipatory conversion, as we did last year.

32. In any case I feel confident that the strength of the position thus disclosed following on what was achieved during 1925 will have a markedly favourable effect on the terms on which we shall be able to borrow. The progressively falling rate of interest at which our loans in India have been taken up by the public will continue to operate to our advantage. Our conversion issues last summer were offered on a basis of 5 per cent. tax-free or about 5½ per cent. subject to tax. It is interesting to observe that the new 5 per cent. bonds subject to tax are now quoted in the market at a price showing a considerable premium over the issue price and our 5 per cent. tax-free loan 1945-55 now stands definitely above par. The following figures showing the market prices of Indian Government securities in India for the last four years tell their own tale.

MARKET PRICE ON

	1st February, 1923.	1st February, 1924.	1st February, 1925.	1st February, 1926.
	Rs. A.	Rs. A.	Rs. A.	Rs. A.
5 per cent. Tax-free loan 1945-55	88 4	96 10	97 15	100 12
3½ per cent. Indian Gov- ernment Rupee loan	57 0	66 0	66 9	70 8

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33. While I am dealing with this subject, I shall like to draw attention also to the movement of prices for Indian Government stocks in London, which brings out clearly the advance in the Indian Government's credit in that market which has resulted from the absence of any new borrowing since May 1923 and from the general improvement in India's financial position. As I pointed out last year, we were fortunate in the rate we secured in May 1923 for our last loan in London. Generally speaking, prices of gilt-edged securities on the London market stood at a higher level at that period, than they have done at any time since that date, when we offered £20 million of India 4½ per cent. stock to the public at 90. The market prices of gilt-edged securities in London including Indian Government loans are at all times governed by the general conditions of the market, and have during the last year been considerably affected by the comparative stringency which followed on the steps taken to restore and maintain parity of sterling with gold. The following figures compare the price of India 3 per cent. and 3½ per cent. stock in London in April 1914, April 1923 and February 1926, with the prices of certain other gilt-edged securities at the same dates :

	30th April, 1914.	30th April, 1923.	1st February, 1926.
India 3 per cent. loan	75½	60½	58
India 3½ per cent. loan	88½	70½	68
Local loans 3 per cent. stock	87	69½	64½
London County Council :			
3½ per cent. stock	97	79½	73
3 per cent.	81	68½	63

I give a further table comparing the price of India 4½ per cent. stock on 30th April 1923 and 1st February 1926 with the price of British Government 3½ per cent. conversion loan on the same dates.

	30th April, 1923.	1st February, 1926.
India 4½ per cent. stock	90½	88½
3½ per cent. conversion loan	81	76½

It will be seen that, though owing to general market conditions the prices of Indian Government securities are lower now in London than they were either in April 1923 or in April 1914, the credit of the Government of India stands considerably higher in the market in relation to that of the British Government and other gilt-edged borrowers than it did either in 1914 or in 1923. Another rather remarkable conclusion which emerges from these figures is that the Government would at the moment at least have to pay rather a higher rate of interest for money borrowed in London than for a loan issued in India.

34. It is not open to doubt that the improvement in India's credit to which I have drawn attention is due to the strenuous efforts made by the Government of India and the Legislature to restore and maintain complete budgetary equilibrium and to the policy which we have adopted in regard to provision for reduction and avoidance of debt and to strict adherence to our rule of borrowing only for purposes which are clearly reproductive.

The effect of this policy of encouraging whenever possible all sound schemes that come forward for capital expenditure of a reproductive character and using our credit in the market only for the purpose of financing such reproductive expenditure, apart of course from the financing of maturing liabilities, is further illustrated in the figures which I now proceed to give regarding the Debt of India. As this is the last Budget with which the present Assembly will be called upon to deal, I have had figures prepared showing the position of our debt as on the 31st March 1923 in order to bring out the changes which have taken place during the three financial years corresponding to the three years of life of the present House.

Statement showing the Debt of India, outstanding on the 31st March 1923, 31st March 1924, 31st March 1925 and 31st March 1926.

	31st March, 1923.	31st March, 1924.	31st March, 1925.	31st March, 1926.
<i>In India:—</i>		(In crores of rupees.)		
Loans	339·83	358·81	370·38	368·35
Treasury Bills in the hands of the public	21·59	2·12	...	
Treasury Bills in the Paper Currency Reserve	49·65	49·65	49·65	49·65
<i>Other Obligations—</i>				
Post Office Savings Banks	23·20	24·79	25·64	27·48
Cash Certificates	3·13	8·42	13·12	19·52
Provident Funds, etc.	36·17	39·00	42·39	46·27
Total Loans, etc.	411·07	410·58	420·03	418·00
Total Other Obligations	62·50	72·21	81·15	93·27
Total in India	473·57	482·79	501·18	511·27
<i>In England:—</i>		(In millions of £)		
Loans	222·92	244·53	263·89	266·43
War Contribution	19·71	19·27	18·81	18·32
Capital value of liabilities undergoing redemption by way of terminable railway annuities	61·31	60·10	58·84	57·53
Provident Funds, etc.	·04	·13	·16	·20
Total in England	303·98	324·03	341·20	342·48
Equivalent at 1s. 6d. to the Rupee	405·31	432·04	454·93	456·64
Total Debt	878·88	914·83	956·11	967·91
Productive { for Central Govern- ment	536·65	557·09	600·05	627·71
for Provinces	87·49	97·56	106·43	114·39
Total Productive	624·14	654·65	706·48	742·10
Unproductive	254·74	260·18	249·63	225·81
Total	878·88	914·83	956·11	967·91

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35. In order to show the figures of our external debt in a significant way, I have converted sterling at the current rate of 1s. 6d. per rupee not only for 1925 and 1926 but also for 1923 and 1924. The improvement in our exchange has undoubtedly given us some temporary relief in the burden of interest and other payments on sterling debt, and its effect of course is to bring about a marked reduction in the rupee figure as compared with what it would have been at 1s. 4d. It must be assumed, however, that the higher rate of exchange has no permanent effect on the actual burden imposed on the country in meeting our external obligations since, if the number of rupees required is reduced, the commodity value or purchasing power of each rupee is correspondingly enhanced. The effect of taking 1s. 6d. is also particularly noticeable in regard to the unproductive debt figures. It will be seen that our total debt of all kinds had increased from 878.88 crores on the 31st March 1923 to 956.11 crores on the 31st March 1925 and by a further 11.80 crores to 967.91 crores on the 31st March 1926. The unproductive debt was 254.74 crores on the 31st March 1923, 249.63 crores on the 31st March 1925, and will be 225.81 crores on the 31st March 1926 out of a total debt of 967.91 crores. At the present moment it may be said, in order to put the position in a graphic way, that the whole of our rupee debt and more than half of our sterling debt is productive, and that our unproductive debt is now less than one quarter of the whole debt. Excluding the Provincial Governments' debt, the increase in the productive debt during the current financial year amounts to 27.66 crores, while the increase in the three years since 31st March 1923 amounts to 91.06 crores. Unproductive debt has decreased during the year 1925-26 by 23.82 crores.

36. Our internal debt, excluding Provincial Governments' debts to the Government of India, on the 31st March 1923 was 386.08 crores, on the 31st March 1925, 394.75 crores, and on the 31st March 1926, 396.88 crores. Our external debt on the 31st March 1923 was 405.31 crores, on the 31st March 1925, 454.93 crores, and on the 31st March 1926, 456.64 crores. The increase in our external debt during the current year is, as last year, purely nominal. The latter figure includes 4.67 crores or £3½ million of Great Indian Peninsula Railway Company's debentures which, exactly as was the case in 1924-25 with the 24.67 crores or £18½ million of East Indian Railway Company's debentures, are not really an increase in the debt of India as a whole but are merely a transfer from the railway company to the Government of the liability to meet the same interest charge out of the earnings from the same Railway. These two operations more than account for the whole of the increase in the net amount of our sterling debt since 1924. In real truth the operations of the last two years have effected a considerable reduction in India's external liabilities, since, besides taking over the debentures of the railway companies concerned, the Government of India have brought out the shareholders of these railway companies without borrowing in London for the purpose, thus converting an external debt into an internal debt. A further operation of the same sort will take place on the 1st April 1926 when a sum of £3 million provided out of the Government of India's rupee resources and remitted in sterling to London will be applied to buying out the shareholders of the Delhi-Umballa-Kalka Railway.

37. I have more than once publicly stated my conviction that if India would only learn to use her potential capital in greater measure for productive purposes than she does at present—I do not mean merely for investment in Government securities—and by the development of the banking and investment habit would make available for remunerative expenditure in India a larger portion than she now does of the surplus which she earns annually by the export of her products, not only would an immense impetus be given to the commercial and industrial development of India's resources and new and attractive fields opened for the employment of her educated young men, but the process of converting external debt into internal debt could be very greatly accelerated. In two years the taxpayer of India has managed, without increasing his external obligations, to purchase for his own use and profit the equity of the East Indian Railway, the Great Indian Peninsula Railway and the Delhi-Umballa-Kalka Railway. Is not this an object lesson of what the future may have in store if we set our minds wholeheartedly to the development of our own internal resources by the wise application and investment of our own internal capital? The Government are doing what they can to forward the movement, but much must depend on private enterprise and initiative, on the spread of education of the right kind and on the combating of what has been well designated by my friend Mr. Rushbrook Williams as India's "uneconomic tradition which does not recognise the production and accumulation of wealth as being among man's legitimate aims". There are those, I know, who fear that acceptance of the legitimacy of such an aim would involve a prostitution of India's highest self to ignoble ends. What shall it profit a man if he gain the whole world and lose his own soul? If I believed that India's adoption of this western economic doctrine would jeopardise the high achievements of India's speculative thought and sacrifice her spirituality to a materialistic and selfish creed, I would unhesitatingly range myself with the opponents of change. I do not think it is open to challenge that the depths of understanding of man's relation to the Infinite which have been attained by the best of India's speculative thinkers hold out to Western civilization as it exists to-day a hope of spiritual progress—I stress the word "progress"—which is an essential complement and corrective to the materialism which springs from over-emphasis on the practical business of conquest of Nature's secrets and their compulsion to man's service. India long ago revolutionised mathematics and provided the West with the key to the most far-reaching of all among the mechanical instruments on which its control of nature has been built, when it presented to Europe through the medium of Arabic the device of the cypher upon which all modern systems of numeration depend. Even so, India, to-day or to-morrow, will, I feel confident, revolutionize Western doctrines of progress by demonstrating the insufficiency and lack of finality of much of the West's present system of human values. But I do not think that the denial of all value to western endeavours to increase the production and accumulation of wealth is essential as a support to the Indian philosophy of life. I hold that increased production and accumulation of wealth are a means—in themselves indifferent, neither good nor evil—but an indisputable means towards the attainment of a higher ideal, the broadening and deepening of life's meaning for the individual and still more for the mass of mankind. What matters essentially is the purpose with which they are striven after, and East and West alike can and ought to strive after them as a means to a higher end. It is an Indian commentator on Mr. Rushbrook

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Williams' challenge who has said that the trouble is that this uneconomic tradition has not made the Indian less materialistic than the European, but it has made him a worse materialist.

38. Among the instruments of our policy of encouraging the investment habit, the Post Office Cash Certificate takes a prominent place. This security combines in itself features belonging to savings bank deposits, in particular the facility for encashment at any time and protection against any risk of depreciation in value, together with some of the characteristics of an investment. It may be regarded as the ideal security for the very small investor enabling him to cross the bridge dividing a depositor in a savings bank from a holder of marketable investment securities. It has been observed in England, and is no doubt true in India also, that a considerable portion of the money withdrawn when Savings Certificates are cashed is not really thereby withdrawn from investment altogether, but is used for the purpose of reinvestment by the holder, for example, in house property, in the purchase of a business or in a marketable security of some kind. The money would very likely not be saved at all if it had not first of all been attracted to the profitable purpose of the purchase of one and then another cash certificate. It is then accumulated for a period at compound interest and when it comes to be withdrawn the sum now grown to larger dimensions is added to the invested capital of the country, and all the time a new class of small investor is being created by this process. During the year the popularity of the Post Office Cash Certificate has been even more pronounced than before and any action tending to check the growth of the habit of investment in cash certificates would be contrary to the true interests of India.

39. At the same time it must be realised that the rate of 6 per cent. compound interest, which is obtainable on a cash certificate held until maturity, is now unduly high when regard is had to the general fall in the rate of interest obtainable on other Government securities. We are moving on, as I have already said, towards a period when even 5 per cent. will seem a high rate of return on an investment issued on the security of the Government of India. The recent action of the Imperial Bank of India in reducing its rate of interest for savings bank deposits to 3½ per cent. may be cited as a further proof of the passing of the period of high interest rates generally. We are therefore considering the question of making some alteration in the terms on which the Post Office Cash Certificates are at present offered for subscription, while at the same time introducing certain new measures which will add to the popularity of these certificates and prevent any reduction in the yield from checking seriously the growth of the habit of investing in them. I have observed recently some criticism of the Government's policy in offering these certificates for sale on the ground that the growth of bank deposits is thereby checked. In so far as these complaints have reference to the high yield at present obtainable, the reduction which we contemplate should remove any ground for objection. But I take issue with these critics when they imply that the general policy of issuing cash certificates militates against other forms of saving and depositing of savings with banks. No truth has

been more firmly established by the experience of all the countries which have adopted and extended the system of cash certificates or corresponding securities than that the general stimulus to saving and investing which they give reacts beneficially on all other forms of saving.

40. The Government of India are not infrequently accused of want of elasticity in their approach to financial questions and lack of imagination and of sympathy with the burden of the taxpayer of the day. I take the accusation of want of elasticity as a compliment. It can, I think, mean little more than that we have a definite policy and stand by it. Imaginative finance is apt to mean a capacity to budget for imaginary receipts which fail to accrue. The easiest road to popularity for a Finance Member is the adoption of a policy of making posterity pay. I have already drawn attention to the really striking improvement in our credit and in the figures of our Public Debt which has resulted from strict adherence to the principles of avoiding all borrowing for other than truly productive purposes and making adequate provision for reduction or avoidance of debt. The common complaint against this policy is that it adds to the burden of the taxpayer of to-day by postponing the date when Provincial contributions can be further relieved and taxation reduced. I challenge even this conclusion. The direct result of our policy on the Budget figures for 1926-27 is that our total charge for interest is over 1 crore less than in the revised estimate for 1925-26 and 3.44 crores less than in 1923-24. A continuance of this policy is certain to lead, in the absence of untoward incidents, to a considerable further reduction in the charge for interest in 1927-28 and future years. Departure from it would have disastrous effects on the rate of interest which we should have to pay for renewals of our maturing debt and for the new capital required for reproductive purposes. If we are able this year to bring to an end the unhappy history of the Cotton Excise Duty, it is largely because of the reduction in our interest charges. Nor is it only the taxpayer of the Central Government who benefits by the results of this policy. The figures I have given relate to the net charge for interest in the Central Budget alone. If railway rates and fares are in process of reduction, it is in part due to the reduction in the charge for interest on capital, present and future, invested in our railway enterprises. If some of the Provincial Governments have received relief in regard to their Provincial contributions and if they and the other Provincial Governments are hoping for further relief, it is to an appreciable extent the reduction in our interest charges which has enabled us to do what we have done and which justifies our hope and theirs of further relief. Not only so, but the reduction in the charge for interest directly affects their own budgets, in that it serves to reduce the rate which they have to pay for their borrowings from the Central Government. A year ago the House showed its recognition of the wisdom of our policy regarding provision for reduction and avoidance of debt by endorsing that policy and voting in full the demand in which that provision was included. To-day I am able to show to the House the direct benefits of its wise action in this matter, and I trust that the House and the country will now realise that it is not from any desire to maintain taxation at a higher level than is absolutely unavoidable that we insist on the debt policy which we have adopted, but that such a policy is directly calculated to bring real advantages and real relief to the taxpayer of to-day as well as to the taxpayer of to-morrow.

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41. Before I pass on to the Budget estimates for 1926-27, I desire to refer briefly to some not unimportant changes which have been made this year in the form of the documents which will shortly be placed before the House. Improvements in financial machinery.

A year ago, as the House will remember, we introduced various changes in the form of the Demands for Grants in the light of observations made by the Public Accounts Committee. This year we are in possession of the results of an inquiry conducted at the request of the Public Accounts Committee into the possibility of improving the appropriation reports on lines suggested by that Committee. The Auditor General's recommendations were considered by the Public Accounts Committee in August last and received their general approval, and their wishes are being carried out in the Appropriation Reports for the year 1924-25 now under preparation. In order to bring the Demands for Grants into general conformity with the Appropriation Reports and thereby to facilitate comparisons between estimates and actuals, corresponding changes have been made in the form of the Demands for Grants for 1926-27. Each grant is now shown sub-divided into a number of sub-heads and the actual expenditure will be accounted for under each so that the Public Accounts Committee, when they scrutinise the final accounts, will be able to compare without difficulty the actual expenditure with the budget provision under each sub-head and to fulfil more easily their constitutional task of examining the extent to which savings under one sub-head have been utilised by the Executive Government towards extra expenditure under another. The existing division by circles of account has, however, been retained and details of expenditure are given in the same fullness as before. Another change which will jump to the eye of anyone using these volumes is that we have reduced most of them to octavo size—a change which effects a considerable reduction in the cost of printing. It is not possible to alter the size in all cases this year, but our intention is to complete the process of conversion to octavo size in full a year hence.

42. A separate demand will be included in the 1926-27 Demands for Grants for expenditure in connection with the separation of Audit from Accounts in the United Provinces. This measure has been advocated by the Retrenchment Committee and by the Reforms Enquiry Committee from different points of view. The latter Committee held that separation of Provincial from Central finance was an essential preliminary to any appreciable advance towards provincial autonomy in financial matters, but before such separation can be accomplished, Provincial Governments must be in control of their own Accounts. Audit, however, appears to be a subject which should remain as at present in the hands of a single authority, the Auditor General, all over India. The separation of Audit from Accounts is therefore involved as a preliminary to further advance and it appears to offer other incidental advantages. I need only mention two at present. The new system of accounting which we propose to introduce greatly facilitates a closer and more efficient control of expenditure by the Department responsible for that expenditure as a continuous process during the period of the expenditure. The Audit department, on the other hand, is relieved from the mechanical routine duties involved in the present system and its audit becomes more searching. With the approval of the Secretary of State, therefore, we have decided as an experimental measure to introduce the new scheme of separation, as from 1st April 1926, in the accounts.

of the United Provinces whose Government have expressed their desire for its introduction.

BUDGET ESTIMATES FOR 1926-27.

Expenditure.

43. The form in which the detailed Military estimates will be placed before the House has not been materially altered as **Military expenditure.** has been done in the case of the Civil estimates, and the changes are confined to a more logical rearrangement of minor heads. As Honourable Members are aware, a Committee has been appointed to investigate the system of Cost Accounts at present in force in the Army, with a representative of the Public Accounts Committee of this House among the members. Our experience of the present system of cost accounts during the last four years and the fact that the British Government have recently decided to introduce radical modifications into the system of cost accounting in the British Army led us to the conclusion that such an inquiry had become necessary in India. Material changes in the form of the military estimates have therefore to be postponed pending the examination of the recommendations of that Committee. Fuller explanations have, however, been given of the various details of the military estimates in view of the desire expressed in the course of the Budget debates last year by members of this House.

44. The net military expenditure for the year 1926-27 is estimated to amount to 54·88 crores, *i.e.*, a reduction of 1·37 crores as compared with the Budget estimates for 1925-26, thus marking a further stage in advance towards the goal set by the Retrenchment Committee. The provision for established charges amounts to 54·24 crores, the balance representing remnants of special post-war charges. The figure of 54·88 crores includes a sum of 66 lakhs for the payment of gratuities to demobilised officers, this being the last year which will be burdened with a charge of this character. 23 lakhs have been provided for the completion of the building programme in progress in Waziristan and for the Royal Air Force. On the other hand, we appear for the moment to have come almost to the end of the surplus war stores which have been a feature on the credit side of the account for some years past. We are allowing for a credit of only 25 lakhs under this head as compared with 70 lakhs in the Budget estimates of 1925-26 and 1,10 lakhs in 1924-25. The figure of 54·24 crores net for established charges includes a sum of approximately 60 lakhs for new urgent measures mainly of a non-recurring nature for the purchase of new equipment.

45. Among the more salient features in the new estimates I may mention first the disappearance of provision for one British Cavalry regiment, costing a sum of 22 lakhs a year, which has now been dispensed with, this being the last of the specific reductions of the strength following on the recommendations of the Retrenchment Committee which remained to be carried out. Charges for pensions in India and in England show a recurring reduction of 37 lakhs, while payments to the War Office for British transport charges have been brought down by 17 lakhs. It has been necessary to provide an additional 20 lakhs owing to higher prices for articles of food and forage, and an additional 20 lakhs is also included for the purpose of accelerating the programme of electrification of barracks and of building of new lines for Indian troops. As a set-off to this last liability, an additional credit of 20 lakhs is anticipated from the disposal of surplus military lands and buildings.

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46. Our total expenditure on military services, including the Army, Marine, Military Works, and the Royal Air Force, amounted in the year 1920-21 to 87.40 crores net, of which about 20 crores represented special expenditure on operations in Waziristan. With the cessation of these operations, the Budget estimates for 1922-23, which formed the basis of the Retrenchment Committee's investigations, showed a net total expenditure of 67.75 crores. The recommendation of that Committee was that the Budget for 1923-24 should be fixed at 57½ crores, subject to such additions as might be necessary in view of the delay which would ensue in carrying out the changes recommended and in order to meet special expenditure in Waziristan, etc. The Committee went on to say that for subsequent years the adoption of their recommendations should enable the estimates to be reduced to 57 crores, irrespective of savings due to further economies or fall in prices, and they expressed the opinion that continuous efforts to ensure further reductions should, in combination with the expected further fall in prices, enable the military budget to be reduced to 50 crores net after the lapse of a few years. The actual expenditure of the year 1923-24 amounted to 56.23 crores and the first stage of 57 crores mentioned by the Retrenchment Committee was thus passed in the first year. The figure of 56.23 crores included heavy expenditure on gratuities to demobilised officers and in Waziristan, but these abnormal items were counter-balanced by credits from the proceeds of sale and utilisation of surplus stores. The Budget for the year 1923-24 allotted a net sum of 62 crores for military services. This was reduced in the Budget for 1924-25 to 60½ crores, but by the time when the Budget for 1925-26 was under consideration the actual effect of the retrenchment operations, which it had been difficult to gauge in advance, had become apparent, and it was possible to reduce the budget provision for 1925-26 to 56.25 crores net.

47. The following table brings out the results achieved at a glance:—

Net expenditure of Military services.

(In crores of rupees.)

	1921-22.	1922-23	1923-24.	1924-25.	1925-26.	1926-27.
Budget estimate . . .	66.82	67.75	62.00	60.25	56.25	51.88
Revised estimate . . .	69.35	67.09	59.74	56.33	56.28	
Actual expenditure . . .	69.81	65.27	56.23	55.68		

These figures include certain disturbing items both on the credit and debit side, and it is therefore of special interest to compare the true figures of the established charges, that is, the normal cost after elimination of special charges such as those for demobilisation of surplus officers and special credits for the eating down of surplus stores. In comparing these figures with the figures given by the Retrenchment Committee, Honourable Members should bear in mind the fact that certain charges amounting in 1926-27 to 39 lakhs, of which the most important are the charges for Customs duty on imported stores and the cost of Stationery and Printing, have been added to the military estimates since 1923-24, as the result of new decisions regarding classification.

Adjusted figures of Established charges.

(In crores of rupees.)

	1923-24.	1924-25.	1925-26.	1926-27.
Estimate	61.9	59.4	55.0	54.2
Actuals	56.7	55.8	55.2	

(revised estimate.)

48. I cannot allow this opportunity to pass without referring once again to the deep debt of gratitude which I owe to the late Lord Rawlinson for his wholehearted co-operation and earnest determination to secure economy in expenditure on military services. His untimely death meant a grievous loss to me—I lost a personal friend and a colleague to whom I owed more than I can say—and India lost a true friend. The ideal at which he constantly aimed was an Army in India not larger than he regarded as absolutely essential in India's interests, adequately equipped and fully trained, so that India might obtain the maximum service from a fully efficient force at the minimum cost. Our military expenditure was kept during his regime under constant scrutiny by the Finance and Army Departments with the object of securing further economies. I gladly add that this policy has been continued under his successor and has the full support of His Excellency Sir William Birdwood. I am confident that adherence to this policy will result in still further reductions in our military expenditure without the sacrifice of that essential security which must always be our first aim.

49. We are fortunately able to foresee considerable savings of an automatic character in our established charges in future years, as the result of the reduction of the rates of pay of the British soldier which came into effect in October, 1925. The immediate saving for 1926-27 under this head is not appreciable as the reduced rates of pay affect only new recruits, but it is estimated that, taken in conjunction with the reductions below present cost which will in due course result from the recent revision of the pay of officers in July, 1924, the savings from this source should amount to 12 lakhs in 1927-28, increasing annually to about 80 lakhs in 1930-31, and about 1½ crores in 1933-34. Before leaving the military estimates, I must refer briefly to the question of stocks held by the Army on which I commented last year. During the course of the year the whole question has been completely examined and considerable modifications are necessary in the figures then given which were based only on information available at headquarters. A full statement of the balances now disclosed will be found in the volume of detailed estimates. The amount of stocks held proves to be appreciably in excess of the amount indicated in the figures placed before the Retrenchment Committee, and of those on which we have hitherto been working. One of the terms of reference to the expert committee of inquiry into the arsenals and ordnance depôts which I mentioned earlier in my speech is the examination of surplus and obsolete stocks, and I have little doubt that a further reduction will be effected as the result of this inquiry.

50. I now turn to our estimates of Civil expenditure. The total figure of Civil expenditure in the revised estimates for 1925-26 is 41.46 crores; the corresponding figure for 1926-27 is 41.76 crores. This small increase, which amounts to 30 lakhs, conceals a big decrease. In 1925-26 we had a big non-recurring credit, originally estimated at 1.29 crores but now ascertained in the revised estimates to be 1.81 crores, on account of the transfer of postal and telegraphic stores (including the stores of the Indo-European Telegraph Department) from Revenue to Capital. The chief feature of the expenditure of 1926-27 is the reduction, whose significance I have already endeavoured to explain, of approximately 1 crore in the charge for interest. For market debt the charge for interest in 1926-27 shows a reduction of 1.79 crores on the current year's figures partly because of the effects of our conversion loan and partly because we were able to finance all our own capital expenditure including

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railways and the capital expenditure of Provincial Governments without adding to our market debt. On the other hand, there is an increase of 75 lakhs under Interest on miscellaneous obligations which includes interest on provident and similar funds, savings bank deposits, cash certificates and unfunded debt generally. The net reduction in interest charges is therefore, as already stated, about one crore.

51. A drastic reduction of the area under cultivation in the United Provinces by one-third results in a considerable reduction in our expenditure on opium. A further reduction is anticipated in the near future as the result of the substantial reduction in the prices paid to cultivators. These steps had already been taken, in consideration of the large surplus of stocks that we at present hold and of future requirements, before we arrived at the decision announced recently to recommend to the Legislature a policy of progressive reduction and eventual extinction of our exports of opium. On this important question of policy I need say no more at the present moment beyond drawing attention to the fact that it foreshadows the progressive reduction and eventual disappearance of a head of revenue which at present brings us in approximately 2 crores a year.

52. Our estimates of Civil expenditure include increased provision for what I may call beneficial services. I drew attention a year ago to the increase in the current year's estimates under these heads and a recent debate showed that the House shares the view of the Government of India that some addition to expenditure in these directions is both desirable and proper, and that the Finance Department's motto of wise expenditure within our available resources and avoidance of waste rather than retrenchment at all costs is endorsed by public opinion. Among new items and increases in existing items of expenditure on beneficial services included in the Demands for Grants I may mention an enhanced grant of 6½ lakhs to the Indian Research Fund Association, an increase of about a lakh for education in the North-West Frontier Province, as well as a non-recurrent grant of about 1½ lakhs for a new building for the Government High School at Peshawar, a further grant of Rs. 50,000 for the construction of the Victoria Hospital at Ajmer and a similar grant towards Dr. Shroff's new Eye Hospital in Delhi. We have increased the grants to the Benares and Aligarh Universities by Rs. 25,000 each and that to Delhi University by Rs. 10,000 and have provided 2 lakhs each as the first instalments of non-recurring grants to the two first named Universities. Additional funds have been provided for research at Coimbatore, Pusa, and Muktesar, and for the development of the Dairy Farms at Bangalore and elsewhere and of the Anand Creamery recently taken over from the Military Department, and further provision has been made towards the completion of the new Forest Research Institute at Dehra Dun, where over 60 lakhs out of a total sanctioned programme of over a crore has already been spent.

53. The provision for reduction or avoidance of debt in accordance with the plan set out in the Government of India Resolution dated the 9th December, 1924, requires 4·83 crores in 1926-27 or practically the same figure as in 1925-26. The Government of India propose, however, to make two changes which affect the total amount of expenditure under this head in 1926-27. Two years ago on the passing of the amendment to the Sea Customs Act the practice was introduced of adding to the provision for

reduction or avoidance of debt a sum equal to the Customs duty on stores imported on capital account including stores for the use of State-managed railways. I promised a year ago to reconsider this practice in the light of criticisms raised in regard to it in this House. There are objections in principle to inflating revenue at the expense of capital. Our object in amending the Sea Customs Act and making Government stores liable to duty was clearly not to increase the Customs revenue at the expense of our capital charges. I recognise, however, that there are arguments which can be brought forward on the other side in view particularly of the fact that the railways pay a contribution to general revenues on the basis of their capital expenditure including whatever may have been paid in Customs duty and that railway rates and fares are calculated with reference to the capacity of the railways to earn profits on the whole of their capital expenditure. We have therefore decided to meet the views expressed by critics in this House a year ago and omit this portion of the provision for redemption of debt. An opportunity for reconsidering the whole question can be taken at the expiry of the five-year period for which the Debt Redemption scheme is in force.

54. The second proposal which the Government of India are making in this connection will be found enshrined in a clause in the Finance Bill dealing with the disposal of the sums received by India from Germany on Reparation account. These sums represent India's share of the amount allocated to the British Empire out of the Dawes annuities. The actual allocation is full of complications. The payments by Germany for all treaty charges under the plan adopted vary from 1,000 million gold marks at the start to 2,500 million gold marks in the fifth year; thereafter they are to be fixed at the latter sum together with a supplement computed according to an index of prosperity. The annuities are payable in German currency and the amount to be transferred to Germany's creditors outside Germany has to be decided by a Transfer committee with reference to the capacity of Germany to make deliveries in kind or in cash without endangering the stability of the mark. Before the total amount so transferred outside is distributed, a number of charges have to be deducted including, for example, the cost of service of Germany's £40 million external loan, the cost of the Reparation Commission, the amounts allocated towards the payment of the Army of Occupation and of the Belgian War debt, and other items. The exact amount available for distribution is thus at all times problematical and extraordinarily difficult to forecast. The British Empire as a whole receive 22 per cent. of the total sum available, and India receives 1·2 per cent. of the British Empire's share. The best calculations that I have been able to make, which necessarily are based on somewhat arbitrary assumptions, point to an annual receipt by India over the next few years of sums varying between a minimum of £66,000 and a maximum of £250,000. In 1924-25 we received £37,400 and we expect to receive about £66,700 in 1925-26. The present estimate of receipts in 1926-27 is about £120,000.

55. The reparation receipts may be said broadly to cover in the case of India one or other of the following classes of expenditure: (a) pensions and allowances payable by the Government to war sufferers; (b) expenditure in replacing losses by enemy action or in repatriation of enemy nationals; (c) compensation payable to private persons and local bodies. So far as expenditure on replacing stores lost by enemy action and the cost of repatriation of enemy nationals are concerned, the receipts represent

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recovery of expenditure previously incurred by the Government. Such expenditure added to the deficits of past years and was in effect met from borrowed funds. Recurring expenditure is still being met by the Government in respect of pensions and allowances. Some part has already been covered but the major part will come in future years. The receipts which the Government now obtain from the Reparation account represent a contribution towards the capitalised value of such payments. The compensation payable to private persons and non-Government bodies stands on a different footing. The receipts on this account are not really receipts of the Government of India except in a technical sense.

56. It seems reasonable to utilise receipts from Germany under all but the last head for reduction or avoidance of debt rather than to treat them as an ordinary item of revenue. Only by this procedure will there be annual savings in interest in future to correspond to annual payments on account of pension. The Government propose therefore that payments for compensation shall be deducted from the total reparation receipts and applied for the purpose for which they are intended, and that the balance of our reparation receipts shall be devoted to the reduction or avoidance of debt. By thus applying these special receipts, the Government will I think be following the procedure which is most in accordance with financial propriety, and we shall at the same time avoid disturbance in our own Budget estimates arising out of the fluctuating and uncertain character of these receipts. This proposal and the proposal to bring to an end the practice of setting aside for debt purposes a sum equal to the Customs duty on stores imported on capital account are intended to be taken together. The result of the two proposals combined will be to relieve our revenues of a charge of about 7 lakhs if our estimate of receipts on reparation account is approximately correct.

57. This may perhaps be a convenient point at which to mention that we are continuing for 1926-27 the assignments on account of Customs duty on Government stores introduced as a temporary measure two years ago to those Provinces which have not yet obtained a reduction in their contributions to the Central Government. The only important item in this connection is a sum of 5.39 lakhs payable to Bombay. It is obviously desirable that these assignments, which are objectionable in principle, should be extinguished at an early date and we propose very shortly to take up this question in connection with the examination of the Report of the Taxation Enquiry Committee recently published, with special reference to their proposal for modifying the existing Devolution Rule 15 in regard to the payment to the Provinces of a share in Income-tax receipts.

Revenue, 1926-27.

58. I now turn to the estimates of our revenue. It is necessary to anticipate some diminution in the imports of sugar, Customs, but we may reasonably look for compensation for the sums thus lost in increased receipts from duty on cotton piecegoods and in what I may call the normal growth under other heads. On this basis the net revenue under the head of Customs is estimated at 48.15 crores, or an increase of 1.30 crores over the revised estimate for the current year. This figure includes 1.75 lakhs of revenue from the Cotton

Excise Duty. This may be regarded as a fairly conservative estimate of what the yield from the duty would be if it were continued. The yield in 1924-25, the last year in which the duty was fully collected, was 2,18 lakhs, while the highest figure during the last six years was 2,31 lakhs.

59. The main change in the trade conditions of 1925-26 as compared with the previous year is that the cotton mill industry in Bombay has passed through what I hope will prove to be the period of its severest depression. We have to allow therefore for an appreciable reduction in our revenue from Bombay under the head of Taxes on Income. Conditions elsewhere have been on the whole better than in the previous year and our administration is increasing all the time in efficiency. We have adopted for 1926-27 a figure of 16·15 crores of receipts under this head or 10 lakhs less than our revised estimate for 1925-26. This represents 1·20 crores less than the Budget estimate for the current year.

Taxes on Income.

60. I estimate our receipts under the head Salt at the figure of 6·90 crores, which assumes that accumulated stocks will have been worked down by the end of this month.

Salt.

61. The gross receipts from opium are estimated at 59 lakhs below the revised figure for 1925-26 which included a large adventitious receipt under Excise opium owing to the taking over by the Provincial Governments of stocks held at treasuries. The net receipts are estimated to be practically the same as this year, namely, 2·26 crores owing to reductions in expenditure already referred to.

Opium.

62. As the House is aware, the total contribution from Railways to general revenues during 1926-27 is estimated at 6·01 crores. This represents simply the amount of the fixed contribution based on the actual receipts for 1924-25 which was a particularly profitable year. It assumes that the net gain from Railways, after deducting the contribution, will not exceed 3 crores and will accordingly be transferred in full to the railway reserve.

Railways.

63. The working expenses of the Indian Posts and Telegraphs Department for 1926-27 are estimated at 10·17 crores, or 61 lakhs more than in 1925-26. The growth of working expenses is due in part to the absence of the non-recurrent features which, as already explained, made the figure of 1925-26 less than the normal, and in part to an increase in expenditure amounting to 10 lakhs due to the decision of the Railway Department to withdraw the concession of free railway passes to postal employes, and to the inclusion of a provision of about 19 lakhs for new measures designed to improve the emoluments and terms of service of the postal and telegraph staff. The concessions in the case of the postal staff involve an addition of 15 lakhs to our expenditure. The gross receipts have not kept pace with the increase in expenditure, and we can expect an improvement of only 41 lakhs, making the total of our gross receipts for 1926-27 10·65 crores as compared with 10·24 crores in 1925-26. The Post Office account alone shows an estimated profit of 20 lakhs, but there is a loss of 20 lakhs on the Telegraphs and of 10 lakhs on the Telephones, owing largely to the fact that the charge for interest is proportionately heavier in the case of the latter services. The upshot is that the estimates of the year point to a loss of approximately 10 lakhs on the working of the department as a whole. I have, however,

Posts and Telegraphs.

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every confidence that a revival in trade will lead in due course to a considerable addition to our revenue from telegrams which has recently been disappointingly low, and that by next year the department will be completely self-supporting. To complete the picture I must add that owing to a reduction in traffic we expect, in addition, a loss of 6·7 lakhs in 1926-27 on the working of the Indo-European Telegraph Department.

64. The House will observe that in face of these figures it is impossible for us to contemplate any reduction this year in the rates for letters and postcards—a subject on which after an interesting debate in this House a few weeks ago further discussion was adjourned in order that the whole matter might be considered in its proper setting in connection with the Budget figures. The wisdom of the course then taken is now apparent. Such a reduction of charges as was then under consideration is clearly impossible unless the taxpayer is to be saddled with the burden of a heavy subsidy in relief of the customers of our postal and telegraph system. I know that a return to pre-war rates is keenly desired in many quarters in the House and in the country; nor would the Government desire to oppose such a reduction for a moment if they believed that it was within the range of practical politics. I desire, however, to put the question frankly before the House. There is in my view no probability whatever of a return to pre-war rates for letters and postcards except at the cost of a heavy and steadily increasing subsidy from the pocket of the taxpayer. It is desirable that we should face the facts boldly and not deceive ourselves or others by holding out false expectations.

65. The truth is that we are confronted by what I may call a secular change in conditions in India. The very cheap rates of postage to which India had become accustomed before the war were possible only because of the very low level of prices in India as compared with other countries. The last three-quarters of a century have witnessed a steady rise in the average level of prices throughout India—a rise which was the natural and inevitable outcome of the far-reaching changes which were gradually making their effect felt on the conditions of life in India. I may illustrate these changes with reference to figures on index numbers of prices going back to 1860. If we take the figure for the average of the year 1861 for wholesale prices in the United Kingdom and India as 100, the increase in the year 1924 in the case of India is represented by a figure of 251 and in the case of the United Kingdom by a figure of 142. If we go back only as far as 1914 and compare pre-war with present prices, the increase in India is from 100 in 1914 to 163 at the end of December 1925. The corresponding increase in the United States is from 100 to 158, and in the United Kingdom from 100 to 153. In the face of these figures which, whatever doubts we may have as to the absolute accuracy of the calculations on which the index numbers are framed, are at least a reasonable guide to the general trend of events, it is impossible to expect that the Indian Postal Department should be able to carry letters or postcards at the rates prevailing in 1860 or even in 1914. We cannot expect wages and expenses to stay at a level below the average rise in prices generally. Unless therefore the future holds out the prospect of a considerable further fall of prices to at least the 1914 level—a development which would probably be undesirable in the general interests of India's prosperity—we

must admit the logical conclusion that the day of the 3 pie postcard and the 6 pie letter is past beyond recall. Much as we may regret this inevitable conclusion, it is better that we should cease to delude ourselves with unrealisable hopes and should set ourselves to secure the maximum efficiency and the greatest possible facilities to the public from the department as things are to-day.

66. Our estimates of revenue assume the continuance of the practice of appropriating to revenue the interest on the Paper Currency Reserve and the surplus of the Gold Standard Reserve over £40 million. We may, I think, assume that, whatever changes may be introduced as the result of the recommendations of the Royal Commission on Currency, the profit now obtained by the Government from these Reserves, whatever form they may assume, will not be substantially affected. In regard to other heads of receipt, extraordinary income from enemy ships will no longer accrue to us, and it is necessary to estimate interest receipts on a lower scale than this year.

67. We are now in a position to frame our balance sheet. The total estimated revenue for 1926-27 amounts to 133.43 crores, and the total estimated expenditure amounts to 130.38 crores. We are left with a surplus of 3.05 crores. I hasten to remind the House that the latter figure includes the sum of 1½ crores for receipts from the Cotton Excise Duty.

CONCLUSION.

68. To what extent can we regard this surplus as being free for us to dispose of? How far is it a recurring surplus? The House will observe that I have made no reference except in a very incidental way to the Report of the Taxation Enquiry Committee, or to the proceedings of the Royal Commission on Currency. The former's report has only recently come into the hands of members, and though incomplete copies have been available to the Government for a somewhat longer period, we came to the conclusion that the extremely interesting and instructive material which it provides demands more prolonged and more complete examination than was possible in the time at our disposal. I have therefore included in this Budget no suggestions for modification of our taxation system in the light of the Committee's recommendations. Their recommendations will give all the Governments in India and their legislatures ample material for reflection in the course of the coming year. The report is, I think, a most valuable addition to our knowledge of the Indian taxation system, and in the compass of one volume we have here a complete survey of all the taxation at present imposed. Important additions to our understanding of the problem of the relation between Central and Provincial taxation are made in many passages in the Report. I take this opportunity to-day of thanking Sir Charles Todhunter and his colleagues for the hard labour which they have devoted to mastering their subject and for the instructive report which they have placed before us. So far as the present Budget is concerned, however, we are justified in assuming that, whatever decisions may be arrived at in the light of the recommendations of the Taxation Enquiry Committee, they will not affect the question of the disposal of this year's surplus.

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69. The same assumption must be made in regard to the work of the Royal Commission on Currency. Our estimates assume the continuance of the present credits to revenue of the interest on Currency investments. They also assume an average rate of exchange of 18*d.* for 1926-27. It is impossible to anticipate the conclusions of the Commission and equally, impossible, besides being very undesirable, to set aside any portion of the year's revenue as an insurance fund against possible repercussions on our Budget position in future years. Nor have we any present reason for regarding such an insurance as requisite.

70. In regard to other items in the Budget we have to remember that the receipts from Railways in 1926-27 are high; the earnings of the year 1925-26 were not as good as those of the previous year, so that our fixed contribution from Railways in 1927-28 may be less by as much as 79 lakhs than in 1926-27 if the actual figures for Railway receipts for 1925-26 confirm our revised estimates. Our opium revenue is also an uncertain factor. There is, however, no reason to think that this loss of income which must necessarily be spread over a period of years cannot be counter-balanced by growth of revenue in other directions. Our Income-tax revenue is exceptionally low at the moment and may certainly be counted upon to give a considerably increased yield in later years. Finally, we look for further economies in our military expenditure which still contains special items of a non-recurrent character.

71. After giving full weight to these various considerations, we have come to the conclusion that there is no undue risk in treating the whole of our surplus as a recurrent one. I have already confided to the House the secret that the Finance Bill includes provision for the final abolition of the Cotton Excise Duty, and the privilege of sharing with the Government in the credit for this historic achievement will belong to the Legislature when the Finance Bill is passed. This leaves us with a divisible surplus available for other purposes amounting to 1,30 lakhs. The House will I feel sure have no hesitation in agreeing that past expressions of policy and the truest interests of the people of India alike demand that, after using 1½ crores of the sum at our disposal for the reduction of Central taxation, we should devote as much as we can of the rest to the relief of the Provinces. We accordingly propose to apply 1,25 lakhs to the further reduction of the Provincial contributions in accordance with the Devolution Rules. The relief thus afforded will go to the extent of 57 lakhs to Madras, 33 lakhs to the United Provinces, 28 lakhs to the Punjab and 7 lakhs to Burma.

72. The total of the Provincial contributions fixed under the Meston Settlement was 9.83 crores. A year ago we made a permanent reduction of 2½ crores and provided 63 lakhs for the continuance of the temporary remission of Bengal's contribution. With the additional 1½ crores set aside now, we shall have reduced our reliance on the Provinces by 4.38 crores in all, that is not very far short of half the total. The Provinces whom fortune and the Devolution Rules favour this year are (apart from Bengal) the same as those which obtained the biggest benefit a year ago. But the turn of the other Provinces will come. They are all brought much nearer fruition by the events of the last two years and will no longer feel that the prospect of remission does not interest them. Meanwhile the taxpayers if not the Government of the Province of Bombay;

in particular and of other Provinces in a lesser degree secure the benefit of the repeal of the Cotton Excise Duty, the relief given in this budget being divided between the Central taxpayer and the Provincial Governments.

73. At an earlier stage in my speech, the approaching end of the life of this Assembly tempted me to compare the figures of India's debt now with those of three years ago. Before closing let me indulge in a further glance backwards and a glimpse into the future. The first Assembly was burdened with the ungrateful task of imposing extra taxation in order to bridge the yawning gap between revenue and expenditure, a task that at one time seemed well-nigh hopeless. The Budget of 1924-25 which coincided with the first session of this House signalled our definite escape from the era of deficits and brought the Salt tax back from Rs. 2-8 a maund to the present rate of Rs. 1-4. For this reduction, though no doubt it had the assent of the majority, only the minority in this House who voted for the second reading of the Finance Bill can claim to share the credit with the Government and the Council of State, and the Government did not conceal their view that a higher rate, which might have enabled us by now to have achieved the complete extinction of the Provincial contributions, had much to commend it. But, if this House dealt in a step-motherly way with the Budget of 1924-25, it placed to its credit six months later the convention in regard to the separation of railway finance from general finance, a reform which I regard as the greatest financial achievement of the years under review. We have made other advances in our financial machinery during this period, such as the establishment of the Provincial Loans Fund and the formulation of a clear policy of reduction and avoidance of debt, and we have paved the way for other advances, as for instance, the separation of Accounts and Audit, and the reform of the Indian currency system. We have moreover greatly improved the mechanism of the Assembly's financial control. But the new arrangement for dealing with our Railway Budget remains the outstanding feature. It has cleared the path for a continuous programme of railway construction and rehabilitation, and is the direct parent of the proposals for progressive reduction of rates and fares which has now been put in hand, while it has relieved our general finances of an intolerable burden of uncertainty. The Delhi session of 1925 found the Government and the Assembly working together, as you, Sir, will remember, to put the finishing touches to our Debt Redemption plans and to make a substantial beginning of the remission of Provincial contributions. To-day we are continuing last year's work while at the same time celebrating the happy extinction of the notorious (even if sometimes maligned) Cotton Excise Duty.

74. I ask those who profess unending dissatisfaction with the Reforms and denounce them as a sham and the Government as insincere and unresponsive, does the financial story of these three short years justify depression or despondency? In that brief space we have immensely improved our financial machinery and have progressed nearly half-way on the road to extinction of the Provincial contributions, and we have reduced the Salt tax and abolished the Cotton Excise Duty. For five years the Reformed Legislatures have been at work in India. It is true that weather conditions have on the whole favoured us and that the level of taxation is still high in comparison with 1914, though not in comparison with other countries. But to me it seems undeniable that the association of chosen representatives of the people of India with the Executive Government and their constant interaction the one upon the other in the Assembly and the Council

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of State have enabled India to win through the inevitable discomforts of the period following the war with a measure of success that makes her financial position the envy of other nations and could scarcely have been possible without the Reformed Constitution. The members of this House appear to me sometimes to fix their attention so earnestly on what are called political questions as to overlook the steady advance towards the goal of constitutional self-government which is being registered day by day in administration and in finance. Mr. Coates, the present Prime Minister of New Zealand, made a confession of faith in a speech delivered last May soon after he succeeded to the Premiership, which deserves, I think, the careful consideration of those who are working for India's future. "It may seem", he said, "that I have unduly stressed the financial and administrative aspect of Government. My six years of Ministerial service, however, have convinced me that intensive application of the principles of sound finance to every function of Government is ever essential in the public interest. It is from that solid foundation created that we can build the structure of our public services and enable the development of our country to proceed. . . . Only by judicious care and foresight in setting our financial foundations is it possible to devote the necessary attention to all our citizens".

75. The Government of India and this Assembly have not always seen eye to eye on financial questions, but the record shows that we have worked together, not without reward, to establish a foundation of financial stability far more firmly based than when we began. We leave to the next Assembly the task of building on those foundations with the firm assurance that, though all the difficulties are not surmounted and though new anxieties may arise, they will not have to complain of our work of preparation and will find their financial heritage a source of strength in advancing to the solution of the political and constitutional tasks which await them. (Loud applause.)

Statement comparing the actual Revenue and Expenditure of the Central Government (Imperial Revenue and Expenditure before the Reforms) with the Revised Estimates for each year from 1915-16 to 1924-25.

(See paragraph 3 of speech.)

(In thousands of Rupees.)

	REVISED ESTIMATE.			ACTUALS.		
	Revenue.	Expenditure.	Surplus (+) Deficit (-).	Revenue.	Expenditure.	Surplus (+) Deficit (-).
1915-16 . . .	78,83,08	81,58,21	-2,69,13	80,00,96	81,79,26	-1,78,30
1916-17 . . .	97,25,67	89,27,37	+8,98,30	98,53,10	87,31,37	+11,21,73
1917-18 . . .	1,14,84,48	1,06,27,74	+8,56,74	1,18,70,58	1,06,57,52	+12,13,06
1918-19 . . .	1,27,94,65	1,34,79,88	-6,85,23	1,30,40,66	1,36,13,72	-5,73,06
1919-20 . . .	1,44,07,56	1,59,18,67	-15,11,11	1,37,13,98	1,60,79,27	-23,65,29
1920-21 . . .	1,35,10,35	1,48,03,61	-12,93,26	1,35,63,32	1,61,64,17	-26,00,85
1921-22 . . .	1,13,15,32	1,41,94,52	-28,79,20	1,15,21,50	1,43,86,52	-27,65,02
1922-23 . . .	1,20,70,17	1,37,95,52	-17,25,35	1,21,41,29	1,36,43,05	-15,01,76
1923-24 . . .	1,31,96,04	1,29,89,97	+2,06,07	1,33,16,63	1,30,77,63	+2,39,00
1924-25 . . .	1,34,82,28	1,30,82,68	+3,99,58	1,38,03,93	1,32,35,66	+5,68,28

THE INDIAN FINANCE BILL.

The Honourable Sir Basil Blackett (Finance Member): Sir, I move for leave to introduce the Indian Finance Bill, 1926.

The motion was adopted.

The Honourable Sir Basil Blackett: Sir, I introduce the Bill.

ELECTION OF THE STANDING FINANCE COMMITTEE FOR RAILWAYS.

Mr. President: The Assembly will now proceed to elect 11 Members to serve on the Standing Finance Committee for Railways. Ballot papers will be supplied to Honourable Members in the order in which I call their names. 25 names are printed on the ballot paper, but the following Members have since withdrawn their names:

Mr. C. Duraiswami Aiyangar,
Pandit Shambhu Dayal Misra, and
Mr. Yusuf Imam.

Mr. Devaki Prasad Sinha (Chota Nagpur Division: Non-Muhammadan): May I also withdraw my name, Sir?

Mr. President: The Honourable Member ought to have given timely intimation. Mr. Devaki Prasad Sinha has withdrawn his name.

Mr. Chaman Lall (West Punjab; Non-Muhammadan): May I also withdraw, Sir?

Mr. President: Mr. Chaman Lall has also withdrawn his name.

Shaikh Mushir Hosain Kidwai (Lucknow and Fyzabad Divisions: Muhammadan Rural): May I also withdraw, Sir?

Mr. President: Shaikh Mushir Hosain Kidwai has also withdrawn his name.

(The ballot was then taken.)

THE COTTON INDUSTRY (STATISTICS) BILL.

The Honourable Sir Charles Innes (Member for Commerce and Railways): I move for leave to introduce a Bill to provide for the regular submission of returns of quantities of cotton goods and cotton yarn produced in British India.

This Bill, which I hope is entirely non-controversial, is purely an appendix to the Finance Bill. The Finance Bill abolishes the Cotton Duties Act and under that Act we used to get statistical returns of the quantities of cotton goods and yarn produced in mills in British India. We have consulted the Bombay Millowners Association and they are entirely at one with us that, even though the cotton excise duty is abolished; it is essential both in the interests of Government and in the interests of the trade itself that we should continue to get these statistics of production from the Mills. That is all I think I need say on this motion.

The motion was adopted.

The Honourable Sir Charles Innes: I introduce the Bill.

THE INDIAN DIVORCE (AMENDMENT) BILL.

Mr. H. Tonkinson (Home Department: Nominated Official): Sir, I move for leave to introduce a Bill further to amend the Indian Divorce Act.

The legal decisions or rather some of them which have led to the proposals in this Bill are mentioned in the Statement of Objects and Reasons. For many years the courts in India had assumed that they had power under the Indian Divorce Act to grant decrees for dissolution of marriage between persons professing the Christian religion even though they were domiciled outside British India. Anyone, however, who had considered the rulings of the English courts on this question must, I think, have felt doubt as to what views would be held by them if at any time the validity of such decrees came into direct issue in those courts. This was what happened in *Keyes vs. Keyes and Gray*, the result of which is indicated in the Statement of Objects and Reasons and must be known to many Honourable Members. The decree of dissolution of marriage is a decree which affects the personal status of the party. It decides whether a man and woman are to be held to be man and wife or strangers. Therefore, if the validity of such a decree is recognised throughout the world, it is clear that it has an extra-territorial effect. Now, the powers which our courts assumed that they possessed were derived from an Act of the Indian Legislature passed in 1869, and the Indian Legislature, like other Legislatures in the various Dominions, does not possess power to give to the courts in India power to grant decrees of such extra-territorial effect. That is, in part, the basis of the decision in *Keyes vs. Keyes and Gray*. Apart from that point, the question in issue in that case was one of Private International Law, that is, a question of the particular national jurisdiction in which a suit for divorce should be brought. Matrimonial causes, in fact, afford perhaps the most prolific field for those questions of law and jurisdiction which constitute Private International Law, and it has long been a generally recognised principle in that law, that the jurisdiction to grant decrees of dissolution of marriage is vested in the courts of the domicile of the parties, that is, jurisdiction is determined by the *lex domicilii*. I doubt whether it is necessary for me to explain the grounds upon which that principle has been adopted at any length, and I cannot do better than quote the words used by Lord Penzance in the case of *Wilson vs. Wilson* for this purpose. He said:

“It is the strong inclination of my own opinion that the only fair and satisfactory rule to adopt on this matter of jurisdiction is to insist upon the parties in all cases referring their matrimonial differences to the courts of the country in which they are domiciled. Different communities have different views and laws respecting matrimonial obligations, and a different estimate of the causes which should justify divorce. It is both just and reasonable therefore that the differences of married people should be adjusted in accordance with the laws of the community to which they belong, and dealt with by the tribunals which alone can administer those laws. An honest adherence to this principle, moreover, will preclude the scandal which arises when a man and woman are held to be man and wife in one country and strangers in another.”

We propose, Sir, in this Bill definitely to follow this principle. That is to say, we propose to restrict the powers of our courts to grant decrees of dissolution of marriage to cases in which the parties are domiciled in India. Now, if that were to be the final position after this Bill was passed, I think many people here would think that it would be very unsatisfactory. There

are, of course, many people domiciled in England or Scotland who come to India and live here for many years whose domicile remains in England and Scotland. One may perhaps marry a lady of Indian domicile and that lady then obtains an English or Scottish domicile, as the case may be. If those persons wish to obtain a decree of dissolution of marriage they would have, in the case of parties domiciled in England, to go to the High Court of Justice in England and in the case of parties domiciled in Scotland, to the Court of Session in Scotland. For more than half a century our courts in British India have been applying the same tests as to the causes which should justify divorce as have been applied by the Divorce Division of the High Court of Justice in England and they have also followed a similar procedure. We believe that they have applied that principle and procedure with success. In no part of the British Empire also is the condition of long residence in a country without change of domicile so widely prevalent as in British India. It was for these reasons, Sir, that the position arising from the decision in the case of *Keyes vs. Keyes and Gray* has been the subject of long and careful consideration by the Government of India. I am glad now to be able to inform the House that His Majesty's Government have decided to introduce legislation in Parliament which will confer jurisdiction upon certain courts in India to make a decree for the dissolution of marriage where the parties are domiciled in England or Scotland. When that legislation has been passed, the difficulties which have arisen from the decision in the case of *Keyes vs. Keyes and Gray* will, we think, be practically removed. It would be possible then for the courts in India to dissolve the marriage even of parties who have their domicile in England or Scotland. When they have done so, that state of dissolved union will be recognised under the Act of Parliament by the courts in England, and we believe that, because of that recognition in the country of the parties' domiciles, it would be recognised also throughout the world. There will then be no possibility of any such scandal arising as may arise now in any case. We have our courts in India granting decrees of dissolution of marriage which they hold to be valid in British India. That is to say, a man and a woman may be held to be strangers in India. Their domicile may be in England, and, in the country of their domicile, they will be held to be man and wife. If there is a subsequent marriage it would mean that the children of such a union would be illegitimate and so on. This scandal then will be prevented by this Bill which I ask leave to introduce. Further, the practical difficulties which would follow from the decision in *Keyes vs. Keyes and Gray* will largely be removed by the legislation in Parliament to which I have referred. Sir, I move.

The motion was adopted.

Mr. H. Tonkinson: Sir, I introduce the Bill.

THE INDIAN TARIFF (AMENDMENT) BILL.

The Honourable Sir Charles Innes (Member for Commerce and Railways): Sir, I beg to move that the Bill, further to amend the Indian Tariff Act, 1894, as reported by the Select Committee, be taken into consideration.

The motion was adopted.

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

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

HUNGER-STRIKE OF THE BENGAL STATE PRISONERS IN THE MANDALAY AND INSEIN JAILS.

The Honourable Sir Alexander Muddiman (Home Member): Sir, with your permission I desire to make a statement which I should have made this morning in answer to a short notice question of which I had consented to waive notice. It was from Mr. Goswami; but I understand that my Honourable friend had not obtained your permission, Sir, to put that question, therefore it is not open to him to do so. As the matter is of considerable interest to the House, I desire, with your permission, to give the House some information on the subject. Have I your permission, Sir? (On Mr. President assenting, the Honourable Sir Alexander Muddiman proceeded.)

It relates to the hunger-strike of the State prisoners in the Mandalay and Insein Jails. The hunger-strike of the State prisoners in the Mandalay Jail began on the 18th February, and of those in the Insein Jail on the 22nd February.

The grounds assigned by the prisoners for the strike are as follows:

At the time of the Durga Puja festival they represented to the Superintendent of the Jail at Mandalay that the Government of Bengal always made grants for the celebration of religious festivals. This was not, as a matter of fact, correct. Reasonable facilities have always been allowed for the celebration of religious festivals, but the grant of substantial sums of money is clearly another matter. The Superintendent, however, believing the representation to be true, advanced sums aggregating Rs. 500 on the understanding that the amounts would be repaid if sanction was not accorded. The grant was not sanctioned, but as the money had already been expended, its recovery has been waived. The prisoners renewed their demands for grants in connection with the Saraswati and Holi festivals and the reason alleged for the strike is that these grants were not sanctioned. No allegation of ill-treatment whatever has been made and the representations received apart from what I have already explained relate solely to allowances. The prisoners have been treated throughout with great consideration by the jail authorities and periodical reports show that their health is good and their comforts well looked after. Of course they are not in as good condition after going on hunger-strike as they were before.

The information which I give you I had not in this complete form when the motion for adjournment was before the House. I only received it on the 27th February. The first intimation I had of the hunger-strike was on the 24th February in a telegram from the Government of Burma. This statement is in effect the reply which I should have given had I been put the question this morning.

Mr. T. C. Goswami (Calcutta Suburbs: Non-Muhammadan Urban): May I ask my Honourable friend, the Home Member, whether he has received any intimation as to the present state of health actually of the hunger-strikers; and may I also ask whether, in view of the statement which he has made to this House, for which I thank him on behalf of the House, the grievances were simply in connection with the religious festivals, and why, in that case, if those grievances had been redressed, is it that the hunger-strikers are still continuing on hunger-strike?

The Honourable Sir Alexander Muddiman: My answer to the first part of the question is that I am aware that people who hunger-strike are not in particularly good condition. They are being medically attended to. I may make it plain to the House that Government have not the slightest intention of yielding to the hunger-strikers. As regards why they are still hunger-striking, it is not a fact that these grants were always made for the celebration of religious festivals. It is a fact that the Rs. 500 were written off. The question of grants for these religious festivals so far as it concerns the Bengal Criminal Law Amendment prisoners is under the law a question for the Bengal Government, but it is also true that among these State-prisoners there are three Regulation III people, with whom I am concerned. On receipt of their petition—I first heard of it in a letter from the Bengal Government dated the 9th February,—I wrote and asked whether allowances had been given in the past; if so, what allowances were granted; and whether the present allowances were sufficient. I have not had a reply to that letter. As regards the petition from the Regulation III people, the petition, therefore, is still under the consideration of the Government of India.

Mr. T. C. Goswami: I wanted to ask Sir Alexander Muddiman, and may ask him again, that inasmuch as he definitely stated that the hunger-strikers referred to no other grievance in their petitions to Government except that arising out of expenses for the Pujas, whether, after that amount was advanced to them and was written off, their grievances were not completely redressed?

The Honourable Sir Alexander Muddiman: No. They said that not only should the Rs. 500 be written off but that grants should be made to make up for what they had paid themselves.

Mr. T. C. Goswami: Is it not a fact that, on the 16th January last, these State prisoners petitioned the Government of Burma alleging ill-treatment of various kinds, and that as an instance of ill-treatment they mentioned the fact of not receiving allowances for performing their religious rites? They mentioned many other things; and considering that their petition, dated 2nd February, to which the Honourable the Home Member made reference in this House, dealt only with the question of the Pujas, does not the Home Member think that he ought to take the petitions of the 16th January, and the 2nd February, together and treat all the grievances mentioned in the petition of 16th January, as genuine grievances or grievances which ought to be investigated by the Government of India?

The Honourable Sir Alexander Muddiman: I can only say to that that I have received an assurance from the Government of Burma on the 27th February, that no allegation of ill-treatment has ever been made.

Mr. T. C. Goswami: Not even in the petition of 16th January?

The Honourable Sir Alexander Muddiman: Not in the petition I have received, and I have the assurance of the Government of Burma as I have already stated.

Mr. T. C. Goswami: May I ask the Home Member to inquire from the Burma Government about the petition of the 16th January, of which I had a copy on the day I moved the adjournment of the House?

The Honourable Sir Alexander Muddiman: If the Honourable Member will give me a copy of the petition I will send it to the Burma Government and ask for their remarks.

Mr. A. Rangaswami Iyengar: (Tanjore *cum* Trichinopoly: Non-Muhammadian Rural): May I inquire whether the Honourable the Home Member will not consider it worth his while to dissuade these prisoners from resorting to strikes having regard to the fact that he has already looked into their grievances, some of which he has redressed?

The Honourable Sir Alexander Muddiman: I should be very happy to be able to persuade these prisoners from a hunger strike, which can only inflict great hardship upon them, and it gives me great pleasure to inform this House that Lala Lajpat Rai and Mr. Goswami came to me and asked to be allowed to send a telegram dissuading these prisoners from the course which they have adopted. It gave me great pleasure to forward that telegram and to direct that it should be communicated to the prisoners.

Mr. M. K. Acharya (South Arcot *cum* Chingleput: Non-Muhammadian Rural): Is it a fact that in the Bengal Legislative Council, when a demand was made to take up this matter, it was said that it was the concern of the Burma Government primarily, and in the Burma Council it was said that the Burma Government had nothing to do with it?

The Honourable Sir Alexander Muddiman: I cannot answer the question in that form. I do not know what statement was made in the Bengal Council, but the position is perfectly clear. As regards the Bengal Criminal Amendment Law prisoners, the allowances are to be fixed by that Government.

Mr. K. C. Neogy (Dacca Division: Non-Muhammadian Rural): Is the Honourable Member aware that more than five months have elapsed since the State prisoners celebrated their Durga Puja in Burma?

The Honourable Sir Alexander Muddiman: They celebrated the Durga Puja at the expense of Government at a cost of Rs. 500.

Mr. K. C. Neogy: How is it this matter did not come up before the Government of India for so long?

The Honourable Sir Alexander Muddiman: Why should it come up except on petition?

Mr. K. C. Neogy: Is it not a fact that the State prisoners did submit a petition in the first instance to the jail authorities in Burma, and in the second instance to the Government of Burma, but how is it that none of these petitions was forwarded to the Government of India?

The Honourable Sir Alexander Muddiman: I can only say that the only petition on my file is the one I have referred to. The Honourable Member has put a great many questions on the paper and I shall have great pleasure in answering them later in as full a way as possible.

Mr. Chaman Lall (West Punjab: Non-Muhammadian): But I take it the position at the present moment is this, the Government are not prepared to consider any of these grievances of these people on strike?

The Honourable Sir Alexander Muddiman: The Honourable Member must make no such assumption. The only grievance before me is this question of these allowances, and that I am going into with the Bengal Government.

Mr. Chaman Lall: Do I understand from that statement that the Honourable Member will take expeditious steps to inquire into these grievances in order to put an end to them?

The Honourable Sir Alexander Muddiman: The only grievance which I have before me is under investigation and I shall give it my early attention; but if the Honourable Member thinks that a hunger-strike will have any effect on the decision I shall arrive at, he is in error.

Mr. Chaman Lall: All I think is that a hunger-strike may have grave consequences.

The Honourable Sir Alexander Muddiman: As the Honourable Member knows, two Honourable Members of this House have endeavoured to dissuade these people from hunger-striking. It is no pleasure to me to have people going on a hunger-strike and if there is anything I can do to terminate it, I shall be only too glad to do it.

Mr. T. C. Goswami: May I first of all thank the Home Member for forwarding our telegram, which I trust was received by my friend Mr. Subhas Chanda Bose, shortly after it was despatched from here; and may I, in the second place, ask the Home Member, since his information on the subject of the grievances or alleged grievances of these prisoners appears to be so very limited, to inquire into the grievances of these people and see what he can do to relieve them?

The Honourable Sir Alexander Muddiman: In so far as any grievances are brought to my notice I shall proceed to do all I can to relieve them.

Mr. Devaki Prasad Sinha (Chota Nagpur Division: Non-Muhammadan): May I suggest to the Honourable Member that, if it is possible, he may instruct the jail authorities to issue occasional information to the relations of all the individual prisoners?

The Honourable Sir Alexander Muddiman: The Honourable Member is evidently not aware of the rules under which these prisoners are detained. They have the power to write twice a week to their families, and they exercise it.

Diwan Bahadur T. Rangachariar (Madras City: Non-Muhammadan Urban): May I ask whether the Government of India have not issued instructions for giving them funds for the Holi festival?

The Honourable Sir Alexander Muddiman: No, Sir, we have not.

Diwan Bahadur T. Rangachariar: May I know why?

The Honourable Sir Alexander Muddiman: Because, as I have told the Honourable Member, as regards allowances for the Bengal Criminal Law Amendment Law prisoners it is a matter for the Bengal Government. As regards State prisoners, it is undoubtedly a matter for me, but, as we treat these men alike, we must adopt a common course of action, which I am now discussing with the Bengal Government.

THE INDIAN FACTORIES (AMENDMENT) BILL.

ADDITION OF THE NAME OF MR. A. G. CLOW TO THE LIST OF MEMBERS OF THE SELECT COMMITTEE.

The Honourable Sir Bhupendra Nath Mitra: (Member for Industries and Labour): Sir, I beg to move that the name of Mr. A. G. Clow be added to the list of members of the Select Committee for the Factories Amendment Bill.

The motion was adopted.

THE INDIAN TARIFF (AMENDMENT) BILL.

Mr. President: The Assembly will now proceed to consider the Bill further to amend the Indian Tariff Act, 1894, as reported by the Select Committee, clause by clause.

The question is :

“ That clause 2 do stand part of the Bill.”

The motion was adopted.

Clause 2 was added to the Bill.

Mr. President: The question is :

“ That the Schedule to the Bill do stand part of the Bill.”

The Honourable Sir Charles Innes (Member for Commerce and Railways): Sir, I beg to move :

“ That after clause 3 of the Schedule to the Bill, the following clauses be inserted :

‘ 4. In item No. 34A, for the figures ‘ 20 ’ in the entry in the fourth column the figure ‘ 5 ’ shall be substituted.

‘ 5. In item No. 34B, for the entry in the fourth column the following entry shall be substituted, namely :

‘ 15 per cent. or Rs. 5 per pound of Saccharine contents, whichever is higher ’.”

The effect of my amendment, Sir, is to restore to the Bill the clauses which appeared in the Schedule in the Bill as I introduced it. I regret to say that these two clauses in the Schedule were omitted by the Select Committee. I can only suppose that I was unable to explain clearly in the Select Committee the reason why we wanted these clauses retained. The clauses represent the considered decision on the part of the Government, arrived at after very prolonged consideration and investigation, and the Government are not prepared to accept the Select Committee's decision in this matter and have decided to submit the question for the decision of the House. I have not yet had an opportunity of explaining to the House all the difficulties of this saccharine position, and I hope the House will bear with me if I run over briefly the history of the question. In 1923 we were much impressed by the increase in the imports of saccharine into India. As the House knows saccharine is some 500 times as sweet as sugar, and in 1922-23 we found that imports of saccharine into India had suddenly risen to 44 tons, which is a comparatively large amount indeed. Consequently with effect from March 1923, we imposed, with the assent of this House, a duty of Rs. 20 a pound on saccharine. That was quite definitely intended to be a prohibitive duty. It was intended in the interests of the sugar

revenue to try and stop the import of saccharine into India. Other countries have had to take similar action. Either they have imposed very heavy duties, or, as in the case of France, they have prohibited the import of saccharine altogether. That was the action we took in March 1923. We put on a prohibitive duty of Rs. 20 a pound on saccharine with the object of reducing the imports of saccharine into India. Well, I regret to say that our policy has failed. It is perfectly true that we have reduced the imports of what I may call licit saccharine. Indeed, whereas the imports of saccharine into India in 1922-23 were 44 tons, the imports of saccharine which have actually paid duty in the last three years have been less than 3 tons. But while we have stopped the import of what I may call licit saccharine, we have reason to believe that there is a very large increase of smuggled saccharine in the country. All our information goes to show that this smuggling is going on through Pondicherry. Now, Sir, as I said, these facts were noticed more than 18 months ago and we have had the matter continuously under our consideration since then. We have not only considered it ourselves, but Mr. Chadwick, the Secretary of the Commerce Department, went down to Bombay and discussed the whole question with the saccharine merchants in Bombay. The reasons for the smuggling are, in the first place, that there is a demand for saccharine in India. The people who make aerated waters find it very much cheaper to use saccharine than to use sugar, and in the small hotels they are getting more and more into the habit of using saccharine for the sweetening of tea. Obviously a very heavy duty of Rs. 20 a pound, which is about ten times the value of the saccharine, offers a great inducement to smuggling, and that inducement is added to by the fact that saccharine is an easily portable article, and is very easily smuggled. That accounts for the increase of smuggling.

Now, Sir, I would just like to put to the House the various remedies that have been suggested for this smuggling. It has been suggested
 3 P. M. to us that we ought so to improve our preventive arrangements as to make smuggling impossible. We have done our very best in the last three years to carry out that object, but the House has got to remember that the smuggling is taking place mostly through Pondicherry. Round Pondicherry we have a land frontier of some 68 miles to defend and moreover French and British-Indian territory are greatly intermixed on that frontier; and saccharine, as I have said, being a very easily portable article, our best efforts not merely have been unable to stop smuggling but even to prevent smuggling from increasing. We have already got a very expensive preventive staff, and I may mention that when talking to a customs officer sometime ago he said to me he thought the only way we could really stop smuggling from Pondicherry of such easily portable articles as saccharine would be to put a live-wire fence round Pondicherry. Everybody must agree that that is quite an impossible remedy. I must say, though I say it very reluctantly, but it is the considered opinion of Government that so long as we put such a temptation in the way of smuggling as this very very heavy duty of Rs. 20 a pound we do not think we shall be able to stop smuggling.

Then the next suggestion was made by the saccharine merchants in Bombay. They admitted the difficulty of the case, and they said that the only way they thought we could bring the situation under control was to put the whole of the saccharine trade in India under the control of the police and excise authorities. They suggested that we should treat saccharine in the same way as we treat a dangerous drug. They suggested

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that every tin or packet of saccharine should be stamped or sealed by the customs authorities. The actual concrete suggestion they made was that a stamped paper should be put round each tin of saccharine and from a date to be specified it should be an offence to sell saccharine which did not have that stamp round it. Now I should like the House to consider what it would mean if we tried to carry out that suggestion. In the first place, I hold quite definitely that the suggestion is one which is unworkable. You might make it an offence to sell saccharine that was not sealed or stamped in this way, but what about tins and packets which had been opened in which this seal or stamp would have been broken? You would have there a half empty tin and it would be possible for a man to fill it up from time to time with smuggled saccharine. That suggestion would therefore be unworkable and I hold moreover it would be entirely wrong in principle to resort to such methods for purely revenue purposes. We have been advised by the Central Board of Revenue that the only way we could work this system would be, as I have just said, to treat saccharine as a deleterious drug. No body would be allowed to possess saccharine without a licence. He would have to maintain a register showing what quantity of saccharine he is entitled to hold. In that register he would have to show issues of saccharine and to whom they have been made, and these registers would be periodically checked by the excise or police authorities. Now, Sir, a system like that would obviously open the door to every kind of petty oppression and blackmail and it would be quite impossible for us even to consider the introduction of such a system. Mind you, saccharine is not sold by licensed dealers in the same way as cocaine and other drugs. It is used by small hotel keepers and small manufacturers of aerated waters, and I think the House will agree with me that the Government have come to the only possible conclusion in deciding that they could not possibly introduce a system of excise control. That being so the Government have been driven back on to the third solution. That is the solution which will be found in my amendment. We suggest that the duty on saccharine should be reduced from Rs. 20 to Rs. 5 a pound. In this way we shall reduce the temptation to smuggle. Mind you there are heavy risks in smuggling because if any body is caught smuggling he gets a very severe penalty imposed and we consider that if we reduce the duty to Rs. 5 there is good reason to believe that smuggling will be no longer worthwhile. The Rs. 5 duty is practically equal to the expenses *plus* profits of smuggling. We have got some support in proposing the Rs. 5 duty from the saccharine dealers themselves. I do not say they are in favour of it now, but when Mr. Chadwick, the Commerce Secretary, discussed this matter with the saccharine dealers in Bombay in July 1925 he definitely asked them what they thought of a reduction in the duty; at least one of the merchants thought it would do no good unless the duty was reduced to Rs. 5 a pound; and that is the figure we have adopted. Now the advantage of our proposal we hope is this. In the first place we shall get some revenue out of the imports of saccharine. At present, as I have said in the last three years the amount of saccharine which has paid duty has been less than 3 tons during 1923-24. In the last two years the amount of saccharine imported has been in one year 13 pounds and in the other 11 pounds. If we reduce the duty to Rs. 5 a pound we hope we shall offer less temptation to smuggle. If the saccharine comes in, it will be duty paid saccharine and we shall get revenue out of it. We feel also that we shall know exactly how much saccharine is coming

into the country and we shall be able to watch the trade and to gauge the effect of these imports of saccharine upon our sugar revenue and our sugar industry.

In the Select Committee two sets of objections were taken to our proposal. I wish to emphasize that point because our proposal was rejected by the Select Committee, by different people for different reasons. One suggestion was that we should keep the duty at the level of Rs. 20 a pound in the interests of our own sugar producers. Well, Sir, the simple answer to that is that if by keeping on a Rs. 20 duty we thought that we should protect not only our sugar revenue but also our sugar industry we should not hesitate to keep it on, but experience shows that we cannot protect either the sugar revenue or the sugar industry by this heavy duty. Experience shows that the duty itself is so heavy that it acts as a temptation to smuggling, that it does not protect either the revenue or the industry. Then the second objection was not an actual objection to our proposal, but it was said "Do nothing at present. You have taken the saccharine merchants by surprise. Let the matter lie over a little and let them put up their own concrete suggestions." Sir, we discussed this matter with the saccharine merchants in Bombay in July last. They put up their suggestions. One suggestion was in the first place that we should tighten up our preventive arrangements. We have done all we can in that direction and have to confess failure. Their other suggestion was to treat saccharine as a deleterious drug and subject it to this excise control. That again we have rejected for reasons that I have already explained to the House. This Bill was introduced a month ago in this Assembly. I have had two communications from the saccharine merchants. Neither of the communications brought forward any fresh suggestions. They only repeated what they have always said. Therefore, I hold definitely that we shall gain nothing by delay. The saccharine merchants are bankrupt of suggestions, and I put it to the House that the only concrete suggestion, the only concrete proposal which holds the field for meeting this evil is the proposal that I have put before the House. It is a proposal which we have elaborated, after 18 months' consideration and 18 months' consultation with our Customs Collector and with the trade itself. It is a proposal conceived in the interests of our sugar revenue, and—this is a point which I want to put very strongly to the House also—it is conceived in the interests of our customs administration. The present system is unfair to our preventive officers. We are putting upon them a task which they cannot properly perform now, and I do ask the House that they will accept this proposal of mine, because we are quite satisfied that it is the best way of meeting a very real difficulty. Sir, I move the amendment.

Mr. A. Rangaswami Iyengar (Tanjore *cum* Trichinopoly: Non-Muhamadan Rural): Sir, in the absence of my Honourable friend Mr. Jamnadas Mehta on urgent business in Bombay I have to place before this House my strong objection to the proposal to reintroduce into the Schedule the items to which my friend Sir Charles Innes tried to obtain the assent of the Select Committee and which he failed to obtain. Sir, at the time when the Bill was introduced my friend Mr. Mehta objected strongly to the proposal to reduce this duty so as to leave the whole of the saccharine merchants in the lurch, without really solving the problem; and said that the

[Mr. A. Rangaswami Iyengar.]

bankruptcy of the Government in this respect was thoroughly demonstrated. My friend Sir Charles Innes would not accept that proposition, but at the time when he introduced this Bill in this House he was not unwilling to concede that this was a difficult matter and that we should proceed with this matter after thorough investigation. He said:

"Some countries such as France have gone to the length of prohibiting saccharine altogether, other countries have imposed prohibitive duties. Whatever action you may take, you are always up against a difficult problem and we are up against a very difficult problem owing to the existence of what I may call certain back-doors into India. That is a difficulty which my Honourable friend on my right is constantly examining. I do not know whether Mr. Jannadas Mehta will go so far as to suggest that we should reimpose the Viranyam line Therefore it is that we have made this proposal. I admit that it is not a very satisfactory proposal, but it is the best that in the circumstances we could find. The whole matter will no doubt be discussed in the Select Committee."

Sir, my friend Sir Charles Innes as good as agreed that the wisdom of the Select Committee should be able to find a proper solution of this problem; and the Select Committee very rightly said that this is a difficult matter, as Sir Charles Innes himself has pointed out, and therefore that we should take time to consider what proper steps we can take in this behalf. My friend said that the saccharine merchants were bankrupt of suggestions within the month in which this matter has been before us. Sir, when the Government, with all the machinery and organisation, with all the technical skill and information that they have behind them, have been so bankrupt of suggestions as to bring forward a proposal which on the face of it, as Sir Charles Innes admits, is not satisfactory, I cannot see how he expects the saccharine merchants within the space of a few weeks to come forward to my Honourable friend, Sir Charles Innes, with alternative proposals

The Honourable Sir Charles Innes: Does the Honourable Member know that we have been discussing this with the saccharine merchants since July last?

Mr. A. Rangaswami Iyengar: I know that you have been discussing it with the saccharine merchants: but we are aware that this proposal to place a duty of Rs. 5 instead of Rs. 20 has been before them only within the past few weeks and, therefore, I say, Sir, there is no case whatever made out for hurrying this proposal. After all, my friend will recollect that it is necessary to control the import of saccharine into this country in the interests of the great sugar industry of India. My friend said that, if we could be certain that by imposing this Rs. 20 duty or by taking any other steps we would place the sugar industry and sugar production in this country on a more satisfactory basis than it is, he would certainly be glad to do it. Therefore, Sir, my friend should not hold up his hands in despair and say "This will not do." I say, Sir, that the state of the sugar industry is such that even with this duty it is in a most unsatisfactory position.

Then, Sir, this morning my Honourable friend, the Finance Member, told the House that last year the Honourable Sir Charles Innes got this House to agree to a duty which was intended to safeguard revenue which he said he was likely to lose, with the result that they have got a huge

increase of revenue out of the increased duty. Sir, when the proposal was put to us in the Select Committee and in this House there was no idea that the Government were going to add to their revenue by means of a new taxation Bill

The Honourable Sir Basil Blackett (Finance Member): There was no increase in the duty; it was continuing the old rate of duty.

Mr. A. Rangaswami Iyengar: Am I to take it that these new sugar duties have not produced more revenue?

The Honourable Sir Basil Blackett: That is quite another thing.

Mr. A. Rangaswami Iyengar: I say, Sir, under the guise of protecting revenue they have in fact taken more revenue from us. That is the position; and I say therefore it is our duty to see that our sugar industry, which is in a state of great depression, should not be made to suffer and that we should not rush proposals of this kind through this House. Sir, I think my Honourable friend Sir Charles Innes having submitted the question to the judgment of the Select Committee should not by an after-thought come here and try to unsettle the verdict of the Select Committee. Sir, I oppose the motion.

Mr. C. Duraiswami Aiyangar (Madras ceded districts and Chittoor: Non-Muhammadian Rural): Sir, I do not stand here to plead the cause of the Bombay merchants; I take the ground, not from the standpoint of the Bombay merchants, but the ground which the Honourable Sir Charles Innes referred to as having been taken in the Select Committee itself. The Honourable Sir Charles Innes started to-day by saying that all aspects were not put before the Select Committee; but I find now after his speech that nothing new has been stated to-day which has not been stated in the Select Committee. The Select Committee fully considered all the aspects of the matter and came to the decision that the saccharine duty should not be reduced.

Mr. W. S. J. Willson (Associated Chambers of Commerce: Nominated Non-Official): On a point of accuracy, may I correct my Honourable friend? The finding of the Select Committee was that the decision should be reserved for four months.

Mr. C. Duraiswami Aiyangar: I may correct my Honourable friend, Mr. Willson, that though Mr. Jamnadas Mehta first suggested that it might be postponed for four months, he gave up that objection.

Diwan Bahadur T. Rangachariar (Madras City: Non-Muhammadian Urban): On a point of order, Sir: I think it is recognised that discussions in the Select Committee should not be brought up in the Assembly: I may be in a position to say something different from what my friend Mr. Willson may say.

Mr. President: No Honourable Member is entitled to refer to what happens in a Select Committee beyond what appears in the Report of the Committee itself.

Mr. C. Duraiswami Aiyangar: As it was the Honourable Member himself who first started talking about the discussions in the Select Committee I was tempted to reply to it.

The Honourable Sir Charles Innes: On a point of personal explanation, Sir. I said no more than what is said in the Report of the Select Committee itself.

Mr. C. Duraiswami Aiyangar: I shall now proceed to discuss the question on its merits. I consider, Sir, that the Honourable Sir Charles Innes made a somewhat humiliating speech. One must naturally sympathise with a Government which professes to be omnipotent and which comes boldly before a House like this, which is tantamount to standing before the public, and says that it is incompetent and impotent to prohibit smuggling. Sir, with the large machinery which the Government command they cannot for one moment plead that it is difficult to stop smuggling; if you once put forward that plea as a principle of the tariff policy of the Government of India, wherever you levy a high duty, the simple thing that a merchant has to do is not even to approach this Assembly for legislation to reduce it but directly to smuggle things, and then the Honourable the Commerce Member is sure to reduce it. That, as I say, gives a handle certainly to merchants whenever they are pressed by a heavy duty.

I said, Sir, I did not view this matter from the stand point of merchants; but I view it from the standpoint of the Indian sugar industry. You are aware that the Indian sugar industry is not in a prosperous condition and in spite of the report made by the Sugar Committee in 1921 and the recommendations made by them the Government have not chosen to take any steps which are necessary to improve the industry; but on the other hand this step has been taken to-day in order to kill that industry. Sir, it is admitted that the sugar industry flourished in India when the duty on saccharine was high, it did not flourish when it was low. That is clear from the figures. The area of cultivation for sugar-cane in India was 3,015,571, in 1918-19; it came down gradually, until it reached 2,522,176 in 1921-22, and after the saccharine duty was raised, the area of cultivation also rose to 3,044,711 acres, and the production was 3,317,000 tons. In spite of that, the Sugar Committee has reported, so far as Indian sugar is concerned, that "in actual sugar, India's production per acre is less than one-third of that of Cuba, one-sixth that of Java, and one-seventh that of Hawaii"; and, Sir, if you take no steps to improve the production and quality of sugar in this country, and if, on the other hand, you make saccharine very cheap and make it available to soda water factories, to coffee shops, tea shops and so on, and if you also gradually introduce it in each household for their sweetmeats, then, Sir, we can altogether close up all the 3 million acres which are now allotted to sugar-cane cultivation and convert them to some other less profitable concerns. Sir, you are certainly killing the sugar industry in India. As a corollary to it, you are also taking away the employment of 25,000 people who are employed in 519 sugar factories, according to the latest census of 1921. So you kill labour, you create more unemployment in this country, and you also reduce the quantity of production of sugar. Then what about the imports of sugar? They will also be considerably reduced as you will find, Sir,

from the Honourable the Finance Member's speech to-day. He starts with a glowing account at page 29 in his speech where he says that last year we had a good deal of sugar production :

"On the other hand, the increase in the world production of sugar has resulted in a very heavy fall in sugar prices leading to a large increase in the imports into India, and thanks to the action of the Legislature a year ago in converting the previous *ad valorem* duty on sugar into a specific duty, our revenues have benefited very materially. Our present anticipations point to an increase of 1,30 lakhs under sugar, fully counterbalancing the decrease under cotton piece-goods."

But on page 46 the Honourable the Finance Member became despondent. Why? On account of the action of his neighbour, the Honourable the Commerce Member. He says at page 46 :

"It is necessary to anticipate some diminution in the imports of sugar, but we may reasonably look for compensation for the sums thus lost in increased receipts from duty on cotton piece-goods and in what I may call the normal growth under other heads."

So he has taken it as a forlorn hope for him to get anything from sugar imports so long as the Honourable the Commerce Member will insist on the duty on saccharine.

The Honourable Sir Basil Blackett: Does the Honourable Member think that there will be no revenue from imports of sugar? He says I have assumed that there will be no revenue from sugar this year

Mr. C. Duraiswami Aiyangar: But you contemplate a considerable reduction to be made good-not by revenue from saccharine but by cotton goods. Is the Honourable Member aware that the Honourable the Commerce Member said that one lb. of saccharine is equal to 5 cwt. of sugar? So the duty hitherto on one lb. of saccharine was equal to the duty on 5 cwt. of sugar of equal sweetening value. But now what is it that the Honourable Member proposes to this House? He wants to reduce the duty on saccharine to Rs. 5. If he reduces it for every lb. of saccharine that comes into India, then nearly 4 cwt. of sugar are shut out of India, and therefore the import duty that you lose on the imports of sugar, can never be recouped from the duty you are seeking to impose upon saccharine. However, the Honourable the Commerce Member expresses his doubts. I suppose doctors will say that saccharine is a poisonous thing. Some years ago I thought that saccharine tabloids were coming into India only to relieve the diabetic patients; then some took it as a preventive of diabetes, later on it came to be used as a substitute for sugar in aerated water factories; and now it is getting into almost every household, with the result that there is absolutely no chance of the sugar industry being developed here or the sugar imports into this country being increased.

Sir, the Honourable the Commerce Member said that he could not conceive of any other alternative, and he said that was rather a ridiculous alternative,—and I am glad that for our purpose at least he has started rather inauspiciously for his future programme regarding the Report of the Taxation Inquiry Committee. To-day he has already started to condemn the Taxation Inquiry Committee's Report, and I hope if the Honourable Members on this side of the House attack that Report any longer, he

[Mr. C. Duraiswami Aiyangar.]

cannot go back and say that the opposition is wrong. At page 119 of the Report of the Taxation Inquiry Committee, it is said :

“ It may be appropriate here to notice the case of one article, namely saccharine, in respect of which a deliberately prohibitive duty has been imposed as a matter of protection to the large revenue from sugar. The Committee has received evidence, in fact the matter seems to be one of common knowledge, that this duty is widely evaded. Such evasion is a common experience in other countries with high revenue tariffs, and great difficulties have been found in dealing with it. One suggestion which has been made, and which the Committee put forward for what it is worth, is that, if it is found that smuggling cannot be put down under the ordinary preventive law, the further step should be taken of prohibiting import except on behalf of Government and of prohibiting dealing in saccharine that is not put up in packets bearing a Government mark ”.

This is the recommendation

The Honourable Sir Charles Innes: The suggestion is put forward for what it is worth.

Mr. C. Duraiswami Aiyangar: I take it that for a Committee which has been asked to report at a cost of 4 lakhs of rupees to the Indian exchequer simply to say that they have put forward some advisory suggestions which may be thrown away, I think it is too much even for the Honourable the Commerce Member to say

The Honourable Sir Basil Blackett: Is that supposed to be a recommendation?

Mr. C. Duraiswami Aiyangar: It is also a recommendation which you do not care for, as you do not care for several recommendations of this House.

The Honourable Sir Basil Blackett: It is not called a recommendation.

Mr. C. Duraiswami Aiyangar: However, I shall give some credence to it. I think that is a recommendation which you have not probably taken into consideration at all, and the Honourable the Commerce Member never made any reference to this recommendation though it has been made by the Taxation Inquiry Committee. I fail to understand what difficulty the Government can experience in putting a stamp upon all tins of saccharine that are imported into this country. Probably the establishment for affixing stamps may cost at most about 4 annas a tin. Then 4 annas a tin out of Rs. 20 duty collected is nothing. You can afford to have an establishment like that and affix stamps on all tins of saccharine and make it penal for anybody to sell a tin of saccharine which bears no stamp. Now, Sir, what is the duty imposed in England on saccharine? I think it is 3s. 9d. per ounce

The Honourable Sir Basil Blackett: It was 7 shillings, but it is now reduced to 3s. 9d.

Mr. C. Duraiswami Aiyangar: At any rate, what does it come to? I thought it came to Rs. 40 per lb. if you have more accurate information, we shall be glad to have it from you

The Honourable Sir Charles Innes: It is 3s. 9d. per ounce, and you can work out the duty per pound for yourself.

Mr. C. Duraiswami Aiyangar: Now, Sir, what I say is that I do not think that the Honourable the Commerce Member has placed before this House any new grounds or any ground upon which this House can reverse the decision of the Select Committee which has been fully considered in that body.

Mr. Kasturbhai Lalbhai (Ahmedabad Millowners' Association: Indian Commerce): Sir, if I am not much mistaken, the main purpose of bringing this motion forward by the Honourable Member is not to give any relief to the traders of Bombay or the consumers of saccharine but to safeguard the revenue of the State

Mr. Devaki Prasad Sinha (Chota Nagpur Division: Non-Muhammadan): Quite a legitimate purpose.

Mr. Kasturbhai Lalbhai: But this revenue has altogether been lost to the Government by the wholesale import of the smuggled article into the country. Sir, while I fully appreciate the difficulties of the Government under which the authorities have failed to check the smuggling, I feel that it is the duty of the Government to devise some means whereby to put a stop to the inroads on the revenue by the import in this unfair manner. If this House adopts this motion of the Honourable Sir Charles Innes, it is putting a premium on smuggling.

The Honourable Sir Basil Blackett: No.

Mr. Kasturbhai Lalbhai: Certainly.

Mr. W. S. J. Willson: Discount.

The Honourable Sir Basil Blackett: Putting a discount on smuggling.

Mr. Kasturbhai Lalbhai: Not only that. It will also stimulate an illicit traffic in goods which have to pay heavy import duties. Sir, we merchants know full well that it is not only saccharine but articles like silk which have to pay duty at 30 per cent. which are being smuggled into the country at the sacrifice of the Indian revenue. Again, if you look at the cost price of the article, which is about Rs. 4 per lb., it will be abundantly clear to Honourable Members that smuggling will remain just the same as when the duty was Rs. 20, and no revenue will accrue to the State by reducing it to Rs. 5 per lb. The use of saccharine is growing, and no doubt Honourable Members must have given due consideration to its effects both on the import of sugar and the sugar industry. If the import of saccharine is allowed at the rate at which it is coming into the country, I am afraid, Sir, that our revenues from the import duty on sugar are likely to be very seriously affected. The real remedy, in my opinion, is not to reduce the duty but for the executive officers to devise some means whereby this illicit traffic may be put a stop to. Sir, I oppose the motion.

Mr. W. S. J. Willson: Sir, in listening to the speech of my friend Mr. Duraiswami Aiyangar I quite see how law cases are made! If he had taken about the time usually occupied by my friend Pandit Madan Mohan Malaviya in making a speech, I have no doubt he would claim to "prove to the satisfaction of the House" that the loss caused by saccharine to the country's sugar industry would be responsible for wiping out the whole of the population in about 33½ years!

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

In the Select Committee the plain outstanding feature to me of this question was never answered, and it is this. In the year 1922-23, the total net value of saccharine imported (*i.e.*, before payment of the duty) was Rs. 3,87,000. That is the total value of all the known licit saccharine imported. Then the duty was put up. In the year 1923-24 which was the first year of the high duty the total declared value of the licit saccharine imported was Rs. 1,15,000, representing a total licit import of only 14 tons. In the following year, to the 31st March, 1925, there was less than 1 ton of licit saccharine imported valued at Rs. 13,000 and up to the 31st December, 1925, the total value was Rs. 8,500 worth of licit saccharine! Therefore, Sir, it seems to me that the whole of this debate is unreal and is based on some misconception somewhere. (*An Honourable Member*: "On your side.") I do not think it is on my side. I will explain the point. The duty is now so high that it has made smuggling a profitable industry and the decrease in the licit imports prove to my mind absolutely that it is illicit saccharine which is coming in. Now, what are we asked to do? We are asked to prevent a reduction in the duty on saccharine.

Mr. A. Rangaswami Iyengar: We are asking the Government to find an effective substitute.

Mr. W. S. J. Willson: I have been asked to delete this clause from the Bill, which means that I am asked to abolish the proposed reduction of duty to Rs. 5.

Mr. A. Rangaswami Iyengar: No, Sir.

Mr. W. S. J. Willson: The reasons which have been given to us are these, that there is in Bombay a large stock of saccharine and that it will be a great hardship upon the merchants if the value of that is suddenly reduced. That is the case which has been put to us, and the only answer that I can see to it is that my friend Mr. Jamnadas Mehta,—he is really the Member who was so keen on this—must have been in some way misled by some friends of his friends.

Mr. Kasturbhai Lalbhai: Do you know that it is selling at Rs. 6 per pound to-day in the Bombay market?

Mr. W. S. J. Willson: I daresay that the value of illicit saccharine is just as high as the value of licit saccharine. But that does not affect the imports and the fact that licit saccharine is not coming in means that whatever damage, if any, is being done to your sugar industry is being done by the illicit saccharine and not the licit. It therefore seems to me, that these very large holders of saccharine in Bombay, as they have not imported licit saccharine in quantity since the year 1923, must knowingly or otherwise—I prefer to think otherwise—be holding illicit saccharine. Therefore, Sir, I strongly support the Government in moving that the figure of duty be reduced to Rs. 5. It will do away with this enormous incentive to a very profitable industry of smuggling and you cannot do any damage to the sugar industry. You do not do it now though you are not getting the duty. On the other hand, you are proposing to encourage the illicit import in place of the licit.

Mr. A. Rangaswami Iyengar: May I ask my friend to explain how it happens that these people who are holders of stocks will be able to sell at Rs. 7 the saccharine which is in their hands even with a duty of Rs. 5?

Mr. W. S. J. Willson: If I answer that question, the answer is a very simple one. The moment you lower your import duty, the price of licit saccharine in Bombay and elsewhere goes down. It will have a new value. What my friend is asking me to do is to support the old value, which is, I have endeavoured to explain, the illicit value.

Dr. K. G. Lohokare (Bombay Central Division: Non-Muhammadan Rural): Sir, I solicit the attention of the House to another matter connected with this question. It is not a consideration of revenue or encouragement to a local industry, but it is the consideration of the health of the poor people that I want to place before the House. A very large percentage of the poor labourers in the Bombay and Madras Presidencies take a cup of tea or coffee in the morning on an empty stomach without having even a morsel of food with it before they go to work, and take their meals in the noon. In this cup of tea or coffee the only nourishing element is sugar and a little bit of milk. If by reducing the price of saccharine we encourage the coffee and tea shop-keepers and the hotel-keepers to substitute saccharine for sugar, whatever little amount of nourishment there might be in the coffee or tea cup, will be dispensed with. The cup of coffee or tea will then consist of a simple decoction injurious to the stomach wall and we shall be helping the poor labourer to swallow every morning a good deal of tannin alone with no nourishment in it. Therefore, Sir, I would request the House to view this question from this standpoint. If we want to save the labourer, if we want to save the poor man from taking tea uncorrected by sugar, we should endeavour to put a stop to the import of saccharine if we can. If you can stop the illicit import of cocaine, if you can stop the illicit import of spirit and other articles, why cannot you stop the illicit import of saccharine and thus help to keep the poor labourer in a fair condition of health? Saccharine alone may not be a poison but you allow the tea to be swallowed making the man think that because of its sweetness it contains some sugar, some nourishment and by creating a wrong impression you deprive the labourer of his nutrition and health. That is why I would strongly desire to put a stop to such import of saccharine at any cost.

Pandit Nilakantha Das (Orissa Division: Non-Muhammadan): I shall just say one word. I could not follow my Honourable friend Mr. Willson's argument that because the duty was raised therefore smuggling came in and the income of the State fell, whereas my Honourable friend Mr. Duraiswami Aiyangar has proved that because Government would not prevent smuggling therefore the income fell. If the smuggling could be prevented the income would not fall; it would rise higher. And that is the point that instead of preventing smuggling it is no good lowering the duty and my Honourable friend, Mr. Willson

The Honourable Sir Charles Innes: How is the Honourable Member going to prevent smuggling? That is the whole point.

Mr. A. Rangaswami Iyengar: That is the only point. We do not admit that you are helpless.

Pandit Nilakantha Das: The argument is, we have duties and there is smuggling, therefore, let us give up all our duties. Similarly perhaps that we have law and the law is broken by bad people, therefore let us repeal the

[Pandit Nilakantha Das.]

law. If this be our position and if we feel helpless like this, then I am ready to follow my Honourable friend Mr. Willson as well as the Commerce Member. But it has been clearly proved by my Honourable friend, Mr. Duraiswami Aiyangar, that on account of our failure to prevent smuggling all this difficulty comes in. We must either confess our utter inability and declare that we have failed to prevent all smuggling

The Honourable Sir Charles Innes: We do.

Pandit Nilakantha Das: Or we must accept Mr. Duraiswami Aiyangar's proposition that we must prevent smuggling and have the duty high in order to protect the sugar industry, as well as to hope for better finances in future from this duty.

***Mr. K. Rama Aiyangar** (Madura and Ramnad *cum* Tinnevely: Non-Muhammadan Rural): I only want to add a few words to this discussion because I was one of the members of the Select Committee that formed the majority. In fact, my Honourable friend Sir Charles Innes made it clear and all the Members of this House knew that there was one great defect in this import of saccharine being encouraged in any form. Dr. Lohokare was not there, and it was not known at that time to the Select Committee that saccharine was a poison.

Mr. C. Duraiswami Aiyangar: It was known.

Mr. K. Rama Aiyangar: I am putting to the House how it happened in the Select Committee. It was conceded that there was no food value in saccharine while there was 500 times food value in sugar. It was food value that was considered. It was said, whether it is poison or not, that the substitution of saccharine for sugar absolutely spoils the food value of the things taken by the people

The Honourable Sir Charles Innes: It was conceded that in itself it has not got any food value but not that it affects the food value of things taken along with it.

Mr. K. Rama Aiyangar: The fact is that my Honourable friend wanted to side-track the question. The question of adjourning the matter for a few months was first put forward when it was explained that that would only considerably add to the imports of the smuggled article.

Mr. President: The Honourable Member is referring to something which does not appeal in the Report of the Select Committee.

Mr. K. Rama Aiyangar: I only proceed on facts which we might deduce, on facts which will not be disputed by Government.

The Honourable Sir Basil Blackett: They are

Mr. K. Rama Aiyangar: They are facts which will always stand even in the face of Government, and, taking that as the standard, you have to proceed. What was actually done? The matter was vetoed by a majority for the reason that it would practically interfere with the consumption of sugar. I will add one word more to what Mr. Duraiswami Aiyangar has said. The increase in the import of sugar owing to world conditions referred to by the Honourable the Finance Member in his speech only shows that in spite of saccharine the world conditions have caused sugar to come in in large quantities. If the duty on saccharine is removed or reduced to Rs. 5, practically it will come into competition with sugar. As representatives of the people, this Assembly cannot for one

*Speech not corrected by the Honourable Member.

moment allow the free import of this saccharine which is objected to; and we ought to see that sugar is protected. There will be nothing wrong, if, on the statement of Dr. Lohokare, this is brought under the class of articles which should be controlled by license and prosecutions should be launched if it is possessed by non-licensed persons. For these reasons I oppose the motion.

Mr. K. C. Neogy (Dacca Division: Non-Muhammadan Rural): I want to say just a word. The Honourable the Commerce Member asked how he is to stop smuggling. Evidently my Honourable friend has not read the report of the Indian Taxation Inquiry Committee. This Committee at page 124 and onwards discuss the preventive arrangements of the Customs Department, and they seem to be highly dissatisfied with those arrangements, and in paragraph 152 they say as follows:

“It will be evident from the above survey that, while the present high tariff offers great temptations to the smuggler, there is a lack of cohesion in the preventive arrangements, which certainly offer many facilities for his operations.”

Later on, they make a specific recommendation to the effect that there is at least ground for a thorough inquiry into the extent of the loss that does occur and into the possibility of stopping the gaps that exist in the present system and they recommend that

“a skilled preventive officer should be deputed to compare and co-ordinate the arrangements in the different provinces not only at the main ports, but also at the minor ports, along the coast and on the land frontiers.”

When my Honourable friend, Mr. Duraiswami Aiyangar, read out the observations of the Committee with regard to saccharine, the Honourable the Finance Member stated that that was not a recommendation. But I will ask him to look at this paragraph and he will see that it is headed, “A recommendation for skilled inquiry.”

The Honourable Sir Basil Blackett: Mr. Duraiswami Aiyangar was not referring to that recommendation. He was referring to another suggestion.

Mr. K. C. Neogy: The Honourable the Finance Member does not agree that that was a recommendation which the Taxation Inquiry Committee made, but here is a specific recommendation for a specific inquiry by skilled experts.

The Honourable Sir Basil Blackett: A very good recommendation.

Mr. K. C. Neogy: And I would remind the Honourable Member of what he stated only this morning. He said, “We have these recommendations before us. We are not going to give effect to them this time in my Budget but this will afford much food for reflection and consideration for one whole year.” So, I would ask the Honourable the Commerce Member to consider this question and give his earnest attention to the recommendation made by the Taxation Inquiry Committee in this behalf, before he throws up his hands in despair and asks us to take off this duty.

Diwan Bahadur T. Rangachariar: Sir, we made an experiment in 1923 by raising the duty to Rs. 20. The object with which we made the experiment was to prevent the import of saccharine. That was the object in view. Did we succeed in achieving that object? (*Honourable Members:* “No.”) That is a confessed failure in that respect on all hands. (*An Honourable Member:* “Why?”) Because of excessive smuggling. The high import duty has created this new industry in our country of encouraging smugglers. It pays them to smuggle. With a high duty it pays the smuggler

[Diwan Bahadur T. Rangachariar.]

to carry on his profession. My Honourable friend asks: "Oh, you are an omnipotent Government, why don't you stop it?" Sir, if I had been asked to carry on the Government—I do not mean my Swarajist friends, probably they might be better able to carry on the Government—I would also have to confess the same impotence having regard to my local knowledge of the place from which this smuggling takes place. The smuggling takes place through the land border of Pondicherry. There is no China wall between French territory and British territory. It is a case of adjoining fields. Sir, we have only to cross the road and a few fields in order to escape through British territory to French territory or from French territory to British territory. Many a civil debtor has done it. They have evaded the warrants simply by stepping across the boundary line, which is a purely imaginary line. Now, Sir, what is the nature of the article which is smuggled? If it was a heavy article, it could easily be detected. Your customs officials and others should be able to prevent it. (*An Honourable Member*: "What about cocaine?") I do not know anything about cocaine. (*Laughter*.) Now, saccharine can be easily carried on the person. It can easily be concealed in the pockets. I know what happened during the time when sovereigns were so cheap elsewhere and so dear here. Several respectable people combined—even Members of the Legislature—to smuggle sovereigns because it paid them to do it. Many people became rich. You can get into Pondicherry by simply getting into the adjoining fields. Your customs officials are either on the railway road or on the public roads. You have not got anybody all along the line. They can travel by night unless you stop the freedom of movement. So, it seems to me that we have to face facts and realities and we cannot legislate on mere theories. It must be an omnipotent Government which would be able to stop all illicit import. This illicit import must have been going on to a large extent because legitimate import has gone down from 3 lakhs to 8,000 in three years. Do Honourable Members realise the significance of these figures? Notwithstanding the heavy duty, saccharine is cheap. Legitimate import has fallen. Then where does saccharine come from? It must have come through illicit import. You are not going to stop this smuggling. You accuse Government for it. By all means I join you in accusing this omnipotent Government in this matter. But let us face the realities. Is it possible for them to do it? All human efforts being put together, is it possible to put an end to this? Therefore as this high duty encourages smuggling, what is the relief to be given? You must see that it must be the cause which produced this effect. That is obvious and therefore, Sir, I ask the House to support the amendment.

Mr. Devaki Prasad Sinha: Sir, a very plausible argument has been used against the motion which is before the House. It is said that this reduction is going to stimulate the consumption of saccharine and thus injure the health of the working class community in Bombay and in other big cities. Well, Sir, as I could gather from the speeches delivered in this House, there are two markets for saccharine—one is the market which I may describe as the legitimate market, where saccharine is used for medicinal and other legitimate purposes and the other is the illegitimate market where saccharine is used as a substitute for sugar where really sugar ought to have been used. Sir, as the facts are at present, there is a full supply for both these markets. Saccharine is used, as a matter of fact, both for legitimate as well as illegitimate purposes. The only difficulty is that a part of the supply for both

the markets taken together is through the legitimate channel and a part of it is through the illegitimate channel. Therefore, the proposal before the House is not to increase the supply of saccharine because I understand that a sufficient quantity of saccharine is available for those who want to use it for legitimate or illegitimate purposes. But rather the proposal is to transfer the channel through which the bulk of saccharine is brought into India. Sir, the effect of reduction, to my mind, would not be to increase the consumption of saccharine in the country but to change the channel through which saccharine is imported here—to transfer it from the illegitimate channels to the legitimate channels. Therefore, my submission is that this objection regarding the injurious effect on the health of the working classes is really altogether beside the point. If I could have been satisfied that by keeping the duty at the present rate you would have reduced the use and consumption of saccharine and would have tried to impose some ban upon the use of saccharine at places where it should not have been used, I should have been the first to vote for the proposal as recommended in the Select Committee's Report. But what do I find to-day? I find that in spite of this high duty, saccharine is freely used at places where my Honourable friend Dr. Lohokare would not like it to be used. Sir, the real objection to a reduction in the import duty on saccharine seems to me to be contained in the Report of the Select Committee. They say:

"Some of us think that more time should be given to the saccharine import trade to consider the probable effect of the reduction of the duty to Rs. 5 a pound."

If I could paraphrase this sentence in my own words I would say that what the Select Committee recommend is this: you must allow the saccharine import merchants who have already imported saccharine at the present price to sell all the goods that is in their store, so that they may not suffer on account of undue competition with those who would hereafter import saccharine at a reduced rate. I ask the House: Are you prepared to prejudice the revenues of the country and also prepared to allow smuggling to go on for another length of time. only with a view to protect the dividends of the few saccharine import merchants? Well, Sir, if such an argument is to prevail and if for such flimsy reasons we are dissuaded from adopting a policy which, in all other ways we consider best in the interests of the country, I suspect that there will be no end to this evil. The Government admit that they are bankrupt in finding out a remedy for the prevention of smuggling in saccharine. The mercantile community—to my mind, as objectionable as the Government themselves (Laughter)—have also declared from their house-tops that they are incapable of finding a remedy to prevent smuggling. Therefore, where are we, the honest citizens? (Laughter.)

The Honourable Sir Basil Blackett: More objectionable than both!

Mr. Devaki Prasad Sinha: We are not so much concerned either with the bankruptcy of the Government or with the solvency of the mercantile community. We want to put an end to this evil. Here is a suggestion, which, never mind, if it casts a great slur upon the imaginative capacity of the Government as well as the Indian mercantile community, is going to help us in the direction in which we want to be helped. Why should it not be accepted? Why should we be guided purely by our consideration for the interests of a few of those merchants who have stored up saccharine and want to dispose of it at a price which would be a high price if this suggestion is accepted? I feel, Sir, that all my Honourable friends who have

[Mr. Devaki Prasad Sinha.]

opposed this motion of the Honourable the Commerce Member have not talked candidly and not referred to the question of the consumption of sugar being reduced.

Mr. A. Rangaswami Iyengar: I object to the word "candid" on the part of the Honourable Member.

The Honourable Sir Basil Blackett: Is not "candid" the American word for sweet?

Mr. Devaki Prasad Sinha: I do not know why my Honourable friend
 4 P.M. Mr. Rangaswami Iyengar objected to it. It is no reflection on him or on anybody else. To my mind it seems that the more candid objection is not on the ground that it is going to oust or to substitute sugar, but that you want to give some time to those who have stocks of saccharine still undisposed of. For these reasons we are not justified in opposing this motion.

Dr. L. K. Hyder (Agra Division: Muhammadan Rural): Sir, I really feel frightened of the use that the Report of the Taxation Committee is being put to. I think it would be desirable for me to absent myself more often than I at present do from the House. The whole point is this. It is not a very elaborate matter. It can be dismissed in a few words. Does this evil of smuggling exist or does it not exist? I understand the Honourable Members sitting opposite think it does exist, and here is what this Taxation Committee says about this evil of smuggling, and this is the sentence which my friend Mr. Neogy has conveniently omitted. It appears on page 125:

"It is not desirable to recite instances of the way in which advantage has been taken of these facilities, but it may be said that though there is no evidence that any considerable percentage of the customs revenue is lost through smuggling, it is clear that there is a loss amounting to several lakhs a year, and in the words of a recent note in the *Pioneer* 'many articles are sold all over India which puzzle the honest trader'."

(*An Honourable Member:* "What does it show?") It shows that there is this evil of smuggling. According to the Taxation Committee itself this evil is due to the fact that the duty is much higher than we ought to pay. (*An Honourable Member:* "Bad administration.") Remove the cause and do not make it worth while for the dishonest trader. (*An Honourable Member:* "Is that your recommendation in the Taxation Committee to remove the cause?") I was going to say that the evil exists on account of the higher rate of duty. Remove the cause. You will not make it worth while for the dishonest trader to have recourse to this source of supply. I associate myself with every word that has fallen from my Honourable friend, Mr. Rangachariar. I consider that the nature of the commodity is such that no Government can stop its import. There is a way and that is by prohibiting all manner of intercourse with British India, and there is no other way.

(After Dr. Hyder had finished speaking, the Honourable Sir Charles Innes rose to reply.)

Mr. President: If the Honourable Member can satisfy the Chair that he has a right of reply I have no objection. The Honourable Member has moved the amendment and the Mover of an amendment has no right of reply.

The Honourable Sir Charles Innes: I was only going to submit that Sir Frederick Whyte used to allow us to reply, but I leave it entirely in your hands.

Mr. President: This is not a case in which the Chair is called upon to exercise its discretion in favour of the Honourable Member.

The question is :

- “ That after clause 3 of the Schedule to the Bill, the following clauses be inserted :
- ‘ 4. In item No. 34A, for the figures ‘ 20 ’ in the entry in the 4th column the figure ‘ 5 ’ shall be substituted.
- ‘ 5. In item No. 34B, for the entry in the fourth column the following entry shall be substituted, namely :
- ‘ 15 per cent. or Rs. 5 per pound of Saccharine contents, whichever is higher ’.”

The Assembly divided :

AYES—53.

Abdul Qaiyum, Nawab Sir Sahibzada.
 Abul Kasem, Maulvi.
 Ajab Khan, Captain.
 Akram Hussain, Prince A. M. M.
 Bajpai, Mr. R. S.
 Blackett, The Honourable Sir Basil.
 Bray, Sir Denys.
 Calvert, Mr. H.
 Carey, Sir Willoughby.
 Clow, Mr. A. G.
 Cocke, Mr. H. G.
 Crawford, Colonel J. D.
 Datta, Dr. S. K.
 Donovan, Mr. J. T.
 Ghazanfar Ali Khan, Raja.
 Ghulam Bari, Khan Bahadur.
 Gidney, Lieut.-Colonel H. A. J.
 Gordon, Mr. R. G.
 Gour, Sir Hari Singh.
 Graham, Mr. L.
 Hayman, Mr. A. M.
 Hezlett, Mr. J.
 Hira Singh Brar, Sardar Bahadur
 Captain.
 Hudson, Mr. W. F.
 Hussanally, Khan Bahadur W. M.
 Hyder, Dr. L. K.
 Innes, The Honourable Sir Charles.
 Jatar, Mr. K. S.
 Lloyd, Mr. A. H.

Macphail, The Rev. Dr. E. M.
 Mahmood Schammad Sahib Bahadur,
 Mr.
 Mitra, The Honourable Sir Bhupendra
 Nath.
 Muddimar, The Honourable Sir
 Alexander.
 Muhammad Ismail, Khan Bahadur
 Saiyid.
 Naidu, Rao Bahadur M. C.
 Neave, Mr. E. R.
 Nehru, Pandit Shamlal.
 Owens, Lieut.-Col. F. C.
 Rahman, Khan Bahadur A.
 Rajan Bakhsh Shah, Khan Bahadur
 Makhdum Syed.
 Raj Narain, Rai Bahadur.
 Rangachariar, Diwan Bahadur T.
 Reddi, Mr. K. Venkataramana.
 Roffey, Mr. E. S.
 Singh, Mr. Gaya Prasad.
 Singh, Rai Bahadur S. N.
 Sinha, Mr. Devaki Prasad.
 Stanyon, Colonel Sir Henry.
 Tonkinson, Mr. H.
 Vernon, Mr. H. A. B.
 Vijayaraghavacharyar, Sir
 Tiruvalangadi.
 Willson, Mr. W. S. J.
 Young, Mr. G. M.

NOES—31.

Abhyankar, Mr. M. V.
 Acharya, Mr. M. K.
 Ahmad Ali Khan, Mr.
 Aiyangar, Mr. C. Duraiswami.
 Aiyangar, Mr. K. Rama.
 Chetty, Mr. R. K. Shanmukham.
 Das, Mr. B.
 Das, Pandit Nilakantha.
 Deshmukh, Mr. R. M.
 Dutt, Mr. Amar Nath.
 Iyengar, Mr. A. Rangaswami.
 Kasturbhai Lalbhai, Mr.
 Kidwai, Shaikh Mushir Hosain.
 Lajpat Rai, Lala.
 Lohokare, Dr. K. G.
 Majid Baksh, Sved.
 Misra, Pandit Shambhu Dayal.

Murtuza Sahib Bahadur, Maulvi
 Sayad.
 Narain Dass, Mr.
 Nehru, Dr. Kishenlal.
 Neogy, Mr. K. C.
 Ray, Mr. Kumar Sankar.
 Samiullah Khan, Mr. M.
 Sarfaraz Hussain Khan, Khan
 Bahadur.
 Shafee, Maulvi Mohammad.
 Sinha, Kumar Ganganand.
 Talatley, Mr. S. D.
 Tok Kyi, U.
 Venkatapatiraju, Mr. B.
 Yakub, Maulvi Muhammad.
 Yusuf Imam, Mr. M.

The motion was adopted.

The Honourable Sir Charles Innes: Sir, I beg to move that clauses 4 to 13 of the Schedule to the Bill be renumbered as 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15, respectively. This is a consequential amendment, Sir.

The motion was adopted.

U. Tok Kyi (Burma: Non-European): Sir, I beg to move:

“That in clause 6 of the Schedule to the Bill the proposed Item No. 46-D be omitted.”

Sir, my object in moving this amendment is to ask the House not to assent to the proposal to raise the duty on printer's ink from 2½ per cent. *ad valorem* to 5 per cent. The Tariff Board has duly considered whether there was a case for protection of the Printer's Ink Industry or not. They have since held that there is no justification for protection of the Printer's Ink Industry. But they have found that the concession duty of 2½ per cent. *ad valorem* has adversely affected the industry and they have also found that the necessary constituents of printer's ink have been subjected to a duty of 15 per cent. *ad valorem*, and from these facts it appears to them that the industry has been suffering from a distinct disability. And in order to remove this disability they have made a recommendation that the duty of 2½ per cent. *ad valorem* should be raised to 5 per cent. *ad valorem*. Sir, much as I wish to remove the disability, I am not prepared to support their recommendation. In this connection I should like to make one observation about the relation between India and Great Britain in fiscal matters. This relation has, since the introduction of the Reforms, been considerably improved. The Joint Select Committee on the Reforms Bill has laid down the principle that the Government of India should be granted the same liberty to devise Indian tariff arrangements on consideration of India's interests, as all the other self-governing parts of the British Empire enjoy. Sir, this principle has been approved of by the Secretary of State for India, and of all the reforms that have been introduced, I think this reform in fiscal matters is about the most satisfactory we have in India. In fact, by this improved relation between India and Great Britain in fiscal matters, we have been able to make the Government of India adopt the policy of protection which is so much desired by all Indian leaders. And by the same improved relation, the Honourable the Finance Member has been able to make the announcement of the final abolition of the excise duty on cotton. He made that announcement this morning while introducing the Budget, and it has pleased all sections of this House. (Hear, hear.) So I think, Sir, India is at present enjoying fiscal autonomy, but she must not abuse it; she must make use of it wisely and to her interests. I should like to ask, Sir, is the raising of the duty on printer's ink to the interests of India?

Pandit Shamlal Nehru (Meerut Division: Non-Muhammadan Rural): Yes.

U. Tok Kyi: I would answer unhesitatingly: “Certainly not.” Like the duty on paper, it is a tax on knowledge; it is a tax on education; it is a tax on literature. Such a tax I think, Sir, should never be levied in a civilised country even for revenue purposes. In fact the House of Commons in England condemned such a tax nearly 70 years ago and they

repealed the duty on printing paper immediately afterwards. Sir, this is the practice which ought to be followed in India. In fact in India too it has hitherto been followed to a certain extent. Books printed in foreign languages have been imported into India free of duty and we are very glad that they have been permitted to come into India without any duty. But I should like to ask: "If foreign books are free from duty, why should printing paper and printer's ink, which are absolutely necessary for making up into books,—why should they be subjected to duty?" Sir, if England sees fit not to impose any duty on paper or on ink, I think it is doubly necessary for India where the literacy of people is at such a low percentage,—it is all the more necessary for India to refrain from imposing any duty on such commodities. Sir, only last year the duty on printing paper was raised at the rate of one anna per pound. It has adversely affected the newspaper trade. For the purpose of the vernacular papers in Burma, the paper used for printing is not of a high quality. It cost only about 3 annas per pound. If you raise the duty on such paper at the rate of 1 anna per pound, it is clear that you have raised the price of printing paper by no less than 33½ per cent. Sir, only a year after that a fresh proposal is now made to double the duty on printer's ink and I strongly object to it. If the disability from which the Printer's Ink Industry is suffering is to be removed, I think the proper course to adopt is to reduce the duty on the necessary constituents of printer's ink. At present the duty on the constituents is 15 per cent. *ad valorem*. I think by reducing this duty to, say, 7½ per cent. *ad valorem*, the disability can be easily removed. Sir, it is admitted by the Honourable the Commerce Member himself that this proposal, together with the other proposals contained in the Bill, is not very important from the revenue point of view, and I therefore hope that he will not insist on its acceptance by the House. Sir, for the reasons I have stated I think we should not raise the duty or rather double the duty on printer's ink. The raising of the duty would adversely affect the intellectual progress of the people of India, as well as their moral well-being. With these words, Sir, I commend my motion to the favourable consideration of the House.

Pandit Shamlal Nehru: Sir, I have heard my Honourable friend U. Tok Kyi very carefully and I have not been able to understand him at all. He refers to French and German books coming to India free and he is grateful for it; but I do not see how that reason applies to printer's inks. Printer's inks are made in the country to a very large extent. There are a large number of factories in the country now, while foreign books are not printed in the country. In Calcutta, Lucknow, Allahabad, Lahore—in all these cities—you will find now a number of small factories, while in Calcutta, Fleming and Co., the biggest manufacturers of England, have opened their own factory. Their inks coming from England are subject to duty while their own ink, made in the country, is not subject to any duty. I do not see why we should not use our own inks instead of imported inks. These factories manufacture or can manufacture more than our requirements. I know something about printer's inks. I am a very large buyer of them myself. I buy thousands and thousands of pounds and I find the Indian inks very good in quality.

Syed Majid Baksh (Burdwan and Presidency Divisions: Muhammadan Rural): Why do you buy so much ink?

Pandit Shamlal Nehru: I buy them for newspaper work, Sir. The inks made in the country are nearly if not quite as good as German inks and decidedly equal to English inks. German inks are certainly the finest. The increase in the duty will help the industry of the country. My only surprise is that the duty is being only doubled. I am afraid I have no power to increase the duty here, but if the Government had increased the duty 100 per cent. or 500 or 1,000 per cent. I would have supported them whole heartedly.

The Honourable Sir Charles Innes: Sir, I have very little to say on this amendment of my Honourable friend from Burma. I wish to make it clear that the proposal is not a proposal for protective purposes. The Printer's Ink Industry was investigated by the Tariff Board. The Tariff Board found that the case for protection was not made out, but it found also this fact, that whereas printer's ink comes into the country at a duty of 2½ per cent. the people who try to make printer's ink in the country have to pay a duty of 15 per cent. upon the materials they require, and the Tariff Board made this small proposal to increase the duty from 2½ per cent. to 5 per cent. to remove that anomaly. They considered very carefully the suggestion made by the Honourable Member from Burma, namely, that the duty on the constituent materials should be reduced. They pronounced that solution entirely impracticable. My Honourable friend from Burma suggests that this proposal is a tax on knowledge and it is likely to hamper the intellectual progress and the moral well-being of the country. Sir, I put it to the House that the effect of this proposal will be that it will impose a burden upon the consumer of Rs. 20,000. That is upon all consumers in India, 318 millions of them, and it will add to the cost of printing by one-tenth of 1 per cent; or to put it in a concrete form, Mr. Rangaswami Iyengar produces his paper in Madras. For Rs. 100 that he now pays, he will have to pay Rs. 100-1-6, and I do not think that is going to do anybody any harm.

Mr. B. Das: (Orissa Division: Non-Muhammadan): Sir, I am very sorry I have to oppose the motion of my friend U. Tok Kyi. He is one of the few representatives of the Press in this House and we legislators are very much indebted to the Press. and yet I am sorry that I have to oppose this motion. I am sorry my friend was not present at Simla when the protection of the paper industry was debated in the House and was accepted

U. Tok Kyi: I was not present.

Mr. B. Das: And there the press of India swallowed a camel and now they are straining at a gnat. My friend, the Honourable the Commerce Member has very kindly and judiciously referred to the Tariff Board's recommendations. The Indian ink manufacturers approached the Tariff Board as early as 1924 and although that report was published in 1925, although the Tariff Board recommended that the duty should be raised from 2½ to 5 per cent. no action was taken until the present Tariff Bill which we are considering was introduced. In the meanwhile, the condition of the Indian ink industry is growing from bad to worse for the reasons which the Honourable the Commerce Member has himself referred to. I will just draw the

attention of the House to a few lines from the report of the Tariff Board in this connexion:

“ Messrs. John Kidd & Co., Limited, London, have stated in their representation that printer's ink does not usually account for more than 3 per cent. of the total cost of printed matter. If that be so, and it is confirmed by the evidence of other witnesses, the present $2\frac{1}{2}$ per cent. duty is less than one-tenth per cent. of printing costs, and even if it were multiplied by six, it would still be less than one half per cent.”

By this slight policy of protection Government are only equalising the taxes on imported printer's ink with that manufactured here. So, there is very little protection, and for that reason I am sorry again that I have to oppose the amendment moved by my friend U. Tok Kyi.

Mr. President: The question is:

“ That in clause 6 of the Schedule to the Bill the proposed Item No. 46-D be omitted.”

The motion was negatived.

Mr. C. Duraiswami Aiyangar: Sir, I rise to move amendments Nos. 4 and 7 together, because they cannot be separated. Both No. 4 and No. 7 go in as one amendment; otherwise the difficulty will be if No. 4 is passed and No. 7 is not, I will be doing a disservice to the cause for which I am now moving the amendment.

Mr. President: If the House passes amendment No. 4, it will pass No. 7. If the House does not pass No. 4, No. 7 goes out. Where is the difficulty of the Honourable Member?

Mr. C. Duraiswami Aiyangar: My difficulty is this. If No. 4 is passed, by making an exception in clause 7 of the Schedule, with the expression “operated by any power other than hand-loom”, if that is passed and if No. 7 is not passed, hand-loom will be under 15 per cent. The present Bill reduces hand-loom and their accessories which now stand at 15 per cent. import duty to $2\frac{1}{2}$ per cent. I want to take that over to the group of “free of duty”. If No. 4 is passed that will exclude hand-loom and their accessories from the $2\frac{1}{2}$ per cent. group and if No. 7 is not passed hand-loom and accessories will once more go back to the 15 per cent. group. Therefore I intended from the very beginning that I should move these two as one amendment. I think, Sir, I have your permission to move it as one amendment. It may be accepted or rejected; if it is accepted it will be free of duty; if it is rejected, hand-loom will have to pay $2\frac{1}{2}$ per cent.

[At this stage Mr. Deputy President Diwan Bahadur T. Rangachariar took the Chair.]

Sir, I move:

“ That in clause 7 of the Schedule to the Bill in the proposed item No. 51-B for the words ‘by whatever power operated’ the words ‘operated by any power other than hand-loom’ be substituted.”

“ In the Schedule to the Bill after clause 7, the following clause be inserted:

‘ 7A. In Part I of Schedule II to the Indian Tariff Act, 1894, the following be inserted as Item No. 27:

‘ 27. All textile machinery and apparatus imported for the use of hand-loom.’”

Mr. Deputy President: Has the Honourable Member in charge anything to say on this point?

The Honourable Sir Charles Innes: I have no objection to the two amendments being taken together.

Mr. Deputy President: The Honourable Member may go on.

Mr. C. Duraiswami Aiyangar: The object of my moving this amendment is that a concession or a help which ought to have been granted by the Government several years ago or even centuries ago has not been granted till now, and for the first time, and that is 4 years after the Report of the Fiscal Commission, the Honourable the Commerce Member has thought it desirable to reduce the import duty on hand-loom and their accessories from 15 to 2½ per cent. I believe I am right in saying that even now he was roused to doing it by a question put in the House of Commons by Mr. Saklatvala, which was forwarded by the Home Government to the Government of India.

The Honourable Sir Charles Innes: Not at all.

Mr. C. Duraiswami Aiyangar: I do not know whether the Honourable the Commerce Member means that the question was not put and it was not forwarded . . .

The Honourable Sir Charles Innes: The question was put, but it had no influence on our decision.

Mr. C. Duraiswami Aiyangar: Then I am glad, though by accident it was after the question, that the Commerce Member has, *suo motu*, thought it desirable to give some relief to hand-loom weavers in this country. As my friend Mr. R. D. Bell, once a Member of this Assembly, said, I am rising to speak here because the persons for whom I speak are voteless and voiceless and therefore have to be taken care of by at least one speaker here. They are not like the Bombay mill-owners who are able to command a large amount of time in this Assembly: and I am only taking a few minutes of your time, Sir, in order to plead the cause of the non-vocal hand-loom weavers. In the Fiscal Commission's Report they describe this class of people who extend to nearly 2 million workers in this country as "persons who are scattered throughout the country, unorganised and handicapped by methods of marketing and finance that hardly permit them to rise above the lowest economic level", and having given this description, the Commission makes the following recommendation in paragraph 111:

"If for instance the import of hand-loom free of duty were a matter of significance to the hand-loom industry, we considered that the fact that the loom is worked by hand should not stand in the way of the concession being granted."

I do say, Sir, that it is of great significance to the hand-loom weavers that the hand-loom and the accessories thereto should be admitted free of duty. Sir, in this country, excepting the Bombay Presidency, in other portions of the country the hand-loom are still working, the cottage industry is still kept going on, and in many places that is the only off-season means of livelihood for the agriculturists. And in paragraph 171 the Fiscal Commission further says:

"In making our recommendations regarding the cotton excise duty, we have not overlooked the fact that at the present moment the duty operates to some extent as a protection to the hand-loom industry."

Sir, clearly it was a protection, and now that this House has taken away that protection by the abolition of the cotton excise duty, which I do not grudge, I feel, Sir, that it is necessary that my Bombay friends Mr. Kasturbhai Lalbhai and others must join me to-day in helping the hand-loom weavers to get the concession of having their machinery imported free of duty. Sir, in

the Madras Presidency some attempts were made to give some kind of help to these hand-loom weavers, and they have been making those attempts from 1901, but up to now nothing has been done substantially in the matter. From 1901 to 1905 the Madras Government carried on some experiments in the School of Arts, but in 1913-14 they introduced two peripatetic systems of teachers in order to teach and instruct the village weavers better methods of weaving and spinning and also in using improved appliances. The effect was that in 1914, when the peripatetic party started for the Northern Circars,—it was the time of war,—that party through the agency of these hand-loom weavers was able to supply 15,000 army blankets in two months. And still, Sir, such a body of weavers are absolutely in a helpless condition, and it has been also stated by the textile expert, that they are not in a position to purchase machinery or improved appliances. It is stated that “the cost of machinery is beyond the purchasing capacity of the weaver, though in a small weaving centre labour-saving hand-operated appliances should benefit them materially”. That was the opinion of the textile expert who was appointed in 1919. That expert made several recommendations, none of which have been substantially carried out. But, Sir, it is now argued by the Honourable the Commerce Member that making hand-loom as well as other accessories free of duty would cause a difficulty to the customs authorities, because many of these appliances are also useful for the mill industry and it would be difficult to make a distinction. As I said in my note of dissent, it does not matter if some of these appliances, which cannot be distinguished, also go to benefit the millowners. I will not grudge it myself, but, Sir, it is easily possible to mark out those which are useful directly for hand-loom by making those indents, as the textile expert recommended in 1919, through the Government agency, and undertaking their distribution through the district authorities. The recommendation was that the High Commissioner may arrange for despatch to the Local Governments all such appliances which will be necessary and requisite for hand-loom weavers and such appliances and machinery may be supplied to them through the district authorities, because in the very nature of things it is the district authorities that can reach them, for, as I have already said, they are scattered and unorganized. Therefore, Sir, if the Government will take into their consideration the desirability of helping this kind of cottage industry, which economically is absolutely necessary at the present stage, I for one, Sir, think that I can appeal to the Honourable the Commerce Member to take that seriously into consideration. Let him not rely upon the fact that on the previous motion he gained a large majority; and if he has the giant's strength, I appeal to him that he should not use it as a giant. I appeal to him, therefore, that he should take this into consideration and consent to the putting of hand-loom and appliances which are necessary for hand-loom under the group of articles which are imported free of duty. Sir, we have precious stones, pearls and other luxuries which are necessary only for rich people under the group “free of duty”. You are prepared to reduce the duty on saccharine, which is necessary again for rich people, and you are prepared to reduce the duty on petrol oil; all these you are prepared to do, but when it comes to a question of helping the poor cottage industry, Sir, I do not see why the Honourable the Commerce Member should turn a deaf ear to that.

The Honourable Sir Charles Innes: Sir, I cannot help feeling that my Honourable friend opposite is extremely ungrateful. I have come before the House with a proposal to reduce the import duty on hand-loom and the accessories thereof from 15 per cent. to 2½ per cent., and the only

[Sir Charles Innes.]

thanks that I get from the Honourable Member opposite is that he accuses me of long delay in carrying out this reform, and he accuses me of doing nothing to help a helpless industry. Sir, if there has been long delay in bringing this matter up, it is no fault of mine. I took this question up as far back as 1922. We consulted all Local Governments, and my proposals were based very largely on the proposals sent to me by the Government of Madras. The only reason why I did not put them up earlier was that the financial position of the Government of India made it impossible for us to do so; at any rate, it was impossible for us to put up a comprehensive proposal. However, we put up some proposals in the Finance Bill of 1924, and it was no fault of mine that these proposals were lost, because it was the Honourable Member's own Party that rejected them.

Now, Sir, the first point I have to make about the Honourable Member's amendment is that I, being a plain man and not a lawyer, am totally unable to understand what his amendment means when he says that the words "operated by any power other than hand-loom" should be substituted. If I know English, and I suppose I have some claim to know English, that means nothing at all. However, I will leave the wording alone. The Honourable Member's object is to admit all textile machinery and apparatus imported for the use of hand-loom free of duty—I think I have understood the Honourable Member correctly. Sir, I must make it perfectly clear that the Government must object very strongly to this proposal. There may be something to be said for adopting the original recommendation made by the Fiscal Commission; they suggested that all machinery should be admitted free of duty, and they also suggested that if that be done, hand-loom and the apparatus thereof should also come in free. Now, Sir, if we were to admit all machinery and all component parts of machinery free of duty, it would cost us over 15 lakhs of rupees, and the House must take it from me that we cannot afford to do that. Therefore, we wish to carry out the alternative recommendation of the Fiscal Commission. They said, if you cannot admit all machinery free of duty, at any rate hand-loom and apparatus for hand-loom should be treated like power looms, and that is what we have done. We are giving the hand-loom industry a very real benefit. I do not say that many hand-loom or much apparatus is imported from Home, but in so far as they are imported, they now pay 15 per cent., and we are reducing it to 2½ per cent. Moreover, we get on the administrative side a very considerable advantage from doing that. At present we always have to be very careful with the component parts of power looms. If those component parts of power looms are such as can be used for hand-loom, then they have to come in at 15 per cent. instead of 2½ per cent. Now our customs officers are put to great difficulty in examining all these apparatus and component parts and in seeing whether they are required for power looms or whether they are required for hand-loom, or for both. Now we want to get rid of that discrimination and, in order to assist our customs officers, we want both the component parts of hand-loom apparatus and the apparatus required for power looms should come in at the same rate of duty, because thereby we lighten the burden upon our customs officers very much. If we were to accept my Honourable friend's proposal, we should still have that discrimination between the apparatus required for hand-loom and the apparatus required for power looms, which has caused us so much trouble in the past. I think my Honourable friend is rather ungenerous. I put it very strongly to the House that we are making

a very considerable reduction from 15 to 2½ per cent., and, as I have just pointed out to the House, we on the administrative side hope also to get great advantages from the proposal. In these circumstances I think it rather ungenerous of my friend to come and ask for more.

Mr. O. Duraiswami Aiyangar: I acknowledge it with gratitude.

The Honourable Sir Charles Innes: If protection for the hand-loom is required, it has got to be established by a proper Tariff Board inquiry. Sir, I oppose the amendment.

Mr. Devaki Prasad Sinha: Sir, I support my Honourable friend Mr. Duraiswami Aiyangar wholeheartedly. I really could not understand what reason the Honourable the Commerce Member has for opposing such an innocent amendment as this. My Honourable friend the Commerce Member contends that the hand-loom industry ought to be grateful to him for this reduction from 15 to 2½ per cent. Sir, I desire to assure him that everybody is grateful for this reduction. But, in politics gratefulness is not the impelling motive for actions. (Hear, hear.) We want to do things that we deem right. Once you admit that it is necessary to impose no handicap upon the development of the hand-loom industry, I submit that you are in duty bound to make the import of these apparatus duty free. There are really two objections that have been urged by my Honourable friend the Commerce Member. He says that making it duty free would mean a loss of Rs. 15 or 16 lakhs, and he asks where that money is to come from. (At this stage, the Honourable Sir Charles Innes was moving from one part of the House to another). I understand the Honourable the Commerce Member is not in a mood to listen to me. (*An Honourable Member:* "Never mind.") If he is in difficulty to find out where this Rs. 15 or 16 lakhs is to come from, may I know how he got 2 crores for remitting the cotton excise duty? Whether money is available for this little reduction of 15 or 16 lakhs or not is a thing which will be discussed when we are discussing the General Budget. But I have never heard any Government expressing horror at the reduction of only 15 or 16 lakhs from the revenues of the State when they have got a large surplus in hand. Then, Sir, my Honourable friend the Commerce Member says that discrimination between hand-loom and power loom would impose upon the customs officer very heavy duties. My answer to him is this. It will be for those who import hand-loom apparatus to show that such apparatus is meant for the hand-loom and to claim exemption. The customs officer will not be required to examine all the apparatus of the hand-loom as well as the power loom. Those who import hand-loom apparatus will go to the customs officer and say, "My apparatus is meant for the hand-loom and not the power loom. Please examine and if you are satisfied, exempt me as the law requires me to be exempted." Therefore, Sir, I feel that there is no real objection to the acceptance of my friend Mr. Duraiswami Aiyangar's proposal.

I am rather surprised that this House takes so little interest in a question like this. I understand that not only this House but the whole country is committed to a policy of the development of the hand-loom industry. That is decidedly the most popular cry in the electorate. In spite of that, I am rather surprised that members of this House take so little interest in the hand-loom and treat such an important proposal as that of my friend Mr. Duraiswami Aiyangar with such scant courtesy. With these words, Sir, I support the amendment.

Mr. B. Das: Sir, my friend Mr. Devaki Prasad Sinha just now supports Mr. Duraiswami Aiyangar. A few minutes ago he was speaking quite the other way on another motion. Sir, Government are going to reduce the duty on the component parts of looms from 15 per cent. to $2\frac{1}{2}$ per cent. If this House carried out the recommendations of my friend Mr. Duraiswami Aiyangar, it will afford relief to my friend on the left, the millowners, of about Rs. 15 lakhs per annum and it will only allow a relief of about Rs. 40,000 to Rs. 50,000 to the hand-loom industry. I always thought that my friend, the representative of labour on my right (Mr. D. P. Sinha) was always against the capitalist on my left. How is it that he wants to make a present of about Rs. 15 lakhs to the mill industry when the representative of the millowners did not ask for this reduction? The Government must derive a certain amount of revenue from these imported goods. If there is an unholy alliance between the representative of labour and my friend on my left (Mr. Kasturbhai Lalbhai) it is a different thing

Mr. Devaki Prasad Sinha: I really do not understand my Honourable friend. How does he say that this proposal is going to benefit the mill industry?

Mr. B. Das: If you remove the tariff, then the mill industry will profit to the extent of Rs. 15 lakhs while your hand-loom industry will only profit to the extent of Rs. 40,000. These parts are common. I do not want Government to lose a revenue of Rs. 15 lakhs from the millowners who are in a position to pay it. I hope, therefore, my friend Mr. Duraiswami Aiyangar will see his way to withdraw this amendment and will allow the tariff to stand.

The Reverend Dr. E. M. Macphail (Madras: European): I merely want to make one point in connexion with Mr. Duraiswami Aiyangar's amendment. It seems to me that the proper way for him to ask for the protection that he wishes for the hand-loom weaver would be to vote against the abolition of the cotton excise duty when it comes up in the Finance Bill. Last year, when I joined this House, it seemed to me an extraordinary thing that the Honourable Members opposite, who were so fond of the spinning wheel and anxious to see the hand-loom weaving encouraged, were the people who also at the same time voted in favour of the abolition of the cotton excise duty.

Mr. Devaki Prasad Sinha: No, that is not so.

The Reverend Dr. E. M. Macphail: My recollection is that last year Mr. Duraiswami Aiyangar voted for the abolition of the cotton excise duty. There can be no doubt whatever that the abolition of the cotton excise duty removes the only protection that is afforded to the hand-loom weavers. That protection may or may not have been a good thing. I myself am not very much in favour of protection of any kind. But there it was, and it seems to me rather a curious thing that after having voted for the abolition of that protection, they should come and ask now that protection should once again be given.

Mr. C. Duraiswami Aiyangar: May I request my Professor to read paragraph 171 of the Fiscal Commission's Report which answers his point?

The Reverend Dr. E. M. Macphail: Is that Mr. Duraiswami Aiyangar's explanation or is it the opinion of the Fiscal Commission?

Pandit Nilakantha Das: Sir, I do not understand my Honourable friend Professor Macphail who argues that because we have voted for the abolition of the cotton excise duty, this measure must be forced upon the country and the representatives of the people here. It must be forced upon us then as a measure of revenge. I do not understand that principle at all. I do not know whether the abolition of the cotton excise duty has actually benefited the millowners in preference to the hand-loom industry. That question is a knotty one. Then again, admitting that that was a mistake of the representatives of the people here, does it follow in any natural course of legislation that we should also be asked to be consistent in our mistake and make no distinction between the hand-loom and the mill industry however desirable such a distinction may be? Of course there is a certain difficulty which we must admit that by abolishing the duty on the apparatus and instruments used in hand-looms, we also in some way or other help the millowners so that they may smuggle those duty free articles for their own use and benefit.

Mr. Kasturbhai Lalbhai: There is no question of smuggling by millowners.

Pandit Nilakantha Das: They will buy it cheap though they are not allowed to do so. It is smuggling.

The Reverend Dr. E. M. Macphail: May I explain my position? I was drawing upon Mr. Duraiswami Aiyangar's minute of dissent. He said: "Now that the Cotton Excise Duty has been abolished, the disadvantage of the hand-looms has become all the more enhanced." I was quoting from Mr. Duraiswami's minute of dissent.

Pandit Nilakantha Das: Yes, I know that. But how does that help the Honourable Member? I fail to make out. Again if by keeping
 5 P.M. the duty both on the hand-loom instruments and the mill instruments we help the millowners thereby, the hand-loom goes naturally to be destroyed. It is said, we are going to help the mills and mills alone in this country by the abolition of the cotton excise duty and we should do the same now by this. But I am afraid the mills will never be an industry which will cater for all the people that need some loom industry. If by this we are going gradually to kill the hand-loom we are sure to throw people out of employment and create worse complications. I think it is our duty therefore at the present state of our industrial development at least, and under the present need of the nation, to protect the hand-loom industry at any cost. A vast majority of the people take to the hand-loom and the mills cannot support them. Therefore we should support the hand-loom industry, even at a disadvantage, if need be, to the State finances, which should not be the only concern of our Government.

[At this stage Mr. Deputy President vacated the Chair and it was occupied by Mr. President.]

Mr. President: The question is that the following amendments be made:

"In clause 7 of the Schedule to the Bill in the proposed item No. 51-B for the words 'by whatever power operated' the words 'operated by any power other than hand-looms' be substituted."

"In the Schedule to the Bill after clause 7, the following clause be inserted:

'7A. In Part I of Schedule II to the Indian Tariff Act, 1894, the following be inserted as item No. 27:

'27. All textile machinery and apparatus imported for the use of hand-looms.'

The Assembly divided:

AYES—28.

Abhyankar, Mr. M. V.
 Acharya, Mr. M. K.
 Ahmad Ali Khan, Mr.
 Aiyangar, Mr. C. Duraiswami.
 Aiyangar, Mr. K. Rama.
 Chetty, Mr. R. K. Shanmukham.
 Das, Pandit Nilakantha.
 Datta, Dr. S. K.
 Deshmukh, Mr. R. M.
 Dutt, Mr. Amar Nath.
 Iyengar, Mr. A. Rangaswami.
 Lohokare, Dr. K. G.
 Majid Baksh, Syed.
 Misra, Pandit Shambhu Dayal.

Murtuza Sahib Bahadur, Maulvi
 Sayad.
 Narain Dass, Mr.
 Nehru, Dr. Kishenlal.
 Nehru, Pandit Shamlal.
 Ray, Mr. Kumar Sankar.
 Samiullah Khan, Mr. M.
 Sarfaraz Hussain Khan, Khan
 Bahadur.
 Shafee, Maulvi Mohammad.
 Singh, Mr. Gaya Prasad.
 Sinha, Mr. Devaki Prasad.
 Sinha, Kumar Ganganand.
 Talatuley, Mr. S. D.
 Tok Kyi, U.
 Yusuf Imam, Mr. M.

NOES—40.

Abdul Qaiyum, Nawab Sir Sahibzada
 Abul Kasem, Maulvi.
 Ajab Khan, Captain.
 Akram Hussain, Prince A. M. M.
 Bajpai, Mr. R. S.
 Bray, Sir Denys.
 Calvert, Mr. H.
 Carey, Sir Willoughby.
 Clow, Mr. A. G.
 Cocke, Mr. H. G.
 Crawford, Colonel J. D.
 Das, Mr. B.
 Donovan, Mr. J. T.
 Gidney, Lieut.-Colonel H. A. J.
 Gordon, Mr. R. G.
 Graham, Mr. I.
 Hayman, Mr. A. M.
 Hezlett, Mr. J.
 Hira Singh Brar, Sardar Bahadur
 Captain.
 Hudson, Mr. W. F.

Innes, The Honourable Sir Charles.
 Jatar, Mr. K. S.
 Jeelani, Haji S. A. K.
 Lloyd, Mr. A. H.
 Macphail, The Rev. Dr. E. M.
 Mitra, The Honourable Sir Bhupend
 Nath.
 Muhammad Ismail, Khan Bahadur
 Saiyid.
 Naidu, Rao Bahadur M. C.
 Neave, Mr. E. R.
 Owens, Lieut.-Col. F. C.
 Rahman, Khan Bahadur A.
 Rangachariar, Diwan Bahadur T.
 Reddi, Mr. K. Venkataramana.
 Roffey, Mr. E. S.
 Singh, Rai Bahadur S. N.
 Tonkinson, Mr. H.
 Vernon, Mr. H. A. B.
 Vijayaraghavacharvar, Sir T.
 Willson, Mr. W. S. J.
 Young, Mr. G. M.

The motion was negatived.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 4th March, 1926.