

Friday, 28th February, 1930

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SECOND COUNCIL OF STATE, 1930



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COUNCIL OF STATE.

Friday, the 28th February, 1930.

The Council met in the Council Chamber of the Council House at Half Past Four of the Clock, the Honourable the President in the Chair.

MEMBER SWORN.

The Honourable Mr. A. Ramaswami Mudaliar (Madras : Non-Muhammadan).

QUESTIONS AND ANSWERS.

IMPORT DUTY AND RAILWAY FREIGHT ON GLASSWARE IMPORTED THROUGH INDIA INTO KASHMIR, NEPAL, ETC.

53. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : (a) Will Government please state what kinds of glassware are imported from foreign countries through British India to Kashmir, Nepal, Afghanistan, Persia, Iraq, etc., and in what quantities ?

(b) Is customs duty on these goods refunded by Government at the time of their being imported into the above territories, and are specially reduced freight rates charged by Indian Railways for carrying these goods from the port to the railway stations from which they are imported into the above-mentioned territories ?

(c) Are Government considering the desirability of reducing railway freight rates in the case of glassware manufactured in the glass factories of British India to place them in a position of equality for trade competition in this connection with foreign firms ?

THE HONOURABLE MR. J. A. WOODHEAD : (a) Government are not in possession of the information.

(b) In accordance with the principle that import duties are not intended to operate as transit duties, a drawback of import duties is allowed under certain conditions in respect of goods imported through British India into Kashmir, Nepal, Afghanistan and Persia. A rebate of railway freight is also allowed on goods carried over the Nushki-Duzdap Railway which have been booked from the ports of Bombay, Karachi and Calcutta for export to Persia or Afghanistan. For glassware the reduced charges thus made are higher than the special reduced rates charged on bookings by rail from stations where glass works are situated.

(c) Does not arise.

EQUALISATION OF THE RATES CHARGED ON INDIAN RAILWAYS FOR RAW MATERIALS USED IN GLASS FACTORIES.

54. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : (a) Are the rates charged by the East Indian Railway, both for the raw material used in glass factories and their products, lower than those charged by the Great Indian Peninsula, North Western and other railways ?

(b) If so, do Government contemplate removing this inequality and equalising the rates for the above description of articles on all railways ?

THE HONOURABLE MR. J. A. WOODHEAD : (a) The rates charged by the East Indian Railway for some of the raw materials used in glass factories and for their products are lower than those charged on certain other railways, though not in all cases.

(b) The rates charged on different railways for the same commodities are not always uniform owing to financial and other conditions varying. If individual interests consider that they are unduly prejudiced by variations in rates, the matter should be represented to the railways concerned or, if necessary, to Government for investigation by the Railway Rates Advisory Committee.

PROTECTION TO THE GLASS INDUSTRY IN INDIA.

55. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : (a) Has the Indian Glass Manufacturers' Association submitted a representation to the Government of India for some measure of protection for the Indian glass industry ?

(b) If so, what action have the Government taken on this representation ?

THE HONOURABLE MR. J. A. WOODHEAD : (a) Yes.

(b) On receipt of a representation which asked for protection to globe-ware, the applicants were asked to furnish information on certain specified points. This information was received in August, 1929. A fresh application was received subsequently for protection for sheet glass necessitating further enquiries, replies to which have been received very recently. The applications are under consideration.

PROHIBITION OF THE IMPORT OF VEGETABLE GHEE.

56. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : (a) Will Government kindly state what action have the Government taken on my Resolution adopted by this Council in connection with the stoppage of the import of all vegetable ghee which is not given a proper harmless permanent colouring ?

(b) Will Government kindly state what quantities of this commodity were imported into this country in 1928 and 1929, respectively, and the value thereof ?

THE HONOURABLE MR. J. A. WOODHEAD : (a) I would refer the Honourable Member to the statement made by me yesterday in reply to a Resolution on the same subject moved by the Honourable Mr. Surput Sing.

(b) The information is contained in the Sea-borne Trade Accounts, copies of which are in the Library.

ORDERS PLACED BY THE RAILWAY BOARD FOR SLEEPERS DURING THE FINANCIAL YEAR.

57. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Will Government kindly state in what quantities the Railway Board have placed orders for this year for

- (a) Sal sleepers ;
- (b) Deodar sleepers ;
- (c) Teak sleepers ;
- (d) Fir sleepers ;
- (e) Jhera wood sleepers ;
- (f) Cast iron pot plates and other metal sleepers ;
- (g) Steel sleepers ; and
- (h) Reinforced concrete sleepers ?

THE HONOURABLE MR. J. A. WOODHEAD : I lay on the table a statement showing the quantities of track sleepers for which orders have been placed by or with the approval of the Railway Board for this financial year.

Railways place their own orders for wooden sleepers through the local Sleeper Group Committees.

STATEMENT.

	Broad gauge.	Metre gauge.
(a) Sal sleepers	6,00,780	4,98,000
(b) Deodar sleepers	5,17,500	1,33,000
(c) Teak and other wooden sleepers from the forests of Southern India	1,04,707	2,21,941
(d) Fir and Chir	6,36,000	..
(e) Jhera
(f) Cast iron pot plates and other metals	3,50,000	..
(g) Steel sleepers	80,300	..
(h) Reinforced concrete sleepers

AMOUNT HELD IN THE PAPER CURRENCY RESERVE ON THE 31ST DECEMBER, 1928, AND 1929, RESPECTIVELY.

58. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Will Government kindly state what was the amount in the Paper Currency Reserve on 31st December, 1928, and 1929, respectively ?

THE HONOURABLE SIR ARTHUR MCWATTERS : 189·10 and 179·41 crores, respectively. The details are given in the weekly Abstract of the Accounts of the Paper Currency Department published in the *Gazette of India*, Part II, dated the 12th January, 1929 and 11th January, 1930.

BILLS PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

SECRETARY OF THE COUNCIL : Sir, in accordance with rule 25 of the Indian Legislative Rules, I lay on the table copies of the following Bills which were passed by the Legislative Assembly at its meeting held on the 27th February, 1930, namely :

A Bill further to amend the Cantonments (House Accommodation) Act, 1923, for certain purposes ;

A Bill further to amend the Indian Income-tax Act, 1922, for a certain purpose ;

A Bill to amend the law relating to insolvency for certain purposes; and

A Bill further to amend the Indian Railways Act, 1890, for certain purposes.

THE GENERAL BUDGET FOR 1930-31.

THE HONOURABLE SIR ARTHUR McWATTERS (Finance Secretary) : Sir, I rise to present the statement of the estimated revenue and expenditure of the Governor General in Council for the year 1930-31 in respect of subjects other than Railways. Sir, it is six years since I first had the honour to present the Budget of the Government of India in this House, and I am glad in more ways than one to find myself back after an interval in the same position and particularly because it enables me, I think, more easily to present to the House the picture of the present day in its proper perspective. The retrospect of the last few years is unusually important on the present occasion, because the main problem which presents itself is whether the gap which has been caused by the remission of the provincial contributions in 1927 has been made up or not, and it is a study of the last few years which enables us to obtain the basic position of the present day.

I will begin with a short account of the year 1928-29 of which we now have the final accounts. It was estimated a year ago that that year would close with a small surplus of 30 lakhs, but it was made clear at the time that this was due to certain fortuitous circumstances, the most important of which were a throw forward of the land customs revenue and anticipatory collections of salt revenue due to speculation. Actually the accounts show that the position is a good deal worse, owing mainly to shortage in collection of customs during February and March 1929 and also because as a result of the raising of the Bank of England rate to 5½ per cent. in February 1929 we had to re-value our securities in the Gold Standard Reserve at a lower rate than we had expected, and we were able to obtain as revenue a much smaller sum from this source. But the result is that we really now obtain a picture of the year 1928-29 more in its true colours, and the result is, instead of a surplus of 30 lakhs, a deficit of 106 lakhs, and instead of being able to add 30 lakhs to the revenue reserve fund which stood at 74 lakhs at the beginning of the year, the whole of the revenue reserve fund has been absorbed in meeting the deficit and we are left with an uncovered deficit for that year of 32 lakhs.

I now pass to the current year. It is within the knowledge of every Member of this House that we have had in the current year a number of factors

to deal with which have been extremely difficult. There have been factors both in India and outside. In India we have had shortage of rain in some areas and floods in others, but, more important than all, we have had an atmosphere of political uncertainty which has placed an obstacle in the way of commercial enterprise and has made itself felt in our financial position at every turn. When these clouds blow away, as we all trust and expect that they will in the near future, the financial position of the country will be immeasurably improved. As regards external factors, by far the most important was the orgy of speculation which took place in the stock exchanges of the United States of America which resulted in the flow of large amounts of capital from all over the world to America at extremely high rates of interest. It was followed in October by a sensational collapse as a result of which there has been prolonged business depression in America which has contributed to the great fall in commodity prices everywhere. In India we have felt the effect of the monetary conditions all through the year and now we are beginning to feel more and more the effect of the great fall in world prices. As a matter of fact, if you take the first nine months of the current year, the balance of trade in India's favour has been considerably more than in the two preceding years. But if you look at the figures in detail, we shall see that exports declined by $8\frac{1}{2}$ crores while imports declined by $4\frac{1}{2}$ only. And the balance of trade in India's favour was due solely to there being smaller imports of treasure. Turning to our revised estimates for the year, we have first of all the fact that there is no revenue reserve fund available to meet the deficit of 90 lakhs which was provided for in the Budget. We have to add to that a further deterioration, taking all our heads together, of 66 lakhs which would point to a deficit in the current year of 156 lakhs. The position would have been very much worse but for two exceptional circumstances. The first again was the Gold Standard Reserve, where owing to very high rates of interest in the course of the year, we were able to obtain much larger receipts to revenue on this occasion and the second was the phenomenal imports of sugar from which we expect to earn no less than 835 lakhs of revenue which means 135 more than we budgeted for. Our accounts, as a matter of fact, will not show either a surplus or a deficit because we are enabled to take to revenue a large amount—156 lakhs in fact—which was lying in suspense in the German Liquidation Account. As a result of the arrangements recently arrived at at the Hague we are now enabled to take that sum to revenue so that the year will close on the figures I have given without either a surplus or a deficit. But if we look back over the last three years, in the year 1927-28 there was a deficit of 221 lakhs, in the year 1928-29 as I have stated there was a deficit of 106 lakhs, and in the current year there would have been a deficit of 156 lakhs, if there had not been these exceptional receipts from the German Liquidation Account. I think the conclusion is inevitable that the gap which was caused by the remission of contributions in 1927 has not yet been made up. And this brings me to the Budget for the coming year.

Budgeting as we had to do in the conditions which I have just described and which are still continuing, we have not been able to take an unduly optimistic view. We have, in fact, budgeted with what I should call moderate caution. Taking our main sources of taxation we estimate that after allowing for the reduction in our opium revenue which declines as the House knows from year to year, we expect to get an increase of 5 lakhs only from these main sources. But it is when we come to consider the main commercial departments—the Posts and Telegraphs and the Railways—that a serious deterioration has to be allowed for. From the Railways under the operation of the

[Sir Arthur McWatters.]

Convention we shall get in the next year 51 lakhs less than was budgeted for in the current year. As regards the Posts and Telegraphs, the experience of the current year has shown us that they have been running on a substantial loss and we have had to allow 48 lakhs less than in the current year's Budget. So that on these two heads alone, we anticipate a deterioration of 99 lakhs. I now come to the expenditure side. Government's expenditure can be clearly divided into two main classes. The first is our normal administrative expenditure, where we have some choice at any rate between economy and retrenchment on the one hand or a forward policy on the other. And the principle which the Honourable the Finance Member has followed in preparing this Budget has been to admit only such new items as are either essential or productive, and even then only to admit them if they can be counterbalanced by corresponding economies elsewhere. The House will no doubt have followed the proceedings of the Standing Finance Committee and they will have been able to obtain a very fair idea of the type of expenditure which we have admitted. There is, first of all, of course, an unavoidable growth in the pay of our establishments owing to normal increments. As Members know, most of our establishments are now on time scales of pay and we have not yet reached the peak. As regards other items, I should like to mention a few which, I think, will interest the House. First of all, there is the obligatory item of 11 lakhs for the census for which preparations have to be made this year. There is 7 lakhs to be provided for the Banking Enquiry Committee; an additional 5 lakhs for the Labour Commission. Then there is a big item of 24½ lakhs for civil aviation. But I should like to point out here that the greater part of the ground organisation and the meteorological services which come within this grant were really inevitable in any case if we were to fulfil our international obligations. And it is impossible not to contemplate large expenditure on civil aviation if the country is not to lag behind in this modern development. Then, there is another item which I think would interest the House—a grant of 5 lakhs to the Aligarh University, which is in accordance with promises which have been made to the Legislature. We have for the first time in the Budget the recurring grant of 5 lakhs to the Agricultural Research Council, in addition to the 2½ lakhs on their establishment expenses, and there is one extra item in the same connection to which I want to draw special attention,—we have allowed 10 lakhs for special measures for the production of sugar and sugar research. There is also an additional 5 lakhs in addition to the previous 10 lakhs that has been allowed in previous years for carrying out further the schemes of the Territorial Force Committee. Besides these there are a large number of items dealing with administration in the areas under the Central Government, nearly all of which are of a beneficial or productive character, such as reclamation in the Andamans, timber extraction in the Andamans, forest conservancy in the North-West Frontier Province, agriculture in Baluchistan, and so on, and I think that the description I have given of some of these main items is sufficient to show the House how far they fulfil the criteria which the Finance Member has laid down. The total amount of new items included in the Budget is Rs. 146 lakhs and we have been able to effect economies practically corresponding to this, first of 62 lakhs in Civil Administration, which represents of course in a large measure non-recurring items of the previous year which no longer will be included in the present year's Budget and secondly of a reduction in the Military Budget of Rs. 80 lakhs. This requires a little explanation. As the House knows, the Military Budget is a contract Budget of 55 crores for a period of years of which two more are still to run. This arrangement was made in order to allow of the carrying out of

certain schemes of reorganisation and re-equipment. It has been arranged now with His Excellency the Commander-in-Chief that the contract Budget will extend over three years more instead of two, but at a rate Rs. 80 lakhs lower than the previous 55 crores. I think that this is eminently satisfactory. It will not in any way prevent the carrying out of the schemes of reorganisation and re-equipment but it will be fairer to the tax-payer of to-day and it also does point the way to the ultimate economies which we hope to make when the contract period comes to an end.

I now turn to the second class of expenditure connected mainly with our debt services and financial security. This expenditure is not in the same category as the other class. It is not a question between economy and extravagance. The expenditure is either obligatory or else it is accepted solely with the object of improving our credit. There are one or two items under this head to which I want to draw special attention. First of all, there is the Interest on our ordinary debt. Here, partly as a result of larger sales of Treasury Bills and partly because we have to allow for larger conversion operations, we have an increase over the current year's Budget of Rs. 46 lakhs. As regards Interest on other obligations, which includes the amounts that we have to set aside for meeting the bonuses on cash certificates and paying interest on Provident Funds, and items of that kind, we have to allow an extra 61 lakhs. Interest on Provident Funds, I may mention, has recently been increased to 5 per cent. These two items account for an increased expenditure of 107 lakhs. At this point I should like to mention our Interest receipts. The figure in the Budget for Interest receipts will be the same as in the current year's Budget, but we are introducing an important change of procedure in connection with the Gold Standard Reserve to which I have already referred twice this afternoon. The receipts from the Gold Standard Reserve have been so erratic that the House will realise that they seriously disturb our Budget estimating. In the year 1928-29 we got £1,240,000, in the current year it is £2,400,000 and next year we expect to get £1,700,000. What we are proposing to do is to institute an Equalisation Fund. The basic figure will be £1,600,000 which represents 4 per cent. on £40,000,000. Any amount that is received in excess of the £1,600,000 will be taken half to revenue and half to the Fund so that it may be utilised in later years if the revenue from the Gold Standard Reserve comes below the figure of £1,600,000. We are able to make a start this year by taking £100,000 from the current year to this Fund and that was allowed for in the figures which I gave the House just now. In the coming year we hope to put aside £50,000 to the Fund.

Another very important matter which I shall refer to-is in connection with the accrued liability on cash certificates. In several of the recent Budget speeches it has been admitted that we are not making adequate provision for meeting the accrued liability on cash certificates. We only set aside each year sufficient to meet the actual payments falling due. We are setting aside for that purpose a crore this year. But when the House realises that the total amount of cash certificates outstanding is over 35 crores, it will be seen that this is scarcely 3 per cent. We have therefore decided that we should make a beginning in setting aside adequate sums to meet the accrued liability. We do not propose to provide for the accrued liability of past years because we consider that the very adequate sums which are provided for reduction and avoidance of debt are sufficient to cover the past. But for the coming year and the future we propose to set aside enough to cover the real accruing liability and this for the Budget year will require an extra 88 lakhs which we have included in the Budget.

[Sir Arthur McWatters.]

Finally, there is the question of reduction or avoidance of debt. Here we are making two changes. On sterling debt incurred since the 31st March, 1923, we take 1/80th to the provision for reduction and avoidance of debt, but we have hitherto been calculating that 1/80th in rupees at 1s. 4d. We are now making the calculation at the proper ratio of 1s. 6d. and thereby we shall save 12 lakhs. The second point is this, that under the Finance Act of 1926, we have been adding to the provision for reduction and avoidance of debt the amounts which are received under the Dawes Scheme from Germany. We consider, especially in view of the fact that we are making such ample provision for the accrued liability on cash certificates, that we need no longer add this amount to the ordinary provision for reduction and avoidance of debt. Rs. 32 lakhs is the figure in the Budget for Reparations. Even after taking out of the redemption provision 12 lakhs and 32 lakhs above referred to, we still provide 6 crores which is actually 27 lakhs more than in the current year.

The figures which I have now given to the House enable us to take stock of the position. As compared with the Budget of the current year there is a gap to be made up of 320 lakhs and to that we have to add the deficit of the year, 90 lakhs, so that the gap to be made up is 410 lakhs. This is the figure which I would ask the House to bear in mind. The first question that we have to ask ourselves obviously is whether we are justified in asking the Legislature to make up the whole of this amount by new taxation or not. We have to consider it from two points of view, from the point of view of the revenue and the point of view of expenditure. If it were true that the short fall in revenue was merely temporary or if it were true that we can in the near future make substantial reductions in expenditure, it could legitimately be argued that we need not make up the whole of this amount by new taxation. If, however, we look at the revenue position, it is true, I think, that we may in the future hope for improved receipts from the commercial departments, Posts and Telegraphs and the Railways. But we have on the other hand the certainty of losing some other sources of revenue. Opium exports is one. There are also export duties of various kinds several of which, I think, are likely to be threatened. In connection with income-tax too, the Finance Member has already announced that he is desirous, if the financial position permitted it, to make certain changes in income-tax which would be for the benefit of commerce and industry; particularly he would be glad to adopt the principle of allowing business losses to be carried forward. Apart from this, I think it is certainly true that we have for some years past been running on a very narrow margin. India is a country subject to climatic vicissitudes and it is years since we had a bad monsoon. Taking the expenditure side, Government intend to pursue economy wherever they can. We have, as the House knows, agreed to the appointment of a specially experienced officer to assist the Finance Department next year to help us to pursue the search for economy. But I think we should be deluding ourselves if we did not take into account the fact that there are many new services, services of importance and of value, which are being and will be pressed upon us; for instance, civil aviation; then there is agricultural research; and it is I am sure the desire of the whole country that Government should embark on a forward economic policy. More important than all, we are at a stage in India's history when it is almost certain that as a result of constitutional reforms there will be large additional expenditure necessary for developing the provinces and I think that the Central Government will have to face the position in the fairly near future of having to give

up some of its sources of revenue. Taking all these circumstances into account Government have come to the conclusion without any doubt whatever that we should make up this gap by taxation and make it up fully, so as to arrive at a position in which the finances of the Government of India will be above suspicion.

But before I tell the House what our proposals for taxation are there is one proposal which we have to make which acts in the direction of increasing the deficit. It is a proposal which the House will welcome. We propose to reduce the export duty on rice by one quarter, that is, from three annas a maund to two annas three pies a maund. We regard this proposal at the present moment as particularly opportune, because the price of rice has fallen very seriously and the cultivator in Burma has been very hard hit. The proposal we are making has the effect of removing the disparity which exists at present between our export duty and the export duty which is levied by Siam, which is one of Burma's principal rivals. We shall lose by this proposal 30 lakhs, so that the figure which has to be made up is now 440 lakhs. I now come to our proposals for taxation. First of all a duty on cotton piece-goods. If this was merely a matter of obtaining additional revenue it is a fairly straightforward business, and so far as this is concerned, our proposal is to increase the tariff on cotton piece-goods from 11 to 15 per cent. to bring it up to the level of the general tariff. But there is also the question of protection for the industry, and particularly the industry in Bombay, and here Government after very careful consideration have come to the view that in the circumstances existing in Bombay it is essential that some temporary protection should be given. I do not wish to say very much on this subject because the Honourable the Finance Member in another place on behalf of the Honourable the Commerce Member is making a very full and considered statement on this subject to which I would refer Honourable Members. But we have in framing our protective proposals kept two things in mind. One is that the protection should be purely temporary and that before the end of the period there should be an inquiry by a Tariff Board. Secondly, that the protection should so far as possible be confined to what is actually required; that in the interests of the consumer we should not give more protection or a different kind of protection than what is necessary. So our protective proposals are these, that for a period of three years, during which there will be an inquiry by a Tariff Board, there will be an extra five per cent. *ad valorem* levied on imported piece-goods, and there will be a three and a half annas per pound minimum specific duty on ordinary grey goods. Both these duties will be levied on all goods except those coming from the United Kingdom. I wish to explain quite clearly to the House that we are not asking them to accept the principle of Imperial preference. The duty is a temporary duty and there will be an inquiry by a Tariff Board; but we have kept in mind the interests of the consumer and we ask the Legislature to consider impartially these proposals on their merits and with the Legislature the decision will rest. What we shall obtain from these cotton duties is estimated at 125 lakhs. The proposal for increasing the tariff from 11 to 15 per cent. will be included in the Finance Bill in the ordinary way, and the protective proposals will be included in a separate Bill which will be introduced by the Commerce Member.

The second item which we have selected for taxation is sugar. We propose an all-round increase in the import duty on sugar of one rupee eight annas per cwt. We do not propose to make any change in the existing classification, that is to say, sugar of 23 Dutch standard and above which at present pays Rs. 4-8-0 per cwt. will pay Rs. 6; sugar below 23 Dutch standard which at present pays Rs. 4 per cwt. will pay Rs. 5-8-0, and sugar below 8 Dutch standard and sugar candy which at present pays 25 per cent. *ad valorem* will

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pay a composite duty of 25 per cent. plus Rs. 1-8-0 per cwt. We thus retain due correspondence between the different kinds of sugar. I might add that molasses, which is at present classed along with low grade sugar and pays 25 per cent. will continue to pay 25 per cent. duty, because it must be regarded as in a different category from sugar being used mainly for industrial purposes. These sugar duties we estimate will give us 180 lakhs. But in estimating the effect of this fairly heavy increase on the consumer it has to be borne in mind that the price of sugar at the present time is exceptionally low. The landed price actually is lower than it has been at any time in the last ten years, so that we do not expect that this duty at present will have very much effect on the consumer. It must ultimately have some protective significance and perhaps in this there is some benefit because in the production of sugar we have one of the most valuable sources of increasing agricultural production in India and it is appropriate I think that in this same Budget we find a proposal to give the special grant of 10 lakhs which I mentioned before for improving the cultivation of sugar and sugar research.

The next item is kerosene. We propose to increase the excise duty on kerosene from one anna a gallon to one and a half annas a gallon, and at the same time to reduce the import duty from two and a half annas a gallon to two and a quarter annas a gallon. This will give us 35 lakhs. The proposal has been framed in this form mainly for two reasons. First of all, because by the combined reduction of the import duty at the same time that the excise is increased we shall secure that the price of ordinary kerosene to the poor man is, if not reduced, at any rate not increased; and secondly, we think that by reducing the disparity which exists at present between the excise and import duty by one half we are going as far as is wise or fair at the present moment to the indigenous oil companies, particularly the smaller companies, and we shall not be likely to retard production.

In view of the fact that we are proposing such substantial indirect taxation we consider it only fair that there should be some direct taxation, and we are therefore proposing a small increase in the rates of income-tax and super-tax. We are framing the proposals deliberately so as to avoid throwing any handicap on industry and commerce, and therefore our proposal is an increase of one pie in the rupee on incomes of Rs. 15,000 and upwards and a similar increase of one pie in the rupee on super-tax of all grades, with the exception of the flat rate of super-tax on companies which will not be touched. We expect to get from this Rs. 56 lakhs from income-tax and Rs. 14 lakhs from super-tax, making 70 in all. The taxes which I have described to the House so far give exactly 410 lakhs and if it had not been for the proposed reduction by a quarter of the rice duty, the deficit would have been covered. But as there is still Rs. 30 lakhs outstanding, and also for other reasons, we have another proposal to make, which is the last. We propose to reintroduce the duty of 4 annas an ounce on silver. The silver duties have a long history in the Indian tariff. Up to the year 1910 silver paid duty at the ordinary tariff rate of 5 per cent. In 1910 the duty of 4 annas an ounce was first introduced and it was maintained at that rate until the outbreak of the war when the import of silver was prohibited. After the war as a result of the recommendations of the Babington-Smith Committee at the time when the prohibition on import of silver was removed, the duty was also removed. The Babington-Smith Committee advocated its removal mainly for two reasons, first, because there was a fairly strong feeling that the existence of the duty operated to prevent the creation of a free silver market in Bombay, and,

secondly, they thought it unfair to the consumer of silver in India and put him at a disadvantage with the consumer of silver in other countries. We propose to meet the first of these objections now by allowing a full rebate on re-export of silver which has paid duty. In the past a drawback of 7/8ths only was allowed, but we have been able to make administrative arrangements which will allow full rebate to be given now. As regards the second, we consider that the sensational fall in the price of silver which has reached a point lower, I think, than at any time in the last century has completely altered the position. Silver is a commodity in which the masses of the country very largely keep their store of value and we think it is in their interests to raise the internal value of silver at the present time. The silver duty at a very conservative estimate will give us a crore, so that if all our proposals for taxation are accepted, we should end the year with a surplus of 70 lakhs, and this would put us in a position not merely to face bad times with equanimity if our anticipations turn out to be optimistic, but if times are good it should provide us with a substantial reserve to meet the heavy obligations which we anticipate under the reformed constitution. I should also add that as the changes in the tariff which will be contained in the Finance Bill will take effect from to-morrow under the Provisional Collection of Taxes Act, we shall obtain in the current year an extra 35 lakhs, so that the current year will close with a surplus of 35 lakhs and the Budget with a surplus of 70.

I should now like to say a few words about Ways and Means, which are really the critical test of our finances. I will confine myself to the prospects of the coming year. We have, as the House knows, made considerable reduction in the capital programme of Railways, but even so we are allowing for a fairly substantial figure of 16½ crores which includes 2 1/3 crores of the sanctioned programme of the current year. We have other capital obligations of nearly 4 crores and the capital required for Provincial Governments is nearly 8. We have to meet permanent debt maturing which amounts to 18 crores 84 lakhs including 15 crores and 77 lakhs of the 1930 bonds which come due for payment in India this year; so that our total liabilities are 49 crores 35 lakhs. To meet this we have as assets the provision for reduction or avoidance of debt, we have our net takings under cash certificates, we have our depreciation and reserve funds and we have worked down as usual our balances to the normal minimum. The result is, assuming that the 6 million Sterling Bills which were raised in England this year will be provided for by some form of sterling borrowing in the course of the next year and allowing also for reduction in the Treasury Bills outstanding of 4 crores from 24 crores to 20 crores, we shall have to raise a loan in India of 23½ crores, of which, however, 7·4 crores only will be new money, since the greater part of the rest is covered by the 1930 bonds which I have just mentioned. It is also important to take into account the fact that we shall be returning to the market 4 crores of Treasury Bills, so that I think this position is not one which need cause us any concern and it should not have a depressing effect upon the security market. As regards remittances, we have had to remit to England this year 35½ millions. We expect to meet this firstly by remittances through the market of 19 millions. We have also undertaken certain sterling borrowing in London and we have already remitted through the Paper Currency Reserve 9½ millions. Next year we have to remit 3½ millions less, that is, 31½ millions. The actual method by which that remittance will be made it is of course impossible at the present moment to say, but it is a slightly smaller obligation than we have had in the current year.

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In conclusion, Sir, I should like to re-emphasise very shortly what appear to me some of the main principles inherent in this Budget. There is first of all the principle which the Honourable the Finance Member had laid down with regard to civil expenditure, that he has admitted no expenditure except those items which are essential or are of a productive nature, and even then only when they can be covered by corresponding economies ; that as regards expenditure on our financial security and credit, we have not hesitated doubly to reinforce that credit. I should point out particularly the extra provision we are making for cash certificates, the full amount we are allowing for the reduction and avoidance of debt and the introduction of the Equalisation Fund for the Gold Standard Reserve ; and particularly I should point out the fact that we are asking the House to agree to the full amount of new taxation required to cover our liabilities with an adequate margin. Thirdly, as regards that taxation itself, I think that there is not a single item in it, with the exception of the income-tax and super-tax increase, which does not carry with it some corresponding advantages. In fact, I shall be surprised if I do not find support for everyone of those items from different quarters of this House. I think, Sir, that the Honourable the Finance Member has presented a Budget of unassailable strength, a Budget which will add confidence and which will increase the credit of this country both here and abroad. We are told that it is not in mortals to *command* success, but I think we will all agree that the Honourable Sir George Schuster has done all that financial foresight could do to *deserve* it. (Loud applause.)

STATEMENT OF BUSINESS.

THE HONOURABLE KHAN BAHADUR SIR MUHAMMAD HABIBULLAH (Leader of the House) : Sir, with your permission, I desire to make a statement regarding the probable course of business for the next week. On Tuesday, the 4th March, the Council will meet to transact Government business when the Honourable Mr. Shillidy will move a Resolution on the Report of the Indian Road Development Committee. Thereafter motions will be made to take into consideration and to pass the Transfer of Property (Amendment) Bill, the Indian Sale of Goods Bill and the Indian Contract (Amendment) Bill, as passed by the Legislative Assembly, copies of which were laid on the table of the Council on the 17th February, 1930. On Thursday, the 6th March, the House will discuss the General Budget. Wednesday, the 5th, was allotted for non-official business, but so far no notice of any business, which can be put down for that date, has been received.

The Council then adjourned till Eleven of the Clock on Tuesday, the 4th March, 1930.
