

26th January 1927

THE
LEGISLATIVE ASSEMBLY DEBATES
(Official Report)

Volume I

FIRST SESSION
OF THE
THIRD LEGISLATIVE ASSEMBLY, 1927



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LEGISLATIVE ASSEMBLY.

Wednesday, 26th January 1927.

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

RESULTS OF THE ELECTION FOR THE PUBLIC ACCOUNTS COMMITTEE.

Mr. President: I have to inform the Assembly that the following Members have been elected to serve on the Public Accounts Committee:

Maulvi A. H. Natiq,
Mr. H. G. Cocke,
Maulvi Abdul Matin Chaudhury,
Mr. B. Das,
Mr. K. C. Neogy,
Mr. A. Rangaswami Iyengar,
Maulvi Sayyid Murtuza Sahib Bahadur, and
Mr. C. S. Ranga Iyer.

THE CODE OF CIVIL PROCEDURE (SECOND APPEALS) BILL.

The Honourable Sir Alexander Muddiman (Home Member): Sir, I move for leave to introduce a Bill further to amend the Code of Civil Procedure, 1908, for a certain purpose.

The amendment made in the Code by the Bill is with reference to security for costs in appeal. This Bill, like several of the Bills I have recently introduced, is based—or took its origin, I should say more accurately, in Chapter 26 of the Civil Justice Committee's Report. In that Chapter the Committee recommended that in the case of every second appeal to a High Court the appellant should be required to deposit in cash or in Government promissory notes a definite sum by way of security to the respondent for the costs of the appeal. Their recommendation actually extended to costs in the lower courts and in the appellate court.

The recommendation was circulated to High Courts and Local Governments, for we thought it was a proposition on which further consideration was necessary, particularly in view of the fact that as regards the question of the deposit of costs on second appeal it was not a new question. I introduced a Bill similar to the Bill I am now asking for leave to introduce in the last Assembly, but owing to the demise of that body I was unable to proceed further; but when I did introduce it I was asked to make available the opinions that had been received before I made the next motion and I gave a promise that I would do so and I repeat that promise here. I will not move this Bill again until the House has had an opportunity of considering those opinions.

[Sir Alexander Muddiman.]

I ought to point out that the actual proposition before the House is not identical with that made by the Civil Justice Committee. They propose that security should be required in all cases. We, after considering the opinions of the persons consulted, came to the conclusion that there was a considerable body of opinion in favour of restricting the proposal to appeals from concurrent judgments only and also that it should be subject to certain conditions. The conditions which are inserted in the Bill are that the High Court should have power to dispense with security for costs when the judgment appealed from is on the face of it erroneous in law or when a subsequent decision of the High Court or of the Privy Council has modified or altered the law. A further condition is that security should be required only on the admission of the appeal under Order XLI of the Code; and we further limit the proposal to security for costs of the second appeal. That, Sir, I think gives a rough outline of the Bill before the House.

I move, Sir.

The motion was adopted.

The Honourable Sir Alexander Muddiman: Sir, I introduce the Bill.

THE STEEL INDUSTRY (PROTECTION) BILL.

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

"That the Bill to provide for the continuance of the protection of the steel industry in British India be referred to a Select Committee consisting of the Honourable Sir Bhupendra Nath Mitra, Mr. M. R. Jayakar, Lala Lajpat Rai, Mr. M. A. Jinnah, Maulvi Mahammad Yakub, Mr. G. Sarvotham Rao, Sir Walter Willson, Mr. M. Ruthnaswamy, Mr. N. M. Joshi—and with your permission, Sir, I should like to add the following names: Mr. R. K. Shanmukham Chetty, Mr. Jamnadas Mehta, Mr. M. K. Acharya, Kumar Ganganand Sinha, Mr. Amar Nath Dutt and the Mover; with instructions to report not later than the 1st February, 1927; and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

(Mr. M. S. Aney: "I would like to add the name of . . .") I suggest, Sir, that that might be put when the motion is put.

The subject of this Bill is familiar, I think I might almost say painfully familiar, to those Honourable Members who were Members of the last Assembly, for there were not many meetings of that Assembly in which it did not fall to my lot to make some motion connected directly or indirectly with the protection of steel. But, Sir, I think I have reason to believe that we are now beginning to reach finality, and that when once the House has passed this Bill the Legislature will be spared the pain and weariness of listening to long speeches, such as I am afraid it is my fate to make to-day, and will be able to stand aside and watch the steel industry in India forging ahead to a position in which it can meet competition from whatever country or quarter it may come without any special protection from the Government. And I would remind the House, as His Excellency the Viceroy reminded us only two or three days ago, that that is the policy laid down for us by the Legislature in 1923. Our policy is only to protect those industries which can eventually face world competition unaided, and only to give them temporary protection until such time as they can stand alone.

I expect, Sir, that most Honourable Members will agree with the remark made somewhere in this Report of the Tariff Board that it is a misfortune that the steel industry in India, in so far as it is a basic industry connected with the manufacture of rolled steel, is concentrated in the hands of a single firm and that we all of us share the hope of the Tariff Board that eventually we shall make the industry a much stronger and a much healthier industry by attracting new capital to it and by inducing new firms to engage in it until eventually India is self-supporting in the manufacture of an article of national importance. Indeed, Sir, I would go further. Already we make the cheapest pig-iron in the world. Already pig-iron is one of our important export trades, and I think myself, Sir, that we can legitimately look forward to a time when India will become an exporter of steel. But, Sir, though there are disadvantages in the position as it is at present, yet for my purposes to-day the fact that the industry is concentrated in the hands of a single firm has one great advantage. I seem to remember that in those ten hectic days of May and June 1924, when we passed the Steel Industry (Protection) Act, some misgivings were expressed in this House lest we might be imposing an altogether disproportionate burden upon the consumer in India, and yet after all fail to achieve our object. Well, Sir, we are to-day in a position to count up our losses or our gains. The Tata Iron and Steel Company has placed all its accounts before the Tariff Board. They have been scrutinised with that care and accuracy which we have learnt to associate with the name of the Indian Tariff Board, and we are able to-day to measure the progress that the Company has made, to estimate its prospects for the future and to compare the results achieved with the price which we, as representing the taxpayers of India, have paid.

I do not think, Sir, that it is necessary for me to traverse in any great detail the history of the last three years. Every one I think, knows that we have had a hard struggle to make our policy effective; that at one time it looked as if we had failed and that nothing could save the steel industry or rather the Tata Iron and Steel Company from extinction. Those difficulties came as no surprise at any rate to some of us, for I myself foreshadowed most of them in the first speech I made on the Steel Industry (Protection) Bill. The truth of the matter is that we passed that Bill just at a time when conditions were most difficult in the steel trade of the world, or perhaps I might more accurately put it, in the steel trade of the Old World. The war had greatly increased productive capacity. At the same time it had diminished purchasing power. And the result was that production had altogether out-stripped demand. In addition the position was aggravated by the depreciation of Continental exchanges, and the result was that no sooner had we passed the Act than prices collapsed and there was an inrush of imports of steel. I would not have the House think that that was in any way due to the fact that the duties imposed by that Act are light duties. They are not light duties; they are heavy duties. The House will see from this Report that in January 1926 Continental bar steel was coming into India at Rs. 82 a ton. Now, Sir, our present duty upon bar steel is Rs. 40 a ton, and the House will see that that duty is equivalent to a duty of very nearly 50 per cent. *ad valorem* upon Continental bar steel; and I think the House will agree with me that that is a heavy duty. In addition the Steel (Protection) Act sanctioned liberal bounties on rails manufactured in India. Yet by December 1924 it was already clear that the tariff wall which we had built up with such care and elaboration only a few months before was inadequate for the purpose for which it had been designed, and twice the Legislature had

[Sir Charles Innes.]

to come to the assistance of the industry. In January 1925 and again in September 1925 the Assembly sanctioned additional bounties on ingot steel, and the net result is that by March 31st next, in addition to heavy tariff protection, we shall have paid away in bounties a sum estimated by the Indian Tariff Board at Rs. 209 lakhs. Now Rs. 209 lakhs are the equivalent of £ 1½ million. Let it be remembered that that large sum of money has been paid away to one single firm, the Tata Iron and Steel Company, and I do not think it can be said that our measure of protection has been ungenerous or, as I heard it put the other day, half-hearted. On the contrary, we have imposed no small burden upon the consumer in India. But I do not wish to be misunderstood. I do not wish to imply that the burden has been unduly heavy. On the contrary, I think that we can congratulate ourselves on the comparative ease with which that burden has been borne. The collapse of steel prices to which I have referred may have embarrassed the Government and the Legislature and the steel company; but it lightened the load for the consumer and we have it on the authority of this Report that steel prices in the last three years, and now especially, have been on the whole less than they were before we passed that Act in 1924. But there is an even better test. The House will remember that one of the criticisms made when we introduced this Steel (Protection) Act in 1924 was that by these heavy duties we would decrease consumption of steel in India. It was pointed out to us that the industrial progress of a country is very largely measured by its consumption of steel, and it was suggested that we were taking a great risk in doing anything which might lead to less use of steel in India. Well, Sir, I am happy to say that those fears have been falsified. I have had a careful estimate made of the consumption of steel in India, that is, of our imports of steel *plus* our local production, and the figures are, I think, significant. In the three years before the war the consumption of steel in India amounted to just over one million tons a year. In 1925-26 the consumption amounted to 1,350,000 tons, that is, an increase of 80 per cent. and I think, Sir, that when we regard those figures we can say with some truth that we have not imposed an undue burden upon the consumer.

That, Sir, is one side of the picture. But there is another. After all, though we have not imposed a disproportionate burden upon the consumer, we have imposed a burden upon him. We have not done that for fun; we have done it with a definite object in view; and I imagine most people in this House are asking themselves what progress we have made towards the attainment of that object, whether the game is worth the candle, and whether we are getting value for the money we have spent. The object of course is the building up in India of a healthy steel industry, and the answer to that question is contained in this Report and in the Bill which I am submitting to the House this morning. The House will see in the first place that though it is proposed that the protection should continue, it is a less and a smaller measure of protection. That in itself is a very satisfactory feature. I have only just referred to the difficulties which the steel industry throughout the world except America has been passing through during the last three years. Only the other day I saw in a trade paper a summary of the financial results of 18 of the biggest steel firms in England. They are all firms whose names are household names in the steel trade. They are powerful firms with great resources, with great stores of inherited skill behind them; and yet, Sir, during the last three years I think I am correct in saying that there

are only two of those firms which made profits. The others have passed through great stress and difficulty and some of them are even now undergoing the painful process of reconstruction. One of the biggest of them even had to appeal to Indian Railways and take away from us Mr. Sim, and I have just heard that it has also taken away one of our best Agents. Now, Sir, contrast the position of the Indian steel industry in 1924. It was a comparatively new industry. It had embarked some time before upon an ambitious and expensive programme of expansion. I may say parenthetically that at that time there was a tendency to criticise the Steel Company for having embarked upon that programme. But, Sir, we now know that if the Steel Company had not done so it would not be in existence to-day. It had yet to try out a difficult and new process, namely, the Duplex process. That process is not in use at all in the United Kingdom; it is an American process, and I happen to know that some members of the Tariff Board had grave apprehensions lest in Indian conditions the Steel Company could not make a success of that process. Now, Sir, the Steel Company was at that time in a weak position to withstand competition. Yet it had to meet competition fiercer than ever before in the history of India. And we know from this Tariff Board's Report that not only has the company weathered that period of stress, but it has emerged from it a stronger, a better and a healthier Company. I cannot say too much about the finances of the Company, for that of course is a delicate matter, but I think that I am giving away no secrets when I say that at the end of October 1924, the Steel Company was in most serious straits for money. Now it is in a very much stronger position, and I am perfectly sure that, as the result of this Report, its credit and its financial position will be very much stronger still. But it is perhaps on the technical side that the greatest progress has been made. Some Honourable Members will remember that in its first Report, the Tariff Board would not commit itself further than to say this. They said that in a transition period of several years the Steel Company might succeed in reducing its works cost from a figure somewhere near Rs. 180 a ton to a figure somewhere in the neighbourhood of Rs. 100 a ton. Well, Sir, that was a very cautious statement. A little more than two years after those words were written, that is to say, in August 1926, the Steel Company had succeeded in reducing its works cost to Rs. 98 a ton, that is less than the ultimate figure mentioned by the Tariff Board, and I may say without giving away any secrets that in the later months in August 1926, the Steel Company has beaten even that excellent figure. Much of course still remains to be done. We know from this Report that the Company's plant in part needs modernising and that it needs improving in other respects. We know also that there are economies which have to be carried out, economies in labour and staff, economies in the consumption of coal, and economies in the consumption of consumable stores. But I think that we can say that in the last three years the Steel Company has made very real progress indeed. And here possibly I am trenching upon a ground which more properly belongs to Sir Purshotamdas Thakurdas and the other Directors of the Company. But I should like to say that I personally would like to congratulate Mr. Alexander, the General Manager of the Steel Company at Jamshedpur, and all his staff on the progress they have made in the manufacture of steel at Jamshedpur. I believe I am correct in saying that the one thought which animates Mr. Alexander and the whole of his staff there is the desire to make the Steel Company independent of any extraneous aid from Government.

[Sir Charles Innes.]

and capable of meeting competition entirely unaided, and I am sure we wish them success in their endeavours.

I have dealt very briefly with our policy during the last three years and its effect both upon the consumer and upon the Steel Company. A summary of the matter is contained in the words of the Tariff Board :

" A review of the progress of the steel industry during the past three years clearly shows the success of the policy of protection adopted in 1924. While the assistance given has been in no way excessive it has substantially improved the position of the steel industry."

I must say, Sir, that those words are very grateful and comforting to me, I suppose that I have identified myself almost more than anybody else with the protection of the steel industry in India. I have been greatly criticised for doing it from many quarters, and I must say that it is a relief to me to find the Tariff Board recording those words and expressing their considered opinion that our policy has been a success during the last three years.

Now, Sir, I come to the Bill before the House. The first point I wish to make is that we are not discussing now—at least I hope we are not discussing it—the question of principle or of policy. It is perfectly true that in the Act of 1924 we guaranteed actual protective rates only for a period of three years. That was because the conditions then were so unstable that neither the Tariff Board nor the Government were prepared to commit themselves to a scale of rate for a longer period than three years. But there was no intention either on the part of Government or of the House to limit the continuance of the policy only for three years. The House definitely amended the Preamble of the Act in order to make that point perfectly clear. I am perfectly prepared to admit that this House is quite entitled, if it so desires, to go back upon the policy of its predecessors. I only hope it will not do so. Protection may be a good thing or it may be a bad thing, but every one will agree with me that once you embark upon the policy of protection, you can do no worse ~~thing~~ than to display vacillation or irresolution. If we are to make this policy a success, let us have continuity of policy. In that view, I do not propose to argue any further than the point whether or not we should proceed with our policy of protection. The real questions we have to decide are the questions set by section 6 of this Act, namely, the question whether protection is still necessary, and if so, how much. These are the questions to which the Tariff Board has addressed itself.

Now, Sir, opinions may legitimately differ about the conclusions arrived at by the Tariff Board. But I hope that I shall have the whole House with me when I congratulate Mr. Ginwalla and his colleagues on an extremely able, lucid and businesslike Report. (Applause.) I have often felt some apprehensions myself, I freely admit it, in regard to the policy of protection. It is always a dangerous policy, but I have no fears about it at all in India as long as we base our proposals for protection upon reports such as we get from the Indian Tariff Board, reports based upon a careful and impartial study of the facts.

Now, Sir, the Tariff Board have dealt with these two problems in their usual manner. They have applied the method which they used in 1924 and which was acquiesced in and approved by the House then, namely, they have attempted to make as careful an estimate as they can

of the fair selling price of Indian steel and to make an equally careful estimate of the price at which steel is likely to be imported, and then the difference between the two constitutes the measure of protection required. I have heard it said that estimates of this kind are not of very much value, but I should like to point out to the House that they are an absolutely essential incident of our particular brand of protection. I think I may say broadly that there are two methods of giving protection. One I may call a method of trial and error, that is, you give a measure of protection to an industry and you tell them that if that is not sufficient they may come again and ask for more, and again, human nature being what it is, industries usually do come up and ask for more. That is the history of protection in many countries. It may be a good method or it may be a bad method, but it is not our method. Our method definitely is the policy of discriminating protection. When the last Steel Act was before the Assembly in 1924, nothing impressed me more than the insistence shown by the House upon the necessity for considering in everything we do the interests of the consumer.

The House definitely amended the Preamble of the Steel Act, by introducing the words "with due regard for the well-being of the community" in order to bring home that point. As I interpret those words, they mean that this House is in no way prepared to countenance on the part of any industry the tendency to display what I might call a Mrs. Micawber-like attitude. They are not prepared to agree that any industry which we protect should, so to speak, throw its arms lovingly round the neck of Mr. Ginwala and say, "Never shall I be parted from my dear Tariff Board". Our policy of protection is one which proceeds upon the basis that we must throughout adjust as carefully as possible on the one hand the interests of the industry we are going to protect and on the other hand the interests of the consumer. If you accept this method, it is obvious that you must have estimates of this kind. But you cannot have them until and unless you decide what period of protection you are going to have. Because the fair selling price depends on the cost of production and the cost of production naturally depends upon the amount you produce. When you have got an industry, as we have got now, which is only, so to speak, in its comparatively initial stages, which has not yet attained its full maximum production, obviously you must decide what period you are going to allow for that industry to attain its full maximum production before you can decide what the cost of production is going to be. The Tata Iron and Steel Company, in 1924-25, produced 248,000 tons of steel. In 1925-26 it produced 320,000 tons. This year it hopes to produce 380,000 tons; that is to say, it has very nearly attained what the Tariff Board thought was the maximum possible output with the present plant, namely, 420,000 tons. But, as I have just mentioned, we know that the plant at Jamshedpur is defective. The details are given in Chapter III of the Report which no doubt the House will read. The main fact is that in order to get full value out of this plant, a new battery of coke ovens must be put in, a new steel furnace must be put in, a new roughing stand must be erected and various other improvements must be effected. The Directors of the Tata Iron and Steel Company have already recognised the necessity of these improvements and they propose to make them from the money supplied by their depreciation fund. They hope to complete these improvements by 1931-32 and they hope to begin to have the full value of them in 1933-34. On

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that date the Tariff Board estimate that the Tata Iron and Steel Company will be producing 600,000 tons of steel. I do not mean to say myself that I regard that as the maximum possible output when these improvements have been effected. I believe that 600,000 tons is a conservative estimate of the amount of steel that the Tata Iron and Steel Company will be producing in 1933-34. It is for that reason that the Tariff Board select 7 years as the period for which protection should be given. And, Sir, Government propose, if this House agrees, to accept that period for the scheme of protection. There are several reasons why we should do so. First is the very practical one that if we do not accept the period of protection proposed by the Tariff Board, all the Tariff Board estimates go wrong. The next one is—and this is a very important one—I mentioned just now that you are not going to get the full value out of your policy until you attract new capital and get new firms to engage in the Steel Industry. It takes a long time, as the Tariff Board pointed out in its first Report, for a new firm to get steel works going and to get them into full production. For that reason, again, it is advisable to have as long a period of protection as you can. Again, the longer the period of protection, the lower the rates you can legitimately apply. The shorter the period, the higher they must be. And finally, there is the hope—I do not put it higher than that—there is the hope that by 1933-34 we shall have attained our end and we shall be able to dispense with protection, and leave the steel industry of India to stand alone. For these reasons, Sir, Government accept the period of 7 years for this scheme which we are putting forth.

Now, Sir, I do not propose to take up more time than I can help in dealing with the Tariff Board's estimates as to fair selling price and import prices. What they had to determine was the fair average selling price for a period of 7 years. Now, the selling price of course means the works cost *plus* an allowance for overhead, i.e., depreciation and interest on working capital *plus* an allowance for manufacturer's profit. When they were dealing with the works cost the Tariff Board had at any rate one known figure to go by. They had the actual works cost of the Tata Iron and Steel Company in August, 1926. Then they proceeded to make as careful an estimate as they could of the works cost of the Company in 1933-34 and in most of the articles they dealt with, the arithmetical mean between those two figures gives you the average works cost during the period. I am quite prepared to admit that there are certain assumptions in these works costs which had to be met. There was the assumption that the price of coal would not be materially increased against the Steel Company. There was the assumption that wages would remain more or less upon their present level, and also the Tariff Board took into account—and this is a very important point—the fact that certain economies were well within the reach of the Steel Company and they assumed that these economies would be carried out. And, finally, they assumed that the scheme of improvement to which I have already referred would also be executed. That is a vital point. All the estimates of the Tariff Board and the adequacy of the scheme of protection they have proposed depend upon the Tata Iron and Steel Company, carrying out that scheme of improvement. Then, Sir, I turn to the allowance for overhead and manufacturer's profit. These, of course,

depend very largely upon the valuation of the fixed assets. The House will remember that the property, apart from the collieries, stands in the books of the Company at something like 19 to 19½ crores. When the Tariff Board examined the matter in 1924, they came to the conclusion that this sum was far in excess of the real value of the property, and far in excess of the profit earning capacity of the property, and having reference to prices at that time, they in effect wrote down the value of the block for the purpose of their estimates to 15 crores. Well, Sir, they have carried out the same process now. They have re-examined the whole matter in the light of present day prices and they have come to the conclusion that the value of the block for the purpose of their estimates ought to be written down further to 12½ crores. That, Sir, may seem rather a drastic procedure. But I should just like to explain very briefly, by reading out a short passage from the Tariff Board's first Report, the principle on which the Tariff Board have worked. They say:

"Throughout our inquiry we have been conscious of the difficulty created by the fact that there is only one firm in India manufacturing rolled steel. Inevitably we have had to concentrate our attention on the affairs of one company, but we have not been insensible to the necessity of a wider outlook. Our estimate of the capital expenditure on which the sale of iron and steel must provide a fair return, if the industry is to flourish, and on which the allowance for depreciation must be calculated, is not the actual expenditure of the Tata Iron and Steel Company, but the expenditure which, to the best of our judgment on the data available, any manufacturer of iron and steel on the same scale would have to incur. Similarly our estimate of the working capital required is essentially a calculation of the extent to which a manufacturer of iron and steel under Indian conditions must incur expenditure in anticipation of receiving the price of his finished goods."

That, Sir, as I say, is the principle on which the Tariff Board worked, and that principle is merely this, that we cannot properly ask the consumer in India to pay for the misfortunes or miscalculations of the Steel Company. As a result of this the Tariff Board have been able to reduce the allowance made for overhead charges and profit from something like Rs. 58 a ton, which was the figure which was adopted in their first Report, to rather less than Rs. 39 a ton. That, Sir, is I think a very satisfactory reduction. And the net result will be found in paragraph 77 of the Tariff Board's Report where they give their estimate of the fair selling price of Indian steel—I will just read some figures in order to make one point clear. They find the fair selling price of rails to be Rs. 118 a ton, of structural sections to be Rs. 120 a ton, bars Rs. 129 a ton and plates Rs. 133 a ton. When we remember that in its first Report the Tariff Board calculated generally the fair selling price to be Rs. 180 a ton I think that we can regard those figures as extremely satisfactory.

Now, Sir, I come to the other side of the calculation. The House will remember that what we are trying to get at is the difference between the fair selling price and the import price. I have dealt with the fair selling price and I now come to import price. That obviously is a very much more difficult proposition. In making their estimate of the fair selling price the Tariff Board were on comparatively definite firm ground. They had at any rate some known figures to go upon. But when you come to try and forecast the average level of prices at which steel of different kinds will come into India over a period of seven years it is quite obvious that you are up against a very difficult proposition, and the difficulty is complicated by various factors. In the first place we import steel into India both from the United Kingdom and from the Continent. I want to stress that point because it becomes of importance.

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later on. The House may take it from me that our imports from countries other than the United Kingdom and the Continent of Europe are so negligible that we need not take them into account at all. In addition besides importing steel from the United Kingdom and the Continent there is a gap in prices between the two classes of steel and also the steel is of different quality. The steel from the United Kingdom is of a higher quality as a rule than the Continental steel. Therefore, the Tariff Board find it convenient to consider separately first the prices at which British steel is likely to come into India and secondly, the prices at which Continental steel is likely to come into India. The British steel prices afford no particular difficulty. The Tariff Board take the average level of prices in the first four months of 1926. They discuss them and come definitely to the conclusion that those prices may be fairly taken as representing the average level of prices which is likely to prevail in the seven year period. There may be fluctuations either up or down, but according to the Tariff Board they are likely to be small fluctuations, the sort of fluctuations that will cancel out over a seven year period. But when you come to the Continental steel, then the case is entirely different. The Tariff Board say that though the fluctuations likely to occur in this seven year period are not likely to be so great as the fluctuations in the last three years, yet they say that these fluctuations will probably occur,—and they say quite definitely that there are so many factors making for instability of import prices of Continental steel that it will be quite unsafe to frame any scale of duties on the assumption that any level of prices you might adopt would prevail over the whole of the seven year period. They absolutely decline to make any forecast or prophecy as to the course of Continental prices over the period of protection. They are quite prepared to base their estimates of the protection required by the Tata Iron and Steel Company against Continental steel upon the average level of prices prevailing in the first four months of 1926. But they tell us quite definitely that the difference between those prices and the fair Indian selling price merely gives the measure of protection required now and that they are unable to say whether that amount of protection will prove adequate or inadequate or altogether excessive over the whole 7 year period.

Now, in paragraph 89 of their Report they give a table showing their estimate of the fair selling price of the various products made by the Steel Company and the prices at which those articles are likely to be imported from the United Kingdom and the Continent respectively. The point I wish to make there is, if the House will compare those figures, they will find that the gap in almost every case is greater than could be bridged by a mere revenue duty of 10 per cent. *ad valorem*. That means to say, that if the House accepts those figures they must answer the first question I have put to them in the affirmative, namely, the question whether further protection is required. The Government certainly take that view. We have no doubt whatever that on the basis of these figures we must continue to protect the Indian steel industry, and I do not think that that decision will cause any surprise or any difficulty in the House. I think those Honourable Members who were present in this House when we passed the Steel Industry (Protection) Act in 1924 will bear me out when I say that not one of us had any expectation that after a period of three years we should be able to take away protection altogether and leave the industry to stand alone. Therefore, I ask the

House to accept the first proposition, namely, that protection to steel is required.

I come now to the much more difficult question of the method or the form of the protection. As regards those articles which are imported only from the United Kingdom there is no difficulty. It is merely a straightforward comparison between your fair average selling price of the Indian product and the price at which the articles are likely to be imported. I take two typical instances. First let me take rails. The Tariff Board tell us that owing to the reconstitution of the European Railmakers Association in the middle of last year it is extremely unlikely that Continental rails will be imported into India in the future and the only competition that we are likely to get is from the British firms. They have made their estimate of the fair selling price of Indian rails, that is, after making allowance for freight, at Rs. 118 a ton. They find that the average import price is Rs. 105 a ton and that the protection required is Rs. 13 a ton. Our present rate of duty upon rails is Rs. 14 a ton and in addition we have given bounties at Rs. 32 a ton during 1924-25, Rs. 26 a ton during 1925-26, and Rs. 20 a ton in the current year. The Tariff Board now propose that these bounties should be discontinued and that the rate of duty should be reduced from Rs. 14 to Rs. 13. I myself think that having regard to the well being of the community and the interests of the consumer that is a very satisfactory result. The Tariff Board couple their recommendation with the suggestion that the Railway Board should buy all its requirements of rails from the Tata Iron and Steel Company over the 7 year period at a price of Rs. 110 a ton. Well, the Railway Board have made an offer to the Tata Iron and Steel Company on those lines, but we have not yet come to any final decision in the matter. The Steel Company feels rather shy—quite naturally in view of the criticisms that were made in 1924 on their long-term coal contracts—the Steel Company feels rather shy of entering into long-term contracts, but as I have said no final decision has yet been arrived at. Another typical instance is galvanised sheet. The House will see that in accordance with the recommendations of the Tariff Board we propose to remove altogether the duty on spelter which is a very important raw material for Indian industries. And as a result of that measure we are able to reduce the duty, or to propose rather that the duty should be reduced, on galvanised sheets from Rs. 45 a ton to Rs. 30 a ton. Rs. 30 a ton is equivalent at present prices to an *ad valorem* duty of 12½ per cent. Seeing that the ordinary revenue duty is 10 per cent. the House will see that we are very nearly back in respect of galvanised sheets and also in respect of rails to the ordinary revenue duty. I should just like to congratulate my friend Mr. Neogy on this result. I remember that when I moved the Steel Industry (Protection) Act in 1924 Mr. Neogy was very anxious to get a reduction of the duty on galvanised sheets, but in order to leave the scheme of protection intact he withdrew his amendment. Now he has the reward of virtue. Not only am I able to say that the duty we imposed in 1924 has in no way injured his friends in Bengal, on the contrary our imports of galvanised sheets were an absolute record in 1925-26, bigger than ever before, but also we are able to reduce the duty on galvanised sheets to what is very nearly the revenue duty.

It is when we come to the treatment of articles which are imported both from the United Kingdom and from the Continent that we get into difficulties. Of these articles I might take as typical structural sections, bars,

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plates and sheets. I should like to restate the problem in my own way. I have already pointed out the difficulty we are arising out of the fact that the Tariff Board are totally unable to give any forecast as to the future level of Continental steel. They have absolutely declined to commit themselves to any forecast under that head. Then, Sir, they treat British steel and Continental steel as being different classes of steel. They tell us that to all intents and purposes British steel is equivalent to standard steel and Continental steel is equivalent to non-standard steel. That is to say, British steel is almost invariably up to British standard specification; on the other hand, Continental steel is ordinarily sold in this country without any guarantee of quality at all, and when it is sold upon the basis of a certificate certifying that it is up to British standard the Tariff Board say quite definitely that the general user of steel in India has no means of testing the value of that certificate. That is a very important statement and I went round to the Indian Stores Department and asked them to confirm it. They said that they could absolutely confirm it; indeed one of the officers of the Stores Department told me that the Stores Department definitely had to abandon buying in this country Continental steel on the basis of the certificate certifying it to be of standard quality, because he said they almost every time they had done so had got into trouble with their clients. British steel is more reliable in quality, in accuracy of rolling and in strength than Continental steel. For that reason to some extent it serves a different demand. British steel is used wherever you require a high factor of safety; that is to say, it is required for all purposes connected with the industrial development of India, big factories, railway bridges, public works of all kinds, and also it is used almost entirely by the big engineering firms for fabrication. But, and this is another important point, there is a certain overlap between British steel and Continental steel, or what I may call standard and non-standard steel. If British prices exceed Continental prices by more than a certain figure, which the Tariff Board put somewhere in the neighbourhood of Rs. 7 a ton, then you find that Continental steel tends to displace British steel. Now the steel industry competes with both classes of steel. We have at Jamshedpur a Metallurgical Inspector to the Government of India and owing to the work of that officer and his staff, the Iron and Steel Company can produce standard steel, and it does produce it. Only the other day we were able to buy from the Iron and Steel Company 3,000 tons of steel required for the rebuilding of the Nerbudda bridge on the Great Indian Peninsula Railway which had been washed away in the floods. But it also makes steel which it sends out without any guarantee of quality and which steel competes with Continental steel. We can now appreciate the problem the Tariff Board found themselves up against. Their problem was to devise a scheme of protection which, while adequate for the Indian steel industry, would not impose an undue burden upon the consumer of either class of steel and which would not be inconsistent with the general well-being of the community. That is how the Tariff Board stated the problem for themselves. They proceeded to discuss six possible methods of solving this problem. It would take me too long to go through them all, but I will just mention them very briefly. They reject the idea of discriminating between standard and non-standard steel, because for practical reasons it is quite impossible to work a system of that kind. They decline to base their protection upon the prices at which Continental steel is likely to be imported because that would give

altogether excessive protection to the Steel Company. They have had to give up the idea of anti-dumping duties, that is to say, of having discriminating duties against countries which were sending steel at dumping prices because if you went in for that the inevitable result would be infringement of our most-favoured-nation agreements and disorganisation of our foreign trade. They discard the idea of bounties because they say that for a period of seven years it would be impossible to give bounties, or, as they put it, the financial objection is decisive. And by a process of elimination they come down to two schemes. They say that both of these schemes are practicable but they are only prepared to recommend one. One is called the average weighted system of duties and the other is a system of discriminating duty. The theory of the average weighted system of duties is this. You have in India Tata steel competing both with standard steel and non-standard steel. You try to estimate the proportions in which the Indian steel competes with those two classes of steel, and then, having regard to this proportion, you fix the duty intermediate between the rate of duty adequate to protect them against British steel and the rate of duty adequate to protect them against Continental steel, and you hope that by the application of that intermediate rate of duty you will be able to secure to the Steel Company its average selling price. That sounds difficult, but let me explain it by taking a concrete example, that of structural sections. The Tariff Board estimate the fair selling price of structural sections in India at Rs. 120 a ton. They tell us that British sections are likely to come in at Rs. 104 a ton; that is to say, the amount of duty you require is Rs. 16 a ton. They tell us that Continental sections are likely to come in at Rs. 86 a ton; that is to say the duty you require is Rs. 34 a ton. They estimate that Indian steel competes with British sections and Continental sections in the proportion of half and half; therefore, their intermediate duty is Rs. 25 a ton, midway between 16 and 34. The result of putting on a duty of that amount would be that British steel would come in at Rs. 129 a ton and Continental steel at Rs. 111 a ton, and the theory is that half the Indian steel would secure a price in the neighbourhood of Rs. 129 and half a price in the neighbourhood of Rs. 111 a ton. Thus for their structural sections taken as a whole the Steel Company would get an average of Rs. 120 a ton its fair selling price. That is the theory of the average weighted system of duties. But of course there is an obvious flaw in the argument. As the Tariff Board say, an estimate of the probable sales of Indian steel against British steel and Continental steel, respectively, is a very unsafe basis for a system of duties. For if your estimate of probable sales is wrong, or if it goes wrong in the course of your period of protection, then the whole basis of your system of duties goes by the board. For instance, as I have just mentioned, if the cost of British steel exceeds that of Continental steel by more than a certain figure, then Continental steel tends to displace British steel. Now under this system British structural sections will come in at Rs. 129, Continental sections at Rs. 111. Owing to this excessive disparity in price the tendency will be for the consumer in India, in spite of the higher element of safety in using British steel, to change over to the cheaper steel, and the result will be that a greater proportion of Indian steel will sell at the lower price, namely, 111, and a smaller proportion at a higher price, namely, 129. Therefore the Steel Company would not get its fair average selling price, Rs. 120, for its steel protection. It would get a good deal less. That is the first objection to this system, namely, that it is going to be inadequate for the Steel Company. The next objection is that it sends up unneces-

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sarily the price of standard steel in India. That means to say that you hinder development work throughout all India, you hinder the construction of big bridges and the like because you make them unnecessarily expensive, you hinder public works of all kinds, and you hinder the manufacture of machinery. The next objection is that you send up equally the cost of fabricated steel, that is to say, you have to have higher duties on fabricated steel than otherwise would be necessary. You hit the consumer again. Another difficulty is that the system is inconsistent with our professed object of introducing new firms and new capital into the steel industry. Obviously a system of this kind must be based upon the proportions in which Tata steel competes with British and Continental steel respectively. The proportions of a new Company might be entirely different, and the duties might be entirely unsuitable for the new Company. Finally, it fails altogether to meet the difficulty I have already referred to arising out of Continental prices. If Continental prices fell, it is true you might increase your average rates of duties by means of an off-setting duty clause, but you send up the prices of your standard steel and again you hit the consumer. If, on the other hand, Continental prices were to rise, you could do nothing. It would be quite impossible, I think, to give the Government of India the power by executive action to raise or lower the basic duty imposed by the Legislature because neither the trade nor the industries would know where they were. Therefore, the definite finding of the Tariff Board is that the average system of weighted duties does not fulfil the criteria which they laid down; it does not give adequate protection to the industry, it does not adjust the burden fairly between the different classes of consumers and it does not conduce to the economic well-being of the community.

The Tariff Board were compelled therefore by the logic of their own argument to come down in favour of differential duties. They fall back in effect on two facts. The first is the fact which I have already mentioned, namely, that to all intents and purposes British steel is equivalent to standard steel, Continental steel to non-standard steel. Therefore, if you discriminate between British steel and Continental steel, you get to all intents and purposes what you want, namely, discrimination between standard and non-standard steel. I am quite prepared to admit, and I am quite sure the Tariff Board will admit, that the logic of their argument is really to differentiate between standard and non-standard steel frankly as such. It is quite impossible to do that for the reasons given by the Board, namely, it is impossible to have in every Customs House a metallurgical staff for testing the quality of every consignment of steel coming into India. Therefore, the Tariff Board states in effect that since you cannot discriminate on that basis, standard against non-standard, you get the same result by discrimination between British and Continental steel. The other fact which they fall back upon is that owing to the position of India in the British Empire we can discriminate in favour of British steel against Continental steel without infringing in any way our most favoured nation agreements. What we do inside the Empire is a matter of our own domestic concern, it is no concern of any foreign nation at all. The only essential thing is that whatever additional duties you impose upon Continental steel must be applied equally to every foreign nation. Provided we see to that, there is nothing in this proposal which infringes in any way our most favoured nation agreements. Well, that,

Sir, is the conclusion of the Tariff Board. On steel manufactured in the United Kingdom they propose that a basic duty shall be imposed and that that duty should remain unaltered for the period of the protection. On other steel, not manufactured in Great Britain, they propose that the basic duty should be paid *plus* an additional duty, and that additional duty, they propose, should be adjusted by the Government, as need be, to the level of prices. If the prices of Continental steel rise, the additional duty will be lowered. You might even have a time when the additional duty will disappear altogether owing to a rise of the prices of Continental steel, and the duty would then be the same both for British and for Continental steel. If, on the other hand, the prices of Continental steel fall, then the Government would be expected to raise the additional duties so as to maintain the level of protection. We shall not raise of course the duty merely for small or temporary fluctuations. That, Sir, is the position we have arrived at. The Tariff Board looking at this problem purely as an economic problem and discarding all other considerations, tell us that this is the only way they are prepared to recommend for meeting the problem. They tell us that it is the only way that satisfies the criteria which they laid down for themselves, namely, protection for the industry, adjustment of the burden fairly between the different classes of consumers, and insistence on the general well-being of the community, and Government have had no difficulty in accepting their conclusions. As I said, it is the *only* scheme which does not hamper development and the only scheme which meets the difficulty arising out of the fact that it is quite impossible to give any sure forecast of Continental prices. The table of rates will be found in paragraph 110, and the House will see that here again a very real reduction of duties has been proposed. The duties on the structural sections will be reduced, in regard to British steel, from Rs. 30 to Rs. 19, on bars from Rs. 40 to Rs. 26, on plates from Rs. 30 to Rs. 20. That is a real relief to the consumer.

I have already spoken so long, Sir, that I propose to dismiss very briefly the questions of fabricated steel and tin-plate. When we come to fabricated steel, we see in very clear relief the advantage of the discriminating scales of duties proposed by the Tariff Board. Practically all the fabricated steel imported into India is steel from the United Kingdom, and the result of these discriminating scales of duties proposed by the Tariff Board on basic steel has been that the Tariff Board is able to propose a reduction in the duty on fabricated steel by nearly 33 per cent.—from 25 per cent. *ad valorem*. to 17 per cent. *ad valorem*. Minimum duties are proposed to prevent evasion of customs revenue, and similarly it is proposed to have additional duties on Continental fabricated steel. As regards tin-plate again, there has been very striking technical success on the part of the Tin-plate Company, and the Tariff Board have been able confidently to propose a reduction of duty from Rs. 85 a ton to Rs. 48. That again I think is a very satisfactory result. Now, Sir, I am afraid that I have detained the House very much longer than I intended to do. But I am now in the same position as Sir Basil Blackett; he told us that when he got on to the subject of currency, it was difficult to stop him, and my case is the same with steel. But, Sir, I had a lot to say, and I have done my best to avoid irrelevancies and controversial matters. I have been accused, however, I am told, of trying to rush the House. I am not doing anything of the sort. It is perfectly true that the time factor in this matter is essential. I would remind the House very seriously that if by the 31st March next, we do not put something on the Statute-book in place of

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this Act XIV of 1924, the whole of our tariff in regard to steel will get into confusion; and, therefore, we must get down to this job. But I have no desire in any way to rush the House into accepting to-day the principle of discrimination. The case of the Government is so strong that the more it is discussed the more we should be pleased, because, we are quite sure that the more the thing is discussed the more the merits of the Report of the Tariff Board will be brought into prominence. Therefore, all I ask the House to-day is to accept the principle that further protection is required. Everything else we can talk out in Select Committee. And, Sir, before I sit down I should like to say one thing more. I think in this matter of steel Government have tried throughout to identify themselves with this House. We are up here against a difficult position, but I have no doubt if we discuss it calmly and dispassionately in Select Committee, we shall be able to arrive at an agreement and I have no doubt also that the House will see that this scheme put up by the Tariff Board is the best scheme. Sir, I move. (Applause.)

Mr. President: Motion moved:

"That the Bill to provide for the continuance of the protection of the steel industry in British India be referred to a Select Committee consisting of the Honourable Sir Bhupendra Nath Mitra, Mr. M. R. Jayakar, Lala Lajpat Rai, Mr. M. A. Jinnah, Maulvi Mohammad Yakub, Mr. G. Sarvotham Rao, Sir Walter Willson, Mr. M. Ruthnaswamy, Mr. N. M. Joshi, Mr. R. K. Shanmukham Chetty, Mr. Jamnadas Mehta, Mr. M. K. Acharya, Kumar Ganganand Sinha, Babu Amar Nath Dutt and the Mover, with instructions to report not later than the 1st February 1927; and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

Sir Walter Willson (Associated Chambers of Commerce: Nominated Non-Official): May I move the addition of the name of Mr. W. S. Lamb to that Committee?

Mr. President: The question is:

"That the name of Mr. W. S. Lamb be added to the list of the Select Committee just proposed."

The motion was adopted.

Mr. M. S. Aney (Berar Representative): I move that the name of Mr. Ghanshyam Das Birla be added.

Mr. President: The question is:

"That the name of Mr. Ghanshyam Das Birla be added to the list of the Select Committee."

The motion was adopted.

Mr. B. Das (Orissa Division: Non-Muhammadian): Sir, I was a little disappointed in going through this Report of the Tariff Board. I particularly refer to paragraph 105 of that Report. Sir, this Tariff Board was presided over by an ex-Member of this House, a politician, yet the Tariff Board say with regard to Imperial preference: "We feel that we are not concerned with the political aspect of the case." Further on they say: "We do not feel debarred by political considerations from recommending it." I make bold to assert here that the Tariff Board by keeping political questions out of consideration have killed the very goose that laid that

golden egg—the Tariff Board. The Tariff Board was appointed on a vote of this Assembly to give effect to the policy of fiscal autonomy in India and I think they have made an initial mistake and throughout this report this initial blunder has been perpetrated.

Well, I listened to the speech of my Honourable friend, Sir Charles Innes, and I am glad to find that he wants to see that there is a certain amount of protection to Indian industries, particularly to Indian steel. My own impression is that Indian steel would not have come to this bad position if the manipulated system of currency in June 1924 had not forced the Assembly again to have recourse to a system of bounty instead of protection by putting a certain amount of additional duty on imported steel. For that the Government ought to be blamed and not we, the people. We wanted to protect our key-industry. The system of currency is such that the Government manipulate it in such a way as to kill our national industries. It disorganised the steel industry; we know it has disorganised our cotton mill industry and for that another Tariff Board have been appointed and we would soon have their Report. Of course, only yesterday, we had the Currency Bill before us and we are going to consider it, but that vicious principle, the manipulated system of currency, is at the root of everything. Instead of giving protection to our industries it obstructs the development of our industries. Sir, I am against the system of Imperial preference that is being introduced. That unfortunately happens to be the underlying principle of the recommendations of the Tariff Board. This House has passed various Resolutions for the last six years and Members have said times without number that there should be no system of Imperial preference or preference to the United Kingdom. I can consider any system of preference when I have got equal status in the Empire, when I have got Swaraj. I can consider no system of preference either to the United Kingdom or to any part of the Dominions until I am recognised as an equal member of the British Empire. If not, I would not consider it; I would rather see industries going down than keeping this system of Imperial preference to the humiliation of my nation.

I just want to go into detail as to what this differential system of duty may do. The Tariff Board have considered that question and in paragraph 104, page 58, they say that the additional cost of Continental steel imported through British ports will be such that people will not be induced to bring in Continental steel at the rate of duty specified on British steel as they expect transshipping charges would be too high. But I may say that for structural steel British engineering firms may receive orders from the railways and they will execute those orders on the Continent; and there is nothing to prevent them from shipping the goods direct or through British ships to India. If Indian and Continental firms combine and have their offices in London, Hamburg and Bombay and import Continental steel through British ships, they will evade the additional duty put upon Continental steel. That is one of the reasons why discriminating duties should not be levied. Who knows that there may not have been manipulation of prices by these combines, these steel importers whether British, Indian or Continental, and the invoices may be faked to avoid payment of duties?

One recommendation that the Tariff Board made was to ask the Government of India to recommend to the Railway Board to purchase their

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rails in India. I was very disappointed when I heard from my Honourable friend, Sir Charles Innes that the Government had not come to any decision.

The Honourable Sir Charles Innes: May I interrupt the Honourable Member. I told the House that we made an offer on those lines to Tata's, and that it was Tata's who were making the difficulties.

Mr. B. Das: What I understand my Honourable friend to say is that a proposal had been made to Tata's; but for the last three years we have been pressing the Government of India and the Railway Board to make all their purchases for their requirements of iron and steel from Indian manufactured iron and steel; but our demand was not given effect to. I myself asked dozens of questions in this House and various Honourable Members have also raised the same question; but no steps have been taken so far to confine Government purchases to iron and steel of Indian manufacture. I will just refer to paragraph 131, page 72, of the Tariff Board's Report, where serious allegations have been made with reference to the purchase of rails against some of the Company-worked Railways. It states:

"For the first time we have had serious complaints as to the quality of our rails and we are informed that the latest specification issued by the Consulting Engineers, Messrs. Rendel, Palmer and Tritton, definitely states that rails made by the Basic Bessemer process will not be considered. The only object of this is to exclude rails of Indian manufacture as the Basic Bessemer process is not used in England."

By purchasing these Tata steel, Railways profited during the war and even after it. To-day world prices have gone down. They do not purchase Indian rails. They forget their past obligations to the Indian manufacturers and to-day they go beyond the recommendations of the Railway Board, beyond the inclination and desire of the Government of India, and make their purchases outside of India. Yet the Railway Board cannot control their action but say, "These are Company-managed Railways!" They have received crores and crores of rupees as guaranteed dividends from the tax-payers at a time when they could not earn any dividend on their subscribed capital. If the Government have some control over these Company-managed Railways they must insist that their first duty is to purchase Indian iron and steel, and those Railways, be they controlled by Companies or by the Railway Board, which do not buy Indian rails are criminally negligent of their duty. Crores of rupees have been squandered on these Railways to bring them up to their present level of successful undertakings, and yet they have repudiated their obligations to the tax-payers and to the country.

I will refer also to paragraph 129, page 171, where the Tariff Board refer to the "Anti-dumping" legislation that was requested by the Tata Iron and Steel Company:

"The claim is partly based"

Mr. T. Prakasam (East Godavari and West Godavari *cum* Kistna: Non-Muhammadan Rural): May I rise to a point of order. Is the Honourable Member in charge of this motion entitled to sleep in the House?

Mr. President: I do not think the Honourable Member is sleeping.

Mr. B. Das:

"The claim is partly based on the statement that the price of English rails offered in India has been below that at which similar rails have been sold to English railways."

The Select Committee will, I hope, look into these points, especially the allegations that have been made by the Tata Iron and Steel Company, and I hope they will call for a copy of the representation made by Tata's and go into details. I am not concerned with the Tata Steel industry. I want to see adequate protection given to Indian steel. I do not want to see that by the present Bill now put forward before the House, we are going back on the past decisions of the House itself and committing ourselves to any system of preference, be it Imperial or preference to the United Kingdom. That has never been our policy. We will not think of giving preference to the United Kingdom or the Dominions as we are at variance with all of them at present.

Pandit Madan Mohan Malaviya (Allahabad and Jhansi Divisions: Non-Muhammadan Rural): Sir, I heartily congratulate the Honourable Sir Charles Innes on the excellent statement which he has made on the subject of this Bill. He is also entitled to our grateful acknowledgment for the share he has taken in securing protection to the Indian iron and steel industry during the period of his office. The statement which he has made must have given much satisfaction to the House in so far as it has shown that the action taken by this Assembly has helped the Tata Iron and Steel Industry of India to a large extent in its fight against foreign competitions. So far as that is concerned I am sure all Honourable Members will join with me in expressing our grateful acknowledgment to the Honourable Member for Commerce.

But when I come to deal with the present Bill I regret I cannot agree with my Honourable friend. The Bill introduces a very important principle, that of preference to manufactures of the United Kingdom over those of the Continent. That is the clear issue writ large on the Bill. Read it from the beginning to the end, that is the most important point that stares you. In paragraph 8 of the Statement of Objects and Reasons it is stated:

"Following the Tariff Board's recommendations, the Bill provides for the imposition of differential rates of duty on certain iron and steel articles. Such articles, if of British manufacture, will be subject to a lower rate of duty—which the Board call the basic duty—and if not of British manufacture, to a higher rate of duty. It is the difference between these two rates which constitutes what the Board call the additional duty."

Now the question for us to consider is whether we are prepared to accept the principle of the preferential treatment of the manufactures of the United Kingdom. The reasons that have been advanced in support of this preferential treatment are, I regret to say, not of a character which would carry conviction to this House. In paragraph 101 of their Report, the Tariff Board say:

"It is obvious that a system of uniform duties will impose a heavier burden on the consumer of Standard British or Indian steel than would be imposed under a system of differential duties, and although, with the greater approximation of British to Continental prices, this burden has somewhat declined, it will appear that the amount is still appreciable."

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Then after mentioning the differences in prices of certain articles, they go on to say :

"We attach considerable importance to this aspect of the case, because the general user of steel has no organization by which, when Continental steel is certified to be of British standard, the value of the certificate can be checked. If, therefore, he wishes to use British Standard Steel, he must use steel of either Indian or British manufacture. Ordinary Continental steel imported into India is less reliable in quality, accuracy of rolling, and strength, than British Standard steel, and is for this reason unsuitable for use in the construction of large buildings, bridges, and other works, in which any defect may seriously endanger public safety. Any measure, therefore, calculated to discourage the use of British Standard steel, save in so far as this is essential for the protection of the Indian Industry, is clearly undesirable."

I did not know that it was part of the duty of the Indian Tariff Board to advise people in regard to engineering matters. I did not know that they were empowered by the terms of their reference to express an opinion such as they have expressed here on the comparative qualities of British and Continental steel. I do not know whether Continental manufacturers will agree to the proposition which the Indian Tariff Board have so positively laid down, that the ordinary Continental steel imported into India is less reliable in quality, accuracy of rolling and strength than British Standard steel, that it is for that reason unsuitable for use in the construction of large buildings, bridges and other works, and that to such an extent that its use in such buildings, etc., may endanger public safety. The Board then go on to say :

"A system of uniform duties would involve an increase in the cost of rolling stock, railway bridges, and other constructional work. Irrigation and water supply schemes would be more costly, and industrial development would be affected, since factory construction would be more expensive. Municipal corporations, in particular, undertake many works in which the use of Standard steel is essential. As examples we may refer to the recent construction of a large steel water main by the Bombay Corporation, and the project for the replacement of the Howrah Bridge."

They say further :

"The supply of cheap machinery is an essential condition of industrial progress, and for this reason the grant of protection to manufacturers of machinery to compensate them for the higher price of steel under a protective tariff, is likely to present serious difficulties. At the same time it is obviously disadvantageous to penalize the manufacture of machinery in India by the imposition of higher protective duties than are absolutely necessary, and to this extent a system of uniform duties would tend to retard industrial development in this country. Further, if Continental steel is sold in India at very low prices, the Indian industry may be forced in self-defence to lower its standards and, the quality of Indian steel might, in consequence, deteriorate."

I submit that all this is special pleading of a very poor kind, and it is not convincing. The point before the Tariff Board was—what were the kinds of steel which were in use in India; what steps were necessary to protect the Indian steel from the competition of the foreign steel that was imported into this country and used by the people. They have travelled beyond that consideration, and I submit that they have gone wrong in giving so much weight to these ulterior considerations. It has not been suggested that Continental steel is so dangerous that its introduction into India should be discouraged by a measure such as has been suggested. It is not even now suggested that Continental steel should not be allowed to enter India because it is so unreliable that large buildings and bridges built with it might crack and give way. If it is so unreliable I think it should not be allowed to come into the country.

But nobody has said that Continental steel is so bad as that. It then comes only to this, that English steel is of a higher quality than Continental steel. I am quite prepared to accept that view, but does it follow that every Indian consumer should therefore be forced, should be coerced into purchasing British steel or Indian steel and no other steel? There are many people in India who would like to have those articles of English manufacture which are superior to articles of the same class made in Continental countries, but what is that man to do who cannot afford to pay their price? Are you going to say that no one shall wear any cloth except cloth of English or Indian manufacture? Are you going to say that no one shall own a motor car except one of English make because several honourable men believe that an English car is better than an American car? Are you going to lay down provisions of law to encourage or discourage the use of certain classes of articles by private individuals in the manner in which it is proposed to do it in the case of steel? One should have thought that this was unthinkable, and yet we have such provisions embodied in the Bill before us! The Tariff Board have clearly gone wrong in this matter and the Government have erred in following them.

I submit that the simple question before the House is, what is the measure of protection that Indian steel needs to-day. I agree with the Honourable Member in charge of the Bill that it is desirable to continue to give protection to Indian steel, and I am sure the whole House will agree that such protection should be given in the fairest way possible; but I strongly object to this principle of preference to the United Kingdom manufactures being introduced as it has been introduced in the Bill before us. If the question of preference to United Kingdom manufactures has to be taken up, let it be taken up as a matter to be discussed and considered by itself, for then all the considerations which can affect the question can be taken into account. But here the whole question is, what is the best way of giving legitimate protection to Indian steel? And I submit the best way should be found out without committing the House to the far-reaching principle of giving a preferential treatment to the manufacturers of the United Kingdom over Continental manufacturers. It has been said that the Tariff Board have examined all other alternative proposals and have rejected them. True. But when this Bill is before the House, the House owes it to itself and to the people to carefully examine the opinion of the Board before it forms its own opinion as to whether it should or should not accept the principle of preferential treatment to the manufactures of the United Kingdom. Having given the matter my best consideration I submit that the House should make it clear that it is not prepared to accept this principle, and if it is not prepared to accept this principle, the Select Committee should be asked to suggest such other measures as may be adopted to give the necessary protection to Indian steel, eliminating this principle of preference to the manufactures of the United Kingdom. It is not for me to suggest here what would be the best course to follow. We have got very capable men on the Select Committee, and I have no doubt that they will be able to help the House with other acceptable proposals. I also suggest that if they consider it advisable, the Select Committee might invite members of the Tariff Board to discuss the matter with them and ask them to express their opinion with regard to the other proposals which may be brought forward before the Select Committee. I do not know that the

[Pandit Madan Mohan Malaviya.]

proposal for uniform duties supplemented, where necessary, by a system of bounties, is entirely condemnable. I know of the strong opinion that has been expressed against a system of bounties, but we must adopt a system which will appeal to the people. What will the people of India say when you publish a Bill like this where you lay down that if an article is of British manufacture it is to pay a certain amount of duty, and that if it is an article of Continental manufacture, it has to pay a much higher rate of duty. Throughout the country you will make Indians think that you are forcing the Indian consumer to pay a higher price for Continental steel to encourage the use of British steel. If Continental steel can come into India at a cheaper cost than British steel, it is our duty to let it come in, except in so far as it competes with Indian steel which is manufactured at the Tata Iron and Steel Works. The English manufacturer knows what he has to cater for. If he finds that Continental steel is cutting him out in India, I am sure he has sense and strength enough to adjust his position. I am sure he is not going to be defeated easily by the Continental manufacturer. It is not part of the business of this Legislature to help the English manufacturer by preferential duties to enable him to sell his products cheaper here than the Continental manufacturer is able to do. I therefore submit that the question should be fully examined and some means should be devised by which, without giving preferential treatment to English manufactures, protection can be given to the Tata Iron and Steel Works to the extent needed. Speaking personally, I may say that, if no means can be devised for giving this protection at present, the matter should be postponed for some time. The fear that has been expressed by the Honourable Member in charge of the Bill that if we do not pass the Bill by the 31st March, very serious consequences are likely to follow, should not frighten us into a hasty acceptance of the proposals contained in the Bill. The proposals are of a very wide character, they are of a far-reaching character. To-day we are asked to give preference to manufacturers of the United Kingdom in the matter of steel. I do not know whether to-morrow we shall not be asked to give preference to the manufacturers of the United Kingdom in regard to some other article. I therefore submit that the House should express its opinion clearly on this question and should ask the Select Committee to consider what other methods may be adopted to achieve the object which we all have in view, namely, to give that protection to the Tata Iron and Steel Company which it may need without showing this preference to the steel manufactures of the United Kingdom.

Pandit Motilal Nehru (Cities of the United Provinces: Non-Muhamadan Urban): Sir, I merely rise to a point of information. It is not for me to criticise the very able speech of the Honourable Member in charge of the Bill nor the Report of the Tariff Board. I simply want to know what we shall be affirming if we accede to the present motion. What is the principle of this Bill? Now under ordinary circumstances the principle is to be adduced from the Preamble. If we look at the Preamble it is confined to the very laudable object of continuing the policy of discriminating protection of industries in British India. But when one goes to clause 2 of the Bill one finds that the real object seems to be protection of articles of British manufacture which may be imported into India. Now all I want to know is whether it will be open to the Select Committee in considering the Bill to eliminate those words "not of British manufacture", or whether we shall be taken to have approved of

the principle of Imperial preference or British manufacture preference, whatever you may call it, by merely voting in support of the motion. If it is the former, of course my Honourable friend's answer will determine my vote on the point.

The Honourable Sir Charles Innes: Might I answer at once, Sir. Perhaps I did not make myself clear in my speech. I am not asking the House to-day to commit itself to anything more than the principle that further protection is necessary for the steel industry. I do not ask it for the moment to commit itself to the principle of discriminating in favour of British manufactures.

Mr. S. Srinivasa Iyengar (Madras City: Non-Muhammadan Urban): Sir, I also wish to associate myself with the view just expressed by my Honourable friend Pandit Madan Mohan Malaviya, that the House must set its face against the introduction of the thin end of the wedge—namely, preference to be given to goods of British manufacture. The policy of protection, if it is to be continued as I suppose it must be continued, must necessarily be one of protection independent of the question of the source from which the competition comes into India.

I find the Tariff Board does suggest several other methods of dealing with this matter. There are six methods they have been examining and out of these six methods I find two methods certainly can be suggested as alternative methods. The first method they suggest is the imposition of different duties according to the quality of the steel imported, as to which they do raise certain objections but I think the objections do not appear to be quite as valid as they wish to make out. Then the fifth method they suggest seems to me to be quite as easy as any method that can be devised, namely, the imposition of a uniform duty on steel imported from any source based upon the difference between a fair selling price and the weighted average prices for foreign steel. That would obviate any necessity for differential duties. I find that with regard to this method they observe in paragraph 100 of their Report:

“The weighted average system of duties has the advantage of simplicity in administration. With a single scale of duties for steel from all sources enquiries as to the country of export or of manufacture become unnecessary and delay in the Customs Department is reduced to a minimum. On the other hand it must be recognised that an estimate of the Steel Company's probable sales of standard and non-standard material during a period of seven years, is not a very secure foundation on which to build a system of duties.”

Many of the other objections to this fifth method which they have examined seem to me to be hypothetical. Whether they are right or wrong is not the question. I think it is a question of policy for the Indian Legislature to set its face definitively against any system of Imperial preference. Protection we must have for our own indigenous steel industry; but that protection must be so devised as not to introduce any kind of preference as between one set of articles imported from Great Britain and another set of articles imported from the Continent. It is quite obvious that the system of protection can be easily evaded if this system of preference is to be introduced. I have nothing to say upon the other matters, except that though I may congratulate along with the Honourable Member in charge of the Bill the Tariff Board on their admirable Report, my admiration is discounted by the fact that they think that this preference raises only a political motive and therefore for

[Mr. S. Srinivasa Iyengar.]

the purpose of giving protection to this steel industry they must introduce this system. This shows the disadvantage of having a Tariff Board of this description.

Pandit Hriday Nath Kunzru (Agra Division: Non-Muhammadan Rural): Mr. President, the principle underlying this Bill is the result of the recommendations of the Fiscal Commission; and whatever might have been the differences of opinion regarding it three years ago, considering that it has been in operation beneficially for the last three years, I hope no one in any quarter of the House will be disposed either to contest the principle of protection or the need for the continuance of protection to the steel industry. But while accepting the principle that underlies the Bill it is necessary to see in what manner the Bill seeks to enforce it. Now, the apprehension has already been given expression to that the phraseology of the Bill leaves it doubtful whether the system of differential duties that has been adopted in the Bill has been adopted on economic or on political grounds. Government, I am aware, can say that the system of differential duties proposed in the Bill is not the same thing as a system of preferential tariffs, inasmuch as this system will not, by increasing the competition of British standard steel with a similar description of Indian steel, be injurious to the interests of the consumer, or, by raising the general tariff, prove detrimental to the interests of the consumer. But it must be admitted that the language of the Bill is such as to make one suspect that things might in future be regulated not in accordance with the principle of quality but in accordance with the place of manufacture.

In the second place, Sir, the Tariff Board have argued that it is necessary to vary the duties only in the case of Continental steel as one may be practically certain that the prices of British steel and articles manufactured from British steel will remain pretty constant. But in so far as Continental steel enters into the manufacture of British articles, one may ask whether it will not be necessary, should the prices of Continental steel fall, to increase the protection granted to Indian steel as against British-made steel. Again, the Tariff Board themselves recognise that the difference between the duties imposed upon British and Continental steel may lead manufacturers of Continental steel to ship their material in the first instance to an English port and have it reshipped from there to an Indian port, and in order to prevent this they suggest certain remedies. Now, I do not know whether those remedies will prove effective or not; but it is possible that they may not. In these two cases, then, there is a possibility that we may have to raise the duty even on British steel. I would ask the Honourable Member for Commerce to tell us what are the reasons that lead him, in view of these things, to fix the duty on British steel for the period of seven years to which this Act will apply. Another thing to which I wish to direct the attention of the House is the fact that section 5 of the Steel Industry (Protection) Act of 1924 finds no place in the Bill before us. Now, that section dealt with the conditions which should be imposed on any company, firm or other person not already engaged at the commencement of this Act in the business of manufacturing any one or other of certain articles (steel rails, fish plates or wagons) before it should be entitled to receive any bounty. Now, it may be said that as the system of bounties has been condemned and as no bounties will be granted in accordance with this Bill, there was no

reason for the insertion of this provision in the new Bill. I know, Sir, that the Report of the External Capital Committee recommended by a majority that the imposition of the restrictions contained in section 5 of the Act of 1924 would be practicable only in case bounties were granted and should not be enforced in case a new firm came into existence by simply taking advantage of the general protective duty. I have read the Report of that Committee, but whatever force there might be in the objections of that Committee, it is clear that in the case of both existing and new firms, it is possible for Government to insist that the firms in question shall give facilities for the technical training of Indians in the manufacturing processes involved in the business. That certainly would not involve any interference with the conduct or management of the business in any way. In the second place, Sir, it is possible that new firms may come into existence or existing firms may begin to manufacture the articles mentioned in section 5. We have it from the Tariff Board that two companies have prepared plans for the manufacture of steel in this country. Now, one of them is a concern that existed before the Act of 1924 was passed, and I understand that neither of them was engaged in the manufacture of the articles mentioned in section 5 when the Act of 1924 was brought into force. If this is so, then in the case of these Companies, we could enforce at least some of the provisions of section 5. At the time when the present Act was under discussion in 1924, it was known that these companies were contemplating the manufacture of steel in this country and if with this knowledge the Honourable Member for Commerce accepted this section, I presume that he accepted it because he thought that it could be applied to them. From this point of view, Sir, I am unable wholly to condemn the method of imposing bounties. Bounties will certainly be, financially speaking, costly and the burden may by no means be a small one. In future we have to take into account the fact that this Act will last not for 3 years but for 7 years and that the quantity of steel that will be manufactured in India will increase substantially in future, but it may be worth while to retain the system of bounties to a certain extent and incur additional cost in order to have the advantages contemplated by section 5 of the Steel (Protection) Act of 1924.

There are one or two other things, Sir, that I would just like to draw attention to before I sit down. The Tariff Board mentioned that the duty they have recommended on steel rails would be the proper duty only in case all the rails manufactured by the Tata Iron and Steel Company were bought by the railway companies. I hope Government have arranged with the railway companies for the purchase of the entire output of rails of the Tata Iron and Steel Company.

Mr. B. Das: Will they ever do that?

Pandit Hriday Nath Kunzru: I should like to know from the Honourable the Member for Commerce whether railway companies have been asked to purchase all the rails manufactured by the Tata Iron and Steel Company.

Sir Walter Willson: They have offered to do that.

The Honourable Sir Charles Innes: I just pointed out that I had already told the House that the Railway Board had made an offer of this kind to the Tata Iron and Steel Company and that the Tata Iron and Steel Company for the moment were unable to accept it.

Pandit Hriday Nath Kunzru: I am afraid I could not hear the Honourable Member when he said that in introducing the Bill.

The last thing that I wish to say is in connection with the Indianisation of the Tata Iron and Steel Works. The Tariff Board point out that the number of covenanted employees has been reduced from 229 in September, 1924, to 161 at the present time. Now, this is certainly a reduction of about 68. But it appears from the Report that about 115 men were employed after the Act was passed in May or June 1924. That being so, at the time the Act was being considered, there were 114 men employed. Their number has since been reduced by 17. In the year 1921-22 there were only about 73 covenanted employees. That means that in 2 years the number increased to 114 and since then it has come down by 17. It is not possible, Sir, to acquire technical knowledge and experience in a day.

1 P.M. But even so the rate of Indianisation adopted does not seem to me to be altogether satisfactory and I hope that the Tata Iron and Steel Company will take this matter into their further consideration.

Before I sit down I should like to say that while I have criticised the Tata Iron and Steel Company on this score I should not be understood because of that to underrate the national value of the efforts put forth by that Company to manufacture steel in this country. We recognise that the Company is engaged in national work and we are therefore willing to give it all the support that we can. But in order that it should be thoroughly national its efforts should be to place its management in the hands as far as possible of men trained in the country, and I trust that this point will be borne increasingly in mind by the Company in future.

Mr. T. Prakasam: Sir, the principle underlying this Bill is stated in the Statement of Objects and Reasons to be one of "discriminating protection of industries in British India". Again it is said that so far as this particular protection is concerned it would be extended only for a period of seven years. The Honourable Member has embodied the policy of discriminating protection in the Bill and in asking the House to accept it he was good enough to say that the House should accept it having regard to the position of India in the British Empire. The position of India in the British Empire is known to all of us. The position of India in the British Empire after six long years of struggle is known to every one. We have been told, notwithstanding the demands made for self-government, notwithstanding the sacrifice made by the country during the last six years, that India could not think of coercing the British Parliament. Well, we are here in this House and if we are to maintain our self-respect are we to pass this Bill accepting this as the principle? And on what principle, on what ground should there be any discrimination in favour of British steel or iron? How are they entitled, when we have not been able to persuade our British friends to agree with us even on small matters—even on a very simple matter of enforcing the attendance of a Member, who had been elected to this Assembly, who had been served with a summons from His Excellency the Governor General to attend this House but prevented—when we have not been able to enlist the support or the sympathy of that section of this House. We have not been able to enlist their sympathy on questions on which there could be no difference of opinion, with regard to the protection of our elementary rights of person and property. On what ground should the British have the right to ask us to adopt as a principle of this Bill that there should be discriminating protection so far

as British steel or iron is concerned. I should certainly say that we are anxious to be on equal terms and to deal on equal terms with the British when they deal with us fairly and justly. We shall certainly be ready to do it then, but not until then. I would implore the members of the Select Committee particularly and every one of the Members of the House, when we deal with the clauses of this Bill, to consider very carefully and decide in such a manner that India's interests, not only in regard to Tata's but with regard to the steel industry generally, are sufficiently protected. Are we to be taken in this matter of protection also step by step just as they are proposing to take us in regard to self-government. Therefore I say, Sir, on the first point, they are not entitled to claim it. Secondly—only seven years protection. Why? Because calculations will be made by experts as regards rates and sales and prices and all that. But are we not entitled to say here in this House and on this Bill that there should be protection for this particular industry, not for seven years only but until the need for protection ceases to exist. We all know the sufferings of this Tata Company since the starting of that great institution in India; how they have suffered I knew. And I also knew it from the late R. D. Tata himself, how he had secured some protection from Great Britain herself at an early stage. But it is a different matter now. This is a piece of legislation with a seven years' limitation, which is not necessary. Leave it unlimited. Are we to be fed with a spoon in regard to every little thing. Self-government we are not entitled to, and even protection for a small matter is to be doled out to us for a few years first, then another year and some more later. My friend here corrects me that that is only with regard to the rates. Well, rates mean protection as I understand it. I do not want to enter into small technical differences, but how is this seven years calculated? I have tried to understand a bit of these calculations so that I may be able to deal with that aspect also to some extent. When I say these things there is no desire on my part that any special protection to be given to this particular company should not be given; but if we have to legislate we have to do our duty in the best possible manner, and I would therefore request this House and the members of the Select Committee not to allow this Bill to pass with this basic duty as basic principle as it is stated here. It is stated here in the Statement of Objects and Reasons as follows:

"Such articles, if of British manufacture, will be subject to a lower rate of duty"—which the Board call the basic duty—

"and if not of British manufacture, to a higher rate of duty. It is the difference between these two rates which constitutes what the Board call the additional duty. Power is taken in clause 2 of the Bill to increase or reduce the duties on articles not of British manufacture, subject to the proviso that the duties on such articles shall not be less than the duties on similar articles of British manufacture."

It is ridiculous to put it in the Bill in that particular form and to ask this House to pass it into law. I therefore request you, Sir, not to do it.

* **Sir Purshotamdas Thakurdas** (Indian Merchants' Chamber: Indian Commerce): Sir, I shall begin on this occasion, as I did on the previous occasion when the question of steel protection was under consideration, by divulging my interest in steel protection as far as it affects the Tata Iron and Steel Company. I am a Director of that Company and as such still hold shares as I held in 1924. I do not rise to-day, Sir, to give on behalf of the Company any explanation or any reply to the various points which have been urged in the course of the debate. My first

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purpose for which I rise to-day is to tender, in my capacity as a Director of the Tata Iron and Steel Board, my congratulations to Government on their being able to-day to present to the Assembly a scheme for continuing the protection and on their being able to say to the public that the scheme which was started in 1924 has not been as bad a failure as it was apprehended at that time in some quarters. There is no doubt that in 1924, and for a year or two thereafter, the steel industry to which protection was afforded had to pass through some very trying times. The Honourable Member in charge, Sir, referred to various quarters in which credit for the present condition of the Steel Company is due, and I am sure that he will allow me to add to that by naming the late Mr. R. D. Tata, who stood the largest amount of brunt of those very dark days for the steel industry. I wish to add my tribute, Sir, to the many that have been offered to the Honourable Member in charge on the very lucid statement that he has made to-day. But such lucid statements from the Honourable Sir Charles Innes have been the rule, and if he did anything less, we should have been greatly disappointed. I only hope that when seven years later (should the Select Committee pass the Bill put before us), when the Member in charge of the Commerce Department brings before the Assembly a motion that protection to the steel industry be discontinued because the steel industry had established itself independently, I hope, Sir, that the Honourable Sir Charles Innes, if he is not then in the Government of India, may be present in the gallery here; and I am sure that he will be the proudest ex-official of the Government of India, for having ensured for India, during his term of office, this important basic industry and given it under certain circumstances of great strain to himself. So much for the personal part in connection with the Bill. But I cannot pass on to the next point without adding just a word about the Tariff Board, and especially the Chairman of the Tariff Board, Mr. Ginwala. I am sure that Members of this House will admit that the Report that is under the consideration of this House is on the same lines as the various other Reports of the Tariff Board—marked by great thoroughness, great clarity of treatment and especially by a complete view of the subject under examination from every possible aspect. My Honourable friend from Madras criticized the Report by saying that the Committee had overlooked the political aspect contained in one of the recommendations. There perhaps may be no difference of opinion that it has been overlooked. But, Sir, the Tariff Board have not been unconscious of it; in fact in paragraph 105 the Tariff Board themselves make it clear that they are aware that there is strong feeling against any preference either to the United Kingdom or any part of the Empire, but they say that they propose to look at the question from the point of view, pure and simple, of the economic aspect. It is true, Sir, that in this particular case if the Tariff Board had tried to take cognisance of the political aspect of the question it would have suited us on this side of the House. But it may be, Sir, that another Tariff Board might have liked to take a view of the political aspect of the question which might not have suited us; and after all does this House wish that a Board or a committee appointed for the express purpose of a scientific enquiry into a question should also take cognisance of the political aspect of things? (Sir Walter Willson: "No.") I should have thought that we wished to reserve that to this House. That is one matter which the Govern-

ment of India at the very best could only be entrusted with for the purpose of putting forward their proposals. I am afraid this House would be very jealous of any Committee or any Department of the Government, barring the Government of India as a whole, taking any view on the political aspect of things. I hope that I have succeeded in making it clear to my friend Mr. Srinivasa Iyengar that the Tariff Board do not deserve any censure for having overlooked the political aspect of the question. It is for the House to do it and I hope the House will rise to the occasion and do what is right, fair and just in the best interests of India. With these remarks, Sir, I hope the House will endorse their tribute of great appreciation of the splendid Report that the Tariff Board have given us, so full, so complete and confined to the economic aspect of the question only. Regarding the preference part which is contained in the Tariff Board's Report, my own constituency, the Indian Merchants' Chamber have submitted to Government the opinion of the Committee in very unmistakable words and terms. The telegram which I had the honour of forwarding to Sir Charles Innes last Sunday afternoon said that the Committee of the Indian Merchants' Chamber did not approve of what they termed the backdoor way of preference. I am very glad that Sir Charles Innes in the course of his opening statement made it clear that the approval of the motion before the House, namely, reference to Select Committee, only involved acceptance of the principle that further protection was necessary for the steel industry and nothing further. The other question, Sir, is left open to be considered in the Select Committee and I do not wish to anticipate any of the various grounds which I am sure the Select Committee would take into the fullest consideration before they submit their report to the House. Accidentally and to my great relief I find, Sir, that I am disabled from acting on the Select Committee. I am not at all sorry for it. I wish the Select Committee the joy of the task that there is before them. The names that we have heard embolden me to hope that the Select Committee will give a report which will meet the case without sacrificing any of the various views and standpoints which have been put before the House, especially by my friend Mr. Prakasam and Pandit Madan Mohan Malaviya. I feel that I need not elaborate upon the reason why the Tata Iron and Steel Company are not able to complete or accept the offer of the rail contract which the Honourable the Commerce Member has referred. As he himself knows, there are various sound reasons why the Tata Iron and Steel Company cannot accept the offer with any alacrity but I do not think details about these transactions need be discussed on the floor of the House.

But I cannot conclude, Sir, without referring to a very remarkable part of the condition of the motion that is before the House. The motion, Sir, says that the Select Committee should submit their report by the 1st of February. Sir Charles Innes has told us that it is very necessary that this Bill should be passed, presumably by both Houses, before the 31st of March. I congratulate Sir Charles Innes on the great foresight with which he undertakes things in very good time, Sir. That is in smart contract to what Sir Basil Blackett told us yesterday, he was going to do. But there also, Sir, I read something which I am afraid does not indicate to us that the two questions, namely, the question of ratio and steel protection, are being treated with even-handed justice. This Bill

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before the House, Sir, accepts the recommendations of the Tariff Board which are based on the 1s. 6d. ratio. If these proposals are accepted, I am sure that the Honourable Sir Charles Innes with his usual energy, as soon as the Select Committee's Report is in, will worry the Home Member to give him an early date and will get the Bill before the House; and if the Bill be carried, in view of the strong Select Committee which is being appointed, I am afraid that there is a very serious risk of the House being told later of the ratio of 1s. 6d. being approved by it in this Bill. The whole of this scheme of steel protection is based on 1s. 6d. If 1s. 4d. is approved it would mean too much protection for the steel industry. Indeed, Sir, and may I ask, not the Honourable Commerce Member, nor the Home Member separately, but the Government of India as they are represented here on the Benches opposite, whether this is the right way of getting a question settled which will affect every measure which will come before this House this Session. Why not get the ratio settled first and then get your Steel (Protection) Bill. If the 1s. 4d. ratio is passed by the House—and I will assume for a moment it does—the Honourable the Commerce Member will have to come back for an amendment of this Bill. Will the protection under the 1s. 4d. ratio be the same as the 1s. 6d. ratio? In a certain paragraph of the Report the Tariff Board themselves say that all the calculations are based on 1s. 6d. I would like the Honourable Commerce Member to tell us what the protection will need to be if the ratio happens to be 1s. 4d. Very little indeed, at any rate not such as will tax the consumer so heavily. I therefore feel that before this protection Bill can be considered by this House or can be disposed of by the Select Committee, the question of the ratio must be settled, and the question of the ratio must be brought up before the House for their serious consideration. Whether the Select Committee after what I have submitted will agree to go ahead with this question of the various duties without getting a clear idea of what the ratio is going to be, it is for them to decide. I think it my duty, Sir, at least to point out that there appears to me to be what I may call—it is a very appropriate word and it should not be understood to convey any reflection—a trap, and I do not think this House should fall into that trap. I hope things will be taken in the sequence in which they should be taken in matters fiscal and financial. The ratio must be settled first and everything else must follow that. I have pleasure in supporting the motion before the House.

Lala Lajpat Rai (Jullundur Division: Non-Muhammadan): Sir, at this stage I rise just to make one observation because it seems to me that the distinction that has been attempted to be drawn between political and economic issues is simply gratuitous. In these days of silver bullets there is absolutely no distinction between political and economic issues, and if there is any at any time it is very faint. Political issues involve economic issues and economic issues involve political issues. The question of the exchange ratio as well as the question of the protection of the steel industry have both political and economic aspects, and it is very difficult to separate them. As I understood from the speech of the Honourable Member in charge of the Bill, the basic principle of this Bill is to continue protection to the steel industry which was adopted in 1924. The other question involved in this Bill is whether that protection can be made

effective without the differentiation which the Tariff Board has tried to make between Continental and British steel. It will be for the Select Committee to see whether that protection can be made efficacious without that differentiation and if not, whether they will prefer to make that differentiation or to reject the Bill as it is. That is a question for the Select Committee to consider and to report on to this House. I understand these two issues are both political as well as economic and therefore there is no use making any clear distinction between the two. The two things are interdependent the political and the economic issues; the basic principle of protection is accepted. The other question of differentiation will come before this House for discussion after the Bill has been reported upon by the Select Committee. The House will then decide whether protection can be given without differentiation or whether the Bill should be dropped altogether.

Sir Walter Willson: Sir, I did not see any intention on the part of other Members to rise so I thought I had better do so myself in case I was shut out, as I was on a previous occasion. But if I might, I would suggest to you that as it is nearly half past one, it might be for the convenience of every one if we take it after Lunch? As you will, I am quite ready to proceed.

Mr. President: The House stands adjourned till Half Past Two.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. President in the Chair.

Mr. President: The House will now resume consideration of the motion of the Honourable Sir Charles Innes.

Sir Walter Willson: Sir, at the outset I need do no more than remind the House, as it is well aware, that I have already declared my personal interest in the Tata Iron and Steel Works on a previous occasion. I desire to join in the congratulations which have been passed and paid to the Tariff Board for their wonderful Report. Whether one agrees with it in whole, in part or not at all, it will I am sure be readily admitted that they have shown the greatest consideration to the tax-payer and to the Company, and they are convinced that the protection they recommend is the minimum that will prove effective. Their finding should do a great deal to allay the fears of those who thought that the introduction of any protective system in India at all meant despatching India, the steel and iron and other industries, on the downward path to ruin.

But there are one or two points in the Report on which I wish to offer a few observations. It says on page 19 that the coke ovens cannot at present turn out sufficient coke for the manufacture of pig-iron and it is thought necessary to provide additional coke ovens. I think that is hardly fair. So far as it goes, my experience is that any concern which tries to be directly self-supporting from start to finish is in great danger of having the overlapping of certain parts of its plant, and constant adjustments are always necessary. The point I wish to make here is, that a concern which receives so much protection and help from the public and from the

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tax-payer in the shape of these protective duties, which cause an increase in the price of steel which reacts upon the producers of coal and coke, should not grudge a modicum of profit to those whose business it is to produce both coke and coal and try to seize the last ounce of it for themselves. It is the case that all coal companies raise slack, that they have to dispose of that slack and many of them turn it into coke themselves at the point where it is raised and at a price which compares favourably with any price at which the Tata Iron and Steel Company can make it, after first carrying the slack to Jamshedpur. That argument is strengthened by the fact that it is admitted that the Tata Iron and Steel Company employ some 70 per cent. more men in the manufacture of their coke and pig-iron at Jamshedpur than the Indian Iron and Steel Company do, *vide* page 25 of the Tariff Board's Report.

Sir Charles Innes pointed out this morning, in one of those masterly speeches we are so used to from him, that we have paid by our grant of bounties 209 lakhs to the Tata Iron and Steel Company. I wish to do no more than remind the House, what I want them always to have prominently in mind—that Tatas themselves paid out in dividends between the years 1919 and 1922 Rs. 156½ lakhs, so that what has happened is that we have restored to the Company money which in my view their directors ought not to have paid out. They should have husbanded their resources, in which case the demand for protection would have been less when it came to us than it really was. At the same time, we were aware of that at the time, and we voted the protection in order to save the Company, which we have done; and it is a source of satisfaction to us to find that it has been successful and that we have now reached the stage of reducing the amount of burden to be placed on the tax-payer.

The Government attitude to-day varies somewhat from that of the past in so far as they have now found themselves able to accept the Tariff Board's finding *en bloc*, whereas on the previous occasions they brought before us a Bill somewhat modifying those proposals.

The only principle of this Bill is the continuing of protection for a definite period of seven years, and if we accept the principle of protection at all we must not quarrel with the seven years nor dispute that the protection must be effective. The Tariff Board also point out that this protection should be sufficient to encourage other Companies to start and develop, and I am sure we all hope that they will do so, since there is no better incentive towards efficient production than competition. It is very gratifying to see that the returns of the Company are steadily improving. Competition, however, will do more than tariffs to bring those matters to a high state of perfection.

I notice that no protection has so far been provided for the railway wagon industry, which at the moment is now open to this handicap. The actual import duty on the steel from which wagons are made or would be made is 17 per cent., whereas the manufactured wagon itself can now be imported at the duty of 10 per cent. That is, therefore, a matter which will probably come before us later to deal with. At the present moment, of course, wagons are in receipt of some bounty and I understand that there are still a few rupees in the Government locker to continue paying those bounties a little longer.

I do not wish to repeat the arguments that I made in the past about achieving these protective results by payments on the bounty system, only because that question has been fully gone into by the House and we have had to deal with it in other ways. But the Government in referring this particular question to the Tariff Board spiked any guns that the Tariff Board might have wanted to bring to play upon it by putting the responsibility upon them to suggest where the money should come from! I must also reserve for another occasion some remarks which I feel would be deserved in regard to the Tata Company's method of treating their shareholders. It has been said on behalf of the Company that the proposals which they recently made were due to the indication given to them by Government that some drastic reduction or change of their capital should be necessary. The point which I hope I will have another occasion to deal with will be the unfairness of differentiating in favour of the ordinary and deferred shareholders at the expense of the second preference shareholders only.

I next turn to the question which has been raised in this House, that these differentiating duties now proposed are in the nature of Imperial preference. Sir, paragraph 93 and the following paragraphs of the Tariff Board Report place one, I think, in a very strong position to defend these proposals on the purely economic grounds as stated. The Tariff Board make it perfectly plain that the Tata Steel Company produces "Standard steel". Now, it has been said and accepted so often in this House that if you are going to have protection at all you must make it effective, so I ask what would be the use of imposing a rate of duty which would sound all right on paper but would not provide your steel company with a market? Paragraph 93 says:

"that the Tata Steel Company produces British Standard specification, but the market for this class of steel is not sufficiently wide to absorb the whole of the Company's production."

What, therefore, would be the use of a merely paper rate of protection if it does not provide a market? Paragraph 95 makes it plain that, without a distinction in these duties, we should have to have the maximum rate of Rs. 30 per ton as the import duty instead of Rs. 19 per ton which the Tariff Board have found will be sufficient as a basic rate. It means simply that the price of Tata steel would be raised to the country and that every consumer would have to pay Rs. 30 per ton, Rs. 11 more than the Rs. 19 which the Tariff Board find will be quite sufficient, except when it is necessary to reserve some portion of the Continental market for Tatas. The Honourable Sir Charles Innes made that point as plain as he could. It only requires a little emphasis. Dismiss from your mind that it is a question of "British" steel, and take it only that it is a question of "Standard Steel" *versus* "Non-standard Steel". I do not think that it could be put in any simpler language than that. And the final reason for their finding seems to me to be very definite in paragraph 101:

"Nor can we overlook the fact that the Steel industry is a basic industry and any unnecessary increase in the price of standard steel will raise the cost of the raw material of other Indian industries."

In paragraph 102 there appears the remark, which we all know so well, that "the supply of cheap machinery is an essential condition of industrial progress". That, Sir, to my mind, makes it very very plain that there is no question of Imperial preference whatever, but simply a case of there being six methods of dealing with the position, of which the Tariff

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Board reject five in favour of the sixth. And having studied their remarks very carefully myself, I have come to the conclusion that the sixth method is the best of the half dozen.

Mr. M. A. Jinnah (Bombay City: Muhammadan Urban): I hope it is not final.

Sir Walter Willson: Those, Sir, are, I think, the only remarks I wish to make at the present stage, except this that I am not enamoured of the idea that the Select Committee's Report should necessarily be in by the 1st of February. But if we are going to sit at all, by all means let us sit and get on with the work, and it will be for the House subsequently to say when our final conclusions should be reached.

***Mr. M. A. Jinnah**: Sir, at present I am not concerned so much with the various provisions of this Bill. So far as the principle of this Bill is concerned, I have no hesitation in accepting it as it was very clearly and lucidly explained by the Honourable Member in charge. It is no use my congratulating him, but I must say this that when I listened to his very interesting speech, even a layman like myself was able to understand the important issues involved in this Bill; and when a layman can be made to understand these within an hour's speech, having regard to the complexity of this question, I think, if I may say so, it is a very great compliment to the Honourable Member. (Applause.) Sir, I have come to no conclusions at all and I hope that my Honourable friend has not come to any final conclusion and will be open to conviction as I see his name appears amongst the members of the Select Committee. Therefore, I will not express any opinion at all having been privileged to serve on the Select Committee. At the same time, I am sure that the opinions expressed from the various quarters of the House will be of very great use to the Select Committee, and it is just as well that the Select Committee that you are going to appoint should be placed in possession of the views expressed from various quarters of the House.

Sir, two difficulties have been pointed out. One is, is this an Imperial preference or is it merely differential duties which are sought to be imposed on economic grounds? That is one controversy. The other controversy is the point of my friend Sir Purshotamdas Thakurdas. His point is that if the Ratio Bill—I will describe it as the Ratio Bill for the sake of brevity—if the Ratio Bill which is before this House and the question of the ratio is decided, then it will materially affect the decision of this House, because in that case it may not be necessary to have the duties which are proposed by this Bill. In other words, the protection which this Bill seeks to give by its provisions is based on the ratio of 1s. 6d., and, if eventually it is decided that the ratio should be 1s. 4d., it will make a considerable difference to the duties which this Bill proposes. The Select Committee I suppose must proceed with their work, and when they make their report it does not follow that this Bill must precede the other Bill. It will be entirely in the hands of the House to say that the further consideration of this Bill should be postponed until the other one is taken up. But for that reason we should not delay the work of the Select Committee, and therefore I am prepared to agree to this motion with one suggestion which is purely one from the

*Speech not corrected by the Honourable Member.

business point of view, and that is that it will not be possible as far as I can see for the Select Committee to make their report by the 1st February. . . .

Mr. President: Does the Honourable Member wish to suggest any alteration in the date?

Mr. M. A. Jinnah: Yes, Sir. I am going to suggest that instead of the 1st it should be the 8th February, because I think this is an important measure and the Select Committee will not have sufficient time. Therefore, the amendment that I suggest is that instead of the 1st it should be the 8th February.

Mr. President: The question is that the word " 8th " be substituted for the word " 1st ".

The motion was adopted.

Mr. N. M. Joshi (Nominated: Labour Interests): I am one of those Members who had taken part in the debates not only on the general question of the policy of protection, but on the question of protection for the steel industry. It is not therefore necessary for me to make a very long speech on this subject, but I feel that it is necessary that I should with your indulgence reiterate very briefly some of the points which I had then stressed in my speeches on this question.

At the outset it is necessary to state that I am not one of those people who think that it is in the interests of this country to revert to the antiquated plough or to the charka. I strongly believe that it is in the interests of this country that industries on modern lines should be developed, but I believe also that these industries should be developed on proper and sound lines. I strongly believe that when we develop our industries all classes and communities in this country should derive their benefit. I also believe that the wealth produced in the industries should be more equitably distributed than it is to-day. Sir, I am not also against the principle of protection because I believe that there are countries in this world who still believe in a commercial war, and, as long as such countries exist, it is necessary for our country to take steps to protect its industries against those people who conduct commercial wars. But, Sir, I do not believe in the methods of protection which have been advocated in this House. I feel that the method of protecting an industry by means of a tariff wall is the worst method that the Government could have selected. In the first place the method of protecting an industry by means of a tariff wall is uncertain in its result. In the year 1924 we raised a tariff wall round our steel industry, but we found very soon that that tariff wall was insufficient to protect the industry. We had therefore to resort to another method of protecting the industry, namely, we had to give bounties to that industry. Why should we therefore prefer a method which is not certain of achieving the result which we have in view? Moreover, the method of protecting an industry by means of an import duty throws a burden upon those people who may not be able to bear that burden. It is true that the nation requires the steel industry. But, if the nation requires the steel industry, and if that industry requires protection, the burden of protection should fall upon those classes which are able to bear the burden of that protection. Unfortunately, when you impose import duties, you cannot discriminate between the class which is able to bear the burden and the class which is not able to bear it. From this point of view

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the method of protecting an industry by means of an import duty is undesirable. I would even prefer the method of protecting an industry by means of bounties, because the protection so given is in the first place a visible protection. Unfortunately, in our country a large number of people are ignorant and illiterate, and when protection is given to an industry they do not even understand what it means. They do not understand that in giving protection to the industry they are making a very large sacrifice. I have seen people who did not realize that the protection of an industry by means of an import duty means the imposition of fresh taxation. I have seen people who did not realise this. Now, from this point of view protection of industries by means of bounties is really in the interests of the country, because people in the country will realize that a particular industry is being protected at the cost of the nation. Then, secondly, when you protect an industry by means of bounties, it is possible for you to throw the burden of that protection upon such classes as are able to bear that burden. If for protecting an industry we require, say, 2 crores and 9 lakhs, as we required to protect this industry during the last three years, it is quite possible to raise that sum by increasing the income-tax by a very small proportion, and the burden of that protection will then fall upon a class which in my judgment is quite able to bear that burden. Moreover, Sir, there is great equity in throwing that burden upon that class. We in this House represent mostly those classes of people who pay income-tax, and if we by our vote are going to impose a burden upon the country for the protection of an industry it is better that the burden should fall upon those people whom this House represents. Sir, on account of these considerations I should have preferred to protect the steel industry by means of bounties. Sir, in my judgment, if an industry is a basic industry, a key industry, and the nation requires it, it is better that that industry should be controlled by the nation itself and not by private owners. I therefore think that all basic and key industries should be owned and controlled by the nation and should not be left to private enterprise. Sir, I therefore think that this steel industry which is considered to be a basic industry should be protected by the nation conducting that industry, owning it and keeping it under its control. Sir, if you adopt this method of protecting an industry it is possible for the nation to protect it adequately, because, if the nation makes sacrifices in order to protect this industry in a time of depression, it is possible for the nation to reap the benefit and share in the profits when prosperity comes. Unfortunately, under the present circumstances, you ask the nation to make sacrifices when the industry is in a depressed condition, but when the depression passes away and the industry becomes prosperous the nation will not, or at least may not, be allowed to share in the prosperity of that industry. Sir, it is quite possible, and I hope that after a few years the old boom might re-appear and the industry may begin to give very large dividends. But it is also possible that after a few years a time of depression may come, and again this House may be asked to re-impose the protective duties. Now it is not right that any nation should make sacrifices for developing an industry without sharing in the profits of that industry. I therefore think that the method of nationalizing the key industries or the basic industries is the best method of developing industries and is also in the best interests of the country. Then, Sir, the method of nationalization will enable the nation to give adequate protection. After all, when you give protection to a private enterprise, there

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will be a limit to the sacrifice which you may ask the country to make in the interests of that industry. But if the nation owns and controls the industry, the nation may, in the hope of being compensated in a few years, make larger sacrifices than it will make if the industry is in private hands. I therefore think, Sir, that in the case of the steel industry we should give up the policy which we are following at present and should adopt the policy of taking this industry under the control and ownership of the whole nation.

But, Sir, I fully realize that the House as constituted under the present circumstances may not be favourable to this proposal (Hear, hear). (*A Voice*: "Too advanced".) But it is quite possible for this House to follow the method which they approve of, with some modifications, and to take at least sufficient precaution to see that the country will not lose on the whole. It is therefore necessary that we should impose certain conditions upon those people who want to take the benefit of the policy of protection which this House has enunciated. The first condition that I would lay on those people who want protection at the hands of this House is that not only should the interests of those people who invest their money in the industry be protected, but the interests of those people who invest their human labour in the industry should also be protected. (Hear, hear.) I think, Sir, that that condition is an absolutely necessary condition to be laid on those people who want protection from this House for the industry. I hope, therefore, that this House before it passes this Bill will impose this condition. My colleague, the Honourable Member for Agra, has mentioned the omission of certain conditions from this Bill. I know, Sir, that the Honourable the Commerce Member may say that when you give protection by imposing duties on goods imported from outside, it is impossible for you to discriminate between those people who would obey these conditions and those people who do not. How are you going to punish those people who do not follow the conditions laid down? But, Sir, if the industry wants protection, it will be the duty of that industry to see that every one who gets the benefit of that industry will follow the conditions laid down by this House. It is possible for us to insist that those people who conduct this industry will form themselves into a federation or adopt any other kind of amalgamation so that all the conditions laid down by this House will be followed by those people who get the benefit of this industry. If they are unwilling to form a federation or if they are unwilling to form themselves into an organisation which can make the members follow the conditions laid down by this House, then certainly it is not the business of this House to give protection to those people who are unwilling to follow these conditions. I therefore think, Sir, it is quite possible for this House to impose certain conditions upon those people who want protection at the hands of this House. The first condition, as I said, will be that those people who invest their human labour in this industry should be protected. Then, Sir, I would lay down another condition and it is this, that those people who get the benefit of this policy of protection will not misuse this protection given to them. I will therefore lay down a condition that in the case of those industries which are protected a limit to the dividends to be given to the shareholders should be fixed. It is necessary that these industries should not come to this House again and again for protection. If we restrict dividends this industry will be placed on a sound footing. Then by restricting dividends it is possible for the nation to reap the benefit of the prosperity of that industry when the nation had made sacrifices for that industry when it was in a depressed

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condition. I therefore think that before this Bill is passed this House should insist that in the case of this industry the dividends to be given to shareholders shall be restricted according to the discretion of this House. Then, Sir, I should also lay down a condition that the industries which are protected in the interests of the nation shall not be transferred to any foreign company or to people who have no interest in this country. It is quite possible that that industry which the nation had protected after a good deal of sacrifice may be transferred to foreigners or to foreign companies. It is therefore necessary that we should lay down a condition that this nation is not going to make sacrifices for people outside this country. If sacrifices are to be made those sacrifices ought to be made for the people in this country and not for people who are outsiders. It is therefore necessary that we should lay down this condition very clearly that any industry which is to be protected shall not be transferred to foreign hands. Then, Sir, I should also lay down a condition that those people who are in authority in this industry shall be Indians. I know, Sir, the interest this House takes in the Indianisation of the services. I therefore hope that this House will insist that the management of works or undertakings which are helped by this House by protection shall be Indianised at the earliest date. Sir, my colleague the Honourable Member for Agra mentioned this point and he pointed out that in the year 1921-22 the figures given by the Tariff Board are that there were 74 covenanted hands on the Tata Iron and Steel Works. Now, this was the year of the enquiry. The Tariff Board stated that the number of covenanted hands was going down. But when the enquiry was finished the number went up, and I again read in this year's Tariff Board's Report that although the total has gone up to more than 200, the number is again going down. Now, this House can very well see that whereas in the year 1921-22 the number of covenanted hands was 74 it is 161 to-day. I am quite sure that this House is not going to be satisfied with this kind of Indianisation. It is not Indianisation; it is quite the other way. I therefore hope that when this Bill is passed the House will insist that the industry which is to receive protection at its hands shall only be protected on the condition mentioned by me. With these words I support this motion.

Mr. Gaya Prasad Singh (Muzaffarpur *cum* Champaran: Non-Muhamadan): Sir, I rise to support wholeheartedly the principle of this Bill in so far as it seeks to provide for the continuance of protection to the steel industry by means of increased duties on imports. But at the same time I must make my position quite clear by stating that I am opposed to the system of Imperial preference which is sought to be introduced in the Report of the Tariff Board and the Bill. Reading the summary of the Report I find this at page 98:

"Competition in certain products comes almost entirely from the United Kingdom, and in others from the United Kingdom and the Continent. We regard it as probable that the prices of British steel in the future will be fairly stable, but the course of Continental prices cannot be foreseen. On economic grounds, therefore, it is advisable that two scales of duties be imposed, a basic duty fixed with reference to the price of British steel and an additional duty based on the margin between British and Continental prices, allowance being made for the difference in quality between the two kinds of steel. The basic duty will be levied on steel coming from all countries while the additional duties will be confined to non-British steel."

Sir, in this short paragraph two statements have been made for which I find no justification in the body of this Report, so far as I have read

it: one is the reference that the price of British steel in the future will be fairly stable, and the other is that there is a difference in quality between the two kinds of steel of British and foreign manufacture. I am glad to see that the system of bounties is not sought to be introduced into this Bill.

With regard to the point sought to be made by my friend Mr. Joshi, I shall refer him to page 99, paragraph 18, which says:

"The conditions of employment of Indian labour at Jamshedpur are found to be satisfactory, and good progress is being made in the appointment of Indians to the higher technical posts."

I hope these two points will not be overlooked.

I shall also commend to the Honourable the Commerce Member the following recommendation of the Tariff Board (page 99), which says:

"It is essential in the interests of the Indian industry that railways should encourage the use of Indian structural steel by revising the designs for bridges and other structures so as to permit of the utilization of the maximum amount of steel manufactured in India."

Sir, I will make only one remark at this stage. I am glad that the Honourable Pandit Malaviya and Lala Lajpat Rai have taken the earliest opportunity of speaking in support of this Bill, because judging from the literature which went out in their names during the last few months the public were led to believe that these gentlemen were opposed to the system of protective duties. I hold in my hands a Hindi leaflet which purported to have been signed by Pandit Malaviya and Lala Lajpat Rai. It was distributed broadcast during the elections, and there is

Mr. President: Order, order. The Honourable Member is absolutely irrelevant.

Mr. Gaya Prasad Singh: I was only going to say

Mr. President: Order, order. The Chair has ruled that the matter the Honourable Member is referring to is entirely irrelevant.

Mr. Gaya Prasad Singh: I will make no reference to this leaflet, but merely say that a section of the public were led to believe that these two gentlemen were entirely opposed to the last Tariff Bill which we passed. (*Some Honourable Members:* "You are wrong there.") I have got the leaflet and will make a present of it to you. I do not want to make any further reference to the matter.

Mr. M. R. Jayakar (Bombay City: Non-Muhammadan Urban): Sir, I rise to make a few observations on this Bill and I do so with considerable hesitation, as a layman, in a short speech which I propose to make with the view of finding out more facts and also of stating my position clearly because I have agreed to be on the Select Committee of this Bill.

• First of all I must congratulate the Government on their wonderful despatch—and I hope we shall have many instances to congratulate them in a similar manner—with which they have embodied the recommendations of the Tariff Committee in this Bill. From the dates I find that the Report was made on the 14th December, 1926, and the Bill is dated the 14th January, 1927; that means within a month. May we hope, Sir, that similar despatch will be shown by the Government when other Bills are on and other reports are to be considered.

[Mr. M. R. Jayakar.]

The one feature of the Bill which I think should be very clearly discussed in this House is the one which the uncharitable critics of the Government of India have described, and will describe, as the backdoor way in which preference is given to British articles. It is supposed, speaking from the point of view of distant Bombay from which I come, that the Government of India are in the habit of presenting to the people many unpleasant alternatives by impaling them on the horns of a dilemma. We had one instance of it yesterday, when my Honourable friend, the Muhammadan Member for Bombay City stated, what is regarded as a very extensive apprehension on my side of the country, that the Government of India desired to put this House in the position, when the Budget comes up, of being asked to accept one of two unpleasant alternatives, namely, a ratio of 1s. 6d. or a deficit. My Honourable friends will recall Mr. Jinnah's speech yesterday in which he voiced this apprehension in very clear terms. The same uncharitable critics, Sir, are apprehending that it is very unfortunate that the Government are presenting this Bill in which we are asked to support the key industry of this country, namely, Tata iron and steel, only on the condition that we agree to give preference to British articles. Though a politician, I may state clearly that I am not afraid of giving preference to British goods, but I do think, with all the sincerity I can command, that we should agree to give such preference only for an adequate price. I do think in the first instance that to allow British preference to creep in by a side door is objectionable. Secondly, to allow it to come in for such a small price as a little protection to the Tata's is politically inexpedient. I do think, Sir, that this is too small a price to be paid by Britain for obtaining preference for British articles. I will say, as a politician, that if I was sitting at a round table and bargaining for my country and the British agreed to pay an adequate price, *e.g.*, if they agreed to remove all the British soldiers from India or to Indianise all the services within five years, I would be the first man to accept preference for British articles. There is no doubt that the Government are surreptitiously introducing a far-reaching principle by a backdoor. So far as I remember, the principle of foreign preference was ruled out by the Tariff Board in a previous report. I have not the book before me. We unfortunately suffer from a lack of books here, I think I am right—if I am wrong I wish to be corrected—in saying that in a previous report the Tariff Board definitely ruled out all idea of giving preference either to Britain or to the British Empire, and I am surprised, Sir, that the same principle has been now recommended as a condition on which alone our steel industry can receive protection. There are a number of other questions which I should have liked to ask, but I propose to reserve them as I happen to be on the Select Committee and I shall have a chance of putting them to the Honourable the Commerce Member. But one or two of these questions I will propound here so that we may have the answers in the speech the Commerce Member will make in reply to this debate and we shall know in the light of those answers how to shape our conduct accordingly.

I find in this Bill there are one or two assumptions made which I think are unjustified. I do maintain, Sir, that the danger of dumping Continental goods into India seems to me, as a layman, to be somewhat exaggerated. I should like to ask the Honourable Member for Commerce whether there is any embargo or ban placed in England upon Continental

goods, or whether the public in these Continental places endanger their safety by the use of these articles of steel for the purpose of constructing bridges, etc. I think it is special pleading—that particular paragraph in the Tariff Board's Report where they speak of the danger to public safety in employing non-British steel. Likewise, have proper safeguards been provided in the Bill against dumping? Supposing British merchants realise that in India their goods are accepted on better terms than elsewhere, and supposing they satisfy all their indigenous needs by the employment of Continental steel, reserving all the British steel to be shipped to this country, what provision is there in the Bill against such dumping? The Report of the Tariff Board contents itself with the pontifical remark that according to modern economic science it is impracticable to devise any way of preventing dumping. I say this is pontifical, just like their remark about bounties being antiquated. What we as laymen want to find out, and I hope the Honourable the Commerce Member will suggest this when we come to close grips in the Select Committee is, what provision is made here against such contingencies. Supposing British made articles of steel gradually deteriorate from the standard level which is spoken of in the Bill, what happens then? Supposing, on the other hand, Continental countries ship their steel to England because England is to be preferred and through England they ship their goods to India and consequent dumping follows, what provision against this is made in the Bill? I find none and I shall ask the Honourable the Commerce Member when we meet in the Select Committee what provision he suggests. I submit, Sir, that these questions are very important. Two or three of them I have sounded here with a view to getting some reply when the Honourable the Commerce Member replies to the debate. The others I shall reserve till the time when we meet in the Select Committee.

I must conclude by congratulating the Honourable the Commerce Member on the wonderfully lucid speech which he made and which I followed very carefully so far as it was possible to do so at this distance. I do hope the Select Committee will bear in mind all the points which have come out in the course of this debate and that the Bill will come back to this House in a considerably better form than it is now.

(Several Honourable Members moved that the question be put.)

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

The motion was adopted.

The Honourable Sir Charles Innes: Sir, I think the course of this debate shows the wisdom of the course which I have elected for, namely, that at the present moment the House should only commit itself to the principle that further protection is required and that for the rest we should talk out the matter in Select Committee. The speech we have just heard from Mr. Jayakar is an example of what I mean. Mr. Jayakar has put to me some very pertinent questions. He has asked me, for instance, "What is going to happen supposing British steel in the course of the next seven years deteriorates from its present high quality?" He has asked me: "What is going to happen supposing British steel makers import their semi-finished material from the Continent? How are they going to keep up to quality of their steel?" Now, Sir, those are very difficult and technical questions. To me it was obvious that these questions would be asked. I have had the answers worked out; I have got

[Sir Charles Innes.]

them, but as I have said they are intricate and they are technical matters, and it will be very much simpler for me to discuss them across the table of a committee room than across the floor of this House. And, Sir, the same remark applies to almost every other question that has been raised in the course of this debate. As far as the Government are concerned, as I said, we are so perfectly satisfied with the strength of our case that we are only too willing that the case should be probed, explored and sifted in every possible way.

The only point that I wish to take up in the debate is the suggestion of Mr. Jayakar that we are trying to introduce preferential treatment by a backdoor. I am not going to discuss the question of preferential treatment here; I do not admit there is any preference at all. I do not admit there is any preference in the sense in which that term is ordinarily used. But what are the facts? What are we introducing by a backdoor? The facts of the matter are that this matter has been examined by a Tariff Board, a Tariff Board consisting of two Indians and one European—Indians, I may say, who are just as keen and just as patriotic as any Member of this House. Those Indians have definitely recommended—they have definitely told us that in the economic interests of India they can only recommend one plan; and because we the Government have accepted that opinion, then, forsooth, gentlemen get up and say: "You are introducing preference by a backdoor." There is no backdoor about it at all; but as I have said I do not wish to detain the House now. We can discuss the whole of this matter in the Select Committee, and, Sir, I hope that the House will accept my motion.

Mr. President: The question is:

"That the Bill to provide for the continuance of the protection of the steel industry in British India be referred to a Select Committee consisting of the Honourable Sir Bhupendra Nath Mitra, Mr. M. R. Jayakar, Lala Lajpat Rai, Mr. M. A. Jinnah, Maulvi Muhammad Yakub, Mr. G. Sarvotham Rao, Sir Walter Willson, Mr. M. Ruthnaswamy, Mr. N. M. Joshi, Mr. R. K. Shanmukham Chetty, Mr. Jamnadas Mehta, Mr. M. K. Acharya, Kumar Ganganand Sinha, Mr. Amar Nath Dutt, Mr. W. S. Lamb, Mr. Ghansyam Das Birla and the Mover with instructions to report not later than the 8th February 1927, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

The motion was adopted.

DATE FOR THE ELECTION OF THE DEPUTY PRESIDENT.

Mr. President: I have to announce that I have fixed the following days for the election of the Deputy President. Nominations to be handed in to the President not later than 8 p.m. on Friday, the 28th January. Election on Monday, the 31st January, after questions. In this connection I would invite the attention of members to the provisions of Standing Order 5.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 27th January, 1927.