

Wednesday, 18th March, 1931

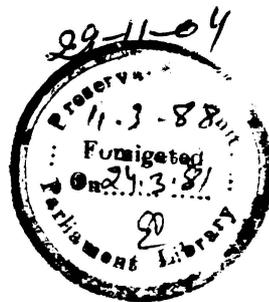
THE  
COUNCIL OF STATE DEBATES

VOLUME I, 1931

*(10th February to 2nd April, 1931)*

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FIRST SESSION  
OF THE  
THIRD COUNCIL OF STATE, 1931



CALCUTTA : GOVERNMENT OF INDIA  
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# COUNCIL OF STATE.

Wednesday, 18th March, 1931.

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

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## QUESTION AND ANSWER.

### TRANSFER OF ACCOUNTANTS AND CLERKS OF THE MILITARY ACCOUNTS DEPARTMENT.

113. THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTTA :  
1. Will Government be pleased to state how many accountants and clerks are now under orders of transfer from the Military Accountant General's office to the offices of the Controllers of Military Accounts ? Does this transfer entail any consequential transfer—

- (i) from the offices of the Controllers of Military Accounts to the Military Accountant General's office ;
- (ii) from one Controller's office to another ?

2. Are these transfers effected twice a year ? If so, were any transfers made in October last ?

3. In view of the present financial stringency and the pressing need for economy, do Government contemplate postponing the ensuing and the subsequent transfers until the stringency is over ?

THE HONOURABLE SIR ARTHUR MCWATTERS : 1. One accountant and nine clerks.

(i) and (ii). The answer is in the affirmative.

2. The reply to both points is in the affirmative.

3. As these transfers are made in the interests of the efficiency of the Military Accountant General's office and the establishment of the Military Accounts Department as a whole, the Government of India do not contemplate postponing them.

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### RESOLUTION *RE* CONSTITUTION OF A CENTRAL JUTE COMMITTEE.

THE HONOURABLE MR. SYED ABDUL HAFEEZ (East Bengal : Muhamadan) : Sir, I beg to move the Resolution which stands in my name in to-day's agenda. It reads thus :

“ That this Council recommends to the Governor General in Council that immediate steps be taken to accept and give effect to the recommendations of the Royal Commission on Agriculture and set up a Central Jute Committee representing the various interests concerned in the proportion of 65 per cent. jute growers, 20 per cent. balers and 15 per cent. jute-millers.”

[Mr. Syed Abdul Hafcez.]

It will appear that the Resolution consists of two parts. The first part deals with the establishment of a Central Jute Committee as recommended by the Royal Commission on Agriculture. The second part has reference to the proportion of representations of various jute interests on the Committee.

I shall deal with the first part of the Resolution first.

You are no doubt aware that the Honourable the Finance Member expressed the intention of the Government to establish a Central Jute Committee in his speech introducing the Budget on the 28th February last. In reply to my question on the same subject on the 9th instant the Government virtually accepted the proposal. I have thus been spared the pains of dwelling at length on this part of my Resolution and making a strong case for the acceptance of this House.

Sir, the creation of a Central Jute Committee was long overdue. The announcement by the Honourable the Finance Member in his Budget speech of setting up a Central Committee for Jute has not therefore come a moment too soon. To me it is specially welcome as I have the honour to represent a constituency which comprises 14 districts of Bengal and which alone produces the major portion of the total jute crop of the Bengal, Bihar and Orissa and Assam Provinces. I am also deeply grateful to the Government for the plan of financing the Central Jute Committee, namely, to make a reduction in the present rate of the jute export duty and to legislate for a corresponding amount to be levied as a cess for financing the Jute Committee. The total sum required for this purpose was estimated by the Royal Agricultural Commission at about Rs. 5 lakhs annually and in order to enable the Committee to undertake the useful work from the very outset the Government is prepared to make a proportionate grant at this rate pending the passage of the necessary legislation for the imposition of the cess. This anxiety on the part of the Government to see the Committee established at an early date is most commendable.

I am also told that the scheme has been worked out and that the Government of India stand ready at any time to help it financially, but that the matter is now under consideration between the Government of Bengal and *various jute interests in Calcutta*. I noted with some misgivings the last five words of the preceding sentence. *The various jute interests in Calcutta* do not certainly include the interests of the jute growers. I can assure the Honourable the Finance Member that the jute growers will warmly welcome the establishment of a Central Jute Committee but I doubted whether the *various interests in Calcutta*, which represented the jute mills, the jute balers and the jute brokers, would give any support to the proposal, as their interests clashed with those of the jute growers. The jute merchants have always adopted means, sometimes unfair, to purchase jute at a price which leaves hardly any margin of profit to the jute growers. Their one object has hitherto been to declare as high a dividend as possible, sometimes 500 per cent. to 700 per cent., to their shareholders at the cost of the jute growers. It is the well-organized associations of the jute mills and the jute balers which dictate the price of jute to the poor, helpless and the disorganized growers. Any scheme which has the remotest chance of benefiting the growers and affecting the high dividends of the shareholders of the jute mill is not likely to be welcome to them. I am sorry my misgivings have proved to be too true. My friend Mr. George Morgan who represents the European constituency of Bengal in the Assembly declared his opposition to the Honourable the Finance Member's proposal in the general discussion of the Budget. His voice is the voice of the

European merchants in Clive Street. It is Clive Street which has virtually so long shaped the Government policy with regard to trade, commerce and industries to the detriment of the interests of the children of the soil. In spite of the anxiety of the Government to establish the Central Jute Committee without avoidable delay the scheme is being held up by the *various jute interests in Calcutta*.

Jute has long ceased to be a profitable crop to the cultivators. The economic forces will compel the Bengal ryots to give up sooner or later the cultivation of jute, if this state of things continues without any change for the better. For years together they are selling jute at a heavy loss, and the result is their increasing indebtedness. Already 30 per cent. of their holdings have passed into the hands of the moneylenders and another 30 per cent. in the course of a few years will pass out of their hands.

Jute is at present a monopoly of Bengal but there is no guarantee that it will remain so. Attempts are being made to produce jute in other parts of the world. If those attempts succeed, the monopoly will be broken and the condition of the jute growers will be worse. The danger that an artificial product may be discovered and placed on the market at a price which will enable it to replace jute is also to be faced. The history of indigo is a striking illustration of the position in this direction. The situation is one which demands constant watchfulness. For jute to retain its present position, it is necessary that every effort should be made to improve the quality, outturn and method of manufacture and to maintain the relative cheapness of jute as compared with other fibres. Unless this is done there is an ever present risk that jute will cease to be cultivated and that a blow at the prosperity of Bengal will be struck. It will not only bring disaster to the growers but to the dealers and the manufacturers as well. The establishment of a Central Jute Committee is the one measure which is likely to prevent the impending catastrophe. It is not only in the interests of the jute growers but it is in the interests of the Government which derive annually a revenue of 4 to 5 crores of rupees from the export duty on the raw and manufactured jute, it is in the interests of the jute merchants and manufacturers who have sunk crores and crores in the hundreds of jute mills near about Calcutta, to save the jute industry from ruin. Unless my European friends give up their short-sighted policy and allow this scheme to materialise I shall not be surprised if the fate of the European indigo planters of Bengal will overtake the jute merchants. It was not the synthetic indigo, because synthetic indigo did not come into existence then, but their avarice and their oppression of the ryots which killed the once flourishing indigo industry in Bengal about a hundred years ago. The ruins of the indigo factories scattered all over Bengal are witnesses to the folly of the short-sighted policy of the indigo planters.

Sir, I now come to the second part of my Resolution. Whether the proposed Central Jute Committee will work in the interests of the jute growers or of the traders will depend to a very great extent upon the proportion of representation of the two interests on the Committee. In the Central Cotton Committee of 46 members I find only ten are representatives of the cotton growers although the entire working cost of the Committee comes from the pockets of the growers. Charges have often been laid against the Committee that it has been working in the interests of the traders and not in the interests of the growers. Whether such accusation is true or not, I cannot say, but this much I must say that the very inadequate representation of the cotton growers is unjust and gives them occasion for making a charge like this. I take it that the proposed Central Jute Committee is going to be created if not

[Mr. Syed Abdul Hafeez.]

solely, at least, mainly to help the jute growers, inasmuch as they and they alone are going to bear the entire cost. If that is so, it naturally follows that they must have a controlling voice in the Committee. With that aim in view I have proposed in my Resolution to fix the proportion of growers' representation at 65 per cent. of the total strength of the Committee. I am however prepared to take off 20 per cent. and make room for the representation of the Agricultural Departments of the three Provinces, Heads of Co-operative Departments and other Government officials. But on no account should the proportion of the representation of the merchants and the manufacturers be equal to or greater than that of the jute growers.

With these few words I move my Resolution.

THE HONOURABLE SIR FRANK NOYCE (Education, Health and Lands Secretary): Sir, the Honourable Mover of this Resolution has set me a comparatively easy task. It is not often that a speaker on this side of the House finds himself in the pleasant position of being able to meet a Resolution with the assurance that it has been already acted upon. The Government of India have accepted the recommendations of the Royal Commission on Agriculture in regard to the establishment of a Central Jute Committee. It is due to no indifference or lack of interest on their part that that Committee is not already in existence. The position in this respect has already been clearly explained in the speech of the Honourable the Finance Member in another House, from which the Mover of the Resolution has quoted. I should like to give him still one more quotation. It is from the letter which the Government of India addressed to the three Governments which are interested in this question, the Governments of Bengal, Bihar and Orissa and Assam, at the beginning of this year. This letter begins :

" I am directed to say that the Government of India have decided to undertake legislation forthwith for the creation of a Central Jute Committee."

We are now awaiting the reply to that letter from the Government of Bengal and hope that it will be received in time to permit of the necessary legislation being introduced at the Simla Session of the Legislature. The Honourable Mover of this Resolution may ask why it has taken so long to give effect to the recommendations of the Royal Commission on Agriculture. They were taken up at once by the Government of India. In June, 1929, they addressed Local Governments on the subject. The Honourable Member knows Calcutta far better than I do and he will, I think, understand that owing to the magnitude and variety of the interests involved, it is not an easy matter to establish a Committee of this kind which will be satisfactory to all the interests concerned. There have been lengthy discussions as to the scope and functions of the Committee and also about the method of financing it, even though the Government of India are providing the funds for the latter purpose. There still seems to be some misunderstanding about the exact scope of the Committee, and I cannot but think that it is due to that misunderstanding that the remarks were made in another House to which the Honourable Member has referred. It may be of interest to this House if I explain exactly what the Government of India's proposals under these heads are. Their intention is that the Jute Committee should have exactly the same functions in regard to jute as the Indian Central Cotton Committee has in regard to cotton. It is not intended that it should be given any powers of interference with the organisation of the trade. Such questions as jute grading, jute futures and the like are primarily matters for the trade, and if the Central Jute Committee consider that action

in respect of them is needed in the interests of the jute growers, it will be for them to convince the trade of its desirability. It is, therefore, proposed that the functions of the Committee should be confined to agricultural, technological and economic research, improvement of crop forecasts and statistics, the production, testing and distribution of improved seed, enquiry and recommendations relating to banking and transport facilities and transport routes, and the improvement of marketing. I cannot but think that a Committee which is established with these objects cannot fail to secure the support of all the interests concerned, European and Indian, commercial, manufacturing and cultivating. As regards the method of financing the Committee, it has been decided that the funds for it should be provided by a cess on jute exports only at the rate of one anna per bale on raw jute, 5 annas a ton on sacking and 8 annas a ton on hessians. A cess at this rate, when exports are normal, should produce an income of rather more than 5 lakhs a year. As mentioned in the Honourable the Finance Member's speech, the cess will be approximately set off by a reduction of 5 lakhs in the export duty on raw and manufactured jute. That, I think, Sir, sufficiently answers the first part of the Honourable Member's Resolution.

We now turn to the second part, that which deals with the personnel of the Committee, and here I fear I must part company with him. He has asked for a Committee consisting of 65 per cent. of jute-growers, 20 per cent. of balers and 15 per cent. of millers. The Committee, if it is constituted as suggested by the Government of India, will consist of 22 members only. The Government of India have been anxious to keep the Committee as small as possible, compatibly with the efficient discharge of its functions. On this Committee of 22, there will be ten representatives of the jute growers. One of them will be the Agricultural Expert to the Imperial Council of Agricultural Research, 4 will be representatives of the Agricultural Departments in the three provinces—two from Bengal, one from Bihar and Orissa and one from Assam; four will be direct representatives of the jute growers, two of them again coming from Bengal, one from Bihar and Orissa and one from Assam. There will also be a representative of the co-operative movement who, I think, can be regarded as a representative of the jute growers. That makes up a total of ten. There would be nine representatives of the trade. These will be made up of two representatives of the Bengal Chamber of Commerce, two of the Bengal National Chamber of Commerce, two representatives of the Indian Chamber of Commerce and two representatives of the jute trade, one each for Assam and Bihar and Orissa. There will also be the Director General of Commercial Intelligence and Statistics, who, I think, can, on the whole, be regarded as a representative of commercial interests. The manufacturers will be represented by two representatives of the Jute Mills Association. The Chairman of the Committee is to be Vice-Chairman of the Imperial Council of Agricultural Research. He should, of course, and undoubtedly will be neutral, but if he is regarded as an agricultural representative, the Committee will be made up of 11 representatives of the agricultural interests and 11 of commercial interests. Agricultural and commercial interests will thus be evenly balanced. The Honourable Member, I gather, objects to this on the ground that agricultural interests should be predominant. The prosperity of the jute grower is or should be a matter of the utmost concern to the commercial and trading interests. The jute grower on the other hand cannot prosper unless the commercial and manufacturing interests also prosper. I would submit for the consideration of the Honourable Mover of the Resolution that it is not desirable that any exact proportion should be laid down between the agricultural and commercial interests. The Indian Central Cotton

[Sir Frank Noyce.]

Committee which, in spite of his criticisms, has been a striking example of the success which can attend the establishment of a committee of this character has done far more for the cultivator of cotton than he would perhaps be prepared to agree. The constitution of that committee has expanded considerably since its inception, and that of the Central Jute Committee will doubtless do so likewise. It is for this reason that the Government of India propose to make provision in the proposed legislation for the addition of members to the Committee should it appear that there are other interests not already represented on it which ought to be represented. In conclusion, I must point out to the Honourable Member that the constitution of the Committee, as I have explained it, is at present provisional. The Governments of Bihar and Orissa and of Assam have agreed to it. We have, as I said before, still to get the reply of the Government of Bengal which we have asked to consult the various interests concerned. I may say that we have not asked them to consult the interests in Calcutta alone; we have asked them to consult all the interests concerned. Changes in the personnel and possibly in some other respects may be found necessary as the result of these enquiries, and I can only again refer to the last sentence of the Honourable the Finance Member's speech in which he laid down that it was for the various jute interests concerned to agree to the scheme which the Government of India have worked out, and added that the Government of India will then be willing to go ahead as rapidly as possible.

The position then is, Sir, that I gladly accept the Honourable Member's Resolution, if he is prepared to omit the words "in the proportion of 65 per cent. jute growers, 20 per cent. balers and 15 per cent. jute millers." Government have every intention of establishing a Committee which should be thoroughly representative of all the interests concerned, but they are unable to bind themselves to any definite proportion. I trust that this assurance will be satisfactory to the Honourable Mover of the Resolution and that he will agree to the omission of those words.

THE HONOURABLE MR. P. H. BROWNE (Bengal Chamber of Commerce): Sir, before the Honourable Mover announces his decision on the cutting out of a part of the Resolution I should like to say a word in defence of Clive Street. As I entered the House I gathered that the Honourable Mover was expressing the opinion that Clive Street was definitely against the appointment of this Committee judging possibly by remarks made in the other House and in this House. The view that Clive Street holds is not against the Committee; but it has thrown out a suggestion that the money which is to be allotted for the cost of this Committee this year might go into the fund to meet the Finance Member's deficit rather than that it should be spent on the Committee this year. What the jute trade wants is more buyers of the finished article, or in any case more buyers of jute, and Clive Street feels that no committee in this world can produce more buyers at the present time. Otherwise, Sir, Clive Street has no special objection against the Committee. I just wanted to make that point clear to the Honourable Mover.

THE HONOURABLE MR. SYED ABDUL HAFEEZ: Sir, in view of what the Honourable Sir Frank Noyce has said, I have not much to say in reply to the debate. As the Government have accepted the proposal for the appointment of a Central Jute Committee and are thinking of bringing legislation in the matter in due course, I am prepared to agree to the suggestion of the Honourable Member for withdrawing the second part of my Resolution.

**THE HONOURABLE THE PRESIDENT :** I do not know if there is any precedent for the withdrawal of a part of a Resolution. The ordinary procedure would be for some Member of the Council to move an amendment to the Resolution that those words be omitted, but as the Honourable Mover has replied and closed the debate, I think the only way of arriving at a decision, such as Government desires and the Honourable Mover desires, is for me to put the two parts of the Resolution separately. The question I have to put is :

“ That the following words stand part of the Resolution :

‘ That this Council recommends to the Governor General in Council that immediate steps be taken to accept and give effect to the recommendations of the Royal Commission on Agriculture and set up a Central Jute Committee representing the various interests concerned ’.”

The motion was adopted.

**THE HONOURABLE THE PRESIDENT :** The question is :

“ That the following words stand part of the Resolution :

‘ in the proportion of 65 per cent. jute-growers, 20 per cent. bailers and 15 per cent. jute-millers ’.”

The motion was negatived.

**THE HONOURABLE THE PRESIDENT :** The question then is :

“ That the Resolution, with the omission of those words, be adopted. ”

The motion was adopted.

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## RESOLUTION *RE* PUBLIC BORROWINGS IN INDIA AND ABROAD.

**THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD** (United Provinces Northern : Non-Muhammadan) : Sir, I beg to move the following Resolution :

“ That this Council recommends to the Governor General in Council to appoint a committee of officials and non-officials to inquire into and report upon the policy and programme of public borrowings in India and abroad undertaken by the Government of India, Provincial Governments and the statutory public corporations or trusts authorised to float public loans.”

Sir, let me make it unmistakably clear to the House that my object in bringing forward this Resolution is not to embarrass the authorities. The course of borrowing events in the last few years and a careful study of the question of Government policy and programme regarding capital expenditure and the way in which all schemes are financed, have convinced me that a review by a competent body is not only called for but is clearly desirable in the best interests of the country. I am a new Member, but my Honourable friend Sir Maneckji Dadabhoy has on previous occasions made out a strong case for the appointment of an Enquiry Committee to go into the matter of Government borrowings. On February the 23rd, 1921, he moved a Resolution in this House in the following terms :

“ This Council recommends to the Governor General in Council that a Committee consisting of members of this Council or Members of this Council and the Legislative Assembly be appointed with powers to take evidence to explore the possibilities of improvement in the position of the existing Government stocks, and to advise Government on the question of future loans, both for State purposes and for Railway and Irrigation purposes.”

[Rai Bahadur Lala Jagdish Prasad.]

Sir, I take my stand on that Resolution. What was true in 1921 is much truer to-day. The arguments advanced then can be equally forcibly repeated now. The Government appointed local Bombay and Calcutta Committees then to suggest measures for the rehabilitation of Government securities, but they side-tracked the issue of an inquiry into Government borrowings. There is ease in the money market position in all the important financial centres in the world and yet we find that India is placed in such a situation as to give an idea to the onlookers that there is tightness all round. Government stocks are heavily depreciated in the market ; Treasury Bills in the hands of the public have multiplied ; the Government does not get all its loan requirements even though it is borrowing with both hands and in both countries at high rates of interest ; one after another they have heaped up short term liabilities in both the countries ; there is export of capital from this country. All this is happening when there is depression in trade and industry, when there are not enough trade bills to go round, when under the stimulus of a high bank rate there should be an import into rather than an export of capital from this country. Now, what are the causes for the existence of this unsatisfactory state of affairs ? I attribute it all to a lack of a definite borrowing policy on the part of the Government. All important countries that undertake big schemes of capital expenditure in hand plan out a fixed programme before them for their guidance as was done in India for railway development according to the Mackay Committee in 1908 and again in pursuance of the recommendations of the Acworth Committee in the last decade. The country and its money markets then know where they stand, how much they have to provide for public requirements and how much they will be called upon to convert. A healthy policy of gradual funding operations was begun about the middle of the last decade, no fresh money by means of direct rupee loans was raised from the Indian money market for a number of years, all sterling loans were stopped virtually for a period of five years and Treasury Bills were withdrawn from the hands of the public. The result of all these sound financial measures was that there was ease in the money market, the bank rate never rose above 7 per cent. in the busiest season during the short span from 1925 to 1928, prices of securities began to take an upward trend and the rate of interest on Government borrowings was brought down to 4 per cent. It began seriously to be thought both in England and in India that the policy of foreign borrowings was tabooed once for all, that India could raise enough money for all her requirements from her indigenous resources at a cheaper rate of interest than she could do in London, until we were bewildered by a swing of the pendulum in the opposite direction. Since January, 1928, up to the last month the Government has borrowed more than £54 millions. Is it really in the best interests of the country that we should be borrowing so extensively in the foreign markets at high rates of interest ? I do not want to suggest that the Government of India deliberately offer in the London money market more handsome terms than are justified by the money market conditions—although well-informed correspondents both here and in England have made pointed references even to that feature of the situation—but what I do want to make out is that London has for various reasons become a very expensive market for Government borrowings on behalf of India, and therefore in the best interests of this country, in the best interests of the stability of prices of Government stocks here, it is politic that we should eschew that money market to the best of our own resources here in this country. After raising a rupee loan at 5 per cent. in the autumn of 1929 in India, the Government raised the next issue in London early in the year 1930 at 6 per cent. with most

disastrous consequences to the prices of securities and the rates of interest in both the countries. No one who has closely followed the course of events since early last year as to how the Government has been compelled to offer over-generous terms to the investors in these 15 months can view the situation with equanimity.

Then, Sir, look at our maturing obligations in the next few years. In both countries they have heavily accumulated short-term liabilities. In answer to a question the Finance Member stated in the other House the other day that in the next 7 years the Government has to pay no less than 141 crores of rupees in India and £57 millions or nearly 77 crores of rupees in England, in all a huge sum of about 220 crores of rupees, besides fulfilling any programme of railway purchases in England which might come to another Rs. 20 crores or so. That implies that Government has to re-borrow in the next 7 years at the rate of over Rs. 30 crores per annum only for their conversion operations. That, I submit, Sir, is a stupendous task for the Government under circumstances which can by no means be regarded as auspicious. Even the average of post-war re-borrowings in the ten years from 1920 to 1930 works out at the rate of Rs. 12 crores per annum. We have thus a more difficult situation to face in the next 7 years than what we did in the post-war period. That is another important reason why I urge on the Government the desirability of the appointment of a committee that will lay down as to how this unprecedentedly large programme of re-borrowings will be financed in the future, how much of it will be raised in India, what portion in England and whether it would be desirable to have it raised by means of short-term or by means of long-term loans. Now, if I turn the attention of the House to debt charges, an account of which has been given by the Finance Secretary in paragraphs 30 to 35 of his memorandum, we find that they gradually declined from 19.59 crores in 1923-24 to 15.61 crores in 1927-28, as a result of the policy to which I have referred above ; but they have again shown a tendency to swell in recent years. The provision for interest charges and sinking fund allotment to be paid out of general revenues in the year 1931-32 has swelled up to Rs. 18.77 crores. If borrowing by the Government is carried on for the productive requirements of its constituents—as from all appearances it actually is—there is absolutely no reason why the tax-payer in India, on whose purse there are ever so many other pressing calls for more beneficial expenditure on nation-building services, should be asked to shoulder an increasing burden of interest charges and sinking fund allotment. While the contribution of Railways to general revenues is likely to diminish in the near future on account of a fall in the railway earnings, the burden of the debt redemption scheme on the general revenues is likely to increase. I fully realize the delicacy of playing with our debt redemption scheme at a critical moment like the present, but absolutely no harm will result if we substantially so modify arrangements as to ensure direct contributions from the borrowing authorities to the general provision for debt redemption. An examination of the convention for the separation of railway finance and the debt redemption scheme has long been overdue. The Finance Member has himself referred to the necessity of such examination in his Budget speeches. We are now paying more from general revenues on account of Railways than we are receiving from the latter for the benefit of the former. In the Finance Member's own words,

“it is, on broad lines, correct to regard the one as balancing the other, and we shall arrive at a truer picture of what the Government draw from the Railways if we realize that, in fact, the Government get no profit but apply practically all that they receive, apart from a refund of their own interest payments, for the amortisation of their capital. When, therefore, the contribution falls below a certain figure, the Government, if they made up their accounts on a profit and loss basis, would actually show a net loss on the year.”

[Rai Bahadur Lala Jagdish Prasad.]

This extract from a Budget speech of the Finance Member confirms the general belief shared by the country that the Railways in India are subsidised by the Government. This is not a proper occasion for me to deal with the numerous advantages that Indian Railways enjoy or have enjoyed on account of State patronage and ownership, but I shall only say this much at present, that Railways in other countries share much heavier burdens in various forms. We only request the Government that instead of spoon-feeding our Railways on a system of doles we should at least make them self-supporting in every respect, if we cannot actually convert them like the pre-war Prussian Railways into what the Acworth Committee has so epigrammatically called the milch-cow of the Treasury. They should be asked to bear the full burden of their share not only of the increasing interest and other incidental charges in connection with raising loans but they should also be made to contribute proportionately towards the debt redemption scheme. The present tendency of increasing burdens on the tax-payer under the above two heads should at once be arrested if we are not to hypothecate the general revenues for debt requirements. Besides planning a programme of future borrowing and re-examining the allotments under the debt redemption scheme, a committee of the nature I am suggesting can usefully advise the Government as regards several other steps for the better administration of the Indian public debt. It is doubted in many quarters whether the State properties in India are really worth the amount they are represented to be in the Government books. A glaring instance of this was pointed out by the Inchcape Committee in 1923 when they referred to the properties of the Telegraph Department. Then, Sir, all sound business concerns take proper steps for the periodical revaluation of their properties. It is done in New Zealand where State undertakings are carried on on much the same lines as in India. I do not know what attitude my Honourable friend Sir Maneckji Dadabhoy will take up on my motion to-day, but on a previous occasion he has himself advocated the necessity of the periodical valuation of State assets. Then, Sir, the present arrangement of having all kinds of banking and investment functions discharged by the Government of India does not appear to be very satisfactory to me. In all other countries they have some sort of institution that undertakes to finance various kinds of institutions. There is the Credit Foncier in France, the Loan Council in Australia, and Zemiska Banca in Czechoslovakia—all independent institutions that under the supervision and guidance of the State provide funds for their large clientele of various kinds. Here in this country the onus lies on the Government. Why are the Government in this country so fond of centralisation of all financial authority and power in their hands? Here is a direction in which they can very usefully move in the interests of the better financial administration of the country by the creation of an analogous body which may take over the responsibilities of the Central Government and may discharge these functions of financing the Railways, provinces, Indian States, municipal corporations and other bodies in a better way without injuring the interests of the money market in India. In this connection I want to lay special emphasis on the desirability of taking some very strong steps to encourage the growth of capital resources in India under those heads that have shown special signs of development. Why do you rely so much upon Bombay and Calcutta and be at their mercy? Why not encourage the small investor by establishing some body in India on the lines of the National Savings Committee in England? Small savings have made a phenomenal progress in the post-war period all over the world, and their encouragement in this country is in every way beneficial to all parties concerned. I could suggest several

other spheres over which the range of inquiries of the proposed committee could go, for instance, modifications in the arrangements for the investment of sinking fund balances of the Central Government, provinces and major local bodies, creation of facilities for the sale of sterling securities in India, consideration of any claims regarding the re-adjustments of pre-Reform provincial debts and many other allied matters.

In conclusion I reiterate the statement that I made in the earlier part of my speech, that my object in bringing forward this Resolution is not to embarrass the Government at this time. I strongly feel that the appointment of an enquiry committee is overdue. The very announcement regarding the committee, its personnel and the terms of reference will restore confidence in the money market and give a healthy tone to the prices of Indian securities and it will clarify many of the political issues into the morass of which the question of the Indian public debt has now fallen.

Sir, I move.

THE HONOURABLE SIR ARTHUR MCWATTERS (Finance Secretary) :  
Sir, this is the third Resolution proposing the appointment of a committee to which I have had to reply in the course of the last three weeks, and judging from the fact that no other Honourable Member has risen to speak on this Resolution, I think I am justified in saying that at any rate there is no very general enthusiasm in the House for a committee of this kind. At the same time, I must acknowledge that this Resolution is a very different proposition from the Resolution which was debated here the other day. It is an important Resolution and I am not anxious at all to avoid discussion of it. I am not objecting to this Resolution in any way on general grounds. The Honourable Mover's speech, of studied moderation and extreme helpfulness, outlined a number of very important questions connected with Government borrowing and the management of public debt, the treatment of Railways, and so on. Now a number of questions connected with public borrowing have been referred to committees in the past. The Honourable Member himself referred to the two committees which were appointed to deal with the rehabilitation of Government securities about 10 years ago. Then again we had the External Capital Committee which was appointed in 1925 by Sir Basil Blackett. I am objecting, or if that is too strong a word, I am advising the House not to accept the Resolution at the present time solely for practical reasons connected with the present.

In the first place, we are in a time of financial stringency, and I think it is important—and the point was very well made by the Honourable Mr. Natesan on Monday last—to avoid expenditure on committees unless extreme urgency is shown. I think that we are likely to have a plethora of committees during the coming summer in connection with constitutional reforms and I think that the onus at any rate of proving the necessity for a committee is very heavily upon the shoulders of the person who proposes it.

But my second objection is really much more important. We are at a time of real financial difficulty. We are, along with other countries, struggling in the midst of a very severe economic depression, and most of the causes of that depression are causes which the Government of India alone can do very little to avoid or to help. There is a real risk of a committee of this kind having to deal not merely with the isolated technical questions which are raised by the Honourable Member in his Resolution but to probe right into financial policy. It is no good talking about high rates of borrowing and excessive sterling borrowing and large amounts of Treasury Bills, and so on. We have

[Sir Arthur McWatters.]

to view the whole picture and get down to the real causes, and in doing so, it is inevitable that this committee will resolve itself into a critical examination of general financial policy. And there I think the danger lies, because at a time like the present we ought to do nothing, and say nothing, which could in any way injure our credit. I do not think that the mere appointment of this committee will do anything to improve credit. There is a real risk of the committee being made an occasion, as I said, for a critical examination of general financial policy, possibly even for reviving and airing old controversies. I think that this is really the time in which we ought to conserve our resources. I think there is very serious risk, in the appointment of a committee of this kind, of parading all the difficulties of the present position, encouraging people to believe that matters are much worse than they really are just at a time when there is some reason to believe that credit is improving and things are looking better.

That, Sir, is my second objection to appointing this committee at the present time ; and I have a third reason, which is equally strong. The whole constitution is under revision and a very large number of important questions connected with public borrowing will come up almost immediately for consideration in connection with the constitutional discussions. I will just mention a few. There is the big general question of control of borrowing ; there is the very big and difficult question of borrowing in London, how to secure the position which our loans now hold in London as trustee securities, what agency can best be employed to enable India to maintain credit in London. Then, again, there is the whole question of control of the Central Government in India over provincial borrowings, the question of conserving the money market in the interest of all borrowers, whether we are to have an advisory council for the raising of loans by provinces, which was suggested by Sir Walter Layton ; and again dealing with the statutory public bodies which are mentioned in this Resolution, the question will arise as regards the powers now exercised by the Central and Provincial Governments and whether any alteration in their position will be made with the development of provincial self-government. These are just a few of the questions which occur to me which must come up obviously in connection with the constitutional revision, and there is a risk therefore, I think, if we appoint a committee with very wide terms of reference such as has been suggested, of adding a fifth wheel to the coach.

Then again we have now sitting the Central Banking Inquiry Committee. That Committee has very wide terms of reference. It is dealing not only with the general organisation of banking in the country, but with the improvement of the organisation of the money market, which is a very important factor in our public borrowing ; and the various provincial Committees on banking have covered a very wide field. They have dealt with such subjects as the Government's policy in regard to cash certificates and savings banks and have in fact gone into several of the matters which the Honourable Mover refers to in his Resolution.

Therefore, for all these reasons, all of which are connected with the circumstances of the present time, I suggest that it is not a really opportune time to appoint a committee of this kind. And there is a further consideration, for which again I am indebted to the Honourable Mr. Natesan, that at a time when the constitution is being altered it is surely better to leave the appointment of a committee of this kind to the new Government, if it wants it. I think that, as I have said, there are real risks to your credit in appointing a committee which might roam over the whole field of Government borrowing

and I think I have given sound reasons for showing that the committee at the present time would be inopportune and premature. Therefore, Sir, although I must cordially acknowledge the extreme ability and moderation with which the case has been presented, I hope the Council will agree with me that it is not a suitable time for appointing such a committee.

**THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM** (Bihar and Orissa : Muhammadan) : Sir, I wish to support the Resolution of Lala Jagdish Prasad. Sir Arthur McWatters has quoted Mr. Natesan and said he was averse to forming committees. The speech he made on Monday last was unique in this respect, that in part of it he condemned the committee and in part of it he approved of it. He stated that whenever Retrenchment Committees are being formed the Government always state that there is no ground for retrenchment, but the Inchcape Committee in its Report pointed out that 19 crores could be saved. That was the point, I think, he urged in favour

of a committee, and the other point that he urged against this committee was the one referred to by the Honourable Sir Arthur McWatters, and if he can take his ground on Mr. Natesan's dictums then I also would like to take my ground on the same dictums.

12 NOON.

As regards this Resolution, whether it is advisable to have a committee now or not, I must say that I have always been rather averse to bowing down to the financial gods and the money barons. As was pointed out in a debate in London during last month by Mr. Lloyd George, the money barons who have been dictating terms for loans are making the Government run at a loss. Mr. Lloyd George pointed out that the advice of the money barons has caused the rate of interest to rise—I think he said it rose by 12 per cent. Naturally these people are more interested in getting higher rates of interest than in getting lower rates of interest. Well, that brings us to the question whether the present policy of the Government is correct or not. The only point that was urged in regard to this Resolution was that a committee should look into the borrowing programmes of Government and control the policy of Government. The programmes are made much earlier, as was pointed out in reply to a question in the Assembly. It was stated that about 218 crores will be required in the next 7 years to meet our liabilities for repayment of loans. You know that you have got to pay, and how far you will be able to divide the amount between England and India is the real point which ought to be looked into. It is said that everything should be postponed till the Round Table Conference finishes its labours. We have seen how this Conference has worked. We do not know how long they will take again, and when their report will be ready and given effect to. That may take, say, two years or three years. Is it correct policy, I ask, to allow everything to drift till that time? It remains to be seen whether the recommendations of the Round Table Conference will be acceptable to Nationalist India or not. It might be that there may be some hitch and the whole thing may hang fire for a longer period; or it might be that their recommendations would be acceptable and given effect to soon. But from the speeches of Mr. Gandhi I find that although there has been a "truce" there is no "peace" yet.

As regards the point that the appointment of such a committee as has been proposed in the Resolution will cause nervousness in the money markets, I should like to say that this committee is not on the lines of the Congress Committee that was suggested to find out whether the money borrowed by the Government is a justifiable liability on India or not. The proposed committee is only to advise the Government of India on their programmes. It will not go into the question whether any borrowing has been correct or incorrect, whether it was for the good of India or not; these things are outside the scope

[Mr. Abu Abdullah Suiyid Hussain Imam.]

of the Resolution. I do not think any harm will be done to the money market by accepting the suggestion contained in the Resolution. As was pointed out by Rai Bahadur Jagdish Prasad, the issue of short-term loans and the raising of bank rates have adversely affected the money markets of India. It is a fact, Sir,—and it cannot be gainsaid—that the policy of the Government to deflate currency has contributed very much to the raising of the interest. When there is no new currency available it is always difficult to get money at cheap rates; and that this has been done to keep up the exchange policy and the internal position of the money markets is also evident from what has been said in this House. I shall paraphrase, Sir, a recent statement made in the Assembly that the bank rate of India is regulated by the position of the money markets and exchange position. Whereas in India we have the bank rate at 7 per cent. the bank rate of France and the United States of America is only 2 per cent. This clearly shows that there is some defect—we do not know where the defect lies, whether there is any inherent defect or whether the defect has been brought about by the policy of Government. These are matters which can be looked into by the committee. If the Government is afraid of bringing the whole case into the light and wishes to shut the door, the blame will lie with them. This is all I have got to say.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: Sir, I had thought that my innocent Resolution would not meet with opposition at the hands of Government, but I am surprised to see that the Government have thought fit to oppose it. My object in bringing forward this Resolution is mainly to restore confidence in the money market. I believe that as the Government do not find money to finance their borrowings in India they have to go to England to finance their loans, and this shows that there is something wrong with the money market conditions *vis-à-vis* the borrowing policy and programme of the Government. It is I think necessary to restore confidence in the minds of the general public so that the Government may be able to raise loans in India successfully. I think that if a committee goes into the question of the programme and policy of public borrowings in India and abroad, it will certainly be able to help the improvement of India's credit rather than adversely affect it as apprehended by the Finance Secretary. Another reason for which the Honourable Sir Arthur McWatters has opposed my Resolution is that the whole constitution is under revision and therefore it is untimely. On the other hand this seems to me the proper time when a committee, such as I have suggested, should go into the whole policy and programme of our borrowings. Then, as my Honourable friend Mr. Hussain Imam said, no one knows how long the Round Table Conference may take to come to a decision and to find a workable solution of the whole constitutional problem. It may take years, and it will not be advisable, I submit, to wait till then. Besides, I have not restricted the personnel of my committee; I have left it entirely to the Government. It can consist of experts, officials and non-officials and others, as the Government like. Sir, I still think that it will be in the best interests of the country and in the best interests of the money market conditions if the Government see their way to accept my Resolution.

THE HONOURABLE THE PRESIDENT: The question is:

“That the following Resolution be adopted:

‘That this Council recommends to the Governor General in Council to appoint a committee of officials and non-officials to inquire into and report upon the policy and programme of public borrowings in India and abroad undertaken by the Government of India, Provincial Governments and the statutory public corporations or trusts authorised to float public loans.’”

I think the “Noes” have it.

**THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD :** May I demand a poll, Sir ?

**THE HONOURABLE THE PRESIDENT :** Does the Honourable Member wish to have a division ?

**THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD :** Yes, Sir.

**THE HONOURABLE THE PRESIDENT :** I am only desiring to point out to the Honourable Member that the usual practice is, if he desires to have a division, that when I say, "I think the 'Noes' have it", he should say "Aye", and if he persists in saying that I will take it that he wishes to have a division.

(When the Honourable the President put the question again, the Honourable Rai Bahadur Lala Jagdish Prasad did not say "Aye".)

The motion was negatived.

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**RESOLUTION *RE* DEDUCTIONS FOR PURPOSES OF INCOME-TAX ASSESSMENT OF LEGAL PRACTITIONERS' FEES AND COURT-FEES INCURRED BY AN ASSESSEE FOR RECOVERY OF RENT OR LOANS.**

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) :** Sir, I rise to move :

"That this Council recommends the Governor General in Council to take steps to ensure that for the purposes of assessment of income-tax, where an assessee has had recourse to the court for recovery of rent or loans, a reasonable sum on account of legal practitioners' fees and court-fees shall be deducted from the income of the assessee."

Sir, I seek this relief for the tax-payer which is due to him and so urge the Government to be equitable and just in this matter. Sub-clause (vi) of section 9 of the Income-tax Act reads :

"in respect of collection charges, a sum not exceeding the prescribed maximum".

That maximum, Sir, has been laid down in the rules in Correction Slip No. 3, dated the 15th January, 1930, issued in connection with the Income-tax Manual, Volume I, 3rd Edition, and that maximum is put down at 6 per cent. So, Sir, in case my Resolution is accepted by the Government, it does not involve any change in any law. It is purely a matter of rules and rules can be altered and amended by the Government at any time. On page 127 of the Correction Slip to which I have already referred it is said :

"Legal expenses incurred in recovering rents from tenants should be treated as a permissible deduction included in collection charges subject to the following conditions :

- (a) only net legal expenses, that is, expenses after deducting any costs recovered from the opposite party will be deducted.
- (b) The actual expenses incurred in excess of the costs deducted will be allowed in the year in which the decree is passed ; a further allowance for costs proved to be irrecoverable will be given later, if necessary."

[Rai Bahadur Lala Ram Saran Das.]

The important sub-clause, Sir, which changes the whole effect of this section is sub-clause (c) which runs as follows :

“(c) The total allowance for collection charges including legal expenses allowed must of course not exceed the statutory 6 per cent.”

In this connection, Sir, I want to inform the House that in case recourse is had to law for recovery of rental due, in the Punjab the court-fees on amounts below Rs. 500 is  $7\frac{1}{2}$  per cent. on one year's rental. In case the amount is between Rs. 500 to Rs. 1,000  $11\frac{1}{4}$  per cent., then on the second thousand  $7\frac{1}{4}$  per cent., then on the third thousand 50 per thousand, and so on. This shows, Sir, that in case any person has recourse to law for recovery of rental which may amount to Rs. 600, he has to pay  $22\frac{1}{4}$  per cent. as the court-fees because even on Rs. 600 the fee is based on one year's rent which in that case is Rs. 1,200. In case, Sir, an appeal is made to the Divisional Court, another  $11\frac{1}{4}$  per cent. or the double of that, in case the amount is Rs. 600, has to be borne by the tax-payer. In case there is a further appeal to the High Court, a similar amount has again to be paid.

This, Sir, only relates to the court-fees. As far as lawyers' fees are concerned, 5 per cent. can be taken as the average fee, and in case we add that to the  $11\frac{1}{4}$  per cent., that makes it  $16\frac{1}{4}$  per cent., and over and above that, 5 per cent. is the average which the process and other court charges amount to. Thus, the tax-payer in case he has recourse to law courts for the recovery of the rental due pays in the case of the recovery of Rs. 600 something like 96 per cent. of the value in case he has to appeal to the Divisional Court and then to the High Court and then under the Letters Patent. These four appeals cost him 96 per cent. of the amount. So, Sir, my prayer in this Resolution is that in case recovery is made through courts of law, the amount of court-fees and the amount of lawyers' fees and the court expenses ought to be allowed. In case the decree is realised and the legal allowances allowed by the court are also realised, that entry will go on the income side and the question will not arise, but in case one fails to realise the amount through the court or does not realise the full amount, a reasonable amount of his expenses ought to be allowed. My object is to give relief to the tax-payer from assessment of income-tax made under sections 9 and 10 of the Income-tax Act.

Regarding the recovery of amounts of loans through the court there seems to be some confusion. How that confusion is caused I will just explain. On page 131 of the Manual, under section 41, it is said in the second paragraph :

“This instruction will also apply in the assessment of other traders, where loans have been made in connection with the business and in which the loans are of the nature of the business and the loss is a true trading loss.”

It is further on said in the following paragraph :

“The investment of savings or occasional loans made to acquaintances cannot be considered to be loans made in the course of trading.”

In case a commission agent, for instance, approaches one to endorse his draft or to give him a loan and in case that loan is made in furtherance of one's business, although the one who lends the money does not get any concrete return on his income side, and though the return is not direct, being an indirect return, all the same his business increases. In such cases, which, in my opinion, ought to come under the first definition and the explanation which

I have just cited, the rules are not generally rightly interpreted and so legal expenses are not allowed. I simply want equity and justice to be done and as the object underlying my Resolution is a modest one I hope that Government will accept this Resolution. At a time particularly when there is trade depression and the economic condition of the people is very bad I think the Government will not be averse to meeting this legitimate demand.

THE HONOURABLE SIR ARTHUR MCWATTERS (Finance Secretary): Sir, I have listened with great attention to the Honourable Member's speech because I have been anxious to find out exactly where the shoe pinches. Income-tax administration is a very technical matter and it is always of the greatest value when we have expressed to us the views of the people who suffer from it, the views if I may say so of "the toad beneath the harrow". It is not my business to-day to "preach contentment," but rather to see whether I can help. I think that the points of this particular harrow are not very sharp. We have in fact made modifications quite recently in our procedure in regard to these particular matters and I will try and state quite briefly the case as I understand it.

First of all with regard to costs in connection with loans. There is no difficulty really there. In the case of loans which are made in the course of ordinary money lending business the costs are already a permissible deduction for income-tax purposes. In order to satisfy myself absolutely that this was so, I made a special reference to the Commissioner of Income-tax in the Punjab, as that appeared to be the province which was particularly interested at the moment, and he replied as follows:

"In the case of money lending the practice is to allow reasonable expenditure of the kind referred to after the final orders of the court have been passed in the suit. It must be noted however that the courts usually allow costs to the successful party, although such costs do not always cover the expenditure incurred. I see no objection to the difference between the actual expenditure incurred in suits for recovery of loans and the costs awarded being allowed provided it is reasonable."

Therefore, Sir, the Commissioner of Income-tax in the Punjab is, or should be, endeavouring to carry out what is contained in this Resolution so far as concerns loans which form part of ordinary money lending business. I gather however from the Honourable Member's speech that his difficulty arises rather from transactions of a different kind, the type of case I imagine where a person backs a *hundi* and the drawer defaults. He may get a suit awarded against the drawer but he may be unable to proceed to recover his money. Well, the difficulty there is that the legal expenses in a case of that kind have not been incurred in connection with any source of income which is being taxed. It is one of the first principles of income-tax law that nothing shall be allowed as deduction from taxable income except expenditure incurred in the earning of that income. Therefore there is a real difficulty to be considered in the case of this special type of loan to which I think the Honourable Member was referring.

As regards the other case, Sir, the question of the costs incurred in recovering rents, section 9 of the Income-tax Act differs from the corresponding sections 10 and 12 inasmuch as we do not assess for income-tax the actual amount of rents received but the "rental value" of the property. In other words, income-tax is assessed on what is a conventional figure, and as a result a number of the deductions which are allowed under the law are also conventional deductions. For instance, one-sixth is allowed for repairs, and a sum not exceeding a prescribed maximum is allowed for collection charges—this is where the particular point of the Honourable Member's Resolution comes in—

[Sir Arthur McWatters.]

and again the Income-tax Officer at his discretion is allowed to permit a reasonable deduction for vacancies and so on. The question really is whether the prescribed maximum for collection charges, which, as the Honourable Member has stated is 6 per cent., is a suitable maximum or not. There are two things which I think I must say about that. In the first place, courts do as a rule allow costs and the difficulty would not then arise, and also I do not think the Honourable Member usually has to proceed to law to recover all his rents or even a large proportion of them. So that, theoretically at any rate, one would expect a figure of 6 per cent. to be sufficient, and until now we have had no general complaint against it. But I am quite prepared to examine, in the light of what the Honourable Member has said and in the light of any other facts which he would care to place before us, or any one else would care to put before us, whether this figure of 6 per cent. is a suitable figure or not. It is a figure which is prescribed and can therefore be altered without an amendment of the Act. That, Sir, is really all I have to say in reply to the Honourable Member's Resolution. What he asks for is the allowance of a reasonable sum, and to a Resolution worded in those terms I obviously can take no exception, and I undertake to make practical inquiries into the actual administration, to see how far I can meet the Honourable Member's difficulties.

I accept the Resolution.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN (North-West Frontier Province : Nominated Non-Official) : Sir, if one looks at sections 9 and 10 of the Income-tax Act which deal with the assessment of incomes accruing from house property and business one finds the provision of certain allowances permissible in the determination of such income for purposes of assessment. There is an allowance for the repair of property to the extent of one-sixth of its actual value. Again there is a deduction of any amount paid to insure the property against risk of damage or destruction. Six per cent. of the actual value is also allowed by way of collection charges. Similarly with regard to income from business. There is a motive underlying the provision of these allowances and it can be no other but to ensure the income arising from these sources. For instance, if necessary repairs to the house property are not carried out, it is open to being demolished at any moment, in which case it cannot be expected to yield any income. The same thing can well be said about the premium paid to insure it against risk of damage or destruction. A similar explanation holds good about the allowances provided for in respect of business. Now, Sir, it is generally accepted that when a tenant withholds payment of rent due from him, or a debtor evades discharge of the loan advanced to him, the owner of the property or creditor is put to the necessity of effecting recovery of same by means of a civil suit, and to do this he has to engage capable lawyers for the purpose. He is made to incur these expenses simply because the recovery is due from the defaulter, or in other words to ensure collection of the rent or loan which forms part of his income liable to assessment. As there is no other remedy to effect recoveries of such claims except by means of a civil suit, the expenses incurred in the process of such suit can in no wise be called unnecessary or uncalled for. And since these are actuated by mere necessity, it fairly stands to reason that a reasonable deduction for this expenditure should be allowed while determining an assessee's income for the purpose of assessment. A fair allowance of expenses borne in respect of Government fees and that of the legal practitioners' fees is allowed in all kinds of civil suits, and I fail to understand why a suit filed for recovery of rent or loan should be made an exception to the rule.

In England deductions are specifically allowed for the expenses of construction or repair of sea walls or embankments necessary for the protection of land against the encroachment of the sea or of tidal rivers, and I am at a loss to see why similar deductions should not be allowed in respect of fees of the legal practitioners, fees paid in connection with civil suits which are resorted to by the owners of the property or the creditors simply to protect their rental or loans against the encroachment of their tenants or insolvent paupers. As all such suits are resorted to with the sole purpose of protecting one's income liable to assessment, I hope the Income-tax Department will not grudge a reasonable allowance of the expenditure incurred in this behalf while determining the assessee's income for the purpose of assessment. The demand put forward by my Honourable friend Rai Bahadur Lala Ram Saran Das appears to me to be most reasonable and I hope the Government will accede to his request as soon as possible.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras : Non-Muhammadan) : Sir, I am in entire agreement with my Honourable friend, Lala Ram Saran Das. I am glad that the Government also have accepted the position of examining it further. About vacancy remission for house properties the assessee does not get the full remission. The Income-tax Department only allows a portion of the vacant remission. I suggest that the question may be carefully examined so far as the legal expenses incurred for the recovery of rent and also about vacancy remission. I therefore ask my Honourable friend the Mover to withdraw the Resolution and to ask the Central Government to examine the question a little more carefully not only about the 6 per cent. remission which my friend has suggested for the legal expenses. I fear in certain cases it covers even more than 6 per cent. Six per cent. is not quite sufficient. Therefore the question should be carefully examined before arriving at a decision. I do not think the Resolution as moved will satisfy the requirements. Government should further go into the question of vacancy remission to house properties and I am sure if certain amendments are necessary the Government will make those amendments.

Sir, I am in entire agreement with the spirit of the Resolution moved.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Sir, my Honourable friend, Sir Arthur McWatters, has, I presume, confined himself to only matters of rent of house property alone. That was the reason, Sir, that I did not specify the term "house property", but I used the general term "rental". I think, Sir, that in the case of renting industrial concerns or factories the deductions for the recovery of rent through courts are to be made on the same footing as is specified under section 10 of the Act, because as far as recovery of rental on factories is concerned, matters are quite different. There of course if the machinery has been damaged beyond the average, then the suits are prolonged and heavy amounts are involved and the cost of litigation is very heavy; and I find that in certain cases Income-tax Officers have made no distinction between the recovery of rental on factories and bungalows or other house property. There I think the inquiry ought to be made into that aspect and explicit orders given to clarify matters. As for the reply of the Honourable Sir Arthur McWatters, it has been very sympathetic and as I think the object of my Resolution has practically been met by the Government, I beg leave to withdraw the Resolution.

The Resolution was, byleave of the Council, withdrawn.

## RESOLUTION *RE* INQUIRY INTO THE WORKING OF THE TATA IRON AND STEEL COMPANY.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, I beg to move :

“ That this House recommends the Governor General in Council to form a committee of experts and members of the Central Legislature, to report on the working of the Tata Iron and Steel Company with a view to find out how far protection has stabilised the steel industry.”

Sir, the Resolution that I have just moved will be variously interpreted. Some will aver that it is animosity towards the Tatas that has actuated me to bring in this Resolution ; others will say that opposition to the Government was the mainspring which caused this Resolution to come into being ; still others will see in it a desire to condemn the Railway Board, which by its false promise or wrong prophecy has brought about this trouble. My reply is that none of the foregoing feelings prompted me to bring this Resolution. A desire to see that our monies are not squandered uselessly, that our poor people are not burdened with heavy protective duties needlessly and that our national industry is not allowed to be ruined by mismanagement has prompted me to bring this Resolution. I leave the distribution of the blame to the various parties to this, to the culprits themselves, to divide. The reason why I have brought forward this Resolution is that the Fiscal Commission, which was rather the father of this whole move of the protective theory, have laid down many dictums and I will point out one.

“ The industry must be one which will eventually be able to face world competition without protection.”

That was the necessary condition to granting protection to any industry, and this condition was looked into by the first statutory Tariff Board and replied to as follows :

“ We have no hesitation in answering it in the affirmative. As we have pointed out, India can already produce pig-iron more cheaply than other countries. The process of steel manufacture is admittedly much more difficult, and years must elapse before Indian labour acquires the necessary skill and experience. But India's natural advantages are so great that we believe it will not be long before the initial difficulties are overcome, and steel is produced at a cost low enough to enable it to face outside competition in India without protection.”

That was the opinion of the Tariff Board on the recommendation of the Fiscal Commission. Now, we have got to see how far this statement in paragraph 28 of the Report of the Tariff Board has been met. The difficulty here is that no papers are published either by the Government or by the Tatas giving the progress of work, showing how far they have reduced costs, how far the industry is in a position to meet world competition and how far the recommendations of the Tariff Board have been met. You find here and there gleamings of facts which if a man labours long he may collect. On account of these difficulties it is not easy to prove that the protection has failed. I have tried to substantiate my statement that the condition of the industry is not satisfactory. I know that Mr. Woodhead will reply that there will be an inquiry in the year 1933-34 as was contemplated in the Protection Act and therefore there is no necessity of having any inquiry now. That would have been a very good argument if we had found that the works were proceeding as scheduled. But my difficulty is that I find that they are not proceeding in the way suggested by the Tariff Board. The position is that the Tata Iron and Steel Company

are neither producing the amount of steel that was laid down as the average quantity, nor are their works cost as low as was forecasted by the Board. The reason for this may be that the Railway Board is to be blamed, or the reason may be that Tatas are not working cheaply—I do not know. That is why I want a committee to find out the real cause. The position of Tatas and of the steel industry is not satisfactory. There can be no gainsaying the fact that the position is not quite satisfactory. If this was so you would not have been required to give Rs. 37 per ton more for galvanised iron sheets, you would not have been asked to grant a bounty of Rs. 20 per ton for the rails. There is some cause for this, and the whole basis of the Tariff Board's Report and the Protection Act was the stabilisation of this industry, to make the industry self-supporting.

Now, Sir, I shall try to make out a picture, how far the recommendations of the Tariff Board have been met or not. In paragraph 34 of the report of 1926 there was a recommendation that the old blooming mill should be closed. There is no information available in all the books that I could see whether this recommendation has been accepted or not. They showed that if you kept that open you would be increasing the cost of production by something like Rs. 4 per ton on the production of steel. There is another recommendation in paragraph 40 that there should be a reduction in the number of labourers. They recommended a total reduction of 6,350 men during the period of protection. They base their calculations on Rs. 8 per ton as the price of coal and on that basis they give figures of the average price during the period of protection and also at the end of the time of protection. We have got some figures which show how far their prediction has been right or not. The report that has just been published by the Tariff Board on steel rails lays down that there has been a reduction of 37,19,000 on account of reduction in the price of coal on the whole output of 425,000 tons. That works out at the rate of Rs. 8·75 per ton as further reduction from which the Tariff Board based their report. I will try to compare the cost of a few of the items that I have been able to find out from the Tariff Board's Report and from the published returns of the Tatas. The Tariff Board in Table XI give the average cost for the period of protection. With regard to the structural section, the report says that the average cost should be Rs. 81 on the basis of paragraph 61 of the report of 1926, and the reduction of Rs. 8·75 on account of reduction in the price of coal will reduce it to Rs. 72·25. The actual cost from the report on galvanised sheeting varies for different mills. We find that the lowest works cost is Rs. 92·81 per ton, Rs. 87·06 per ton, and Rs. 76·29 per ton in different kinds of mills. The main item that is rails were expected to be worked at Rs. 71 per ton. If you allow for the reduction on coal it leaves you Rs. 62·25, but the actual lowest cost is Rs. 68·68 and in new mills only. While this is the average cost for the whole period, the estimated cost for 1933-34 is still less. As nearly four years have elapsed it ought to be nearer to the 1934 figure than the average figure. If you look into the 1933-34 figures you will find that the results are very unsatisfactory. Tatas have placed all the blame on the Railway Board for having reduced its orders, whereas the Government's reply is that they cannot comply with the original orders. That was simply a prophecy; a prophecy cannot always prove to be correct. My grievance is that there should be some check over this. I am not at present concerned with the question as to who is to be blamed. If you want to protect this industry you have to make a drastic treatment and not apply a palliative; there should be a curative treatment and not a palliative treatment. The Tatas have reduced their output of steel as stated in paragraph 5 of the Rail report. The whole basis of the protection of steel was that

[ Mr. Abu Abdullah Saiyid Hussain Imam. ]

its production should increase. Well, they have gone back on that. They say that Government did not take all their requirements with the result that they had to sell it cheaper. There are structuralists for which there is a strong demand in the market and which the Tatas are not producing sufficiently. Their produce is barely sufficient to supply the needs of even two or three provinces let alone the whole of India. If you are going to give protection, it is really necessary that you should see that the industry is run on economic lines ; you should not allow it to be spoon-fed. The spoon-feeding is to be blamed for all the troubles of the Tatas. They know that they will get protection and bounties as long as they are not able to stand on their legs. This surety of being supported in their weakness is the root cause of all the troubles. If the Tatas know that they will get no more protection and that 1933 will see the end of this spoon-feeding, I think they would be more careful. I do not know who is to be blamed—I do not want to blame any one—I no doubt wish to see the industry in a flourishing condition. There is no doubt about the fact that the industry as it now stands is not in the condition in which it should be. If the Government say that it is difficult to form a committee on the lines of my Resolution I am ready to withdraw it if the Government will promise that the Tariff Board will enquire into the matter and give us a true picture of the whole condition of the industry. My only aim is to have a picture of the industry, and that its works should be reviewed. Whenever a branch is running at a loss, we always try to check it and not allow it to drift. The policy of the Government now is to allow the whole of this matter to drift on for some years as the Protection Act has been passed for seven years. I would say that this concern is not working satisfactorily. If you are sure that it is working satisfactorily, I would be the first person to be convinced of this. Make an enquiry and let its report be submitted to the Government. Let us all have a look at it, and if the condition is all right, and if nobody is to be blamed, there is no harm done by having an enquiry made. The Tariff Board have got nothing else to do but to make inquiries into how each industry is working. This is a basic industry, the biggest industry, and I think it requires more than any other to be enquired into.

With these words, Sir, I move the Resolution.

**THE HONOURABLE MR. A. HAMID (Burma : General) :** Sir, within the last few days, I have received information from a most reliable and trustworthy source that the management of the Tata Iron and Steel Company are at the moment engaged in surveying the possibilities of introducing substantial economies. I am further informed that every endeavour is being made, consistently and methodically, to turn to good account their sad experience of the past few years.

My Honourable friend, the Mover of this Resolution must, I dare say, realise that an administration of the size and magnitude of Tatas must necessarily proceed on its retrenchment policy with appropriate caution. I think the management of Tatas are appreciative of the fact that public opinion is against according them further assistance. They know as well as we do that unless they stand on their own legs the public will demand their heads.

The Resolution of my Honourable friend in the main seeks for information. He can obtain the required information by reading the Report of the Tariff Board on the galvanised iron sheets. Apart from the Report of the Tariff Board he can console himself with the knowledge that, notwithstanding a loss of a crore and a half, due to strikes and other accidents, Tatas' productive

power has not been materially impaired, and that beyond asking protection for a subsidiary product of theirs, they have managed to develop their steel industry proper without asking for further assistance from Government.

In the circumstances I think I am justified in asking my Honourable friend not to press his Resolution further.

Sir, speaking the other day on a somewhat different proposition before the House, I made reference in disparaging terms of a Government servant who had taken up service with Tatas. I am since convinced that my remarks in regard to his personal disposition were neither correct nor well-founded. I therefore take this opportunity of expressing my apology to the gentleman concerned, and I trust that the Honourable Members who heard my remarks and who did not agree with them will appreciate my sentiments and accept my regret for using language which I now consider was greatly exaggerated.

THE HONOURABLE SIR PHIROZE SETHNA (Bombay: Non-Muhammadan): Sir, to judge from the wording of the Resolution, I was in great doubt as to what exactly was the intention of the Honourable Mover. If Government appointed a committee such as he recommended and if such a committee advised that the condition of the industry was not stabilised as he puts it I wondered if it was the intention of the Honourable Mover to come forward and say that the protection afforded should be increased, or if the committee recommended otherwise and said that the industry had been stabilised, if he would ask Government either to withdraw the protection or to greatly minimise it even before the 7-year period fixed by the Steel Industry (Protection) Act had expired. I am no longer in any doubt as to the Mover's intentions after hearing the speech which he has made. I could not follow him very clearly on account of the distance at which I am sitting. He started by saying that he had brought forward this Resolution, not because of any animosity towards the Tatas, not because of any wrong promises they had made, but because he did not want public money to be squandered, from which I presume that he is himself a large shareholder, and he does not want the Company to be "burdened by mismanagement"—these were his own words. He went on further to say that no papers were published and he only got what he called "gleanings of facts". May I inform the Honourable Member that if he is a shareholder, he gets copies of the speeches made by the Chairman at the annual meeting.

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM: I am not a shareholder, Sir.

THE HONOURABLE SIR PHIROZE SETHNA: I thought so. I am sorry he is not. I wish he were for in that case he would have made his remarks after satisfying himself in the manner the Honourable Mr. Hamid appears to have done, to judge from the speech which the latter gentleman has just made. The Honourable Mover said that he wants the Committee to "determine who is to blame". Therefore, there is no doubt in his mind that somebody is liable to blame, and who could be so liable except those who manage the Tata Iron and Steel Company? The Honourable Member hails from Bihar. That is the province where the works of the Tata Iron and Steel Company are located and I should have thought that he would have taken the trouble, as the Honourable Mr. Hamid I repeat appears to have done, to find out facts and figures first hand instead of making vague and, may I say, incorrect remarks before this House in the manner he has chosen to do. Sir, I happen to be a Director of the Tata Iron and Steel Company and as such I will of course

[Sir Phiroze Sethna.]

refrain from voting on the Resolution. On the other hand, I am confident that the House would like to have first hand information on the points raised by Mr. Imam in the course of his speech, and therefore I will give a few facts. The Tariff Board after careful investigation decided that steel must be regarded as a basic industry. They therefore recommended protection, and the Legislature voted such protection unanimously. If the Legislature had not given protection at the time, there is no gainsaying that the industry would have gone to the wall long before now. Nearly 14 crores of rupees have been invested in the capital of this company. It is the largest individual industrial concern in India. It employs perhaps the largest number of workmen.

The Honourable Mr. Imam asked why, if Government cannot give them enough orders for rails, the company does not produce other materials. This displays entire ignorance on the part of the Honourable Mover in regard to this particular industry. If the position was bad when the Tariff Board made its recommendation, the steel industry to-day, not only in India but all the world over is in a deplorable condition—in England, on the Continent, as also in America. It may interest the Mover to know that almost all those

1 P. M. works produce only 40 per cent. of their total producing capacity, and why? For two reasons. In the first place, they do not get enough orders; and, in the second place, if they get orders they do not get them at remunerative rates, so that they prefer to work only a small portion of the plant rather than incur greater losses. Again, Sir, all these companies outside India, as my Honourable friend can satisfy himself by studying their reports, are working at a loss. The Tata Iron and Steel Company is the only company which is able to show some profit, thanks to the country and thanks to the Legislature which has given them protection.

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSE MOULIK  
(West Bengal: Non-Muhammadan): Profits for the debenture holders I think.

THE HONOURABLE SIR PHIROZE SETHNA: I am coming to that. Mr. Imam stated that the Tata Iron and Steel Company is not increasing its production in the manner expected and as laid down in the Tariff Board's Report. Here again I contend he is talking through his hat. The Tata Iron and Steel Company are to-day in a position to produce 45,000 tons of finished material per month. They only produce 35,000 because they cannot sell more and they cannot afford to stock material with no prospect of selling it. When conditions are as I have stated, namely, that the country is giving protection, the Tata Iron and Steel Company is therefore doubly alive to its responsibilities. The Tariff Board of course after due investigation criticised the working of the Company in some directions and amongst other things it said that the cost of production was high and should be reduced. There again my Honourable friend has quoted certain figures the correctness of which I cannot vouch for, as he has only dealt with certain specific items. I will however inform him and the House that the cost of production of the finished material when the Tariff Board investigated in August, 1926 was Rs. 90·1 per ton of steel. The Mover is perfectly right in saying that there has been variation in the price of coal, and, may I add, also in the price of some of the raw materials. Adjusting these differences in prices, as against the cost of Rs. 90·1 per ton in 1926 the cost to-day is Rs. 85·6 per ton. Therefore the cost has been

reduced by Rs. 4-8-0 per ton. I hope that will satisfy my friend that the Tata Iron and Steel Company is not mismanaging but is trying to reduce the cost as far as possible. But, Sir, the cost would be still further reduced if it manufactured the full quantity that it is capable of producing, and if Government were in a position to continue to buy from it the quantity of rails that it was thought it would be able to take up every year. Then again, my Honourable friend has made no mention of the effects of the very disastrous strike which occurred in the year 1928, the like of which industrialists in this country will admit has not occurred before. The Company thought it would be wise to take advantage of the strike and try to retrench. And how did they do it? Not only did they retrench but they have secured greater efficiency. They did it in this way. They suggested to the men that the Company would be prepared to give them better wages provided the men showed greater efficiency. The result is that the Company employs to-day a smaller number of men than it did before the strike, but to these fewer men it pays more money and because they now show greater efficiency the cost on account of wages has been reduced by one rupee per ton. Is that not retrenchment? More than that, is that not efficiency, I ask the Honourable Mover?

I next come to the point that Government do not now buy 200,000 tons of rails per annum from the company. We are not blaming Government, for we know conditions have greatly altered. I may remind the House that the Tariff Board recommended to Government that the Railway Board should buy all the rails for their railways, both State and Company-managed, from Tatas. With that idea they asked the Railway Board what their annual requirements would be. The Railway Board stated that they would be somewhere about 200,000 tons. It was clearly on the assumption that they would require a minimum of 200,000 tons of rails, that the Tariff Board determined the price at Rs. 110 per ton. If the quantity were smaller they would have decided upon a higher figure and one can find that from the Tariff Board Report itself where they say that if the quantity were reduced by 40,000 or 50,000 tons the price should have been more than Rs. 110 per ton. Now, Sir, Government in the year 1930-31 ordered only 90,000 tons; and for the year 1931-32 they have ordered only 80,000. They could not help it, but on the other hand is not the manufacturer in consequence entitled to ask for a reasonable increase in price? That increase in price is now fixed at Rs. 20 per ton. I am sure the Tata Iron and Steel Company would ten times rather that the Railway Board took 200,000 tons of rail at Rs. 110 than 80,000 tons at Rs. 130 per ton. For the matter of that the Tariff Board Report says that if the Company were asked to produce only 100,000 instead of 200,000 tons, then the actual loss on works profit would amount to 39 lakhs. As against this loss of 39 lakhs Government when they buy only 80,000 or 90,000 tons a year will give only 16 to 18 lakhs of rupees more at the higher price now agreed upon.

As to the strike, my friend Mr. Hamid, or it may be the Mover, stated that it cost the Company a crore and a half. That is quite correct. That is the amount of loss on actual cost. But if the loss by way of production as also by way of profits is taken into account, it will be far larger.

In regard to retrenchment, may I inform the House that all the officers, Europeans and Indians, getting salaries of more than Rs. 500 a month, approached the Board some months ago with the suggestion that because times were bad they would be willing to accept a reduction of 10 per cent. in their wages. They did that unsolicited which the management have greatly appreciated and they are being paid at the lower rate since some months past. Not only they but the Directors and Auditors and others are now being paid at lower rates than before.

[Sir Phiroze Sethna.]

We readily acknowledge it is because of protection the Company is making profits. I will now give the House an idea as to the profits the Company has made since protection has been given. Within these 3½ years we have been able to distribute about 65½ lakhs of rupees as profits. The House must bear in mind that the share capital is divided into what are known as ordinary and deferred shares, as also first preference and second preference shares. 65½ lakhs in three years is by no means a large amount when you consider the very large capital of this company. And whom have they paid? They have only been able to pay dividends on the first preference shares in full. To the second preference shareholders they have only paid for one year, namely, the year 1927-28. The ordinary shareholders and the deferred shareholders have not got a rupee and I do not think are likely to get anything for a considerable time to come even if times improve. The Company has been able to set aside in these three years 168 lakhs for depreciation. Now that amount is not as large as the Tariff Board recommended. The Tariff Board recommended at the rate of Rs. 78 lakhs per annum and we have been able to set apart at a rate which works out at Rs. 20 lakhs less a year. That cannot be helped, and it is because the Company has not been able to do better than what it had.

I do not think that my Honourable friend made a charge that the business was top-heavy. I know it is said so by some critics. It is very difficult to be able to give you proper comparisons in regard to this. The only relevant comparison would be to give you the cost of the various services per ton of the finished material. For example, the cost of the non-Indian officers in the year 1925-26 for operation departments only was to 10·67 per ton at the date of the Tariff Board investigation. To-day it is only Rs. 4·99 per ton or a little less than half. The cost of the total establishment, including officers and workmen, again for operation departments only was Rs. 45·26 at the time of the investigation and it is now Rs. 30·98.

There is one other charge which is levelled at the Company, that it is not sufficiently Indianising in the higher appointments. I know that the Honourable Mover has not referred to it, but I would like to dwell on it, because so much has been said in public. No firm of employers is more anxious to have Indians in the higher branches of its service than the Tatas, but more than that, the Tata Iron and Steel Company has on its Board of Directors, men who have served and are serving both in the Central Legislature and in the Provincial Councils, who are well known for their constant advocacy of Indianising whenever and wherever they can. But I would ask the House to remember one important fact, and it is this, that you cannot Indianise in the steel industry as you can in, say, the cotton mill industry. Take the case of the Tatas themselves. They have cotton mills at Nagpur, in Bombay and at Ahmedabad. There was a time when they did employ Europeans in the higher appointments in these mills; to-day, so far as I know there is not a single European in any one of their mills at any one of the three places I have named. And why? Because Indians can be had for these positions. How can you possibly get Indians for superior positions in the steel industry when the Tata Iron and Steel Company is the only steel company in India? You can get Indians only by training them up in the Tata Iron and Steel Company, or by employing such Indians who have gone on their own account to learn the work in Europe or in America. Very few Indian parents would incur the expense of thousands of rupees to send their boys to distant countries in the hope that when they returned they may get suitable employment in the solitary Indian steel concern, namely, the Tata Iron and Steel

Company. Therefore the Company has to depend on the young men it trains up. We have some Indians who have been trained in America and I may mention in passing that one of the three highest appointments is held to-day by an Indian who is doing very good work and if he continues to do as well there is no reason why in the course of the next few years he will not rise to the position of General Manager of this all-important concern. I would now like to give the House the actual position in regard to Indianisation. In April, 1927, there were 42 Indians; in October, 1930, there were 57, getting salaries of more than Rs. 500 per mensem. On the other hand, whilst in April, 1927, we had 150 Europeans and Americans, their number is now reduced to 112. Whilst 38 non-Indians have dropped out, their places have been taken up only by 15 Indians, which shows that we are not filling every single position, because we are trying to get greater efficiency from a smaller superior staff and we are also trying to put in more Indians.

I think I have answered all the points that were urged by my Honourable friend. I will not take up more time of the Council, but I will only conclude by saying that there is no necessity whatsoever for a committee; but more than that, this House knows that according to the Act protection is afforded for seven years. Three years more are yet to run from now. The period expires on the 31st March, 1934. If Tatas need further protection, they will have to appeal to Government long before that date in order that Government may institute inquiries whether further protection should be given or refused. I hold that if the position of the industry goes on as it is doing now without much improvement, Tatas will have to ask for continuance of protection and if they do so, they will perhaps approach Government within 18 months from now and Government will therefore have to undertake an inquiry by about the end of 1932. Is there any reason then for asking for an inquiry of the kind that my Honourable friend Mr. Hussain Imam suggests? I do hope he will have the good sense to withdraw the Resolution, following the example of the Honourable Mr. Hamid who after what information he has now received has chosen to withdraw the remarks which he made some days ago about the Tata Iron and Steel Company, when I was not present, when he spoke on the enhanced rate of duty on galvanised sheets.

**THE HONOURABLE MR. J. A. WOODHEAD (Commerce Secretary):**  
Sir, the Honourable Mover left me guessing when he opened his speech—I cannot speak for the other Honourable Members of the House—and he left me guessing when he concluded his speech; in fact, Sir, I found it extremely difficult to follow the figures he quoted and I also had difficulty in understanding the arguments he adduced in favour of his Resolution. He commenced his speech by saying that he was not animated by any animosity to the Tata Iron and Steel Company and he did not appear to be certain whether he should make any allegations against the Government and the Railway Board. But as his speech developed, the position appeared to be that the Honourable Mover is not satisfied with the progress which the Tata Iron and Steel Company have made during the last year or two and he desires a committee of enquiry to be appointed to find out why that is so, why they have not during 1928-29 and 1929-30 reached that standard which we would have expected in view of the estimates given in the Report of the Tariff Board of 1926-27. I will come back to that point, Sir, in a minute. Before doing so, I would like to refer to the question of galvanised sheet and to remind the House of the reason why an additional duty has been imposed on that article. This additional duty was not imposed with reference to the cost of production by the Tata Iron and Steel Company of galvanised sheet, but because th e

[Mr. J. A. Woodhead.]

Legislature provided in the Act of 1927 for the imposition of a higher duty if the price of the imported article fell to such an extent as to render ineffective the protection intended to be afforded by the duty imposed by the Act. The additional duty was imposed because the situation contemplated by the Legislature had arisen. Again, as regards rails, Sir, I am not certain whether the Honourable Member knows that Government have recognised that the orders given this year are below the figure taken by the Tariff Board as the average orders for rails, and that in September, 1930 the Government announced their decision to pay for rails ordered in 1930-31 Rs. 20 per ton in addition to the price of Rs. 110 per ton fixed in the contract. Honourable Members are perhaps also aware that the Report of the Tariff Board on this question of the price to be paid for rails in future years has recently been published and that a Resolution has been tabled in another place by the Honourable the Commerce Member recommending that during the year 1931-32 an additional payment at the rate of Rs. 20 per ton should be made to the Tata Iron and Steel Company for rails ordered during that year.

The Honourable Mover's object, as I said, Sir, appears to be to obtain information as regards the working of the protection scheme. But, Sir, information of this nature is available to a considerable extent in the Report of the Tariff Board which was issued not long ago as regards galvanised sheets. The Tariff Board in paragraphs 14 to 24 of that Report examined the general working of the protective scheme and the prospects of the Steel Company in the future, and I should like to refer to one or two main points in those paragraphs, because I think that they do afford the information which the Honourable Mover wishes to obtain. In paragraph 16 they refer to the disastrous results of the labour strike and remark as follows :

" But it was in the realm of finance that the most serious effects of the strike became apparent. Surplus before depreciation for 1928-29 fell short of the previous year's figure by over a crore of rupees and it has not been possible to set aside the full annual depreciation of Rs. 78 lakhs contemplated by the Tariff Board."

Then, in paragraphs 18 and 19 they deal with another reason, and that is— I have already referred to it—the decrease in the orders for rails. They drew attention to the fact that when the Tariff Board's scheme of protection in 1926-27 was prepared, it was estimated that approximately 200,000 tons of rails would be ordered, whereas in the year 1930-31 orders for only about 90,000 tons of rails are likely to be placed and that a further decline on orders in the future is not unlikely. That is what the Board said as regards production, Sir, but I should like to draw attention to one other point in that connection and it is this : I refer to the figures given in the table on page 11 of their Report. If from the total production figures given in that table you deduct the production of heavy rails, fish-plates and sleepers—the production on those three heads depends upon the amount of orders received from Railways in India and is not within the control of the Steel Company—you find that the production of finished steel in 1929-30 was higher than in 1927-28, the year in which very considerable progress was made. In 1927-28 the production of finished steel excluding railway materials was 243,274 tons, but in 1929-30 it had risen to 264,000 tons ; and if we take the six months' figures from April to September, 1930, they indicate that if the second half year is no worse than the first half year, the production of finished steel excluding railway materials will be in the region of 300,000 tons. The Tariff Board's estimate of the average production of steel excluding railway materials for the whole period of protection was 283,000 tons. Looking at these figures

therefore it appears probable that the production of finished steel, excluding railway materials, will in the year 1930-31, provided that the second half year is as good as the first half, exceed by a considerable amount the figure of the average production taken by the Tariff Board in their Report. I might add that the figure of 300,000 tons is about 50,000 tons below the figure taken by the Board for the maximum production in 1933-34, at the close of the present period of protection.

The next paragraphs to which I would invite attention are paragraphs 21 and 22 wherein the Tariff Board have dealt with the question of costs. In 1927-28 very great progress had been made towards reducing costs. 1928-29 was of course affected by a strike. The production by the Company of steel decreased enormously in that year and the costs naturally rose. The strike was called off towards the end of 1928, but in the year 1929-30 costs did not fall so low as they were in 1927-28. On that point the Tariff Board said that the failure to attain in 1929-30 the level of efficiency reached in 1927-28 was largely due to the "disorganisation of labour following the strike, the need of special repairs as for example to the coke ovens as a result of the strike and similar causes".

Finally, Sir, I would again draw, as I did on a previous occasion, the attention of the House to the final conclusion of the Tariff Board in paragraph 24 of their Report. Their conclusion was this :

"The Tata Iron and Steel Company have made genuine efforts to secure the results which the Tariff Board considered feasible. Lack of progress is due to two causes, for neither of which can the Company be held responsible. The first is the labour strike of 1928, which, by adversely affecting the financial position, has seriously retarded the development programme, on which the future reduction in the cost of manufacture was so largely dependent. The second is the reduction in orders for steel rails."

In the paragraphs of the Report to which I have referred a considerable amount of information which the Honourable Mover of the Resolution wishes to obtain by means of the committee he proposes, is available to him and to the Members of this House, and if the Board's conclusions in those paragraphs are correct, Sir, they hardly support the need for a special inquiry at the present day.

In this connection I would remind the House that according to the Act of 1927 there must be a statutory enquiry before the end of the year 1933-34. The natural date for holding that inquiry is some time in 1933, shortly before the period of protection granted by the Act of 1927 expires, because that inquiry has to be directed to determining whether protection should be continued to the steel industry in India. I think it is obvious, Sir, that the answer to that question can better be given if the inquiry is conducted towards the end of the period for which protection has been given and not three years before that period expires. What I would urge therefore is that the onus of a special inquiry to be held in 1931 lies very heavily on those who support it.

The Honourable Mover referred to one question as regards labour. He said he wanted information on that point. That information, again, is available in the Tariff Board's Report to which I have referred. From the figures given in paragraph 22 of their Report, the number of men employed in 1925-26 was 26,290 and the number employed in 1929-30 was 22,853—a considerable reduction. (*The Honourable Mr. -Abu Abdullah Saiyid Hussain Imam* : "But the expenditure is more".) Yes, the expenditure is certainly more.

**THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM :**  
The Tariff Board recommended a reduction of 16·6 lakhs in the cost of labour, but we find that the cost has actually risen.

**THE HONOURABLE MR. J. A. WOODHEAD :** I can offer no opinion as regards the rates of wages paid to this staff. I believe however that it is not a highly paid staff and perhaps the Honourable Member does not wish to suggest that the average labourer in the Tata Iron and Steel Company is over-paid.

Now, I hope, Sir, Honourable Members will agree with me that it is undesirable that a large industry of this kind should be subject to enquiries at frequent intervals. There was an enquiry in 1926, a complete enquiry, into the steel industry and there must be another full inquiry before the 31st March, 1934. And I would suggest that it would be inadvisable to subject the industry to another inquiry before that date unless strong grounds for that course of action can be adduced. What I would urge is that the Honourable Mover has not established his case for a special enquiry at the present time. Protection has been given by the Legislature for a certain period of years ; this period expires in 1934. The steel industry is now growing ; it may not have grown as quickly as we would have liked during 1928-29 and 1929-30 but is it advisable to pluck it up by its roots during the period of 7 years for which protection has been given in order to see how it is getting on ? That looks to me to be a procedure fraught with some amount of danger.

At the same time, Sir, I trust the House will not from my remarks to-day be under any misapprehension as regards Government's attitude towards a reduction in the level of costs of production by the Tata Iron and Steel Company. 1927-28 was a year of very considerable progress. 1928-29 was a disastrous year as a result of the strike. In 1929-30 although production was rather larger than in 1927-28, costs were at the same time high, and the position of the industry in 1929-30 was not so favourable as it was in 1927-28. The success achieved in 1927-28 gave rise to great hopes and it was a severe disappointment to Government and to all interested in the establishment of the steel industry in India that the results of 1929-30 were not as favourable as those of 1927-28. It is Sir, most important that the Company should make every endeavour to reach the standard of production and costs which the Tariff Board estimated as feasible, and I think we may hope that the Company recognises this and fully understands that the continuance of protection after the expiry of the 7 years depends very largely upon whether genuine efforts have been made to secure the reduction of costs and the increase in outturn which the Tariff Board considered feasible. It is certainly most important that the leeway resulting from the strike of 1928 should be made up as soon as possible. The Company, I hope, no doubt realises this fact as much as we do and are making every endeavour to regain the lost ground.

There is only one other point with which I should like to deal, and that is a point to which the Honourable Member did not refer in his speech. The Resolution recommends that the committee should consist of experts as well as Members of the Central Legislature. As regards the second element, Sir, namely, Members of the Legislature, that is an element to which Government could not agree. It is essential that every Member of the Legislature should be free, when the question of the continuance of the protection to the steel industry comes up in 1934, as it inevitably must, to approach that subject with an open mind and unfettered by any opinions formed as a member of a body which has conducted an inquiry into the working of the steel industry.

Again, Sir, I think that if disaster is to be avoided, it is most essential that the commercial management of a concern like the Tata Iron and Steel Company should be kept strictly aloof from the political field. As regards the first element, Sir, the presence of experts,—that stands on an entirely different footing. Expert assistance may be necessary and that is a point which Government will take into careful consideration in connection with the statutory inquiry to be held before the end of 1933-34.

The Honourable Member suggested that he would be prepared to withdraw his Resolution if I gave a promise on behalf of Government that the Tariff Board should be directed to hold an inquiry now. I think, Sir, it is clear from what I have said that I can give no such promise. In conclusion I hope the House will agree with me that a case has not been made out for a special inquiry at the present moment.

Sir, I oppose the Resolution.

**THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM :**  
Sir, in replying to the debate I am in a difficult position whether to rely on what the Director of Tatas said or on the letter which the Tatas submitted to the Tariff Board during their inquiry on steel rails. The Honourable Sir Phiroze Sethna pointed out that there was no loss to the Company, it was fairly well and that everything was quite all right, whereas the Tatas, in their letter, which is given on page 18 of the Report of the Tariff Board on Steel Rails, said :

“In our view, therefore, the total difference between the production originally recommended by the Tariff Board in their Reports which were accepted by the Government and the Assembly and the present state of affairs which contemplates maximum orders of 80,000 tons of rails and 3,000 tons of fish-plates is Rs. 46.65 lakhs on account of overhead and profit and Rs. 20.44 lakhs on account of increased cost making a total of Rs. 67.09 lakhs.”

This is the total loss that they expect from the reduction in the years preceding, and this is made up by 20 lakhs or 16 lakhs that will be realised from the Government by the additional price paid on account of rails as recommended by this committee. Still there will be 47 lakhs to be made up. The Honourable Sir Phiroze Sethna prided himself that the Company has been able to work so well that it has been able to give some profits to the shareholders. That profit has come from depreciation. The depreciation fund, as recommended by the Tariff Board, ought to have been 78 lakhs, whereas they set aside for depreciation Rs. 20 lakhs less each year. For three years this amounts to Rs. 60 lakhs, and 65 lakhs were distributed by the Company to its shareholders. In addition to this, Sir, my case was not that the Tatas are not managing well. It was not my case that the Government is trying to make the Tatas run at a loss. My case was that the industry in itself is not in a position in which it ought to be due to some defect. It was the finding out of that defect which prompted me to bring this Resolution for a committee, and that is why, anticipating that the Government will have objection to the inclusion of Members from the Central Legislature, I suggested that the Tariff Board may make an inquiry into the industry and find out whether the position is satisfactory as it ought to be according to the Statutory Report. I did not say that the Company is mismanaged. What I said was that it was due to mismanagement that there is difference between expectations and the actual output of the Company. The actual output of the Company is reduced, as Sir Phiroze Sethna said, to 35,000 tons although they could produce 45,000 tons. It was said that it was due to the reduction in the orders for rails. Then why could not other things be manufactured? There is an enormous

[ Mr. Abu Abdullah Saiyid Hussain Imam. ]

amount of import of steel still, and if other forms like structures, beams and angles were manufactured, I think that the leeway could be made up. My intention in bringing forward this Resolution was to help the industry and not to put it back. If the Government does not wish it, if the Tatas do not wish it, it is the poor tax-payer who has got to bear the burden for 7 years or more instead of 3 years for which the Act is effective, and there is nobody to safeguard their interests. No one has said anything up till now whether the industry will be in a position to be self-supporting at the expiry of the term or not. That was the kind of assurance which either the Government could have given us or a responsible member from the Tatas could have given us—that the industry required no more help from you and you will be free and saved from that burden. It was that that I wanted.

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces & Nominated Non-Official): How can you say at this stage?

THE HONOURABLE MR. ABU ABDULLAH SAIYID HUSSAIN IMAM: If it cannot be said, then in 1933 again we shall be told the industry is not in a prosperous condition and we will have to pay again. That is what I wish to save the country from. I wish to find out whether this three years' programme is satisfactory or not, whether, as the Tariff Board has stated, the industry has got such natural advantages that it can be expected shortly to be in a condition to be self-supporting and to live without protection. I stand up here to safeguard the interests of those who pay the taxes. If this Council is not going to safeguard these interests then I can do no good. I am one out of 33 elected Members. If the other 32 do not want it I have no option but to withdraw this Resolution.

I beg for leave to withdraw my Resolution.

The Resolution was, by leave of the Council, withdrawn.

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#### STATEMENT BY THE LEADER OF THE HOUSE.

THE HONOURABLE SIR BROJENDRA MITTER (Leader of the House): Sir, there are no more days fixed for non-official business. The course of Government business will entirely depend on events in another place. I regret that at present it is quite impossible to make any prediction as to the date of our next meeting for the disposal of Government business; and I can only suggest that the Council should be adjourned to a date and hour to be announced later. I undertake to give you, Sir, the earliest available information which reaches me. Honourable Members would be well advised to watch the course of Government legislation in the other Chamber. It is improbable in any case that our next meeting will be before Monday, the 23rd March.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern: Non-Muhammadan): Is the Honourable the Leader of the House in a position to say that the Council will finally break up on the 24th March?

THE HONOURABLE SIR BROJENDRA MITTER: It is impossible for me to add to what I have already stated.

THE HONOURABLE THE PRESIDENT: The Chair has no option but to adjourn the Council to a date and time to be notified hereafter.

The Council then adjourned to a date and time to be notified later.