

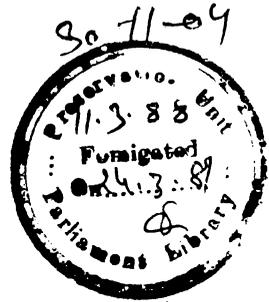
Wednesday, 30th March, 1932

**THE
COUNCIL OF STATE DEBATES**

VOLUME I, 1932

(25th February to 6th April, 1932)

**THIRD SESSION
OF THE
THIRD COUNCIL OF STATE, 1932**



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COUNCIL OF STATE.

Wednesday, 30th March, 1932.

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

MEMBER SWORN :

The Honourable Major-General James Drummond Graham, C.I.E., V.H.S., I.M.S. (Government of India : Nominated Official).

DEATH OF MR. K. V. RANGASWAMY AIYANGAR.

THE HONOURABLE SIR BROJENDRA MITTER (Leader of the House) : Sir, it is my painful duty to bring officially to your notice the sudden death of the Honourable Mr. K. V. Rangaswamy Aiyangar. Sir, at the beginning of this session when Mr. Aiyangar attended this House he was in good spirits and full of hope that he would be able to discharge his duties this session ; but that was not to be. He was taken ill and after a short illness passed away day before yesterday. Sir, Mr. Aiyangar was in the prime of life and it was hoped that he had many years of public service before him. He came of an aristocratic family of Southern India and from his early years devoted his time, energy and talents in the service of his country. He was Chairman of the Municipality of Srirangam, his native town, and for nearly 17 years he was connected with the Central Legislature. Before the present Constitution came into existence he was a Member of the old Imperial Council and since then he sat both in the Assembly and in this House. Sir, Mr. Aiyangar was a man of progressive views and he always expressed himself with conviction and moderation. He had great charm of manners and the capacity to make and retain friends. He will be missed in this House as well as in his own presidency. His sudden and tragic death is a matter of great sorrow and our request is that you, Sir, will convey our sympathy to the bereaved family.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, I rise to associate myself fully with the remarks which the Honourable the Leader of the House has made to-day. In the Honourable Mr. K. V. Rangaswamy Aiyangar we have lost a charming personality and a great public man who was a philanthropist as well as an orthodox religious leader of India. I have been in South India many times and I found that he was immensely popular in his province and was very well known for his charities and hospitality. As the Honourable the Leader has said, he has been in both Houses of the Central Legislature and I had the privilege of being his colleague in this House ever since its inception. He was an ardent member of the progressive party of this Council and we all mourn his loss, which loss is not only to the Council but to all India.

THE HONOURABLE MR. G. S. KHAPARDE (Berar Representative): Sir, I wish to add a few words to what has been said by our respected Leader and also by Rai Bahadur Lala Ram Saran Das. Mr. K. V. Rangaswamy Aiyangar and I came to this Council, or rather to the Council that existed before this one, together, and we lived together and for a long time I was very intimately associated with him. He took immense trouble with his work. He always read a great deal and what was more he was entirely a very great social man. He kept open house and hardly a man came there seeking assistance and went away empty-handed. He was always very charitably disposed and I have no doubt that if God had spared him for some more time he would have done a great deal for India and for the British Government. As it is we must accept the inevitable; his memory, however, will remain green with a large number of people whom he assisted.

***THE HONOURABLE MR. G. A. NATESAN** (Madras: Nominated Non-Official): Sir, as one who knew Mr. K. V. Rangaswamy Aiyangar almost from his boyhood, I should like to associate myself with the very generous tributes that have been paid to his memory. Coming of a very ancient and aristocratic family of Southern India noted for its philanthropy and public charities, it may be truly said that Mr. Rangaswamy Aiyangar almost till the last day maintained the reputation of his family. There was hardly a public institution or private body which did not appeal to him for assistance and which did not get it in a very generous manner. Many a poor family and many a poor student have received help from him. Indeed, those who knew Mr. Rangaswamy Aiyangar always used to say that he was generous to a fault. His activities were many-sided. Education, civics, industrial development, politics, all alike engaged his attention. He has died amidst some of his intimate friends, but, alas, thousands of miles away from his dear old mother, his two daughters and his only son. Forty-six is a comparatively young age in any country and it is very sad to think that such a sweet and genial soul like him has passed away. May his soul rest in peace?

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal: Non-Muhammadan): Sir, permit me to associate myself entirely with what has fallen from the lips of my predecessors. It was indeed a shock to us when we learnt, to our utmost regret, that the Honourable Mr. K. V. Rangaswamy Aiyangar had passed away.

I think, Sir, he had been in the Central Legislature for over a decade and was a useful Member. From what I came to know of him by personal contact I can say that he was every inch a gentleman and a true friend whom we all admired and respected for his genial temperament, amiable disposition and affable manners. We offer our sincere condolences and profound sympathy to the members of his bereaved family and I hope, Sir, you will kindly convey a message of sympathy and sorrow from the House to them.

THE HONOURABLE SIR DAVID DEVADOSS (Nominated Indian Christians): Sir, I wish to associate myself with all that has already been said. Mr. Rangaswamy Aiyangar was a warm friend, a genial host and a philanthropic citizen. He used the large fortune which he inherited in doing not only works of charity but in helping any good cause. It is very sad to think that he has been cut off in the prime of life. When we met here only two or three weeks ago we never thought that his life was going to be so short. We all feel sorry, Sir, that a man of his antecedents and his great qualities has passed away without finishing his life's work.

*Speech not corrected by the Honourable Member.

*THE HONOURABLE MR. SYED ABDUL HAFEEZ (East Bengal : Muhammadan) : Sir, I rise to associate myself with what has been said by the Ra Bahadur and my other colleagues on the very sad and untimely demise of one of our colleagues, Mr. K. V. Rangaswamy Aiyangar. I offer my sincere condolences to the bereaved family.

THE HONOURABLE THE PRESIDENT : I desire to associate the Chair with the expressions of sorrow which have been given from all sides of the House and in accordance with what is obviously the unanimous desire of Honourable Members I shall convey a message of sympathy to the bereaved relatives of our late colleague, Mr. K. V. Rangaswamy Aiyangar.

SALT ADDITIONAL IMPORT DUTY (EXTENDING) BILL.

THE HONOURABLE MR. A. F. L. BRAYNE (Finance Secretary) : Sir, I move that the Bill to extend the operation of the Salt (Additional Import Duty) Act, 1931, as passed by the Legislative Assembly, be taken into consideration.

Sir, a Bill imposing a special duty on foreign imported salt was discussed at length in the House a year ago but perhaps I may be permitted to recall to the minds of Honourable Members a few of the salient features of the position. As a result of considerable pressure from public opinion, Government set up a Tariff Board inquiry into the salt industry in order to discover whether India could be self-supporting as regards salt production. The answer of the Tariff Board was that India could be self-supporting but in order to do so it would be necessary for her to increase the supply from her own sources of something like half a million tons of fine white crushed salt which has hitherto been imported into Calcutta from foreign sources. In order, however, to secure the development of salt production it was essential in the opinion of the Tariff Board that a stabilised fair price should be fixed. This they considered to be Rs. 66 per 100 maunds at Calcutta. Prices previous to that had fluctuated very considerably in the five years up to 1929. They had ranged from something like Rs. 50 to Rs. 120. The Board further considered that the Government should control all supplies of imported salt and eventually set up an unofficial Marketing Board. Government felt some doubt about these recommendations and the next step they took was to take into their counsels a Committee of the Legislative Assembly. This Committee after considerable deliberation evolved a much simpler scheme; in their opinion the best way of achieving the ends desired, that is to say, the improvement of production and the stabilisation of prices, was to impose a special duty on foreign salt of 4½ annas a maund which would secure to the producer a fair selling price of about Rs. 66 per 100 maunds. A Bill on these lines was passed in this House a year ago and we can now after a year review the working of that measure. As regards production in the first nine months of the current year as compared with a similar period last year, the clearances of foreign salt in the Bengal ports of Calcutta and Chittagong have fallen from 80 lakhs of maunds to 24 lakhs of maunds, while clearances of Indian salt (including Aden salt) have risen from 40 lakhs of maunds to 80 lakhs of maunds, that is to say, they have doubled in that period of nine months. Thus the duty has achieved the object of restricting imports of foreign salt and encouraging imports of Indian salt.

As regards prices, the immediate result of the Bill was an increase from the abnormally low figure of Rs. 40 per 100 maunds to Rs. 62 per 100 maunds and

*Speech not corrected by the Honourable Member.

[Mr. A. F. L. Brayne.]

by October last that figure had risen to Rs. 66 per 100 maunds, which was the figure laid down by the Tariff Board, and it has stayed there since that time. Thus stability of prices has been achieved. As regards development of production in India, arrangements for the supply of white crushed salt from Khewra have been rapidly progressing and these will be assisted by substantial concessions on railway freight. Other sources of supply from the sea-coast are also being developed.

There is, however, one feature of this measure and that is that out of the 80 lakhs of maunds of imported Indian salt something like 65 lakhs of maunds come from Aden where production has doubled, that is to say, the production at Aden has increased from 32 lakhs of maunds to 65 lakhs of maunds. Production from other Indian sources, *i.e.*, Karachi, Okha, etc., has gone up from eight lakhs to 14 lakhs of maunds. Now, as the House is aware, Aden is within Indian limits and the prosperity of Aden has been developed largely by Indian enterprise and Indian capital and to that extent it is most satisfactory to find that such an impetus has been given to the production of Aden salt, but at the same time it is not the primary intention of the Tariff Board or of the Committee of the Assembly that recommended the duty that the production of Aden salt should be increased to the danger of internal production in India, the development of which was the main object of the recommendation. It will be remembered that one of the reasons which led to the outcry for the production of salt in India was the experience of the Great War when there was considerable difficulty in securing salt. Now, if we are made to depend very largely and almost entirely on supply from Aden, the same danger remains and it is therefore most desirable to increase the production of salt in India, particularly salt in the interior of India which does not have to be carried by sea. The whole question has been again considered by the Salt Committee of the Assembly and they have recommended that the present system should be continued for another year, and that is the recommendation in the Bill before the House. And during that year it will be necessary to give the most careful attention to the consideration of what plans can be evolved for the future. The main questions which the Salt Committee thinks should be considered are :

- (1) Whether a quota system should not be devised which would allot a reasonable supply of salt to the various salt-producing agencies in India including Aden. It is necessary to treat Aden fairly and also to give other sources of production a reasonable chance of development.
- (2) Government intend to call a conference of producers and to endeavour by full and frank discussion to arrive at practicable arrangements with their co-operation to attain the objects in view.
- (3) The present price of Rs. 66 per 100 maunds is regarded as somewhat unsatisfactory because many of the data on which the Tariff Board relied have been considerably modified, particularly the freights. Government, however, do not propose to alter that selling price at present but it is one of the matters which will be considered in the course of the year.
- (4) The development of Northern India salt production and also the production of other Indian sources must be taken up with the utmost expedition.

During the year for which the extension of the present import duty is sought from the House all these questions will be fully examined. It will then be possible to work out plans for the future, which will again be considered by the Salt Committee of the Assembly. In the meantime, as I have said, a great deal has already been achieved by the existing Bill, that is to say, the import of Indian salt has been doubled, prices have been stabilised and measures for the development of internal sources of supply have been rapidly pushed on. Sir, I move.

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK (West Bengal : Non-Muhammadan) : Sir, I have listened to the arguments put forward by my Honourable friend Mr. Brayne in asking this House to give its assent to the extension of the operation of the Salt (Additional Import Duty) Act for a further year. I know that the Government is also anxious to give some protection to the salt industry and utilise the money raised by this indirect taxation to the expansion of local salt resources. But I have got to be mindful of the interest of the people who are affected by this duty. Let us recall the circumstances under which the original Salt Protection Bill was passed in March last year. The industry was considered to be one of national importance and as the competition of cheap imported salt proved ruinous to the country the Government thought fit to protect the industry by means of a tariff wall. In fact the proposed imposition of a protective tariff evoked a measure of protest from the eastern provinces, chiefly Bengal, which consumes the largest amount of imported salt annually. It was urged by them chiefly on the ground that the grant of a protective tariff in the case of salt would entail a very heavy burden on the consumers of Bengal to the tune of Rs. 40 lakhs every year in the form of higher prices. The imposition of this heavy burden of indirect taxation on the consumers of a particular province with the sole object of safeguarding the interest of an industry for which the desired support should have come from the whole nation is objectionable. However, the Honourable the Finance Member, in the Assembly, soon after the passing of this Act last year had a Resolution passed providing that the proceeds of the duty should be distributed to the extent of seven-eighths thereof among the consuming provinces and that the same should be applied to the task of developing local resources. The refunds were to be made to the Provincial Governments which were put under obligation of applying them for the development of local salt resources. Now, let us turn to the other side of the question—I mean the working results of the tariff during the first year of its application, an examination of which brings to the foreground certain problems hitherto unthought of or not duly stressed, and on whose satisfactory solution depends the acceptance of the proposal for the extension of the duty. We have to satisfy ourselves and the public of the consuming provinces that the latter have obtained the compensation promised to them in the Government Resolution, or at least that an earnest endeavour has been made to act up to the pledge. There has engendered an erroneous belief in certain quarters that the distribution of the proceeds would at least be commensurate with the tax-burden imposed on the consumers. Let us now consider the case of Bengal which draws part of its requirements of salt through the ports of Calcutta and Chittagong, and it is possible to make an approximate calculation regarding the sacrifice imposed by the new tariff. The result will clearly show the disproportionately scanty character of the compensation that can be secured to the consuming provinces under the prevalent conditions of trade. In the nine months April to December, 1931-32, i.e., from the commencement of the imposition of the duty, Bengal imported 320,991 tons of foreign salt against 454,431 tons

[Mr. Satyendra Chandra Ghose Maulik.]

imported during the corresponding period in 1930-31. The decline in imports is thought due not so much to a fall in consumption as to the diversion of the supply from foreign to indigenous sources, due to the imposition of the new tariff. The difference then between the figures of 1930-31 and 1931-32 as set forth above amounting to 133,440 tons can be taken as the additional quantity of Indian salt which was imported in Bengal during the nine months of the current year. The replacement of foreign by Indian salt for the full year would be therefore about 177,920 tons. Proceeding on the assumption of the inelasticity of demand and taking the figures for 1930-31 as the index of the normal consumption of salt, it is estimated that the import of Indian salt in Bengal during the year 1931-32 would amount to 10,935,433 maunds against a total import of 17,392,088 maunds both Indian and foreign. The amount of the imports of foreign salt would, according to this mode of calculation, be estimated at 64,56,655 maunds yielding Rs. 18,12,809 as the amount of import duty at the rate of 4½ annas a maund, of which the amount available for distribution to Bengal and the provinces served by the ports of the province would be about Rs. 15,83,708 according to the settled ratio of 7 to 8. Thus, in continuation of the estimates it will be noted that though the duty would be realised on only 64½ lakhs of maunds and odd, there would remain the much larger amount of Indian and Aden salt of 10,935,433 maunds in respect of which the benefit of distribution would be lost to the consumers, although as a result of the new tariff the same would have to be paid for at a higher price along with foreign salt. The enhanced price to be paid on this basis is estimated at Rs. 21,32,405. Adding this to the higher price paid for imported foreign salt at the flat rate of Rs. 24 per 100 maunds, *i.e.*, Rs. 15,49,608, the total sacrifice that the consumers will have to bear during 1931-32 is estimated at Rs. 36,82,013. Against this huge figure the compensation to the tune of Rs. 15,83,708 would be poor indeed and Bengal feels alarmed at the grim prospect of the amount of proceeds of import duty dwindling away every month as the foreign salt comes more and more to be replaced effectively by the import of indigenous manufacture, be it obtained from the Western Presidency or from Aden. And unless and until we find a satisfactory remedy for this gross inequity, I, on behalf of the consumers of Bengal, cannot approve of the continuance of this duty.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal: Non-Muhammadan): Sir, the second Report of the Salt Industry Committee of the Legislative Assembly would convince any one that the existing arrangement with regard to the operation of the Salt Act of 1931 should not be disturbed and the Bill, as passed by the Legislative Assembly, should have our support for more reasons than one. First of all, Sir, this additional import duty has encouraged the development of Indian sources of salt supply as may be found in the pamphlet published over the signatures of the Members of the Salt Industry Committee of the Legislative Assembly. And then, Sir, we find from the same report that the methods adopted in the Salt (Additional Import Duty) Act of 1931 have been remarkably successful in achieving the particular object of stabilising the price of crushed white salt at a level which would avoid laying on the consumer a heavier burden than was necessary to secure that object. These are, Sir, the two most redeeming features in the report on the operation of this Act for one year and they are by no means disappointing or discouraging from the nationalistic point of view. The figures for the first

nine months of the current financial year as compared with those of the corresponding period in the previous year show that the consumption of foreign salt in Bengal ports fell from 80 lakhs of maunds to 24 lakhs and the consumption of Indian salt, including Aden, rose from 41 lakhs to 79 lakhs of maunds. Although there has been remarkably less consumption of foreign salt in India the fact that the Aden salt under the protection of the import duty has captured the Bengal market is an important factor to be reckoned with. The report of our friends of the other House does not clearly say anything about the progress and development that has been made in Indian sources of salt supply. Of course, we cannot deny the fact that for many years to come we are to depend upon foreign or Aden salt to fill the gap until Indian mainland sources are fully developed, but it also should be the business and look-out of Government that in the name of protection Aden's manufacturers should not be allowed to capture a major portion of the Indian market. Proper encouragement must be given by Government to develop the Indian sources of salt supply and manufacture on a larger scale.

In this connection I may add, Sir, that the manufacture of sea-salt should be encouraged under license as it may remove a great want of the poor people living near the sea-shore. And how far the avenues with regard to the manufacture and refinement of Indian rock salt have been explored should be made known to the public by Government. Aden, Sir, I understand, has been transferred to the civil administration of the Government of India from that of Bombay and so the manufacturers of Aden salt should be communicated with forthwith and told that the Board of Directors of the Aden Salt Works should have a fair number of Indians on it and the capital transferred from sterling to rupee.

Finally, Sir, I should like to say that Government should continue the operation of this additional import duty on salt for one year only and not more.

With these few words, Sir, I beg to support the Bill as passed by the Assembly.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : (Punjab : Non-Muhammadan) : Sir, I rise to support the Bill. Ever since I joined the Legislature I have been advocating protection as I think, Sir, that it is the duty of all of us to see India developed in her commerce, trade and industry and to see that she becomes self-contained. I am glad, Sir, that the policy of protection has now also been re-adopted by Great Britain in the interests of her own country. I hold, Sir, that any proposal intended to foster Indian industry ought to have our best support.

THE HONOURABLE MR. A. F. L. BRAYNE : Sir, it is satisfactory to find that in this House as in another place the opposition which was shown to the Bill a year ago has, after the experience of the working of the year, either disappeared or changed into a note of praise. There is very little which I think I need say in reply to what has fallen from the speakers. The Honourable Mr. Ghosh Maulik referred to the price of salt and the imposition on Bengal which the present prices involved. Well, that has relation to the price which existed at the time when the Bill was brought into effect. That price was abnormally low ; during the five years up to 1929, the price of salt varied from Rs. 56 up to as much as Rs. 120 and there is no guarantee that the price of Rs. 40 per 100 maunds a year ago would have been maintained without this present arrangement. There is always the danger that foreign importers would corner the market and then be able to charge what price they think possible but

[Mr. A. F. L. Brayne.]

for the measures taken under this Bill. As regards the distribution of the duty, the intention was that the duty should be divided between the consuming Local Governments, the Government of India retaining a share. Under that arrangement up to September last Bengal got about 3½ lakhs, Burma about 2 lakhs and Bihar and Orissa about 1 lakh. It was intended that this money should be used for the development of salt resources. So far very little has been done, but various measures are under consideration. At the same time, it is not likely that there will be very much in the future to distribute; if the import of Aden salt continues, there will be very little on which to collect this duty. I think that is all I need say, Sir.

THE HONOURABLE THE PRESIDENT : The question is :

“That the Bill to extend the operation of the Salt (Additional Import Duty) Act, 1931, as passed by the Legislative Assembly, be taken into consideration.”

The motion was adopted.

Clause 2 was added to the Bill.

Clause 3 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. A. F. L. BRAYNE : Sir, I move that the Bill to extend the operation of the Salt (Additional Import Duty) Act, 1931, as passed by the Legislative Assembly, be passed.

The motion was adopted.

THE HONOURABLE THE PRESIDENT : The House will have observed that no Bill has been laid on the table to-day having been passed by the other House. The effect of that is that at the moment there is no business pending for disposal before the Council. The only course open to me seems to be to adjourn the Council for a few days in the hope that by that time some Bills would have passed their third reading in another place and would be ready to be laid on the table here.

The Council will adjourn till Eleven of the Clock on Friday, the 1st April.

The Council then adjourned till Eleven of the Clock on Friday, the 1st April, 1932.
