

Wednesday, 15th March, 1933

THE
COUNCIL OF STATE DEBATES

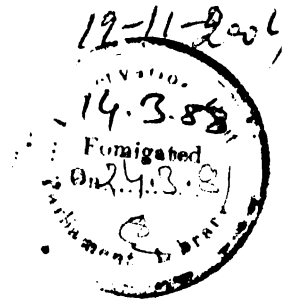
VOLUME I, 1933

(16th February to 15th April, 1933)

FIFTH SESSION

OF THE

THIRD COUNCIL OF STATE, 1933



PUBLISHED BY MANAGER OF PUBLICATIONS, DELHI.
PRINTED BY THE MANAGER, GOVERNMENT OF INDIA PRESS, NEW DELHI.
1933.

CONTENTS.

	PAGES,
Thursday, 16th February, 1933—	
Members Sworn	1
Notification of the appointment of the Honourable Sir Maneckji Dadabhoy as President of the Council of State	1
Congratulations to the Honourable the President	2—5
Questions and Answers	6—13
Statement laid on the table	13
Messages from His Excellency the Governor General	14
Committee on Petitions	15
Governor General's Assent to Bills	15
Bills passed by the Legislative Assembly laid on the table	15
Congratulations to recipients of Honours	16—17
Negotiable Instruments (Amendment) Bill—Introduced	17
Presentation of the Railway Budget for 1933-34	18—24
Death of Sardar Bahadur Shivdev Singh Uberoi	24—25
Statement of Business	25
Saturday, 18th February, 1933—	
Questions and Answers	27—50
General Discussion of the Railway Budget	51—70
Monday, 20th February, 1933—	
Questions and Answers	71—73
Statement laid on the table	73—74
Motion for the election of three Members to the Standing Committee for Roads—Adopted	75
Motion for the election of six non-official Members to the Central Advisory Council for Railways—Adopted	75
Indian Marine (Amendment) Bill—Considered and passed	75—78
Negotiable Instruments (Amendment) Bill—Considered and passed	78—80
Children (Pledging of Labour) Bill—Considered and passed	81—84
Indian Forest (Amendment) Bill—Considered and passed	84
Tuesday, 21st February, 1933—	
Member Sworn	85
Resolution re Purchase of stores through the Indian Stores Department—Withdrawn	85—93
Resolution re Restoration of the cut in salaries only when the surcharge of 25 per cent. is abolished—Negatived	93—100
Statement of Business	100
Tuesday, 28th February, 1933—	
Member Sworn	101
Ottawa Trade Agreement Rules, 1932, laid on the table	101—09
Presentation of the General Budget for 1933-34	110—19
Nominations for election to the Standing Committee for Roads	119
Nominations for election to the Central Advisory Council for Railways	119—20
Statement of Business	120

	PAGES.
Saturday, 4th March, 1933—	
Questions and Answers	121—42
Motion for the election of four non-official Members to the Standing Committee on Emigration—Adopted	142
Motion for the election of two non-official Members to the Standing Committee to advise on subjects, other than "Indians Overseas—Emigration" and "Haj Pilgrimage" dealt with in the Department of Education, Health and Lands—Adopted.	142
General Discussion of the General Budget	142—206
Monday, 6th March, 1933—	
Questions and Answers	207—17
Short Notice Question and Answer	217
Congratulations to His Excellency the Commander-in-Chief on his promotion to the rank of Field Marshal	218
Resolution <i>re</i> Reference of important Government Bills to joint select committees of both Chambers—Negatived	219—25
Resolution <i>re</i> Increase in the present number of cadets annually admitted to the new Indian Military Academy, Dehra Dun—Negatived	226—33
Wednesday, 8th March, 1933—	
Questions and Answers	235—37
Resolution <i>re</i> Telegraph poles—Adopted	237—44
Resolution <i>re</i> Representation of the Council of State on the Indian Delegation to the Joint Select Committee of Parliament—Withdrawn	244—53
Election of four Members to the Standing Committee on Emigration	253
Election of two non-official Members to the Standing Committee for the Department of Education, Health and Lands	254
Statement of Business	254
Monday, 13th March, 1933—	
Questions and Answers	255—75
Resolution <i>re</i> Papers of the third Round Table Conference and White Paper to be laid on the table—Withdrawn	276—78
Resolution <i>re</i> Scales of pay and allowances of future entrants to the Superior Services—Negatived	278—88
Wednesday, 15th March, 1933—	
Resolution <i>re</i> (1) Withdrawal of the notification exempting salaries from Indian income-tax and (2) imposition of Indian income-tax on Indian sterling loans—Negatived	289—302
Resolution <i>re</i> Grant of a lump sum gratuity to families of non-gazetted Government servants who die while in service—Withdrawn	303—11
Resolution <i>re</i> Preference to Indian steamship companies for the carriage of mails on the coast—Withdrawn	311—18
Resolution <i>re</i> Abolition or reduction in the posts of commissioners of divisions—Negatived	318—35
Resolution <i>re</i> Withdrawal or reduction of the surcharge on the carriage of coal—Withdrawn	335—45
Monday, 20th March, 1933—	
Questions and Answers	347—50
Legal Practitioners Amendment Bill—Introduced	350
Resolution <i>re</i> Amendment of the Imperial Bank Act, 1920 (XIV of 1920)—Negatived	361—35

Monday, 20th March, 1933—*contd.*

Resolution <i>re</i> Appointment of a Committee to enquire into and report on the working of and results achieved from the Ottawa Agreement—Adopted, as amended	365—69
Resolution <i>re</i> Reduction of sterling commitments and replacement thereof by rupee commitments—Adopted	369—73
Resolution <i>re</i> Increased seats for landlords in the reformed central and provincial Legislatures—Withdrawn	373—76
Statement of Business	377

Wednesday, 22nd March, 1933—

Member Sworn	379
Questions and Answers	379—82
Bills passed by the Legislative Assembly laid on the table	382
Motion <i>re</i> Amendment of Standing Orders 22 and 54 of the Council of State—Negatived	382—88
Motion <i>re</i> Amendment of Standing Orders 16 and 70 of the Council of State—Negatived	388—97
Ballot for the election of three Members to the Standing Committee for Roads	397
Ballot for the election of six non-official Members to the Advisory Council for Railways	397
Statement of Business	397—98

Friday, 24th March, 1933—

Cotton Textile Industry Protection (Amendment) Bill—Considered and passed	399—403
Wheat Import Duty (Extending) Bill—Considered and passed	403—12
Elections to the Standing Committee for Roa's and the Central Advisory Council for Railways	412—13
Statement of Business	413

Monday, 27th March, 1933—

Questions and Answers	415—19
Statements laid on the table	419—41
Bill passed by the Legislative Assembly laid on the table	442
Motion <i>re</i> Consideration of the White Paper on Indian Constitutional Reforms— <i>not concluded</i>	442—72

Tuesday, 28th March, 1933—

Questions and Answers	473—75
Motion <i>re</i> Consideration of the White Paper on Indian Constitutional Reforms	475—513
Statement of Business	513
Appendix	514

Wednesday, 29th March, 1933—

Member Sworn	515
Bill passed by the Legislative Assembly laid on the table	515
Salt Additional Import Duty (Extending) Bill—Considered and passed	515—23
Statement of Business	523—24

Friday, 31st March, 1933—

Indian Finance Bill, 1933—Considered and passed	525—67
Statement of Business	567

Wednesday, 5th April, 1933—

Questions and Answers	569—73
Statement laid on the table	573
Bill passed by the Legislative Assembly laid on the table	573
Statement of Business	573—74

Friday, 7th April, 1933—

Indian Tariff (Ottawa Trade Agreement) Supplementary Amendment Bill—Considered and passed	575—78
Statement of Business	578

Saturday, 8th April, 1933—

Question and Answer	579
Statement laid on the table	579—82
Bills passed by the Legislative Assembly laid on the table	582

Monday, 10th April, 1933—

Provincial Criminal Law Supplementing Bill—Considered and passed	583—90
Auxiliary Force (Amendment) Bill—Considered and passed	591—92
Statement of Business	592

Tuesday, 11th April, 1933—

Short Notice Question and Answer	593—94
Bill passed by the Legislative Assembly laid on the table	594
Statement of Business	594

Wednesday, 12th April, 1933—

Bill passed by the Legislative Assembly laid on the table	595
---	-----

Saturday, 15th April, 1933—

Indian Merchant Shipping (Amendment) Bill—Considered and passed	597—606
Indian Income-tax (Amendment) Bill—Considered and passed	606—14
Safeguarding of Industries Bill—Considered and passed	614—20
Indian Tariff (Amendment) Bill—Considered and passed	626—27

COUNCIL OF STATE.

Wednesday, 15th March, 1933.

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

RESOLUTION *RE* (1) WITHDRAWAL OF THE NOTIFICATION EXEMPTING SALARIES FROM INDIAN INCOME-TAX AND (2) IMPOSITION OF INDIAN INCOME-TAX ON INDIAN STERLING LOANS.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, before I move my Resolution I would ask your permission to make a slight change in the Resolution. In the second line for the words "drawn in England" I wish to substitute "drawn in British possessions outside India".

THE HONOURABLE THE PRESIDENT : I do not see any objection. I would like to know the Government Member's view.

THE HONOURABLE MR. J. B. TAYLOR (Finance Secretary) : No objection.

THE HONOURABLE MR. HOSSAIN IMAM : Sir, I rise to move the Resolution :

"That this Council recommends to the Governor General in Council (a) to withdraw the notification exempting salaries drawn in British possessions outside India from Indian income-tax, (b) to move the British Government for the necessary sanction and power to impose Indian income-tax on Indian sterling loans.

Sir, before I deal with the merits of the Resolution I should like to remind the House of the history of this Resolution. For the first time, Sir, the General Purposes Committee during its inquiry found a serious defect in the working of the Indian Income-tax Act inasmuch as the pensions and pays, the salaries and substantive pays drawn outside India in other British possessions were exempted from Indian income-tax and therefore they recommended that Government should take steps to impose Indian income-tax on all these salaries. This question was agitated at the time of the budget discussion during the latter part of 1931 when the emergency budget was introduced. After that, Sir, Sir David Devadoss, an ex-Judge of the Madras High Court, brought forward a Resolution on this subject on the 14th March, 1931. I tried, Sir, to bring a Resolution last September during the Simla session but on account of the fact that it was held that my Resolution was substantially the same as Sir David's my Resolution was debarred on account of its being within one year of the Resolution already discussed. It is exactly a year and a day since that Resolution was introduced. There is some difference between the Resolution which I have moved and the one which Sir David Devadoss had moved. Although the implication is practically the same

[Mr. Hossain Imam.]

no doubt, the wording has been changed to meet the objection raised by the Government. Sir, the history of this shows how often the Government had to change its front and take up position after position which on being found untenable was left one after the other. The first line of argument which the Government took up was that it would cause hardship to the Government employees whose pensions would be subject to Indian income-tax. When that point was made and it was urged that there would be no hardship because of the fact that there is a provision in the English income-tax law as well as in the income-tax law for giving mutual relief for income-tax charged by one country from the other, then the line was taken up that we were debarred from imposing our income-tax on account of the circumscribing effect of the Government of India Act which confine the legislative powers of the Indian Legislature to the boundaries of geographical India. When that point too was met, the Government tried to take shelter behind the fact that as the income-tax was not disbursed in India therefore this could not be effected. At the moment the Government's main point is this one, that the sterling disbursements are paid outside India and therefore they are not in a position to impose the Indian income-tax. I, Sir, have tried to meet this difficulty by not asking the Government to impose income-tax. I ask them to withdraw the notification issued by the Finance Department which happens to be No. 1319-F., a notification issued as far back as the 28th April, 1920, and amended by No. 1205-I. T., dated 4th February, 1926, and No. 42, dated the 20th November, 1926. These notifications were issued by the Government of India and as such no technical objection or legal flaw can be pointed out in asking the Government to withdraw its own notifications. In this connection, Sir, I wish to point out that the very fact that the Government of India issued a notification exempting these salaries shows quite conclusively that they regarded it as part of income accruing in India. I, Sir, asked a question about the subject in the last Simla session. My question was No. 42 of 1932 in which I asked the Government to quote the section of the Government of India Act or other relevant authority under which sterling pensions are exempted from Indian income-tax. The reply of the Government was that the Government of India know of no statutory provision exempting sterling pensions from Indian income-tax nor is any such provision necessary to validate the existing practice of the territorial limitations imposed on the powers of the Government of India by section 65 of the Government of India Act. That, Sir, is a point which I will discuss, whether section 65 of the Government of India Act acts as a bar to our imposition or not. But, Sir, when I asked a supplementary question on the same day whether the sterling pensions accrued in India or outside, it was held that it was a point not of fact but of law and therefore this question could not be asked.

I am going to confess that sometimes, when I am dissatisfied with the answers which I get from the Treasury Benches here, I have recourse to the question being put in the Assembly, and when this very same question was put in the Assembly, quite a satisfactory reply was given. I would refer my Honourable friend to question No. 1167 which asked: "Are the Government aware that sterling pensions accrue in India?" and the reply of the Government Member, Sir Alan Parsons, was that that was the view held by the Government.

Now, Sir, I should like to remind the House of the income-tax law existing in England. There are three kinds of taxable incomes as far as jurisdiction is concerned. One is income accruing in the country and realised by people inhabitant in the country. Every one admits that the right of the Legislature

to impose a tax on such incomes is supreme. The second class is income of people resident in the country but derived from outside the country. The British Government holds that all these incomes are liable to income-tax in the country in which the man draws the income. The Government of India are following suit and they have brought forward a Bill to amend the Indian Income-tax Act to make incomes accruing from outside India but received by people in India liable to Indian income-tax. There is the third class of incomes—incomes accruing in the country but drawn by people residing outside the confines of the country. There, too, the English Government holds that merely because of the fact that it accrues in the country, it is liable to the tax. I should like here to refer to the practice in England. There, persons who reside outside the country but who derive any profits from the country are subject to English income-tax irrespective of whether they reside in British possessions or in foreign countries. The most important point is that income-tax liability is established for two reasons, either that it is received in the country or because the person drawing it resides in the country. Pensions and salaries drawn outside India but which accrue in India should not be exempted from the general principles merely because they are paid outside the country. Here a strange position is revealed by the Government. People, although they reside outside England, have to submit to English income-tax because their pensions are liable to be paid in Great Britain, but they are exempted from Indian income-tax. There will no doubt be a little hardship, but not on the persons who are drawing the salaries. It will be a little hard on the English exchequer I admit, but is that any reason why justice should not be done? Every day civil courts pass decrees handing over funds which have been wrongly held by others to the rightful owners. Do we call that a hardship on the people who have got illegal possession? In the same way, the British exchequer did not formerly bear the cost of the India Office, but now the British Government have saddled themselves with a part of the cost of the India Office. Is it any reason, Sir, that because this will cause hardship to Great Britain, this should not be done? The argument that the British Exchequer is not in good circumstances now and therefore we should not try to impose this burden on them does not carry weight. We are in a worse plight.

I have divided my Resolution into two parts, because I find that there is a notification of the Government of India exempting the one from Indian income-tax and there is no notification of the Government of India exempting the other. So far as salaries are concerned, I think Government have no case to insist on keeping on that provision in view of the fact that the precedent of the English Constitution is against them. Regarding the second part, I would like to quote the procedure adopted in England. In England, incomes derived from public securities are subject to Part C of the Income-tax Schedule. The provision there is perfectly clear. It is given on page 369 of Saunders' Income-tax and Super-tax, 3rd Edition, that :

“ All profits arising from interest, annuities, dividends and shares of annuities payable out of any public revenue are subject to Schedule C ”.

In the further discussion on the subject Saunders has pointed out that the mere fact that a person resides outside Great Britain does not give him immunity from the English income-tax. I therefore ask the Government not to impose income-tax on the interests of sterling securities outright, but I ask them that, if they think they have no power to impose it now, they should ask the British Government that in the Government of India Act which is going to be passed, in the near future, a provision might be made for imposing

[Mr. Hossain Imam.]

Indian income-tax on sterling securities. Sir George Schuster, when this point was raised in the Assembly, took his stand on the fact that it will cause a slight rise in the interest rates of the Government of India. That was what I may call a good camouflage. English income-tax is as high as 5s. in the £, the standard rate, and our highest rate is 2 annas and 3 pies at the moment. Therefore, Sir, it comes to about $\frac{1}{8}$ th, whereas the English standard rate is $\frac{1}{4}$ th. The mutual relief convention is up to half of the rate. Therefore, the relief to be given in our case is $\frac{1}{2}$ of $\frac{1}{4}$ or $\frac{1}{8}$ th. There will be absolutely no additional burden thrown either on the pensioners or on those who hold our Indian sterling securities. At the moment the convention works in a way which is altogether to our disadvantage.

When I read the speech of the Honourable the Finance Secretary in reply to the Resolution moved by the Honourable Sir David Devadoss, I thought he would enlighten us about the advantages which we derive at the moment from the convention of mutual relief. But he gave not a single instance to show that India has benefited up till now by this convention. Whatever good there has been, has probably been in the interests of England and not of India. Another point was made that if we press this motion now when the Reforms Bill is on the legislative anvil of the House of Commons, perhaps they might take away this convention of mutual relief. That, Sir, is a line of argument which no sane person will admit to be sound. The existence or non-existence of a law makes no difference to anybody if nobody derives advantage from it. Satisfaction, if there can be any satisfaction, can only arise from the fact that a law acts to the advantage of some people. As it stands at present, the law has not been of advantage to us, and, therefore, if it remains a dead letter or if it is erased from the English Statute-book, it will be all the same to us. If they take away the Convention, who will stand to lose? Not India. If anybody stands to lose it will be their own nationals who will not get the relief. The power of India to tax will remain and it is not dependent upon the convention of mutual relief. That convention merely gives relief to the particular persons whose income is subject to income-tax, and I am sure, Sir, that England is far more democratic than our own country and it will think twice before it lays down any law which will throw additional burdens on its own nationals. It is not an irresponsible Government like ours, which can with impunity impose burden after burden without minding the result on the public of this country.

Sir, in this connection I should just like to give an estimate of the amount that is likely to accrue to India if Government accepts my Resolution. The General Purposes Committee estimated it at the figure of Rs. 50 lakhs. When Sir David Devadoss estimated the savings accruing from it at Rs. 16 lakhs, Mr. Brayne very kindly pointed out that he was wrong in his estimate and that probably he had lost sight of the fact that Rs. 4 crores are given as military pensions, which, if brought under review, would yield about Rs. 32—34 lakhs. My own estimate is a little higher, because I find that not only have the salaries and pensions of Government servants been exempted, but a further step has been taken in the direction of giving relief after relief, and the leave salaries and allowances paid in the United Kingdom or in the Colonies to officers of local authorities and employees of companies and private employers on leave in the United Kingdom or in such Colonies, have also been exempted with effect from 1926. This is a further step in the direction of enriching the British exchequer at the cost of the poor Indian taxpayer. And this was done in spite of the fact that at that time a supposedly vigilant

body of legislators like the Swarajists were in control in the Assembly. Even they did not spot this effort of the Government to give further relief to the British exchequer.

Sir, I should like to know from the Government whether public utility companies who have got their head offices in England are subject to Indian income-tax or not. For instance the Bengal and North-Western Railway has got its registered office in England but all its income arises in India. We know, Sir, that it is subject to English income-tax but we do not know, and the probability is, that it is not subjected to Indian income-tax. The fact is that the working of the Income-tax Department, not only in India but throughout the British Empire, is secretive. Very little is known about the manner in which it is carried out and how much individuals are assessed. We have no reliable information about the vagaries of this Department. Contrast it with the American system. There you can find out the exact amount of income-tax paid by each and every individual and every company, and it is much easier to safeguard the interests of the taxpayers through a knowledge of who is being exempted or let off scot-free by executive action. I do not advocate the introduction of the American system at the moment in India, because it would be too drastic a change, and perhaps it does not suit a conservative House like ours to suggest so radical a change. But I have mentioned this simply to show how our ignorance is accounted for by the fact that sufficient data is not available to us for finding out how income-tax is levied and from whom.

One word more and I will conclude. The second part of my recommendation merely asks the Government of India to approach the British Government for necessary sanction and if they refuse it we will have no fight with our own Government. The fight will be shifted from the Government of India to the British Government. And here, Sir, I should like to impress on the Members of the Treasury Benches that they must disburden themselves of the idea that they are bound to obey the behests of His Majesty's Government in Great Britain. Although we have not yet been included in the Statute of Westminster, we wish those gentlemen to realize that they serve His Majesty's Government of India, and as such they must keep the interests of the Government of India foremost in their minds and try to do as much good as they can for His Majesty's Government of India. In this connection I would commend to their attention the attitude of former Governments of India, who, while irresponsible to the people of India, were more conscientious in the discharge of their duties for the Government of India than I find the present Government to be. Perhaps because partial responsibility has been transferred to the representatives of the people, who are themselves powerless, they are not so vigilant as they were in former days. If need be I shall give instances of this in further debates on other subjects in this House.

Sir, I move.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR (Central Provinces : General) : Sir, the amendment that stands in my name runs thus :

"That after the words 'notification exempting salaries' the words 'leave salaries, allowances and pensions' be added."

Sir, in moving this amendment, my intention is simply to widen the scope of the Resolution so ably moved by my Honourable friend Mr. Hossain Imam. He has ably dealt with the question and I think I need not detain the House

[Mr. Vinayak Vithal Kalikar.]

by making further remarks on these points, but I am afraid I shall have to state that Government have no case so far as this Resolution is concerned. If pensioners and other Government servants who draw leave salaries in India are taxed by the Indian Income-tax Department, I fail to see, Sir, why the income or salaries which they draw from the Indian exchequer when they are in England should not be taxed. My Honourable friend Mr. Hossain Imam just now referred to the Resolution moved by Sir David Devadoss last year and the remarks made by the Finance Secretary at the time and he dealt with the question fully. But I submit, Sir, that if the Indian exchequer and the Indian taxpayer pays for salaries and pensions of these officials, it is equitable that these leave salaries and allowances and pensions should also be taxed. Persons living in India who draw leave allowances and salaries are taxed. If that is the case, then persons staying in England should not be exempted from Indian income-tax. Another point is that it will cause no hardship to persons living in England. At the most it will reduce the income of the British exchequer, but it will not cause hardship to individuals living in England, because under section 27 of the Finance Act, 1920, as amended by the Act of 1927, those persons living in England will get relief to the extent to which they will be liable to pay income-tax in India. So, Sir, I should like to say that the invidious distinction that is being maintained at the present time should be avoided and officers living in England or outside England should be taxed. In these hard days, Sir, when practically we have to meet with deficit budgets in all the provinces and not a very cheerful budget in the Government of India every pie is needed for the Indian exchequer. Moreover, Sir, I am afraid I have to make a remark that the Government of India has lowered the taxable income to Rs. 1,000. So poor shop-keepers and other people in India have to pay income-tax even on Rs. 1,000. I do really fail to understand why these officers living in England and who draw income even up to Rs. 10,000 and more should be exempted from paying income-tax. I therefore submit, Sir, that in fairness to the Indian taxpayer as well as to get more money for the Indian exchequer, Government should avoid invidious distinction and should assess to income-tax salaries and pensions of officials living in England as well as outside England.

With these words I move the amendment.

THE HONOURABLE THE PRESIDENT: Amendment to the Resolution moved :

"That after the words 'notification exempting salaries' the words 'leave salaries, allowances and pensions' be added."

As both the original Resolution and the amendment motion are identical discussion will now proceed simultaneously on both these motions.

THE HONOURABLE SIR PHIROZE SETHNA (Bombay: Non-Muhammadan): Sir, I congratulate the Honourable Member on his bringing forward for consideration by this House two very important points which are included in his Resolution. I say, Sir, they are two different matters and for that reason I do hope that when it comes to voting you would put the two parts separately as it may not be possible for us to hold the same opinion on (a) and (b) and particularly so after knowing what views Government hold on these two questions. After having heard the Honourable mover, I must certainly admit that he has made out a strong case so far as part (a) is concerned. Perhaps there was doubt in the minds of some of us whether

any income-tax was paid by Indian retired officers in England on the salaries and pensions they drew from India, but that point has been made perfectly clear by the reply of Government to question No. 43 put by the same Honourable Member on the 20th September, 1932, in which he asked :

" Does the Secretary of State for India deduct English income-tax from the pensions of Indian retired officers in receipt of sterling pensions ? If the answer is in the affirmative, will Government state if residence outside Great Britain exempts the recipients from English income-tax " ?

The Honourable Mr. Taylor replied by saying :

" British income-tax is deducted by the officer who disburses sterling pensions to retired officers who are liable to such tax ".

Therefore, Sir, it is not a question of imposing any further burden on the officer who draws a salary or pension after retiring in England. The point of difference is between the two Governments, namely, the Home Government and the Indian Government. As has been explained by the Honourable mover, and if his figures are correct, the Indian Government would profit to the extent of half a crore of rupees if the share of India at its rate of income-tax is given to India out of what the British exchequer collects as their income-tax from such individuals. That, Sir, is a perfectly fair proposal and surely the British exchequer will not suffer to any great extent if it meets this demand from India to the tune of half a crore. Half a crore of rupees may not mean much, it is a fleabite to the British exchequer, but in the state of our finances at the present moment or for that matter at any time half a crore of rupees is indeed a very large sum which we cannot afford to throw away. Therefore, Sir, I support the first part of the Resolution.

Coming now to the second part of the Resolution, the Honourable mover says that the British Government might be moved for the necessary sanction and power to impose Indian income-tax on Indian sterling loans. I do not think I can see my way to agree with him on this point. India is not the only country which tries to get loans issued in the London market. There are various other countries. We know that the Argentine, even China and Japan, and also other parts of the Empire like Australia, do get loans issued in England and so far as I know neither the foreign Governments nor any other part of the Empire which gets loans issued in England demand the return to them of any income-tax paid by those who have invested in such loans. To my mind the reason for that is obvious and it is this. These loans are applied for or the greater percentage of them are applied for not by the residents of the country for whose benefit the loan is issued, but by British investors possibly residing in England. Therefore, if British investors were not offered these loans in the London market, they would possibly be investing their funds in purely British securities and they would be paying the full tax to the British exchequer and certainly the British Government have a claim upon the income-tax upon investments made by them. Consequently, Sir, I do not think that it would be a fair proposal to ask Government to do anything in the matter of collecting even a portion of this tax from purely British investors and of course it is not possible to discriminate between investors and investors, whether they are Indian or they are non-Indian investors. That is my reason for opposing the second part of the Resolution. At the present moment, even an Indian investor who invests in rupee sterling loans collects his interest thereon in London and he is at an advantage as compared with the British investor inasmuch as the interest which he collects for a period of three years is not subject to Indian income-tax and not even to British income-tax

[Sir Phiroze Sethna.]

provided he does not draw that money into this country for fully three years. That has been the rule so far but as the Honourable Member himself has pointed out the Honourable the Finance Member during this session has introduced a Bill according to which Indian investors whether they bring out to India the interest they have earned or keep it for three years in England will have to declare the same in their income-tax returns and they will have to pay income tax thereon.

These, Sir, are my reasons for opposing part (b) of the Resolution.

THE HONOURABLE MR. E. MILLER (Bombay Chamber of Commerce) : Sir, I have listened to my Honourable friend the mover and to his supporters but have been unable to find anything in their remarks which to my mind would justify the Government in accepting the Resolution. The measure suggested appears to be aimed mainly at people of my nationality employed in this country, who for short periods during long residence in India go on leave to their native land for a rest and in order to see their families and other relatives. This generally means heavy extra expenditure and to have added to this the additional burden of Indian income-tax on their salaries drawn in England would hit them very hard individually while the result collectively would not have any appreciable effect on the revenues of India. It seems to me at a time when all right-minded people—both Indian and British—are endeavouring to promote good will the time is most inopportune to suggest the introduction of legislation which will impose a fresh hardship on a particular section of the community.

The same thing applies to the second part of the Resolution, for Indian sterling loans are held largely by British companies and banks and it would be most unfair to penalise them in the manner suggested, while it would undoubtedly make the investment less attractive and would therefore restrict support for such loans, as the Honourable Sir Phiroze Sethna has pointed out.

I trust Honourable Members of this House will not give their support to this Resolution which might be described as discriminatory in character and which, Sir, I oppose.

THE HONOURABLE MR. J. B. TAYLOR (Finance Secretary) : Sir, the Honourable mover accused Government of sheltering behind legal technicalities. I hope that I shall be able to rebut what I must call the unfounded allegation that we on these Benches prefer the interest of His Majesty's Government to those of the people of India and that before I sit down I shall have convinced the House that our policy in this respect is dictated by what we consider to be in the permanent true interests of India as a whole. As I said, I do not wish to embark on legal technicalities. Income-tax law is unavoidably complicated but it is very far from correct to assume that we are feebly enmeshed in a web of our devising or that if we had the power our actions would be different from what they are.

In the first place, I would like to make it clear that these notifications embody no new concessions; in other words nobody who before was paying income-tax was relieved of it as a result of these notifications. The income-tax law in India was amended after the war and in order to clarify various doubtful points these notifications were issued to confirm existing practice.

With these preliminary remarks I turn to the main principles which I conceive to be real points of interest to the House and I shall take the second part of the Resolution first, namely, that Indian income-tax should be imposed on sterling loans. Sir, I looked through the London Stock Exchange Gazette yesterday and though I found hundreds of loans totalling thousand of millions floated in sterling on the London Market by foreign countries, I could not discover a single one in which the borrower attempted to impose an income-tax liability—and for a very obvious reason. Anybody who is going to invest his money in a foreign loan is timid enough because he realises that he has no legal means of redress and if on top of that you add what he will undoubtedly interpret as the power to modify the terms how and when you like, it is quite obvious that you would not be able to borrow a shilling in London. India will have quite enough difficulties under the new constitution in establishing her credit without embarking on dangerous innovations of this character. There are more than £4½ million which have to be repaid within the next three years if India is to borrow at less than 5½ per cent., and I would ask Honourable Members what chance there would be of any of those being converted if a condition of this sort is imposed? The Honourable mover said that that was the English practice. That is incorrect. So far as I know, there are no English loans floated abroad, except the ones floated after the war, and then the British Government did not attempt to impose these conditions. I refer to the war debt to America. Can you imagine what chance the British Government would have had if it had said to America that they intended to charge income-tax and super-tax on these loans? It would make international credit laughably impossible. For these reasons I hope that the House will utterly reject this part of the Resolution. I hope too that they will reject it with a very large majority because the debate in this House will be reported and it is essential for India's credit that any such proposals should be definitely defeated here.

I will now turn to the first part of the Resolution, to the more specious part. Here too essentially the same arguments apply. India at present has to borrow capital abroad. It has also to obtain the services of Englishmen not only in Government service but also in commerce and when a man decides to devote his services to a foreign country he realises that normally it is going to be a long business. It will normally be for the length of his working life and he has to consider not only the wages which are to be paid him in the country—at a time when he may think he will be able to look after himself—but also his leave salary and pension which will be paid him in retirement when he will be out of the country and have no immediate means of making his influence felt. For these reasons, any attempt to alter their position in this respect, particularly now, would probably have disproportionate results in what you would have to pay them. I therefore consider that this House would be very well advised to leave this matter as it stands.

I hope that I have now shown you that as regards the first proposal, that of taxing our external loans, the universal experience of the world is that it would be quite impracticable. We should never be able to borrow anything more in London and as regards the human capital also, of which India still stands in need, the same considerations apply. We all hope that the day will come when India will be able to stand on its own legs, to find all its own capital and supply its own human material. When that day arrives the subject-matter of this Resolution will be of no importance, the answer involved will be negligible. Until it comes I suggest that Honourable Members would be well advised to leave matters as they stand.

[Mr. J. B. Taylor.]

There is one point on which a great deal of stress has been laid and that is that in some simple way this is going to cost nobody anything except the long-suffering British taxpayer because of the provision of double income-tax relief. The idea is that if income-tax is charged by India the British Government will cheerfully hand it back to the Government officer or investor concerned. Sir, I do not wish to go into the ramifications of English income-tax law but I would merely say that we are certainly not prepared to accept that assumption as correct. Double income-tax relief, as all business men know, is a very complicated subject. Also, it is not, so far as I know, embodied definitely in statutory form. It is the subject of convention between various countries, and if the Indian Government embark on what the Honourable Mr. Miller described as predatory legislation, it is quite possible that the British Government themselves might feel free to reconsider their position, in which case the sufferer would be the unfortunate Government servant and the British commercial man. Also, Sir, I consider that this point is really irrelevant. We are discussing the principle. At present it might happen that possibly full relief could be obtained in many cases, but we have to look to the future, once this principle is admitted. The Indian Government can increase or modify its income-tax charges as it pleases. It might modify them in such a way, and future British Governments may modify their charges in such a way that it might be impossible to obtain double income-tax relief, in which case again, it will be the individual who will suffer.

For these reasons, Sir, I hope that the House will reject this motion.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central : Non-Muhammadan) : Sir, I rise to support the Resolution moved by the Honourable Mr. Hossain Imam as amended by the Honourable Mr. Kalikar. As has been pointed out by one of the supporters on these Benches, the Resolution is divided into two parts, and I fail to see the opposition to part (a) though I admit that part (b) is the weaker portion of the Resolution. In opposing the Resolution, the Honourable Mr. Miller has said that the advantage to the Indian exchequer will not be appreciable. It has been pointed out that the saving to the exchequer will come to about half a crore of rupees if this Resolution is adopted. I think that during the present financial stringency, half a crore of rupees is not a sum which should be disposed of in this manner. The Honourable Mr. Taylor in opposing the Resolution has said that if this Resolution is adopted, persons coming for the service of this country will think twice before coming. They will consider that they will not have as many advantages as they used to have so far as pensions and allowances are concerned when they retire. Sir, I would submit that they have already got so many other advantages over Indians who are in service here that they will think little of paying income-tax. They have got overseas allowances and all the concessions recommended by the Lee Commission, and over and above all this, they get the highest pay that any country in the world gives to its servants, and I am of opinion that it is sufficient charm to attract them for service in this country. I therefore consider that it is not a very good argument with which to refute the arguments put forward by the mover of the Resolution, and I extend my whole-hearted support to part (a) of the Resolution.

THE HONOURABLE MR. HOSSAIN IMAM : Sir, I was rather surprised by the strong attitude which the Honourable Mr. Taylor took on this question. I can assure him that he will get a majority in this House, but that would be no

reason for thinking that his case has been perfectly well established. He said that Government have not shifted their position. I would like to refer him to the speech which the Honourable Mr. Brayne made in reply to Sir David Devadoss' Resolution which is reported on page 234, Volume I, 1932—I am not going to read it—in which section 96B and section 65 of the Government of India Act were cited as standing in our way and legal technicalities were taken advantage of. When a similar motion was moved in the Assembly during the general discussion of the emergency budget, the same attitude which the Honourable Mr. Miller has taken up today was taken by the Honourable the Finance Member. But that was given up the second time, because it was clearly shown that there was no hardship on anybody. The troubles of the poor British taxpayer were brought in, as if in the enormous amount of £800 million, £368,000 count for anything. That is the exact proportion. It is less than even one per cent. of the income of England. But that is brought in as an argument that although it may be unjust, yet we should be chivalrous enough to let it go by.

Sir, he has said that incomes derived from outside Great Britain are not subject to English income-tax. I would like to quote from Saunders' Income-tax and Super-tax, page 48, in which it is said :

“ Tax under this Schedule shall be charged in respect of the annual profits or gains arising or accruing to any person, whether a British subject or not, although not resident in the United Kingdom, from any property whatever in the United Kingdom, or from any trade, profession, employment or vocation exercised within the United Kingdom ?

He further said that there was no statutory basis for mutual relief. I would refer him to section 27 of the Finance Act of England, 1920, which

“ gives an allowance for income that has borne both United Kingdom income-tax and income-tax in any British possession or territory under Crown protection or for which a mandate is being exercised by the Government of any part of His Majesty's dominions. The relief is :

- (a) The full Dominion tax if the Dominion rate does not exceed half of the 'appropriate rate of the United Kingdom tax'
- (b) In other cases, half of the 'appropriate rate'.”

There is here a statutory definition for the mutual relief. There is the English precedent that incomes derived from outside are subject to English income-tax, and in the face of that, the Government are still sticking to it. Not a word has been said—I was anxiously expecting the Honourable the Finance Secretary to say something about the necessity of maintaining this notification. If we are circumscribed by the Government of India Act, I do not think Government can publish notification after notification, knowing that this Act did not apply. Have the Government published any notification to exempt salaries drawn by ex-servants who are drawing pay from England ? Because it does not arise, you made no notification of that sort. But a notification is made expressly to exempt a right which is now exercised by India and from which Government wishes to exempt from its own sweet will. I would not protest if the Government were to make this move and if the Government of England were to reject it. That will be a straight fight between the people of India and the Government of Great Britain. What I take exception to is that people who are drawing their salaries from Indian India should take up the cudgel for England. In England there are a sufficient number of people who can defend themselves. It is not necessary that our officials should take up a chivalrous attitude and safeguard the

[Mr. Hossain Imam.]

interests of England. It is that to which I objected before and to which I object again. Mr. Miller seems to be labouring under the old misconception that it will cause a hardship. The convention of mutual relief is perfectly clear on this point and if need be it could be made a little more clear. At the moment our income-tax rate is not higher than half the English standard rate and therefore there would not be any hardship to speak of. The highest pensions drawn by retired servants of Government do not exceed Rs. 20,000 per annum, and on those the income-tax will be less than the highest Indian income-tax rate. Therefore there will be absolutely no hardship. And if there is a hardship, we would be perfectly willing to authorise Government to charge from them not more than the half rate, as they can do even now under the mutual relief convention. Under that convention they can give relief up to half the rate of Indian income-tax if English income-tax deducted on their income is more than double the Indian income-tax.

THE HONOURABLE SIR PHIROZE SETHNA : Mr. Miller wants relief for those who go on leave.

THE HONOURABLE MR. HOSSAIN IMAM : Most of our Government servants do not go on short leave, with the exception of Governors and Members of Executive Councils and people of that kind who are enabled to take four months leave under the new rules. No one goes for a short period.

THE HONOURABLE SIR PHIROZE SETHNA : Six months, the great majority.

THE HONOURABLE MR. HOSSAIN IMAM : The great majority go for more than six months and they are liable to English income-tax and there would be no hardship on them. I think the pockets of our Governors and gentlemen of that kind are sufficiently deep to allow of a small dip into them by the Finance Department. They would not feel it. We are very glad to see three Members of the Viceroy's Executive Council on our Benches today, and I think they will not mind even if a slight—

THE HONOURABLE THE PRESIDENT : Order, order. The Honourable Member must not make such personal observations.

THE HONOURABLE MR. HOSSAIN IMAM : As regards that part of my Resolution relating to the levy of income-tax on the interest on sterling loans, I have made my point perfectly clear. I do not wish to tie the hands of Government. I want that Government should ask the British Government for necessary powers, and if those powers are refused then no blame will attach to the Government of India. My point is "What is the legal difficulty?" They will simply be recommending to the British Government that such and such a change should be made in the future constitution, and if the British Government thinks there are difficulties and it is impractical, it will be open to them to reject it. But no reason exists and Government have shown no justification for not even moving the British Government. Whether the case will succeed or not is not the question. I admit that the Government of India is not competent at the moment to impose income-tax in the interest of sterling loans. But is that any reason why in the future that should act as a bar, or why the Government of India should refuse to co-operate with its own people

in this effort to increase its income? If the first part of my Resolution is accepted, Sir, it will mean an additional income of not less than half a crore, and it will mean something like a five per cent. relief to income-tax payers if that additional income was credited to the Indian exchequer. We are all anxious to see the income-tax reduced, and if we do not co-operate and try to fill the Government's coffers there is very little chance of getting any substantial relief even next year from the excessive burden of income-tax.

Sir, I had thought that the word "salaries" in my Resolution would cover all payments, but, as has been pointed out by my Honourable friend Mr. Kalikar, that is not enough and he has suggested the substitution of "leave salaries, allowances and pensions". I am quite ready to accept that amendment. In view also of the suggestion made by Sir Phiroze Sethna that this Resolution might be put in two parts, because some people might be prepared to accept one part and not the other, I would request you, Sir, to put the Resolution to the House in two parts.

THE HONOURABLE MR. J. B. TAYLOR : I would like to rise to a point of personal explanation. I am afraid that I may have conveyed a somewhat misleading impression when I said that double income-tax relief was not on a statutory basis but was the subject of a convention. What I meant was that this relief is not an intrinsic part of the English income-tax law but is embodied in the Statute as a result of a convention with the various Dominions.

THE HONOURABLE THE PRESIDENT : Resolution moved :

"That this Council recommends to the Governor General in Council (a) to withdraw the notification exempting salaries drawn in British possessions outside India from Indian income-tax, (b) to move the British Government for the necessary sanction and power to impose Indian income-tax on Indian sterling loans".

To which an amendment has been moved :

"That after the words : 'notification exempting salaries' the words 'leave salaries, allowances and pensions' be added."

The question is :

"That that amendment be adopted."

The motion was negatived.

THE HONOURABLE THE PRESIDENT : I will now put the original Resolution to the Council. As the Resolution involves two separate and distinct matters, under the discretion vested in me by Standing Order 67 I will divide it into two parts and put them separately.

Resolution moved :

"This Council recommends to the Governor General in Council to withdraw the notification exempting salaries drawn in British possessions outside India from Indian income-tax."

The question is :

"That that Resolution be adopted."

The Council divided :

AYES—16.

Banerjee, The Honourable Mr. Jagadish Chandra.	Khaparde, The Honourable Mr. G. S.
Buta Singh, The Honourable Sardar.	Mehrotra, The Honourable Rai Bahadur Lala Mathura Prasad.
Dutt, The Honourable Rai Bahadur Promode Chandra.	Moti Chand, The Honourable Raja Sir.
Gounder, The Honourable Mr. V. C. Vedingir.	Naidu, The Honourable Mr. Y. Ranganayakalu.
Halim, The Honourable Khan Bahadur Hafiz Muhammad.	Natesan, The Honourable Mr. G. A.
Hossain Imam, The Honourable Mr.	Raghunandan Prasad Singh, The Honourable Raja.
Jagdish Prasad, The Honourable Rai Bahadur Lala.	Ram Saran Das, The Honourable Rai Bahadur Lala.
Kalikor, The Honourable Mr. Vinayak Vithal.	Sethna, The Honourable Sir Phiroze.

NOES—26.

Akbar Khan, The Honourable Major Nawab Sir Mahomed.	Israr Hasan Khan, The Honourable Khan Bahadur Sir Muhammad.
Bartley, The Honourable Mr. J.	Johnson, The Honourable Mr. J. N. G.
Benthall, The Honourable Sir Edward.	Maqbul Husain, The Honourable Khan Bahadur Sheikh.
Chetti, The Honourable Diwan Bahadur G. Narayanaswami.	Mehr Shah, The Honourable Nawab Sahibzada Sir Sayad Mohamad.
Choksy, The Honourable Khan Bahadur Dr. Sir Nasarvanji.	Miller, The Honourable Mr. E.
Coburn, The Honourable Mr. M. R.	Murphy, The Honourable Mr. P. W.
Commander-in-Chief, His Excellency the.	Noon, The Honourable Nawab Malik Mohammad Hayat Khan.
Cotterell, The Honourable Mr. C. B.	Padshah Sahib Bahadur, The Honourable Saiyed Mohamed.
Fazl-i-Husain, The Honourable Khan Bahadur Mian Sir.	Russell, The Honourable Sir Guthrie.
Ghosal, The Honourable Mr. Jyotananath.	Shillidy, The Honourable Mr. J. A.
Habibullah, The Honourable Nawab Khwaja.	Suhrawardy, The Honourable Mr. Mahmood.
Hafeez, The Honourable Khan Bahadur Syed Abdul.	Taylor, The Honourable Mr. J. B.
Hallett, The Honourable Mr. M. G.	Watson, The Honourable Sir Charles.

The motion was negatived.

THE HONOURABLE THE PRESIDENT: The question then is:

"That the following Resolution be adopted :

'This Council recommends to the Governor General in Council to move the British Government for the necessary sanction and power to impose Indian income-tax on Indian sterling loans.'

The motion was negatived.

**RESOLUTION *RE* GRANT OF A LUMP SUM GRATUITY TO
FAMILIES OF NON-GAZETTED GOVERNMENT SERVANTS
WHO DIE WHILE IN SERVICE.**

THE HONOURABLE MR. G. S. KHAPARDE (Berar Representative) : Sir,
the Resolution which I wish to move reads as follows :

"This Council recommends to the Governor General in Council that so long as a system of provident fund has not been introduced in the case of non-gazetted Government employees, the Civil Service Regulations be so amended as to permit, in case of demise of such non-gazetted Government employees while in service, grant to their families by way of gratuity of a lump sum on the basis of one month's pay for every completed year of service put in by the deceased employee."

Sir, this is an old subject, as Honourable Members of the Council probably remember, which has been before us from 1924 to the present day and it has been variously argued and variously discussed. Fortunately for me today it is not necessary to go through the history of this Resolution. The Resolutions that were discussed on those occasions implied and embraced a large field about the well-being of the non-gazetted Government servants and their pay and so on. Now it is nothing of the kind. I should like Honourable Members who remember anything about the previous discussion to forget it altogether and take this as a new subject coming in very, very narrow limits indeed. It had been suspected up to this time that in moving these Resolutions I was endeavouring to better the condition of those people, to give them more emoluments and so on. At any rate in the present branch of the subject which I argue no such prejudice should exist, for the simple reason that I am arguing not for the person serving but for the people who would get something if the man dies. Obviously my endeavour is not to increase the income of the dying man, but to provide for those poor people who are left behind after their bread-winner has been in Government service for a long time and has died without earning his pension, just as it happened in the case of our jamadar in the Legislative Assembly who served for nearly 30 years and died on the last day of his service. His children and others were thrown on the streets; they could get nothing. After the poor man had served for 30 years, his children had to starve. This was an extreme case I admit, but I can quote many other cases of this kind. I do not mean to go into those cases at present. What I ask is that if a man has served Government and he dies during service, then his children or widow, as the case may be, should get a lump sum on the basis of one month's pay for every completed year of service, that is to say, if a man has served for 15 years then when he dies without earning his pension his children or widow as the case may be should get 15 months' pay. Now, this claim was supposed to be a little novel in earlier days; now I suppose it has become fairly familiar and Honourable gentlemen remember it now. It is what we should ordinarily call death benefit, which is a bad term and sticks in my mouth. I do not like it. It may be called a compassionate allowance. The Indian name, both in Hindu and Muhammadan times, was *rand roti*, widow's mite or bread for the widow. And when people in service died then those rajas or badshahs or whatever they were had an opening in their accounts for the servants who had died in service. That provision has disappeared during recent times and at present, as I pointed out, there are numerous cases where people have served for 19 years and died and their children have got absolutely nothing. Had these people lived for ten years more they would have got Rs. 200 a month. So this is a hardship, a very severe hardship. To

[Mr. G. S. Khaparde.]

remedy this my present proposition has been brought. The whole meaning of it is that if a man serves Government for 15 or 10 or 5 years, he should get so many months' pay. After Government has got one month's pay for every year's service already put away. So that I think this is very reasonable both from my point of view and the poor man's point of view. In the State Railways now a man contributes something every month to the provident fund, say one rupee or one per cent. of his pay, and Government contributes a similar amount and the total contribution is invested and bears 5 or 6 per cent. interest and the man gets the whole amount. It has been said that it is a very liberal provision and Government must have been in a very complacent mood when they passed all this. Very likely. Now they say this thing has passed out of their hands, and they cannot afford to give an equivalent benefit. They say they have not got the money. Well, when this argument comes in I generally disagree for this reason that if the times are very bad and Government get very little from their taxes, the times are equally bad for the poor people who get very few commodities for the very little they get. So the hardship presses all round. If anything the advantage is on the Government side because their credit is unlimited and they can command any amount in money, whereas these poor men have hardly any credit at all. They have nothing to mortgage and nothing to give up and all they can do is to promise their service and that service is not wanted.

Then there is another reason why this argument about bad times does not appeal to me, and that is that there is never any good times at all. Government always raises this cry that they have not got enough money to carry on their administration. And whenever you go to them they say there is no budget provision for this. So whatever time you approach Government, Government is always short of money. The richest man is the poorest man in the world. Government as the richest person or persons is very stingy as a rule. It is the poor man who is rather free with his money. The historical reason is this that rajas and badshahs had a budget of their own but that budget was framed on the family system. The whole country was looked upon as one family. The raja was the chief owner. Usually this government revenue was paid in kind and therefore in every district you had an *ambar* (grain store) where all the corn was stored. So in years of difficulty you went to this place and the stores of corn were distributed gratis. But that is not so now and probably cannot be because we are now more commercial than we used to be and empires also have grown unwieldy and this system probably does not suit or would not be right. But all the same the principles need not change. One should not look at it from the present day commercial point of view. Still the whole empire should be looked upon as one family and the poor people in the family and their children and the women must be looked after better than and before anybody else. A stronger or abler man should be under an obligation to work more in order to provide for the weak. That is a principle that has been the custom. That custom has gone on up to this time and this claim I make on behalf of the widows and children of the Government servants who die in service is based both upon that custom, upon charity and good will. And lastly, it is based upon what I call an implied contract in law. Now, what is an implied contract? There are papers I can show you that pension is regarded as deferred pay: pay not paid at the time but to be paid after the retirement or death of the man. If that is so, then the real pay of the man was not the rupees, annas and pies that he got but that plus something which in 30 years' time would have ripened to constitute a pension for him

If you look at it, the implication of it was that if you paid a man Rs. 10 a month his pay was not Rs. 10 but Rs. 10 plus that fraction, that something which will go on in 30 years' time to give him a pension of Rs. 5. So the implied pay was the pay which Government out of their kindness and charity gave to him but was implied and that implied pay was to be paid after the man retired after 30 years. That pay, I say, remains as a trust with Government, and they have no right to confiscate it. I hope I have made this little legal argument clear. The pay was Rs. 30 on the implied understanding or perfectly understood rule that if he served 30 years he would get Rs. 15 a month as pension out of it. So his pay was not Rs. 30 only but in addition to that something which in 30 years would accumulate and give the man a pension of Rs. 15 a month. So this money which ultimately in 30 years leads to giving him that small portion of his pay was up to this time entrusted to Government. When the poor man dies, it is the duty of Government to render back all the money they have got on his account. So whichever way you take it, on the basis of charity, or on the basis of good will, or on the basis of an implied contract I submit that he is entitled to it. This then is the principle and this the ground on which this can be urged. There are many grounds which I could put forward and I have already done so on former occasions. I shall not now repeat them. But this is the main argument that this is a great empire, an empire on which the sun never sets, and therefore it is this empire's duty to provide for the orphans of their sons, and not a very large sum after all, for one year's service you give him one month's pay. It is nothing very big. It is like looking on a man's sudden death as privilege leave given to him for as many months as the number of years which he served. There is nothing new, nothing serious, nothing expensive in it. My argument is based entirely on this custom, on this implied understanding, on the smallness of the payment which has to be made and the good will and charity which it involves. If you do not give it, the poor man's children will go about begging and to that extent people will feel angry, and to that extent bad feeling will be created. It never pays for an emperor to create bad feeling if he can help it.

For these reasons I commend my Resolution to this Honourable House.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras : Non-Muhammadan) : Sir, I have very great pleasure in supporting the Resolution moved by my esteemed and revered friend Mr. Khaparde. As he has told us, Sir, it is as old as he himself. I think he has been labouring on this question of providing a provident fund for the non-gazetted employees of Government for a long time. If I remember aright, there were two Resolutions moved in 1931 and 1932, and the previous Finance Secretary undertook to examine the question and do something in the matter. But nothing has come out so far as the introduction of the provident fund is concerned, and in the absence of this, the Honourable mover feels that something must be done to the unfortunate widows of those who serve and die in the midst of their official duties. Sir, it seems to me a very reasonable request and I am sure the Government, who have already expressed their sympathy, will put it into action by accepting the motion and giving to these unfortunate widows and children one month's pay for each year of the total service that the Government servant has rendered. I am sure the Government will see their way to accept this Resolution and work up the idea of giving relief to these unfortunate widows and children. I have very great pleasure in supporting this Resolution.

THE HONOURABLE SIB PHIROZE SETHNA (Bombay : Non-Muhammadan) : Sir, my Honourable friend Mr. Khaparde has made this subject his close preserve, and I am sure that if Government accede to his request

[Sir Phiroze Sethna.]

in the form in which it is made or in some revised form, he will richly earn the gratitude of the non-gazetted Government servants. I would, however, like to make one or two observations in regard to this Resolution. Mr. Khaparde contemplates the cases of those who die in service, but it may be, Sir, that somebody may die within a very few months of his having earned his pension, and the same description would apply to the widows and children of such people as he gave in regard to those who actually die in service. I would therefore like to make a suggestion to Government if they consider this proposal favourably. The mover says that a gratuity of a lump sum on the basis of one month's pay for every completed year of service put in by the deceased employee be given to the widow and children, and he frequently quoted the case of men who may have served for as long as 30 years. In these days, giving a gratuity equal to 30 months' pay will indeed be a very large sum, and I know that where gratuities are paid by other large organisations they limit it to a sum which would equal the pay for 12 or 15 months. I would therefore suggest to Government that if they favour the proposition, the gratuity be limited to an amount equal to 12 or 15 months' pay. I will go further and say that if any one dies before receiving pension for 15 months, the widow and children of such deceased person should get the difference between the full 15 months' gratuity and what pension he may have drawn.

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY (Bombay : Nominated Non-Official) : Sir, the sympathy of this House must naturally go to the widows and orphans of men who had rendered good service and whose family were left stranded. It is of course a financial question. If the principle is, however, once admitted that this is a question deserving of some consideration—it is immaterial whether the allowance should be 15 months' salary or 20 months' salary according to the length of service of an equal number of years. It must certainly be admitted that the wives and children of those people who serve faithfully should not be left unprotected. This House will no doubt agree to the proposition that Government should be requested to adopt the principle of giving such compassionate allowance. The provident fund is altogether a different question, as it would entail a very great deal of outlay. In this instance, however, Government are not likely to be put to any extraordinary cost, and they have only to consider how far the families of these men should be provided for as suggested by the Honourable the mover or by any other method.

THE HONOURABLE MR. J. B. TAYLOR (Finance Secretary) . Sir, I feel much sympathy with the Honourable Mr. Khaparde both as regards the subject-matter of his Resolution and the persistence with which he has advocated it in fair weather and foul for the last nine years. I also sympathise with him in what he and probably other Members of the House consider the rather dilatory action of Government in the matter. On many occasions he has withdrawn his Resolution on promise of an early settlement, and time and again he has been told that the matter is still under consideration. Last year, on the 3rd of March, he brought forward a Resolution in almost identical terms with that which he is now submitting, and the Honourable Mr. Brayne then informed him that a decision had already been arrived at as to the general form which the relief should take but that the scheme was being referred to the provinces. The scheme that the Honourable Mr. Brayne was then referring to was one based on the British Superannuation Act of 1909 which Members of this House will remember in previous discussions as an Act often mentioned.

Unfortunately, that Act did not, as has been thought by many Members of this House, give gratuitous relief. It provided a very different thing. It gave the individual Government servant the option of exchanging a part of his pension for an insurance so as to provide a lump sum for his family in the event of his premature death. The pensionary rights were reduced by about 25 per cent. That was the scheme which with various actuarial calculations made to adapt it to Indian conditions, we referred to the provinces last summer. Unfortunately, there are not many statistics about this class of Government servants, but the Government Actuary calculated that whereas 25 per cent. was adequate in England, in India owing to the different conditions of life, the Government servant would have to be asked to forego some 30 per cent. of his pension in order to secure one year's full pay for his family in the event of his death. What Mr. Khaparde is proposing now is a different thing. It is that these benefits should be given gratuitously, and before considering that, we must consider the cost. At the time when the Honourable Mr. Brayne spoke last year,—I find on reading the debate that he was checked by the Honourable Mr. Natesan on the ground that his figures were not accurate. I am afraid that our figures are still very approximate, but we have had further calculations made by the Government Actuary and it now appears that the cost of this benefit would represent approximately 1 35 per cent. of the total pay bill of the non-gazetted establishment: that is to say, an annual charge of approximately Rs. 16 lakhs to the Central Government. As it would in practice be very difficult to confine this boon to non-gazetted officers only, we might quite well have to provide a further Rs. 2 or 3 lakhs for Government servants of slightly higher grades who also have no family pension funds. It is also calculated that with the growth of increments this annual payment might be increased by another lakh or two. In these calculations I have not taken into consideration the possibility of retrospective effect, but it is quite clear that actuarially we would have to provide at once for people for whom we should have made provision in the past.

But that is not all. The great bulk of Government servants of this class who would come within the scheme are not employed by the Central Government but by the Provincial Governments, and it would in practice be quite impossible for the Central Government to adopt one line and the provinces another. It would be impossible for the village postman to be in receipt of one class of benefits while the tehsil peon and the village constable were not. On this basis we have calculated that the cost to the Provincial Governments would be more than Rs. 50 lakhs a year.

Even though he had not these figures before him, the Honourable Mr. Brayne pointed out clearly to this House that it was quite impossible in view of the financial stringency to make any such concessions and that all we were considering was a proposition on the lines of the English Act of 1909. This was the proposition which we referred to Local Governments last summer and the Local Governments for financial reasons refused to look at it. They pointed out that the Government servants would refuse to accept it unless it could be made much more financially attractive to them.

That is the root of our difficulty. When a man is considering whether he should go into Government service or undertake some other form of employment, he looks at the conditions as a whole. He realizes that if his conduct is satisfactory he is likely to remain in Government service all his life. He therefore considers the inducements which we are prepared to offer in the matter of pay, leave and pension. It is one question whether he will press for an addition to his total emoluments to meet some other necessity

[Mr. J. B. Taylor.]

such as the risk of his premature death, and it is quite another whether he will be prepared to sacrifice some of his existing rights in order to obtain this new benefit. In the last seven years Government have prepared scheme after scheme so as to enable their low paid servants to make this exchange and have been prepared to offer some small financial inducement so as to cover possible anomalies in individual cases, but Government servants have flatly refused to accept it. What they want is something in addition, not in substitution.

What in such circumstances could Government do? We were faced with steadily falling prices which in the last two years have assumed catastrophic dimensions. The imposition of any additional burden on Government was therefore increasingly difficult to justify, and as the fall in prices has been heaviest in the case of agricultural commodities and raw produce and foodstuffs on which the lower paid Government servants spend a proportionately larger share of their income than those who are more highly paid, it was clear that from year to year the position of this class of Government servants was improving. I do not wish it to be thought that I consider this class of man overpaid. The scales of pay of such men in India are very low compared with those in other countries, and it is the hope of everybody that over a series of years, as financial conditions permit, there will be a gradual improvement. But we have to look facts in the face and recognise that these men are at present much better off than they were four or five years ago and that they are very much better off than the cultivator the price of whose produce has fallen in many cases by more than 50 per cent. in the meantime. The Government servants concerned are less than one in a thousand of the population. Anything that raises the real wages of the people as a whole is to be welcomed, but is it desirable still further to increase the disparity between the real wages of Government servants and those outside? In other words, can we justify the imposition of a fresh burden of over Rs. 70 lakhs to increase the emoluments of these men who are in the enjoyment of fixed rates of pay?

And even that is not all. Last year when the 10 per cent. cut was imposed, lower paid Government servants, that is to say, men on Rs. 40 or less were in general exempted from the cut. In addition, those whose total emoluments are less than Rs. 1,000 a year, that is to say, those whose monthly pay is approximately Rs. 80 or less, have benefited to the full extent by the recent restoration of 5 per cent., because others have now to pay income-tax from which they were previously exempted so long as their emoluments were below Rs. 2,000. In other words, by the recent restoration of 5 per cent. of the cut we have given these men more than the cost of the present proposal. We have not had much sign that they would prefer to take those benefits instead of the restoration.

The present position is therefore that in the existing conditions of financial stringency and in view of the unanimous opinion of the provinces, we have dropped the scheme which Mr. Brayne said last year was under consideration. But again, let me make it quite clear that that scheme was to substitute one right for another and that we have not dropped the matter entirely. We recognise that it is desirable that provision should be made for the dependents of Government servants in the event of premature death, and we are now considering whether there should be compulsory insurance or compulsory subscription to the general provident fund in the case of new entrants.

In any case it is incorrect to say that we do nothing for these people. I do not know whether this House is familiar with the very favourable conditions

on which the postal insurance fund is open to Government servants for insurance. For a sum of little less than Rs. 2½ a month, a Government servant of the age of 25 can insure himself for Rs. 1,000, payable at death or at the age of 55. That is to say, a Government servant on a pay of Rs. 50 can take out an insurance for Rs. 1,000 with the money which has just been given back to him. I do not wish however to hold out any false hopes. At a time when the scales of pay are admittedly high and when we are conducting an urgent inquiry with a view to their reduction, though naturally that reduction will be lower in the lower grades than in the higher, it would be impossible for us to consider any increase in the pay of any wide class of Government servant which will put them in a better position than they were four or five years ago. We are definitely of opinion that it would not be fair to the taxpayer nor to his fellow-worker in other walks of life who will have to pay in the long run for this benefit. We are therefore examining a variant of the same old conundrum, whether Government servants wish their total emoluments to be revised so as to substitute one type of benefit for another, and in view of the past history of the case I am doubtful whether any such proposal will be acceptable. It is of course impossible to make any compulsory change in the case of men who are at present in service, and our experience has been that they are so suspicious of any change that any acceptable proposition would throw an impossible burden on Government finances. Whether we should make it compulsory for new entrants is a very different matter and that is the aspect of the problem on which we are now concentrating. In any case it is obviously impossible for me to commit Government to any such proposition until the matter has been fully examined both by Local Governments and the representatives of Government servants.

I do not know whether this will be satisfactory to the Honourable Member. I hope it will. His long crusade in favour of these lower paid Government servants has not been without result. It has resulted in the collection of actuarial data about their expectation of life and has put us in a position to formulate a much more definite estimate of what it would cost us and what it would cost the Government servants concerned to change one form of benefit for another. It has also I think resulted in a somewhat changed attitude of Government, and I hope other employers of labour, to their low paid servants. We realize that our responsibility does not end with the payment of the monthly wage bill, and though we cannot contemplate any proposal which would throw an additional burden on the taxpayer, we do hope that as a result of the investigations and consultations of the last few years we can arrive at a solution of this complicated subject which will be fair both to the taxpayer and at the same time will secure adequate provision for the families of Government servants who die prematurely.

THE HONOURABLE MR. G. A. NATESAN (Madras : Nominated Non-Official) : Sir, I must confess that whenever a Member of Government happens to get up after a Resolution is moved, on which warm speeches are made, and begins by saying "I feel much sympathy", the invariable result has always been that he has opposed the Resolution in some form or other and given a number of reasons which I dare say are good but which I have not always appreciated. Having regard to the history of this question, I certainly expected after the very interesting speech with which he entertained us and having regard to the investigations and researches which Government officials from time to time have been making, that something would be disclosed as to Government's intention to do something or other immediately, and I am really surprised that absolutely no hope is held out. May I point out to the

[Mr. G. A. Natesan.]

Honourable Mr. Taylor that there are other public organisations in the country, for instance, corporations and public bodies like the senate and others, where they have tackled this question in a spirit of common humanity? Where there is no provision for pension, and where there is no provision even for a provident fund, a rule somewhat on the lines suggested by my Honourable friend, Sir Phiroze Sethna, has been adopted and a sum equivalent to a month's pay for every year of service is given, provided of course the sum does not exceed a certain maximum figure, say, two years' pay. I really thought that with all the difficulties, financial and otherwise, which the Honourable representative of Government has told us today, it will be possible for Government to give some relief to those who are already in service. Let me point out to him that it is not a question of uncommon occurrence; in fact it very often happens that almost a neighbour or some man not far away from you is suddenly informed that a certain man in Government service,—a non-gazetted officer and sometimes a peon or a clerk—has died suddenly after 20 years' or even 25 years' service, that he has had no pension and no provident fund, and his people have been thrown on the streets. Believe me, I know cases where money has been begged for performing funeral rites. In the case of the private employer it is a common act of humanity to give a few rupees immediately. Even that is denied where the employee is in Government service. I am not at all satisfied with the way in which Government have tackled this problem, and what is the consolation to thousands of people who are non-gazetted officers when you tell them, or ask me and others to go and explain to the man in the street, that Government is now considering a very suitable scheme for future entrants? The relief is required for those already in service and who have a claim on the Government for this relief. I am deeply disappointed with the answer of the Government and I hope we have not heard the last of this very unfortunate affair.

THE HONOURABLE SIR EDWARD BENTHALL (Bengal Chamber of Commerce): Sir, I was naturally very much moved by the words of the Honourable mover of this Resolution and by the words of those who supported him and also of Mr. Natesan, but I must confess that in this matter we have to balance the head against the heart. The heart obviously speaks in favour of these poor people whom we all want to help, but I cannot reconcile myself to support this Resolution just at the present time, because I cannot see how we are going to get Rs. 16 lakhs at the centre and Rs. 50 lakhs in the provinces. Coming from Bengal, where we have a huge deficit already, I cannot support any Resolution which will tend to put a further charge upon that province. In the circumstances I do hope that the Honourable Mr. Khaparde will not press this Resolution. It is clear that this House is entirely in favour of it and that if he brings this up again in the near future he will again have the sense of the House with him.

THE HONOURABLE MR. G. A. NATESAN: May the Honourable Mr. Khaparde live long!

THE HONOURABLE SIR EDWARD BENTHALL: The sense of the House is in favour of that too. I therefore hope that he will withdraw this Resolution and that Government will give early and most serious attention to some definite proposition to be placed before this House.

THE HONOURABLE MR. G. S. KHAPARDE : I am not permitted to make a speech, I suppose. I will only say this—

THE HONOURABLE THE PRESIDENT : The Honourable Member is entitled to make a speech.

THE HONOURABLE MR. G. S. KHAPARDE : My position is very unfortunate. I do feel that Government is doing something but they are very tardy ; they take a long time and the necessities of the poor people for whom I speak are of a very urgent nature and I still feel that Government have not come to a particular conclusion and my poor people have come to the conclusion that they have got two alternatives, either to starve or die. In view of the fact that the matter is still under consideration and next year something better will be offered, I am willing to withdraw the Resolution if the Council will permit me.

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

RESOLUTION *RE* PREFERENCE TO INDIAN STEAMSHIP COMPANIES FOR THE CARRIAGE OF MAILS ON THE COAST.

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

“ This Council recommends to the Governor General in Council that as a step towards the development of an Indian mercantile marine he should give preference to Indian steamship companies at the time of making future agreements for the conveyance of mails on the coast.”

Sir, it is an accepted policy of the Government of India to develop an Indian mercantile marine by providing for an adequate participation of Indian shipping in the coastal and overseas trade of India. But the Government have not yet taken sufficient steps to give effect adequately to their declared policy. All that the Government have so far done in this direction is that the Training Ship “ Dufferin ” has been established at Bombay for the training of deck officers and scholarships have been granted to nine Indian boys tenable in the United Kingdom for training in marine engineering and that the question of providing facilities for such training in India is under the consideration of Government. Now, Sir, an enquiry committee was appointed by the Government themselves, known as the Mercantile Marine Committee, which I understand included among its members two well known British authorities on the shipping industry, and this committee recommended as long ago as 1924 that protection to the Indian shipping industry should take the form of the reservation of the Indian coasting trade for ships, the ownership and controlling interests in which are predominantly Indian : but the Government have not yet seen their way to accept the recommendations made by that Committee. Indian public opinion has been demanding the protection of Indian shipping, but the Government have been all along ignoring this demand. In 1928 when Mr. Haji brought forward in the Legislative Assembly his Reservation of Coastal Traffic Bill, which I understand was drafted on the lines of the Mercantile Marine Committee's recommendations, it was opposed by the Government. Then, Dr. Zia-ud-Din Ahmad's Resolution of September last that the Government should fix the minimum rate for the passenger-carrying trade by sea between the coastal ports of India was also opposed by

[Rai Bahadur Lala Jagdish Prasad.]

the Government. The result of this policy of the Government has been that there is an unfair competition by foreign shipping companies, which by means of rate wars, deferred rebates and other methods are managing to strangle Indian enterprise. Only the other day my Honourable friend Rai Bahadur Lala Ram Saran Das asked in this House whether the Government had decided to put an end to the rate war that was going on between the indigenous and foreign shipping companies, and if not when a decision was likely to be reached. And the Honourable Mr. Drake replied that the matter was still under the consideration of Government and that it was not possible to say when a decision would be reached. Upon this the Rai Bahadur Sahib asked :

“ How long will it take Government to come to a decision ? Will they wait until the present indigenous companies are forced to go into liquidation ? ”

And the answer was :

“ I have already said that I am afraid it is not possible yet to say when a decision will be reached ”.

Here the matter ends and the rate wars can continue. In his speech at the annual meeting of the Scindia Steam Navigation Company, Mr. Walchand Hirachand is reported to have referred at some length to the Government's failure to protect Indian shipping and said that the rate wars had assumed at present such serious proportions that if no immediate and effective action was taken by the Government, the Indian shipping companies would be completely wiped out of existence.

Sir, it may be said that the Government are the best judges of what is and what is not in the best interests of the country and what should be done and what should not be done for promoting the moral and material advancement of the people. But it would be pertinent to inquire which other Governments that are interested in the well-being of their people have refused to interfere and left it to the decision of foreign shipping companies to allow or not to allow indigenous shipping to prosper. The September number of the Indo-Japanese Trade Bulletin contained an interesting article on the development of Japanese shipping. The writer says that though Japan began the development of her shipping industry as late as 1870 her position today as regards tonnage is third in the world. Was this position achieved through a policy of non-interference ? The writer says that

“ behind the progress that has been made, the main incentive was the steady drive of the Japanese Government, which in order to encourage and protect indigenous shipping passed the Shipping Act of 1899, reserving coastal traffic to Japanese ships ”.

In the debate on Dr. Zia-ud-Din Ahmad's Resolution in the other House in September last Sir Hari Singh Gour who had recently been to Japan mentioned certain interesting facts and figures showing how much encouragement the Japanese shipping industry had received from its Government. He said that the Japanese mercantile marine, which he said was second to none in the world had been brought about by preferential treatment, by the grant of substantial bounties and subsidies amounting to no less than about a crore and a half of rupees and by fixing certain rates and otherwise encouraging the development of domestic shipping.

From an article published in the *Review of India*, I learn that Japan made certain proposals at the Disarmament Conference which, according to the writer, would have the effect of increasing her strength in cruisers armed with 8-inch guns from 74 to 83, of bringing her strength in capital ships to 75 per cent. of the British strength and increasing her submarine strength by 42 per cent.

Similarly, my information is that the Governments of France, Italy, Germany, Holland, Belgium, the United States of America, England herself and a number of other countries have done all they could to promote the development of strong mercantile marines and to protect their shipping which has prospered greatly as a result of it. In marked contrast to this is the attitude of the State in this country to the indigenous shipping industry which has received neither preferential treatment, nor bounties, nor subsidies, nor even protection against unfair methods of competition such as rate wars and deferred rebates. Why the principle of non-interference should be enunciated in the case of India alone one is unable to understand. I wonder if the time has not come for the Government of India to take these circumstances to heart and to give a guarantee of proper security for Indian coasts, Indian ports and Indian sea-borne trade in terms which can be understood by the people.

Now, an opportunity is in sight when the Government of India can take a step towards the protection of Indian shipping interests. Their existing contract with the British India Steam Navigation Co., Ltd., for the carriage of mails expires in January next, *viz.*, on 31st January, 1934, and the question of a new agreement is, I believe, under the consideration of Government. The Indian Merchants' Chamber of Bombay some time ago addressed a letter to the Government of Bombay reminding them of the accepted policy of the Government of India to develop an Indian mercantile marine by providing for an adequate participation of Indian shipping in the coastal and overseas trade of India, and emphasising the necessity of utilising this opportunity of taking suitable action for enabling Indian steamship companies to carry the mails on the coasts by giving them such subsidies as the circumstances might justify. The British India Steam Navigation Co., Ltd., at present receives from the Government of India an annual sum of Rs. 15,18,000, for services rendered in this direction. Similar subventions are paid to a number of other British shipping companies also. The Chamber have suggested that the Government should invite public and open tenders for the conveyance of mails and give preference to companies which have got a majority of Indian directors, have at least 75 per cent. of Indian shareholders and are managed by Indians. It is a very reasonable and opportune request of the Chamber and the Government should have no objection in accepting the proposal. The Chamber has further made some important suggestions in their representation which are worth consideration by Government. They consider that certain conditions should be laid down for the acceptance of such tenders which may be summarised as follows :

- (1) The company or companies which will be entrusted with the work of the conveyance of mails shall not enter into an unhealthy freight war with one another or with other companies plying on the coast by reducing the rates of freight below the economic level.
- (2) Such company or companies shall not offer deferred rebates to their constituents.
- (3) Such companies shall take cadets who pass out of the Indian Mercantile Marine Training Ship "Dufferin" as apprentices on board their steamers, and
- (4) Such companies shall be under an obligation to appoint as officers, as large a percentage as possible, on their steamers apprentices referred to in (3) above when they obtain their certificates of competency.

[Rai Bahadur Lala Jagdish Prasad.]

Sir, as I said, Governments in other countries, including England, have done and are doing much more to promote the development of strong mercantile marines of their own. Indian public opinion would wish that the Government of India acting on the recommendations of the Mercantile Marine Committee should reserve India's coastal traffic for Indian-owned ships. But even if the Government are at present unable to identify themselves with Indian shipping interests so completely, I think that they should on no grounds reject the very reasonable demand contained in my Resolution, namely, that as a step towards the development of an Indian mercantile marine the Government should give preference to Indian steamship companies at the time of making future agreements for the conveyance of mails on the coast.

Sir, I move.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal : Non-Muhammadan) : Sir, the Resolution of my Honourable friend, Rai Bahadur Lala Jagdish Prasad, which I rise to support with the fullness of my heart, is so reasonable that it would certainly find favour with Government and the Honourable Members of this House.

So far as I remember, Sir, the proposal for building an Indian mercantile marine was mooted in as far back as 1922 and Government, in partially satisfying the growing demands of the people appointed the Indian Mercantile Marine Committee which recommended the admission of Indian cadets to the mercantile marine service as a result of which we find Indian boys now having training in marine service on H. M. S. "Dufferin," but nothing has yet been done by Government in a tangible manner to build and develop an Indian mercantile marine.

In this respect, Sir, the Indian steamship companies have been treated by Government in a step-motherly way. We are all aware of the then stiff attitude of Government about Mr. S. N. Haji's Reservation of Coastal Traffic Bill. But the times have now changed and along with them, I believe, the frame of mind of Government too. I should not give here the history of the growth and development of the mercantile marine of other civilized countries of the world that are not unknown to my friends of this House and to the Honourable Members of the Treasury Bench. We know, Sir, how the shipping industries in some independent countries are being helped by their Governments by bounties and subsidies and also by the reservation of coastal traffic but our Indian Government, so far as I understand, have not done anything to give a stimulus or impetus to our Indian shipping industries.

In view of the circumstances, Sir, the Resolution of my Honourable friend, asking Government to give preference to Indian steamship companies at the time of making future agreements for the conveyance of mails on the coast, is so timely and appropriate and of such significance that Government, I think, will have no objection to accept it.

And lastly, Sir, I would fervently appeal to the House for the adoption of the Resolution which will surely be a salutary and initiative step towards the building and development of an Indian mercantile marine.

With these observations, Sir, I heartily support the Resolution.

THE HONOURABLE MR. E. MILLER (Bombay Chamber of Commerce) : Sir, it seems to me that at the present time, as there is no Indian steamship company capable of implementing the present mail contract, the Resolution is somewhat premature and therefore the question of the future policy of the Government of India in this connection might reasonably be deferred until such time as Indian companies are in a position to undertake the carriage of mails. At the same time I would like to remind Honourable Members of this House that while on the one hand the Government of India have indicated that it is their intention to encourage the development of an Indian mercantile marine, they have also given an assurance that it is not their intention under the new Constitution to discriminate against established shipping interests. Therefore, when such agreements do come up for renewal, the primary points for consideration must be the efficiency, regularity and cost of the service to be provided and no question of preference could be entertained without due regard to all these important considerations. In view of the position, therefore, it seems to me that the mover will be well advised to withdraw this Resolution today and to put it up on a later date when the Indian mercantile marine is in a better position to cater for the carrying of mails on the coast.

THE HONOURABLE MR. J. A. SHILLIDY (Industries and Labour Secretary) : Sir, I would rather like to intervene now to draw the attention of the Council to the exact wording of the Resolution. It took me a long time to discover whether the Honourable mover of the Resolution was speaking to the Resolution or not. What the Resolution says is that as a step towards the development of an Indian mercantile marine the Governor General in Council should give preference to Indian steamship companies at the time of making future agreements for the conveyance of mails on the coast. It was not until most of his speech was concluded that we got for the first time a reference to postal arrangements. I think the Honourable Mr. Banerjee, when he was speaking, practically said nothing or very little about postal agreement. Sir, I put it to this Council that if the Honourable Member wishes to raise the policy of protection or help or subsidies to Indian steamship companies, he should put it forward in a perfectly plain and straightforward Resolution on which the Government can be prepared to express its opinion and when the Council will know definitely what the real issue before them is. The proposal here is, as stated quite frankly later on by the Honourable mover, a proposal for the grant of a preference. It is not that Indian steamship companies are to be given contracts for the carriage of mails, other things being equal, but they are to be given contracts even though other parties put in tenders which are perhaps less than their own. That of course is nothing but a subsidy, and before going in for a policy of subsidies I suggest it would be fairer to come forward and raise the question in a straightforward issue which the Government could consider and on which this Council could pronounce a fair and open verdict. I would also put it to the House that if the first decision is not taken that a policy of subsidies should be adopted, it is not in the interests of the country to go in for a policy of indirect subsidies. If you are going in for a policy of subsidies, it is well that people should know exactly what subsidy you are going to give. A policy of hidden subsidies, the extent of which cannot be traced or properly realised, is not a wise or sound policy. I too, by reason of the Honourable mover's method of handling the Resolution, have been taken away from the strict Resolution before us, which is that we are to give preference at the time of making future agreements for the conveyance of mails to Indian steamship companies ; that is to say, that the Posts and Telegraphs Department is to give a preference. What is the duty of the Posts and Telegraphs

[Mr. J. A. Shillidy.]

Department in this country? Its duty is to carry letters, to despatch and deliver telegrams and to provide telephones. It has a monopoly in that respect, and nobody in this country has a right to expect that any one of these duties shall be performed for them for something less than the cost to Government. That, I think, everybody will agree to. At the same time, I think that the public have a right to expect that those duties, when they are performed, shall be performed at the smallest possible cost. The Posts and Telegraphs Department have a very valuable monopoly and I think the public would object very strongly if that monopoly should be so exploited as to extort a large profit from the public. Therefore it amounts to this, that the Posts and Telegraphs Department is called upon to carry out those duties at the lowest possible cost.

There is another point I want to emphasise. The Posts and Telegraphs Department is called a commercial department. It has been a great deal criticised in the past because it has worked at a loss. Members of this Council are aware that a Committee was appointed over which Sir Cowasji Jehangir presided, to consider how much was the real debt of the Posts and Telegraphs Department, and the Retrenchment Committee also pruned the Department rather severely with, I think, the idea in their minds that the Department was not working at a profit or at all events was not avoiding a loss. Now, Sir, you cannot have it both ways. Honourable Members in this House have from time to time asked that the postal charges should be reduced. Now you cannot claim that the Department should make a profit or avoid a loss, and move resolutions to suggest that the charges should be greatly reduced, and on top of that come along and say that the Posts and Telegraphs Department should undertake the further duty of making subsidies to Indian industry. I submit, Sir, that this Resolution is really misdirected. It is not part of the duty of a commercial department to take up the protection of Indian industries. It is there to work at the cheapest possible rate and to give the most efficient service it can to the public.

At the same time, in making these remarks I do not want anybody to go away with the idea that Government is indifferent to the development of the mercantile marine. Its policy is to encourage the growth of that mercantile marine in every way. They have not yet decided however to adopt the policy of encouraging it by the grant of subventions or subsidies, and I think the House will agree that at the present time of great financial stringency they cannot undertake to do so. At the same time they have not finally dropped that policy. I would explain the position of Government in regard to this Resolution in this way. If the policy which the Resolution seeks to inaugurate were put forward in another form it could be fully and freely faced. It would therefore be a sound thing to withdraw this Resolution and to bring that policy forward in a proper, fair and open way for the consideration of Government and for the consideration of this Council.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, I had no intention to speak on this Resolution, but I want the Honourable Mr. Shillidy to inform the House, in view of the remarks of the Honourable Mr. Miller, whether there is any Indian shipping company which is now in a position to carry coastal mails?

THE HONOURABLE MR. J. A. SHILLIDY : Sir, I really cannot say. I can only give an answer to that after we have called for and received tenders. As I have said before, my Department is not the Department which deals with

these shipping questions. That is one reason why I suggest that this very large question should not be brought forward in an indirect Resolution like this but by means of a direct Resolution to enable the competent Department to deal with it.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : Sir, no doubt in my speech I referred to the general question of granting protection to the Indian shipping industry. I said in the course of my speech that the demand of Indian public opinion had been that in the first place the Indian coastal trade should be reserved for Indian ships, and, in the second place, that, failing such reservation of coasting trade for Indian ships, at least a minimum rate for coastal shipping should be fixed. But the Government have not in the past thought it fit to lend their support to either of these demands. Having given expression to the public feeling on the subject I pointed out the opportunity which was before the Government to satisfy public opinion to some extent. The fact that the contract with the British India Steam Navigation Company was about to expire and the question of entering into new agreements with shipping companies was under the consideration of Government led me to word my Resolution in a form which I thought would be in conformity with the question at present engaging the attention of Government. That is to say, because the question of the Government entering into new agreements with shipping companies for the carriage of mails along the coast was under their consideration I thought that I should not raise the general question of protection to the Indian shipping industry in my Resolution, but that I should confine myself to this particular item alone. The Honourable Mr. Shillidy has made out in his reply that the postal authorities should give contracts at the cheapest possible rates. What I suggested in my speech was that the Government should invite tenders from the different shipping companies, and what I intended was——

THE HONOURABLE MR. J. A. SHILLIDY : May I point out, Sir, that we do invite tenders at the time of making contracts.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD——what I intended was that if any of the tenders submitted by Indian shipping companies were of the same terms as the tenders of foreign shipping companies, then preference should be given to Indian shipping companies, all things being equal.

THE HONOURABLE MR. J. A. SHILLIDY : Sir, I understood the Honourable Member to say that he did not want merely, other things being equal, that the tender or the contract should be given to Indian steamship companies, but that the contract should be given to the Indian steamship company even though things were not equal. He has now said the other thing. That was not the impression I gathered from his first speech.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : Well, Sir, I meant what I have said now. May I ask my Honourable friend, now that I have mentioned this point specifically, whether he is in a mood to accept my Resolution or to consider it more sympathetically.

THE HONOURABLE THE PRESIDENT : The Honourable Member has already made his observations. Will you now proceed to complete your remarks ?

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : So, Sir, my demand is quite clear and cannot be called extravagant in any way. If the Honourable Mr. Shillidy advises me to bring the general question of protection to Indian shipping directly before the House then I may do so later on ; but in the meantime I will only express the hope, as I have said just now, that in case the Government find that the tenders of Indian shipping companies are equal in all respects to those of foreign companies then they would give preference to Indian shipping companies. And since the Honourable Mr. Miller has advised me to withdraw my Resolution for the present I have no objection in following his advice.

I beg leave of the House to withdraw the Resolution.

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

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

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

RESOLUTION *RE* ABOLITION OR REDUCTION IN THE POSTS OF COMMISSIONERS OF DIVISIONS.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central : Non-Muhammadan) : Sir, I beg to move :

“ That this Council recommends to the Governor General in Council to pronounce in favour of abolition or at least reduction by half of the posts of divisional commissioners with an option for provincial legislatures finally to decide the question.”

As the Honourable Members of this House are aware, this question of the abolition of the posts of commissioners has been agitating the minds of the public for the last quarter of a century and repeatedly resolutions have been moved in several provincial legislatures and the feelings of the public have been expressed in the press and from the platform.

Sir, one Honourable Member told me this morning that, in view of the coming reforms and on the eve of the introduction of provincial autonomy and a federal Government, this question is of minor importance. I also was thinking in the same strain but wanted to see whether there was any change of spirit in the Government and I put certain questions on the subject. My questions were :

“(a) Is it a fact that the United Provinces Legislative Council has on several occasions pressed for the abolition or at least reduction of the post of commissioners ?

(b) Is it a fact that copies of the debates and questions on the subject have been forwarded to the Government of India for their opinion ?

(c) If the answer to (b) is in the affirmative, what steps, if any, have been taken ?

(d) Will Government be pleased to lay on the table their correspondence with the United Provinces Government on the above matter ?”

Sir, if their reply had been satisfactory I would not have given the Honourable Members of this House the trouble of debating this Resolution. The reply given by the Government was :

“(a) Yes.

(b) A copy of the recent proceedings in the United Provinces Legislative Council in connection with a resolution on the subject of retrenchment in the all-India services has been received.

(c) and (d). The Honourable Member is referred to the reply given by me in this House on 20th February, 1933, to question No. 65”.

Sir, I looked up the reply to question No. 65 referred to but it was just the other way. The Government said that the matter was under consideration. This is a very convenient reply which we hear often from the Government Benches when they want to put off matters.

I wanted to refer to the resolutions that have been adopted by the United Provinces Legislative Council as well as by other local legislatures, for instance, the Central Provinces Legislative Council, the Bihar and Orissa Legislative Council, which has passed repeated resolutions for the last ten or twelve years, but still the matter was under consideration.

I will crave the indulgence of this House for a few minutes, with your permission, Sir, to go into the history of this question. Sir, at the time of the Great War, this question was brought up before the notice of the Government and at the instance of the Bombay Government Mr. Gopal Krishna Gokhale drew out a scheme for provincial autonomy. In that scheme when it was published four years after his death it was found that he had laid great stress on this question and said that provincial autonomy cannot be perfect without the abolition of the post of commissioners. Just after the introduction of the Montagu-Chelmsford Reforms the question was taken up in the local legislatures and the answer received in these Councils was that it concerned the Government of India and copies of the debate would be forwarded to them for their consideration. The Local Governments had no say in the matter. On March 31st, 1932, a definite resolution was moved in the United Provinces Legislative Council and on that Resolution Government appointed a Committee called the Commissioners Committee. That Committee was presided over by Sir Selwyn Fremantle, an experienced and senior Indian Civil Service officer and there were several other Indian Civil Service officers on the Committee, with some non-official Members. The unanimous report of that Committee was the reduction of the posts of commissioners by half. This is to say, there are 10 commissionerships in the United Provinces out of which the Committee unanimously recommended that five should be abolished. But the non-official Members went further and were of opinion that the institution itself should be abolished. The opinion of the non-official Members was recorded in very forcible language. They said :

“In short the non-official Members are unable to understand why the Governor with an Executive Council of four Members, with a secretariat consisting of eleven or twelve secretaries, including deputy secretaries, under-secretaries and assistant secretaries, with power to appoint council secretaries and standing committees, with the Board of Revenue as the highest appellate authority in revenue matters, with power to appoint settlement commissioners or famine commissioners in case of need, with an elective legislative body to represent the people's point of view, with more representative municipal and district boards, with highly developed special departments and with competent district officers in charge of districts aided by district advisory councils, should find it impossible to carry on the administration without the help of an intermediate authority in the person of a divisional commissioner”.

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

They thus recommended unanimously in very forcible language for the total abolition of the posts of commissioners.

In 1924 the matter did not rest with the local provincial Councils. It was taken up in the Legislative Assembly. An Honourable Member moved a resolution that the post of commissioner should be abolished. What did the Government reply? They said that they could not answer without consulting all the Local Governments. Sir, when the question is raised in the local legislatures, the Local Governments say that it does not lie in their province but concerns the Government of India. When a resolution is moved here, the Government of India say that they will have to consult Local Governments before giving their opinion. Finding this reply, an Honourable Member of the provincial Legislative Council of the United Provinces moved another resolution in 1927. I understand that similar resolutions were also moved in the Central Provinces and Bihar and Orissa. That resolution was passed by the overwhelming majority of 65 against 23, all non-officials voting for the abolition of the post of commissioners. Since then a copy of the debate has been forwarded to the Government of India, and still the Government of India have not found sufficient time to decide the question.

This, Sir, in brief is the history of the abolition of the post of commissionership. Now I will proceed to the merits of the question. I am moving for the abolition of these posts on two grounds—firstly, on economic grounds; and secondly, for the sake of efficiency. Regarding the economic grounds, I would place some facts before this House. In the United Provinces the total cost of these commissioners with their paraphernalia comes to about Rs. 8 lakhs, and if this money is saved, I think there will be a great relief to the Local Government and hope that this will be a great relief to the Local Governments wherever these posts exist. We all know that the provincial budgets are either deficit or just balancing. Their budgets are in a way bankruptcy budgets, living from hand to mouth. They cannot give enough to the nation-building departments which are suffering badly while these posts which are considered to be useless are kept on. Only the other day, when the Honourable the Finance Member introduced his budget in this House he made the suggestion that the Government would help those provinces which have got deficit budgets, and it was at their request that they were levying a tax on cheques. The total income from that source would come to about Rs. 7 lakhs which was to be distributed among the provinces. I repeat again, Sir, that if this reform is carried out, the Provincial Governments would be much more relieved without any hardship to the public involved in levying a tax on cheques. We cannot get money for our education which is so low that we cannot be considered to be literate. The grants-in-aid to the new institutions have been totally stopped, and the grants which aided schools were getting have also been reduced on account of financial stringency. We could not make any headway in sanitation and public health, so much so that we all know that every week thousands of people fall victims to plague, cholera, small-pox and other diseases. What is the reason? All this is due to want of money. We cannot spend sufficient money to save the lives of thousands of people every week. We are poor so far as industries are concerned and we are dependent on foreign imports. We cannot give bounties or gratuities to our industries for the development—

THE HONOURABLE THE PRESIDENT: Order, order. All these matters have a very remote connection with the Honourable Member's Resolution. I would like the Honourable Member to confine himself strictly to the Resolution.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : My objection in bringing in all these questions was to show that these matters, which are more important, are suffering for want of money while money is being spent on objects which we consider to be practically useless.

Now I would refer to the question of efficiency. It is stated that if the posts of commissioners are abolished, the efficiency of the administration will suffer. What are the duties of commissioners? They hear revenue appeals, they look after the administration of district and municipal boards and also control the district officers. These are the three chief functions for the commissioners. I will take them one by one. So far as hearing appeals is concerned, the appeals first lie to the district officer. Then a revision application is made to the commissioner, and then it goes to the board of revenue wherever it exists, and I believe it exists in almost all the provinces. So there are two appeals in cases which are decided by the district magistrate. I think it is useless to have two appellate courts.

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON : You will have to amend the law, then.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : It is not very difficult, Sir, to amend the law. Appeals from district officers can go direct to the board of revenue and hence this is not an important duty of the commissioner. So far as district and municipal boards are concerned, their supervision is of a nominal nature. Every correspondence that goes from these local bodies goes through the commissioner to the Honourable Minister for Local Self-Government. There the commissioner acts more or less as a post office. He only sees and forwards those letters. There is no necessity of passing all the correspondence through the commissioner and it delays matters. Either it can go direct to the heads of departments or to the Secretary to the Local Self-Government Department, or at the most it can pass through the district officers very well as through the commissioners. The third function of the commissioner is the supervision, control and guidance of district officers, as they put it. I think district officers are quite experienced hands where they are Indian Civil Service or Provincial Civil Service men, and if raw men are given charge of a district, the mistake lies with the Government. When you have a number of experienced Provincial Civil Service officers, why do you give preference to raw Indian Civil Service men? That makes control necessary and the retention of the post of commissioner. As for guidance in the matter of policy, we have the members of the cabinet and the ministers. They are supposed to guide the policy and not the commissioners. Therefore, this function also is not very important. So far as my province is concerned, the Governor of the province himself guides the policy of district officers and keeps in touch with them and the commissioners have nothing to do in these matters. As I understand it, that is the right way of doing business. For these reasons this argument of those in favour of keeping these posts also falls to the ground. Thus, Sir, from every point of view, practice, economy, efficiency, these posts are useless, and I hope that on the eve of introduction of the reformed constitution Government will come forward and declare its policy. After all my Resolution only asks that the Government of India should declare its policy and leave the matter to the local legislatures for final decision. Therefore I hope that the Government will see its way to accept my Resolution.

With these words, Sir, I move.

THE HONOURABLE MR. G. A. NATESAN (Madras : Nominated Non-Official) : Sir, I should like to state at once that I was the non-official Member who ventured to approach my Honourable friend this morning and to express some surprise that this Resolution should have been tabled for discussion in the Council of State. As he himself in his speech pointed out, he wants the Government of India to declare its policy and nothing more.

THE HONOURABLE THE PRESIDENT : The Resolution has been admitted by the President and you are not competent to challenge his decision.

THE HONOURABLE MR. G. A. NATESAN : Sir, in my next sentence I intended to say that at a time like this, when we are all talking of constitutional reforms I am rather surprised that my Honourable friend is asking the Council of State to discuss this question. I should like all the attention of the country to be focussed upon the White Paper which is to be placed in our hands in three days and for which the Honourable the Leader has already promised us a full day for discussion—the question of provincial autonomy, responsibility at the centre, Indianization of the army, complete financial autonomy with safeguards which may be necessary to obtain responsible government as early as possible. I venture to submit that these should be the questions upon which the Council of State should debate. I do not wish to enter for a moment into the merits of this controversy. We have had in our province a discussion over a period I think of 30 years regarding the abolition of the Board of Revenue. In that connection I am very sorry that my Honourable friend Mr. Cotterell is not here. I know very well that this question of commissionerships has to be threshed out, but without going into the merits of the question, I would ask my friend whether we should now, three days before the presentation of the White Paper, spend our time in the Council of State on this question. As he was good enough to refer to me without mentioning my name, I felt it my duty to say that I was the individual, and I still beg to advise my friend not to pursue this discussion but reserve all his efforts and concentrate upon reading the report of the third Round Table Conference and the matter which will be placed before him in the shape of the White Paper in three days. He will forgive me therefore if I do not respond to his present theme ?

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR (Central Provinces : General) : I rise to support the Resolution moved by my Honourable friend. Sir, my province also has decided that the post of commissioner should be abolished. I crave your indulgence and the indulgence of the House for giving in short detail the discussion that took place in my province. In 1922 a Retrenchment Committee was appointed by the Central Provinces Government to examine the top-heavy administration expenditure of the Government and to suggest ways and means to curtail that expenditure. That Committee decided that the posts of commissioners could be abolished without impairing the efficiency of the administration. After that, Sir, in 1924, a resolution was passed by the Central Provinces Legislative Council in favour of abolishing these posts, and again, in 1927, a resolution was passed by the same Council for the abolition of this institution, and all the non-official Members voted in support of that resolution. The reply that was given by Government then was that the Government of India did not like or approve of the abolition of these posts and therefore the Central Provinces Government could not do anything in the matter. I will just read a few lines.

of the reply of the Honourable Mr. J. T. Martin, the then Revenue Member, in reply to that resolution. He said :

"I would however put clearly and simply what the position of Government is and what we are prepared to do. The Government of India have definitely decided that they are unable to accept the proposals for the abolition of commissionerships. Whatever the law on the subject may be, that settles the question so far as the Government are concerned".

After that, Sir, on account of the pressure brought by the Council and by public opinion on Government, they abolished one post and now there are four divisions, three in the Central Provinces and one in Berar, which are under the administration of commissioners.

Well, Sir, when this institution came into existence in my province the commissioners had multifarious duties to perform. The commissioner of the division supervised the police, he exercised civil and criminal powers, and superintendence over excise, forest, education. He had to play some part in the administration of the Local Self-Government Department. But with the introduction of the reforms, all these duties are being managed by other officials. And so, Sir, without impairing the efficiency of the administration, these posts can be abolished and a lot of money saved—in my own province about 3½ lakhs—which could be utilised in the nation-building departments. Now civil and criminal powers are entrusted to separate officials. The police are looked after by the inspector general of police; for forests we have a chief conservator, and for excise an excise commissioner. So my submission is that practically commissioners have nothing to do with all these departments now and they are simply a link as it were between the executive government and the district officers. So far as the Local Self-Government Department is concerned, the Minister directly deals now with the Local Self-Government Department and the commissioner has nothing to do except forwarding the recommendations of the deputy commissioners to the Ministry in charge of the Local Self-Government Department. So I submit that this amount can be spared without impairing the efficiency of the administration.

Sir, practically the only work the commissioner does in my province is hearing appeals—I mean revenue appeals. Now, Sir, those who deal with litigation and who are pleaders know that in civil cases there are only two appeals; in criminal cases there is only one appeal and one revision; but in revenue cases, owing to the commissioner being there, there are practically three appeals; one appeal goes to the deputy commissioner, one to the commissioner, and another in my province to the revenue member. This duplication of work also can be curtailed and the expenses also to that extent if these posts are abolished. As my Honourable friend Mr. Mehrotra has just said, this question is engaging the attention of the public for a long time and he has also referred to the Honourable Mr. Gokhale's recommendation. I submit that this is practically an innocent proposition and I hope the House will accept it.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East

3 P. M.

Bengal: Non-Muhammadan): Sir, coming as I do from Bengal, I strongly support the Resolution of my friend, the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra, as Bengal being the land of deficit budgets, the abolition of the posts of divisional commissioners as proposed by the Honourable the mover would certainly economise the expenditure of my Provincial Government to a considerable extent. And there is no doubt that other provinces too will have financial savings of no small amounts if this motion of my Honourable friend is accepted by Government.

[Mr. Jagadish Chandra Banerjee.]

Without going into the details of the justification for the retention or otherwise of divisional commissioners, I can only say that the revenue work which they do can easily be done by the district magistrates and collectors. Appeals against decisions on the revenue work of district magistrates are few and far between. As regards supervising the management of the court of wards' affairs by the divisional commissioners, this work too can easily be performed by the district magistrates and collectors in consultation with the Member of the Board of Revenue who is the departmental chief with regard to the court of wards' matters.

Then, Sir, what is the necessity for maintaining such figure heads in the divisions at such high salaries and allowances whose work and duties could easily be performed by the district magistrates and collectors?

The commissioners, I think, Sir, work as mere post offices because papers for higher authorities are submitted through them for favour of their forwarding notes only, and sometimes it has been found the commissioners play second fiddle to the district magistrates and do not put any remarks on the papers for their superiors save and except appending thereto the stereotyped forwarding notes with their signatures.

Sir, the Resolution of my friend, the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra, is a simple and modest one because he wants either abolition or at least reduction by half of the posts of divisional commissioners; but, in this respect, half a loaf, which I know, is better than nothing, will not satisfy me, a representative of Bengal. What I want is that the posts of the divisional commissioners at least in my province should be abolished altogether.

When I find that Government have been asked by my friend, the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra, to make a pronouncement in favour of abolition or at least reduction by half of these posts leaving an option with the provincial legislatures to decide the question finally, I think, I can unhesitatingly say, if this Resolution is accepted by Government here, my province may demand for the total retrenchment of these lucrative berths, because Bengal's financial condition is such that she cannot afford the luxury of maintaining such highly salaried officials whose work in proportion to their salary is so light.

However, Sir, I do not like to take up the time of the House to press this point but, in conclusion, hope that the Resolution will be passed by the House for the acceptance of Government.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras : Non-Muhammadan) : Sir, I beg to oppose this Resolution for more than one reason. This is not the proper time for us to discuss about retrenchment in the provinces—

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR : May I know whether there are commissioners in Madras?

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI : There are no commissioners in Madras. As a matter of fact I cannot speak about Bengal, though I sympathise with Bengal's present financial condition. I cannot speak of the United Provinces with authority, nor of the Central Provinces. I do not think it is for the Central Legislature to dictate terms to provincial legislatures. I am sure each Government will look after its needs and the local legislatures are the proper authority to go into this matter.

Sitting as we are in the Council of State I do not think it would be proper for us to dictate terms to provincial Councils.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : We are driven from post to pillar and from pillar to post as the Provincial Government says about the Central and the Central Government says about the Provincial Government.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI : It is for the Provincial Governments to look into this matter. At this juncture, we, Members of the Council of State, ought not to be partisans for this Resolution. Therefore I oppose it. Even in Madras there was an agitation for the abolition of the Board of Revenue—I am sure that the Honourable Mr. Cotterell, Senior Member of the Board of Revenue in Madras, who is in this House will bear with me on this matter. All that has subsided and the people who agitated perhaps thought after all the Board ought to continue. As we are going to have the White Paper in a few days, I do not think we will be justified in discussing the policies for the Provincial Governments.

For these reasons I strongly oppose this Resolution.

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON (Punjab : Nominated Non-Official) : Sir, I do not know what exactly are the duties of commissioners in the province of my Honourable friend, the mover of the Resolution ; there these posts may be considered sinecures, but such is not the case in the Punjab. In my province it is impracticable to carry out the recommendations of the Resolution. There are no excise or settlement commissioners in the Punjab. While in service I have been in charge of the Ambala and Lahore divisions and so I can speak from my personal experience. Apart from all the executive and administrative duties, a commissioner in the Punjab has to do considerable case work and has to decide appeals and review and revision applications under the different Acts.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : What kind of case work ?

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON : Appeals, revisions and review applications.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Of what nature ?

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON I am going to give you the Acts under which he does this work. If the Honourable Member will have the patience to hear me, he will at once understand. The Acts under which he hears appeals, revision and review applications are :

- The Punjab Tenancy Act,
- The Punjab Land Revenue Act,
- The Punjab Alienation of Land Act,
- The Punjab District Boards Act,
- The Punjab Municipal Act,
- The Punjab Excise Act, and
- The All-India Canal and Drainage Act.

[Nawab Malik Mohammad Hayat Khan Noon.]

The Commissioner is not only an appellate authority, but has also to perform certain duties in connection with the general administration and the working of these Acts. As regards appellate work under the Tenancy Act, he has to hear appeals regarding cases of recovery of rent, enhancement and reduction of rent cases, occupancy right cases and so on. Under the Land Revenue Act, he has to deal with assessment of land revenue, suspension and remission of land revenue, mutation of names regarding landed property, land petition cases, village headmen cases, zaildari cases and other miscellaneous revenue cases. Under the Municipal Act and District Boards Act, in addition to appellate work, he has to devote time to many miscellaneous and intricate papers in connection with budgets, taxes, rates and schemes of importance. Under the Canal and Drainage Act, he has to hear appeals against the orders of the divisional engineers regarding the imposition of penal rates on lands and from the point of view of the cultivator it is not an unimportant work. Practically in all the appeal cases under the different Acts, the law practitioners have a right to appear and they do appear and so the proceedings take time. Besides all this he has to deal with establishment cases of five or six districts under his charge—I mean the cases of appointments, promotions, punishments and dismissals of the subordinate staff. So unless all the above-mentioned Acts are amended and some provision is made for the disposal of the work—appeals and other miscellaneous work—now done by commissioners, how can the posts of commissioners be abolished? If the commissioners' posts are abolished then for the disposal of that work some other posts shall have to be created, call them by any name you like.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : May I know if there is a Board of Revenue in the Punjab?

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON : No, but we have two financial commissioners and they have practically the same powers. Perhaps the other alternative is to make the district officers the final authority under all these Acts. Of course, this will mean depriving the public of the right of appeal and I doubt if whether the Honourable Members will recommend such a course. As to reduction in the number of posts, as far as the Punjab is concerned, I can assure the House that the commissioners in the Punjab are not lightly worked. Their duties are not confined to office hours only; rather they have to attend to miscellaneous duties even before and after office hours. Even iron and steel machinery needs rest and overhauling, how can human machinery be expected to go on working continually for an unlimited time. I can say with confidence that the work which is now being done by the five commissioners in the Punjab cannot efficiently be done by a smaller number of officers.

I do not propose to take up more of the time of the House by further enumerating the duties of commissioners, but I would like to point out that a commissioner in the Punjab as an executive and revenue officer has to be in touch with the public. He cannot do so unless he is accessible to the public and allows interviews freely. It is very necessary that he should remain in touch with the public because otherwise he cannot gauge their feelings, find out their grievances, if any, and ascertain the true conditions prevailing in the tract under his charge. When at headquarters it is not unusual for the commissioner to spend one hour or more in interviewing people and when he goes out on tour to the district headquarters he has to devote one full day to seeing all the people who come from the different parts of the district to see him.

Sir, in the Punjab a commissioner is a very busy officer. I may also mention that due to a shortage of senior officers it often happens that young officers with four or five years' service are put in charge of districts and it is very essential that there should be an experienced immediate officer to guide them in regard to all important matters. This cannot be done from the headquarters of the Government.

The Honourable the mover of the Resolution has said, "Why not put Provincial Civil Service officers in charge of the districts?" Well, this proposal, Sir, raises the question of the recruitment of Indian Civil Service officers and is a very much larger question. It has been said, Sir, that the commissioner is only a post office. With due deference to the opinion of my Honourable friend who made that remark, I say that if he will allow me time I can give him a long list of the cases and businesses in which the commissioner is the final authority and from which there is no further appeal.

Sir, I oppose the Resolution.

THE HONOURABLE SIR EDWARD BENTHALL (Bengal Chamber of Commerce): Sir, I am aware of course that there is a great deal of controversy as to the best way in which the duties of commissioner should be performed. The Honourable mover, supported by Mr. Banerjee, has made out the popular case that commissioners draw a great deal of pay and do very little work. They have made out a case why they should be abolished and how that can be achieved without any loss of efficiency. But it cannot be left at that and the other side ought to be heard. I do not propose to go into that other side because it has been gone into frequently in public documents but I would like to point out that two responsible bodies have recently inquired into this question in the provinces of Bengal and Bombay—the Bombay Reorganisation Committee and the Bengal Retrenchment Committee. In the province of Bombay, the Reorganisation Committee whose report has recently been published recommends the substitution of a Board of Revenue for the existing system of divisional commissioners, except for Sind, and it has proposed that the Board should consist of two revenue commissioners and an excise commissioner. That proves of course that the work has still got to be done under whatever man or under whatever job it is put. In Bengal as the result of the first Retrenchment Committee some time ago it was found that a commissioner had no less than 629 functions to perform, of which no less than 271 would have to be assumed by Government, the Board of Revenue, or other central authority. The last Retrenchment Committee which was recently set up found that if all five divisional commissioners were abolished, an additional Member of the Board of Revenue, a second secretary and two sheristadars would have to be appointed in their place and the strength of the secretariat would also have to be increased. Why that is so I need not go into—it is in the report.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: What will that cost?

THE HONOURABLE SIR EDWARD BENTHALL: I will tell you what the conclusion of the Committee was. The conclusion was that the best thing to do in the circumstances was to reduce the number from five to three. I regret that I am not in a position to say whether the Bengal Government accepted that or not. But it is clear that conditions differ very greatly in each province and each province thinks the solution peculiar to itself may be the most advantageous. If the Honourable mover were moving this Resolution

[Sir Edward Benthall.]

in the provincial Council it is possible—in fact probable—that I would be in accord with him inasmuch as the alternative suggested in his Resolution is very much on the lines of the finding of the Retrenchment Committee, but I consider that this is a matter which can only really be decided by each province and that it is not a suitable subject for an all-India debate. I think the debate in this House has proved this because we have heard such different opinions from the different provinces. Notwithstanding the proviso which leaves the final decision with the provincial legislatures, I therefore regret that I cannot see my way to support the Resolution which calls on the Governor General to interfere in what is possibly the organisation of provincial administration.

THE HONOURABLE MR. M. G. HALLETT (Home Secretary): Sir, might I say how entirely I agree with the remarks of Sir Edward Benthall that this is a subject which can far more suitably be dealt with in the provincial Councils? As he has pointed out, the conditions of each province vary very widely. I unfortunately have no knowledge of the province from which the Honourable mover of this Resolution comes, but I have a knowledge of my own province and I have on previous occasions spoken on this question of the abolition of commissioners in that province. Incidentally, I may remark that the Honourable mover referred to the fact that Resolutions had been passed in the Bihar and Orissa Legislative Council advocating the abolition of commissioners. The last time when that Resolution was moved in connection with a budget cut I was deputed to oppose it and on that occasion the Resolution was negatived. That shows there is a certain amount of difference of opinion even within a province on this contentious question of whether commissioners perform a useful function in the administration or whether they do not. However, as the Resolution has been moved, I must in the first place make clear what has been the policy of Government and what declaration they have made in regard to this question.

The Honourable mover referred to the debates in the Legislative Assembly in 1922 or 1924, I think—but he did not refer to the final announcement of policy which was made by the Honourable the Home Member in September, 1925. Then the Government of India stated that they had informed Local Governments that while they were unable to agree to the abolition of divisional commissionerships generally, they would be prepared to consider on their merits proposals for the reduction of any particular posts. In making that statement of policy they were guided by two major considerations. They had before them the opinion of the various non-official bodies who had considered this question. They had before them the opinion of Legislative Councils. But the points that weighed with them were that commissioners were invaluable agents for the proper understanding, co-ordination and efficient execution of Government policy and that modern conditions had added to, rather than taken away, from the importance of this aspect of their work; and secondly, that the future is likely to make even greater demands on commissioners, since their experience, supervision and advice are likely to be more than ever necessary in the period of transition that lies ahead of the public services in India. That was the opinion in 1925. To that opinion they adhere. Conditions have not become easier; they will not become easier in the near future, and I think it is a very false view of the situation to regard the commissioner merely as a post office or possibly rather as a clog in the wheel. We have heard of the work that commissioners do in the Punjab. I can corroborate that from my own experience since I too had the privilege of being

a commissioner and I certainly at that time did not imagine that I was merely a post office. Possibly, those Members of this House who come from my own province can corroborate me on that point. The Honourable Nawab Hayat Khan Noon has described the work in the Punjab. It is not necessary for me to go into any great detail in regard to the work which is done by commissioners in provinces. I think this is fairly well known. There is, however, one point that I would like to make which is rather apt to be overlooked. Commissioners were originally appointed, in the year 1829, I think, as commissioners of revenue. Their correct title is commissioners of revenue and circuit. They were and still are responsible for the collection of revenue. The collection of revenue goes on smoothly in the provinces because the machinery is efficient and that in turn is due to having an efficient supervising agency. I have myself seen in my own province how efficiency of collection deteriorates if it is not carefully supervised. I have seen it in the case of municipalities who experience great difficulty in collecting their taxes. There might well be a similar deterioration in the collection of Government revenue if our machinery which has been used for the last 100 years in collecting revenue became inefficient. We should then lose far more than we should gain by abolishing these posts of commissioners. That is one point which should not be lost sight of. Though the machine works well, it might get out of order if it is changed very materially by removing the authority which is really responsible for the collection of land revenue over an area of very often some 17,000 square miles. Then again, in connection with the collection of land revenue, the commissioner deals, as the Honourable Nawab Hayat Khan Noon has pointed out, with a very important question, namely, the suspension or remission of land revenue. That is a point on which expert and experienced opinion is needed by Government. The opinion of one executive officer may not suffice. You want the opinion of an officer who is well acquainted with the conditions in the four or five districts of the province of which he is in charge. If a mistake is made, if remissions are too liberal, Government may suffer an unnecessarily severe loss. If, on the other hand, they do not go far enough Government may be faced with a difficult agrarian situation. On all these points the advice of an experienced officer is invaluable to Government. I now pass on to another branch of the work of a commissioner and that is his appellate work. I do not wish to go into details, for that work varies from province to province. But there can be no doubt that it is very convenient to the people to have near at hand an officer to whom to look to. For instance, a gentleman from Dacca should not be forced to go to Calcutta to file an appeal in a revenue matter. A very definite opinion was expressed during the debate in the Legislative Assembly in 1922 or 1923 by one of the non-official Members. He said as follows :

"Then again, people will be put to great inconvenience if instead of going to the courts of the divisional commissioner which are located in divisional centres, they will have to travel all the way to the provincial capital for the purpose of filing appeals to the Board of Revenue which is located in that capital".

That point was emphasised by other speakers also during that debate, and it is a point of great importance. In fact, it was one of the reasons which led Government in the year 1829 to create these posts of commissioners to bring the court nearer to the people and not to keep it far away. It is true we might abolish appeals but so far as my experience goes, most litigants are reluctant to lose any right of appeal and there would be considerable outcry if you abolished any of these appellate courts. If any appellate courts are to be abolished, I should prefer to abolish the one which is furthest distant from the litigant and not put them to the trouble of having to travel 300 or 400 miles.

[Mr. M. G. Hallett.]

in order to file an appeal in a matter which may be of the very greatest importance to them, for these revenue matters are questions which very intimately concern the prosperity and well-being of the tenantry of this country. So much for their appellate work.

Then there are the various miscellaneous duties that the commissioner has to perform. These are recognised, I think, to be of very considerable importance. It is rather suggested that there should be no need to give advice to officers in charge of districts, that those officers should be carefully selected and there should be no need for them to be guided and advised. That is a counsel of perfection, but in practice we must have at times junior officers in charge of districts.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : What I said was that they can have advice and guidance from the Members of the Executive Council instead of commissioners.

THE HONOURABLE MR. M. G. HALLETT : All I can say in reply to that is that it is far more difficult to get near a Member of the Executive Council than to get near a commissioner. For one thing, it means a long journey, Members of Executive Councils are not so accessible to district officers and it is far easier to travel 20 or 30 miles and get to the divisional headquarters than to travel 300 or 400 miles to get to provincial headquarters. In some cases it may be a matter of urgency. There may be serious trouble in a district on which a young officer wants advice and he may not have time to refer to the Local Government, whose wheels sometimes work rather slowly. In all these matters it conduces to the efficiency of the general administration, in my opinion, if the authority who can give useful advice is near at hand. Nor again is it merely the district officers and Government officers who alone require advice. I have myself, during the time when I held the post of commissioner, frequently been consulted by the non-officials of my division on various matters, and they have been only too glad to make such use as they think fit of the advice that I have been able to give them. Members of local bodies and members of municipalities in particular have frequently consulted me on points which are not of sufficient importance to refer to the Minister for Local Self-Government or to the Secretary to that Department, but on which they required some help and guidance. If this service of mine had been appreciated, that I think constitutes an argument to show that commissioners are of some use to non-official residents in their divisions.

Then there is the inspection work which is carried out by a commissioner. To that also I attribute considerable importance. It is difficult to convince people that inspections do good and all I can say on that point is that my experience is different and I think the experience of officers who have carried out inspections will bear me out on that point.

Such being the work of a commissioner, I do not think it can be contended that he is merely a post office, that he is merely a figurehead. In times of emergency he has great responsibility and must often take control of the situation. Take an instance which occurred in my own province. There was serious trouble, communal trouble I think, spread over two districts of a division. The action to be taken could not be left to the individual district officers and the commissioner took charge and co-ordinated the work of these two districts, with the result that the trouble was soon brought under control. In all these and various other ways the commissioner performs a very useful part, and that opinion is an opinion which has been confirmed on various

occasions by influential committees which have investigated the question. There was first of all the Decentralization Committee which many Members will remember. There was later the Statutory Committee on the Constitutional Reforms which came here three or four years ago. Both those Committees thoroughly corroborated the view that commissioners form a very important link in the chain of Government administration.

I have dealt with the functions and duties of commissioners and the arguments against total abolition. As regards abolition by half, that is, I submit, as I said at the beginning, a question which must be decided in the light of local considerations. Whether we can go as far as that in any province seems to me very doubtful, for many of the arguments I have put forward against total abolition apply with equal force to partial abolition. There may, however, be cases in which the reduction of these posts is possible, and Government as I have said have undertaken to consider such proposals on their merits. To show that they have done so and have stuck to their word, I may refer to the fact that recently proposals were sent up from the Central Provinces and those proposals have been accepted by the Government of India and the Secretary of State for abolishing one or possibly two posts of commissioners. The Honourable mover of the Resolution referred in particular to the position in his own province. He seemed to think the answer I gave to one of his questions that the matter was under consideration was unsatisfactory. I regret it was unsatisfactory, but it was the truth and I could not say anything else but the truth. All I could say was that it was under consideration because it is under consideration at present. I tried to imply in reply to his question that Government had also before them a recent resolution passed by the Legislative Council dealing with the general question of retrenchment in the United Provinces, and included in the proposals for retrenchment was a proposal in regard to commissionerships. When the matter will be decided I cannot say, but I can assure the Honourable Member that the matter is being considered by the Government of India in consultation with the Government of his province.

Those are the two main points of the Resolution. The final point is that Government should make a pronouncement. In regard to that I agree largely with the two Honourable Members who have spoken on this point. The Honourable Mr. Natesan said that this is not a fit time for Government to deal with a question of this kind. We are on the eve of important constitutional changes. Is it desirable for the Government of India as at present constituted to come to a final decision on this point or to modify the views which it has formed after full consideration five years ago? Is it not more appropriate that the matter should be reconsidered by the future Government? They will have the responsibility at that time and it will be for them to consider whether they should uphold the view held by the present Government of India or whether they should agree with the view put forward on many occasions by non-officials in the Legislatures. Is it desirable to make any big change at a time when we are about to embark on these constitutional changes? Should we not keep the administrative machinery of the country the same as before? It has worked very well in the past. Is it desirable to make a change just when we are making other changes? To put it concisely, is it desirable to change your horse when you are crossing the stream? Is it not better to keep the same machinery for some time to come, till you see what is the result of the constitutional changes, what is the result of the transfer of responsibility, and leave it to the people then in power to decide what they consider the best method of administration? Whether the matter is to be left entirely to the Legislature is a point on which I cannot say much. As you know, at present the decision does not rest with the Legislatures. No doubt

[Mr. M. G. Hallett.]

when that document which will be published on the 18th is in your hands, you will see to what extent the Legislatures will have power to deal with these matters.

For these reasons I must oppose this Resolution, on the ground that the total abolition of commissionerships is out of the question, that the partial abolition or reduction by half is a matter which can hardly be decided in this Council. It is a matter which must be decided in the light of local conditions. Each case must be considered on its merits. And finally, in regard to the making of a pronouncement, I consider that no pronouncement is possible, other than that I have made today, reiterating the previous policy of Government, any other pronouncement would be out of place at this stage of constitutional development.

*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammanadan) : I had no intention of intervening in this debate, but when I find that Bengal, the Central Provinces and the United Provinces and the Punjab have all had their say, perhaps it will not be quite alright that my province should go unrepresented. There is a misconception about the meaning of this Resolution. We have not attacked the merits or the works of commissioners. That is a question which each province can rightfully deal with on its merits, and this Resolution of my Honourable friend does not bar that individual action. The fact that it has been found in certain provinces that the Local Government has taken shelter under the plea that the Government of India is standing in the way, that is the main reason for bringing this Resolution. If the Government accepted this, it would not be bound either to abolish the posts or reduce them by half. Our point is that the Government of India, which has been always saying that it is going to give and it is giving partial autonomy to the provinces, should not in the same breath stand in the way of provincial autonomy. I also have personal experience of commissioners. It is said that they are doing valuable work. But if you keep an official anywhere you will find that he will create work for himself. That is the usual thing. Once you provide an office for a man, he is bound to make work for himself and make himself indispensable. The 600-odd functions of the commissioner which the Honourable Mr. Benthall pointed out have not been corroborated by other provincial gentlemen—

THE HONOURABLE MR. M. G. HALLETT : I am quite prepared to corroborate them.

THE HONOURABLE MR. HOSSAIN IMAM : I am very glad that the corroboration has come. I should like to remind the House of one fact which has been partially lost sight of. Under the existing constitution—the Montagu-Chelmsford Constitution—we find that a number of items of work which used to be done by the Government has been transferred. Ministers have been appointed to look into those subjects. For instance, excise, education and local self-government ; and it is here that I find, Sir, that the opinion of people who have worked the constitution, of those who have served as Ministers, rather supports our case. I would remind the House of the written opinion of the Ministers of the Punjab about the control of the Provincial Services where the Ministers have asked that the appointment and dismissal of the officials should be in the hands of the provinces concerned.

* Speech not corrected by the Honourable Member.

The post of commissioner is not a sinecure but it has created work for itself, as is borne out by the fact that Madras can work without commissioners. If one province can work without commissioners, there is no reason why other provinces cannot do likewise. I do not say that if the Resolution is passed by the Council it will mean that the posts of commissioners in all the provinces will be abolished *ipso facto*; neither will it mean that they will be halved automatically. What it will mean is that Provincial Governments will not be able to take shelter behind the plea that it is the Government of India which is standing in their way and not they themselves. I wish, Sir, that this question should be decided for each province on its own merits and not a stereotyped reply should be given that the Secretary of State or the Government of India is standing in the way.

The other point that was raised by the Honourable Mr. Natesan was that this is not the time to consider these petty things. We do not see eye to eye with him. These petty things cost us lakhs and lakhs of rupees and collectively for the whole of India they will come to a very heavy sum. In the general discussion on the White Paper and other important discussions, it will be difficult to pronounce on the merits of each and every item of our programme. It is therefore better that if we can get an opportunity to discuss separately each point, we should discuss it. I would commend to the Government's attention the fact that they will not be in any way taking away efficiency of the machinery about which I feel as strongly as Mr. Hallett. We must not allow the machinery to deteriorate at a time when we are introducing far-reaching reforms. But, Sir, I see that with the inauguration of provincial autonomy, provincial autonomy should be real and not a sham. They are going to get other powers; let them have this power to do as they like and let not the centre stand in the way of provincial autonomy. Therefore, Sir, I support this Resolution whole-heartedly.

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY (Bombay: Nominated Non-Official): Sir, after the exhaustive discussion that has taken place, there remains very little for me to say. So far as the Bombay Presidency is concerned, we have, besides the excise and salt commissioners, four commissioners, one of whom, the Commissioner in Sind, is practically a lieutenant-governor. The duties of the commissioners narrated here are multifarious; they appear to differ in different divisions. There are, however, other duties of which, I believe, cognizance has not been taken. One of the duties is that the commissioner comes in intimate contact with people of all classes and in all districts; he listens to their grievances, he expounds the policy of Government and in fact, he is the interpreter between the Government and the people. He also investigates large schemes of very great importance. In times of trouble he is always the expert adviser and guide of the Collector of the district, whoever he may be. Apart from that, he exercises the functions of an expert to the Ministers and to the departments with which he is concerned. All these duties are compressed within one head and if the commissioner is removed, the guiding hand of the collectors and the district officers is sure to be lost. Besides that, if they are removed, how are they going to be substituted? There will no doubt be another agency required. Under the autonomous provincial schemes perhaps lieutenant-governors may be appointed for two or three sections of a province and the economy which our friends foreshadow may not actually take place. I therefore oppose the Resolution as it is untimely, and I believe, it will serve no useful purpose.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Sir, I regret that my Resolution has not been accepted by the Government and further that it has also been opposed by certain other Honourable Members.

Sir, my Honourable friend Mr. Chetti has pointed out that this House is not the proper place to bring up such a Resolution. I have already explained the whole history of the question and how Provincial Governments shelter behind the Government of India.

THE HONOURABLE THE PRESIDENT : We have very little time and I hope the Honourable Member will not repeat himself.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : No, Sir. I shall finish in a few minutes.

The Provincial Governments have said that the Government of India was standing in their way and I therefore thought that I must get some pronouncement from the Government of India in this House. I do not want that the Government of India should follow a similar policy for all the provinces, because in my Resolution I have said that the final decision should be left to the local legislatures. All I want is that the Local Governments should not give a stereotyped reply that the Government of India is standing in their way.

It has been pointed out by my Honourable friend, Nawab Hayat Khan Noon, that in the Punjab the appellate work of the commissioner is very heavy. I just wanted to know whether there was a Board of Revenue or not and the answer I got was that there were financial commissioners. I think cases that go to the commissioner can also be put in revision to the financial commissioners as in the United Provinces where cases decided by commissioners can also be put in second appeal before the Board of Revenue. I think much time is wasted for two appeals and if cases go direct from the district officer to the Board of Revenue, the existence of the commissioner so far as appellate work is concerned will be useless.

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON : Then many more members will be required on the Board of Revenue with higher pay to deal with these appeals. Now commissioners dispose of a good many appeals and there is no further appeal.

THE HONOURABLE THE PRESIDENT : Order, order. The Honourable Member is not entitled to make another speech.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Another point is brought forth that commissioners are in close touch with the public and they spend an hour daily in interview, but while they go on tour they have to spend the whole day in interview. As long as commissioners exist, interviews will go on *ad infinitum*; even if you appoint assistants to commissioners and assistants to assistant commissioners, they will all be busy with interviews; but the moment you abolish the post, the interview that is sought with commissioners will be directly sought with heads of departments or Ministers concerned. May I know, Sir, if these interviews are not sought with Ministers and Executive Councillors? So, Sir, this is not an important question at all.

Then, Sir, Mr. Hallett has pointed out that revenue collection is the chief function of the commissioners. There I agree, that this is one of the chief functions. But for the collection of revenue *tehsildars* are solely responsible. Over them there are deputy collectors to look after the collection work and over deputy collectors there are district magistrates. Over and above these, my friend wants commissioners also to be made responsible for that work. I think that is making the department top-heavy by appointing so many officers for the supervision of collection work. The collection work is mainly carried out by *tehsildars* under the supervision of the deputy collectors.

Then, Sir, it has been said that the non-officials get advice and consultation from the commissioners. Yes, as long as the commissioners exist, the non-officials will go for advice as I have already told them. Sir, if Madras can afford to do without these commissioners—and I believe that the administration is not tottering there and is being carried on efficiently—I see no reason why the other provinces should not follow their example and do without commissioners. May I know what are the difficulties in Madras?—whether the work is being efficiently carried on there or not?—whether the functions that have been just stated are entrusted to the other officers or not? If this is being done in one Presidency, I do not see why it should not be done in any other Presidency and therefore I hope the Honourable Members will pass the Resolution which I have moved.

THE HONOURABLE THE PRESIDENT: Resolution moved:

“That this Council recommends to the Governor General in Council to pronounce in favour of abolition or at least reduction by half of the posts of divisional commissioners with an option for provincial legislatures finally to decide the question.”

The question is:

“That this Resolution be adopted.”

The motion was negatived.

RESOLUTION *RE* WITHDRAWAL OR REDUCTION OF THE SURCHARGE ON THE CARRIAGE OF COAL.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Sir, I rise to move the Resolution which stands in my name and which reads as follows:

“This Council recommends to the Governor General in Council to withdraw the surcharge levied on railway freight on coal or failing that substantially to reduce the surcharge on carriage of coal for distances of 1,000 miles and over.”

Sir, this Resolution is being moved in the public interest and in the interests of the industries which by the levy of this surcharge are not faring well. I asked for some information in this House as regards the total quantity of coal carried by the Railways to various zones, but I was sorry to find that the Government was not in possession of these figures. Sir, it is a pity that the Government has abolished the issue of “Inland Trade (Rail and River-borne) of India, 1920-21.” For 33 years this publication was placed before the public and it was of very great use. I have taken some figures of 1920-21 from this book, page 10, table 3, and from that I will put before this House some facts which will give them a rough idea of what my Resolution really

[Rai Bahadur Lala Ram Saran Das.]

means in money. Before I go into the merits of the case I will for the information of Members state that the present rates for the carriage of coal are as follows :

Rates in force from 1st June, 1929.

Traffic carried for distance.

	Pies per mile.
<i>400 miles and under—</i>	
For all distances up to 200 miles inclusive	0-165
Plus for any distance in excess of 200 miles and up to 400 miles	0-13
<i>For over 400 miles—</i>	
For all distances up to 200 miles inclusive	0-18
Plus for any distance in excess of 200 miles and up to 400 miles inclusive	0-06
Plus for any distance in excess of 400 miles	0-05

Sir, so the railway freights to some important towns in India from the coalfields per ton work out as follows :

	From Raniganj.			From Jharla.		
	Rs.	A.	P.	Rs.	A.	P.
To Calcutta	3	6	0	4	9	0
Cawnpore	7	1	0	8	10	0
Jubbulpore	8	0	0	7	9	0
Delhi	8	14	0	8	10	0
Lahore	11	0	0	10	12	0
Bombay	12	6	0	12	6	0
Karachi	14	7	0	14	0	0

These freights do not include the surcharge, which is levied in addition. Sir, I might inform the House that it will appear from the scale of rates that I have quoted that the rates for coal are telescopic. The greater the distance the smaller the rate of freight. But, Sir, in levying surcharge this principle has been totally ignored. The bigger the distance the smaller should have been the surcharge because, Sir, those stations which are situated at a longer distance from the colliery already pay a heavier freight. But to enforce a surcharge on the amount of the total freight for long distances is unjust and inequitable. In the case of Lahore the surcharge comes to Rs. 1-8-0 a ton as compared with 14 annas in the case of Cawnpore. This surcharge, Sir, gives preferential treatment to certain stations and to industries which are fortunately situated at nearer stations to coalfields. Sir, I might also mention that this surcharge is discriminatory and is not universal on all consignments. It does not apply to traffic in soft coke. Coal traffic to the ports, whether Bombay, Calcutta, Madras, or any other Indian port, is not subject to this surcharge. Traffic to South India other than ports is also not subject to this surcharge and if I understand rightly the Madras and Southern Mahratta Railway and the South Indian Railway do not levy this surcharge.

Sir, it is due to the monopoly of the Railways, wherever there is no competition they dictate their rates and wherever they have to face competition they yield and levy no surcharge. 4 P.M. Is that just? Is that equitable? Certainly not. Therefore, Sir, the whole thing is unreasonable and discriminatory. At this time when most of the industries are in a bad way this surcharge tells upon them.

I might mention, Sir, why I made a change in my original Resolution. I saw the Honourable Sir Guthrie Russell on this subject and I begged of him to consider this matter favourably. I had a free discussion with him and he told me that as far as the total abolition of the surcharge was concerned, the matter was entirely out of the question. I said, "What is the best you can do?" I put forward various proposals. I said, "Will you agree to the ante-telescopic rate?" He said there was not much probability. I said, "What about a flat rate? You might charge a flat rate on coal booked to any distance." There too he was not agreeable, and the only thing which he promised to consider and to thoroughly examine was the surcharge on freight on coal for distances of 1,000 miles and over. That led me to amend the Resolution and to put it in the present form today.

I now come to the question of what it will cost the Government to take away this surcharge for distances of a thousand miles and over. I have tried to collect certain figures but they are very rough. I have taken them from the Government Blue Book "Inland Trade (Rail and River-borne)" for the year 1920-21, the total tonnage of coal to Punjab for use of Railways was 6,96,148 tons, and coal for other purposes was 5,33,620 tons. Sir, the total of these two items comes to about 12,29,768 tons, out of which the Punjab itself produces 54,840 tons of coal. If we subtract this amount from this total the net amount of coal carried by Railways in that year in the Punjab is 11,74,928 tons. The surcharge on this will be about Rs. 10 lakhs. Say Rs. 6 lakhs on coal for Railways and say Rs. 4 lakhs for coal for the public. This Rs. 4 lakhs is an item which for the sake of encouragement and existence of industries and for the duty which devolves upon Government to support the indigenous industries, is not a big figure. As far as the total production of coal in India is concerned, the total production during 1931 was 2,13,55,000 tons. So, loss is only a very small amount and Government can easily afford to meet my modest demand. I may also mention how this total output of coal is consumed by the various concerns. Railways consume 66,29,000 tons, i.e., 31 per cent. of the total output of the coalfields in India; the Admiralty and the Royal Indian Marine shipping consume 29,000 tons, i.e., 0.1 per cent.; bunker coal, 11,90,000 tons, i.e., 5.2 per cent.; cotton mills, 1,31,11,000 tons, i.e., 6.1 per cent.; jute mills, 6,73,000 tons, i.e., 3.2 per cent.; iron, steel and brass foundries and engineering workshops 47,16,000 tons, i.e., about 22.1 per cent.; Port Trust, 1,56,000 tons, i.e., 0.7 per cent.; inland steamers, 6,21,000 tons, i.e., 2.9 per cent.; brick and tile factories, including potteries and cement works 7,58,000 tons, i.e., 3.6 per cent.; tea gardens, 1,89,000 tons, i.e., 0.9 per cent.; paper mills, 1,46,000 tons, i.e., 0.7 per cent.; collieries and wastage, 21,72,000 tons, i.e., 10.2 per cent.; other industries and miscellaneous, 28,46,000 tons, i.e., 13.3 per cent. Total 2,13,55,000—100. So, in case we take away item for collieries and wastage, the quantity of coal carried 1,000 miles and over comes to the figure which I have given. I will take the case of the Punjab alone, because, as far as Madras is concerned, it is so well situated as regards its seaports that the coal goes to the various centres at a cheaper rate from its ports. As far as Central India is concerned, they have their own collieries and the distance for the traffic of

[Rai Bahadur Lala Ram Saran Das.]

coal is small. As regards Sind, the Bengal coal is carried by steamers to Karachi and is landed there at cheap rates. Just for comparison I will give the House the sea freights from Calcutta on coal for the year 1931 :

	Rs. A. P.		
Bombay	5	4	0 a ton.
Madras	3	12	0 „
Rangoon	3	7	0 „
Karachi	5	8	0 „
Colombo	4	8	0 „
Singapore	4	8	0 „

So, Sir, you will find that at all these seaports and places nearby there are an abundance of industries, the surcharge does not apply. It practically comes to this that at places which are unfortunately situated at a distance of a 1,000 miles and over from the collieries, Government wants to take its pound of flesh from the industries concerned. That is not fair. The question now before the House is whether the surcharge on long distance coal is equitable and justified. On bunker coal or the coal which is shipped from India, there is no surcharge. So, it is only a loss of about Rs. 4 lakhs which is involved in case my Resolution is accepted, if surcharge on coal for Railways be not considered, as it is being now paid by the taxpayer owing to Railways running at a loss. Government, in order to fulfil its declared policy of supporting indigenous industries, should prove it and thus translate that policy into practice. My friend, the Honourable Sir Guthrie Russell, might say that the surcharge on coal carried to ports has been taken away to stop the import of foreign coal. For that we have to see what is the price of coal at the pitmouth in India as compared to other countries. I will give the information which I have on the subject. The average value of coal at the pithead in Great Britain is Rs. 9-2-0 a ton; in Australia Rs. 11-8-0; in Japan Rs. 9-4-0; in the United States Rs. 7-3-0; in South Africa Rs. 4-2-0 and in India it is Rs. 3-15-0. It shows that foreign countries cannot easily compete in coal with India if the rates of railway freight here are equitable and just.

I do not want to take the time of this Council any longer, but I must impress upon the House that in these days when articles are being dumped into this country and industries are very badly off, this is just the time when Government should consider this matter seriously.

With these words, Sir, I commend this Resolution for the favourable consideration of the House.

THE HONOURABLE SIR PHIROZE SETHNA (Bombay: Non-Muhammadan) : Mr. President, Sir, the Honourable Lala Ram Saran Das sent notice of his motion as follows :

“ This Council recommends to the Governor General in Council to withdraw the surcharge levied on railway freight on coal.”

Last night we received intimation that you, Sir, with the concurrence of Government allowed the Honourable mover to add the following words to his original Resolution :

“ or failing that substantially to reduce the surcharge on carriage of coal for distances of 1,000 miles and over ”.

The Honourable mover has told us why he made this addition. He further said that in the course of discussion my friend the Honourable Sir Guthrie Russell informed him that total abolition of the surcharge was absolutely out of the question. In spite of that, Sir, I desire to move an amendment in the words of the mover's original Resolution and I trust I may be allowed to do so.

THE HONOURABLE THE PRESIDENT : Have you given notice to the Chief Commissioner for Railways ?

THE HONOURABLE SIR PHIROZE SETHNA : I gave notice verbally this morning to Mr. Spence.

THE HONOURABLE THE PRESIDENT : Has the Honourable Sir Guthrie Russell any objection ?

THE HONOURABLE SIR GUTHRIE RUSSELL : I have no objection.

THE HONOURABLE THE PRESIDENT : I think under the circumstances this is a fit case for suspending Standing Order 64 and I allow the Honourable Member to move his amendment.

THE HONOURABLE SIR PHIROZE SETHNA : The reason, Sir, why I move this amendment is that I consider the Resolution as altered tantamount to discriminating in favour of one province as against another. If the Honourable Sir Guthrie Russell repeats the statement he made to the Honourable mover that a total abolition of the surcharge is absolutely impossible and he substantiates the same with facts and figures, I certainly will not press my amendment. Now, Sir, I observed just now that the Resolution as altered amounts to discrimination and it asks Government to benefit one province at the sacrifice of another. Coal is to be had in this country in Bengal and in the Central Provinces. The Honourable mover has told us that the total output is 2,13,55,000 tons a year. I am aware that the output from the Central Provinces is comparatively small, perhaps not more than four or five per cent. of this total. But I am sure it is not the intention of the Honourable mover to benefit Bengal at the cost of the Central Provinces and to ask the latter to make a sacrifice. I may inform the House that I have no interest whatsoever in coal, either in Bengal or in the Central Provinces. The Central Provinces I understand have an output of somewhere between 8 and 10 lakhs of tons. I further understand, to judge from particulars of the contracts that appeared in *Capital* some days ago, that the Railways have agreed to take nearly 40 per cent. of the total output of the Central Provinces coal mines. It would therefore amount to the surcharge being paid by them, because, so far as I understand and as the Honourable mover himself said, coal from the Central Provinces does not go a distance of 1,000 miles. I am told that the longest distance it is carried by rail is 700 miles. Consequently, I submit that the benefit proposed by this Resolution will go only to Bengal. That I submit is unfair and amounts to discrimination, which I am sure Government ought not to agree to. As the Honourable Lala Ram Saran Das has explained so far as the large ports are concerned, Bombay, Madras, Karachi, coal goes there by sea. They are not affected. But, Sir, the mills at Ahmedabad and the mills even at Sholapur use Central Provinces coal, and they are at a distance of less than 700 miles from the Central Provinces coal mines. If I mistake not, the Ahmedabad mills consume Central

[Sir Phiroze Sethna.]

Provinces coal to the extent of nearly 3,00,000 tons or more per annum. They will, therefore, be at a disadvantage if Bengal is given this concession and not the Central Provinces. It is on that ground that I have brought forward my amendment.

The Honourable mover also referred to the telescopic arrangements at present operating in the matter of railway freights. But that cannot be said to be a case of discrimination. Even if it be so, then his proposal for giving benefit to coal which travels more than 1,000 miles makes the position much worse in point of discrimination. Now, Sir, it is not only Government which should discourage discrimination. I contend that even the Railways should do so. Section 43 of the Indian Railways Act (IX of 1930) has for its heading "Undue preference in case of unequal rates for like traffic or services". This section is divided into two parts and part (1) reads as follows :

"(1) Whenever it is shown that a railway administration charges one trader or class of traders or the traders in any local area lower rates for the same or similar animals or goods or lower rates for the same or similar services, that it charges to other traders or classes of traders, or to the traders in another local area, the burden of proving that such lower charge does not amount to an undue preference shall lie on the railway administration".

I should like to know from the Honourable Sir Guthrie Russell how he proposes to meet this part (1) of section 43 of the Act. I now come to part (2).

"(2) In deciding whether a lower charge does or does not amount to an undue preference, the Commissioners may, so far as they think reasonable in addition to any other considerations affecting the case, take into consideration whether such lower charge is necessary for the purpose of securing, in the interests of the public, the traffic in respect of which it is made".

These, Sir, are my reasons for moving my amendment, and I shall be very glad to know from the Honourable Sir Guthrie Russell if it is possible for him to meet the Honourable mover even to the extent he has asked. Surcharges are very objectionable, but we know we cannot do without them at the present moment. If they can be removed, it will be a blessing which we shall all greatly appreciate, but I fear the time has not yet arrived for the same.

THE HONOURABLE THE PRESIDENT: Will the Honourable Member please move his amendment ?

THE HONOURABLE SIR PHIROZE SETHNA: I beg to move my amendment as follows :

"That all the words after the words ' railway freight on coal ' be omitted."

THE HONOURABLE THE PRESIDENT: Amendment moved :

"That all the words after the words ' railway freight on coal ' be omitted."

Discussion will now proceed on both the motions.

THE HONOURABLE SIR EDWARD BENTHALL (Bengal Chamber of Commerce): Sir, this Resolution and the amendment appear to me to divide themselves into three points of view, first of all that of the consumer, then that of the producer and then that of the Railways. From the point of view of the

consumer, there seems to me to be no argument at all in favour of continuing the surcharge. The mover I think was quite right in pressing for the withdrawal of the surcharge and failing that for any other reduction which he could get. The House is here to represent every point of view and every reduction that he can get for consumers which he represents he is entitled to press for and to fight for, because in its bearing on the part of the world from which he comes there is no doubt that this surcharge is a charge on industry ; about that there can be no question. But I am surprised that he has not moved further for levelling the basic rates on coal from the Central Provinces and Bengal. This is a question on which I did not intend to embark, but it was raised by my Honourable friend, Sir Phiroze Sethna, who I was very glad to hear say that he desired that there should be no discrimination in the matter of railway rates. He said that the Central Provinces should not be put at a disadvantage, whereas the true facts of the case are that at the present moment the Central Provinces has an undue advantage for the reason that the basic rates at the present rate from Bengal are, as the Honourable mover said, .15 pie per maund per mile for the first 200 miles, whereas from the Central Provinces the rates begin at .10, only two-thirds of the rate, and therefore the Honourable mover is in fact paying Re. 1 per ton extra or thereabouts for every ton of coal which comes from Bengal as against coal coming from the Central Provinces. However, I do not wish to raise or press this point at this juncture as it is really a different matter, but certainly from the point of view of the consumer, he can hardly move in any other direction.

As regards the producer, the producer of coal must of course also stand for the removal of any charge on his cost of production and distribution. The Government will no doubt argue that this surcharge has not resulted in any reduction at all in the quantity of coal which would have been transported to the north-west or the west of India. It is, I think, a fact that since the surcharge has been put on both the quantity and the earnings have fallen, but I do not think it is easy to apportion how much of this is due to bad trade and how much is due to the surcharge. It will interest me very much indeed to hear what Government's views are ; but from the general point of view of the producer, naturally the producer wishes to press for all possible reductions of freight on the article which he produces.

With regard to the merits of the amended Resolution put forward by the mover and the amendment now put forward by the Honourable Sir Phiroze Sethna which is in fact the original Resolution, when I saw this new Resolution I rather thought that it was a move by the Honourable mover to attract the votes of people from Bengal, since it obviously does benefit Bengal coal because normally coal going over 1,000 miles must come from Bengal mines ; and of course in view of the disparity in freight, which I have already mentioned the amendment at first sight is just. But the telescopic scale applies already to the surcharge in favour of long distance traffic, and it is not therefore quite logical to press for more. I did not hear why the Honourable mover chose the particular figure of 1,000 miles ; I should have been interested to hear that, and I think this disparity of rates which I mentioned before might be removed in another way. Nevertheless, from the producer's point of view, I must press for the withdrawal of the surcharge, and on the whole I prefer the amended Resolution to the one which the Honourable mover has moved.

But before coming to a final decision, we have to take into account the position of the carrier, the Railways. The Railways of course must balance their budget to the best of their ability and they argue that somehow or other they must increase their earnings and the fairest way to do so is by this

[Sir Edward Benthall.]

surcharge on coal How to make the Railways pay is of course the principal question which the hard-faced business men on the Railway Board have to decide. Provided they can prove that it is fair to single out coal for this surcharge and provided they can prove that it is no unfair burden on the producer, then I have to consider very carefully whether the larger issue of Government making the Railway Budget balance has not got to take precedence over the interests of the producer. My position in this Resolution is this, that I have an open mind on the subject and what I want to hear is Government's reasons for continuing the surcharge. I expect that Government have investigated this question very carefully—I have not been able to go into figures myself—if not, then I hope they will. If they have and if the earnings show that the surcharge has been justified, then I shall oppose the Resolution. If in my opinion after hearing the Government case I am not satisfied and if I think that enquiry has not been adequate and the reasons are not good, then I shall support the Resolution.

THE HONOURABLE SIR GUTHRIE RUSSELL (Chief Commissioner of Railways): Sir, the original Resolution falls into two parts, the first part of which is the same as the amendment. The first part is that we should entirely remove the surcharge on coal; the second part is that we should make adjustments in the surcharge for distances over 1,000 miles. All I can say is that if I could get up in this Council and say that the Government of India accepted the amendment, I should be one of the happiest men in this Council. It would mean that Government thought that by this action they were going to increase the railway earnings and so help them to balance their budget. But I am afraid that there are no indications that the withdrawal of the surcharge would help our earnings in any way whatsoever; in fact the indications are entirely in the opposite direction. We have made a rough calculation of the result of the imposition of the surcharge and our estimate shows that the surcharge has brought in Rs. 64 lakhs additional earnings for the first 12 months during which it has been in operation. Now, if this surcharge has increased our earnings that is no indication that it has decreased the tonnage of our traffic. Actually for eight months, from February to September, 1932, the tonnage of coal carried dropped by 5·6 per cent. but during the same period the tonnage of all goods carried, including coal, dropped by 5·8 per cent. These figures are in comparison with the figures for the corresponding period of the previous year. The average freight earned on one ton of coal is roughly Rs. 4. Now, if we assume that, of that Rs. 4, Re. 1 is profit—and I may say that this is a very optimistic assumption considering the low rates at which we carry coal—but assuming for the sake of argument that Re. 1 is profit, then if we had not had the surcharge it would have meant that our earnings would have been decreased by Rs. 64 lakhs, or we would have required to carry 1,600,000 tons more coal and I am quite sure that the Council will agree with me that this would have been quite impossible at the present time. Now, another reason why I say the surcharge has not affected our traffic is this. As the Council know, before we introduce an increase in rates, we normally give the public two months' notice. Well, during the two months' notice for this surcharge, the East Indian Railway alone carried 470,000 tons more coal than it carried in the corresponding two months of the previous year. But for this I do not think there would have been any reduction whatsoever in the tonnage of coal carried since the surcharge has come into operation.

Now, as I understand it, the Honourable mover's objection to the surcharge is that it places stations at long distances from the coalfields at a disadvantage as compared with those nearer the coalfields. This is quite correct. He instanced Lahore and Cawnpore. At Lahore he said the surcharge had meant raising the price of coal by Rs. 1-8-0 a ton whereas in Cawnpore it only meant raising the price by 14 annas or a difference of 10 annas. This is quite correct. But what he forgets is this ; that in the reductions which we were able to make in 1926 and in 1929 in both cases Lahore gained at the expense of Cawnpore and the net result of the two reductions and the increase is that Cawnpore is better off to the extent of 11 annas only as compared with the beginning of 1926 and Lahore is better off to the extent of 14 annas. So I do not think it can be said that Lahore has been too badly treated. But it is impossible, I am afraid, to get over territorial disadvantages. There is, however, always a silver lining to every cloud. The Honourable Rai Bahadur Lala Ram Saran Das referred, I think, to the cotton industry. Well, surely, Lahore has a great advantage over Cawnpore in its nearness to the cotton markets and I am quite certain that the lower freight in cotton at least outweighs the disadvantages of the higher freight in coal.

I may say that before the Railway Board recommended this 15 per cent. surcharge they went very very fully into the question. In fact, we did what was I believe unprecedented. We asked representatives from the Indian Mining Association and the Indian Mining Federation to meet us in Delhi to discuss the question and though I cannot say that either of these bodies welcomed the proposal with open arms, I think we did convince them that some such action was inevitable. We went a long way to meet them by making the surcharge inoperative on bunker and export coal from Calcutta and also by making it inoperative on soft coke. Since the surcharge came into force certain Railways have quoted special station to station rates where they have thought the traffic was being affected by the surcharge. The Bengal Nagpur and the East Indian Railway have quoted special rates from the Bengal coalfields to Bombay for example. I am afraid, therefore, that in view of the difficulties which I have placed before you I must oppose the first part of the Resolution and the amendment.

Now, we come to the second part of the Resolution. I am afraid that for much the same reasons as I have already given I cannot accept this either. All I can say is that I shall have the question very carefully examined and if after this examination we decide that our traffic has been seriously affected by the surcharge or if it appears that industry has been seriously affected, we shall reconsider the whole position and if it looks as if an alteration in the surcharge would improve our traffic and help industry this will certainly be given due consideration.

The Honourable Sir Phiroze Sethna has raised the question as to whether a lower surcharge for distances over a 1,000 miles is not undue preference. I am not a lawyer—I do not know very much about the law—but as far as I can see it is merely an extension of the principle of the telescopic scale and there is no objection to it whatsoever. At least that is my reading of the position. However, that is a matter that can also be examined. I do not think, Sir, that I have very much more to say. My Honourable friend, Sir Edward Benthall, has already explained to the Honourable Sir Phiroze Sethna the position as regards the Central Provinces coal rates.

Sir, I oppose the Resolution.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Sir, I am glad that most of the Members who have spoken have practically supported my Resolution. My esteemed friend, Sir Phiroze Sethna, raised a point that it will amount to discrimination in case there is any further reduction in freight made by the doing away with the surcharge for coal carried a 1,000 miles and over. He quoted that under the Railway Act this could not be done. For his information I might say, Sir, that, as far as Bombay is concerned, Bombay is already having discriminatory treatment like other parts. Why should Government in its Railway Department discriminate in favour of Bombay or any other part as against the Punjab ? Under the Act which my Honourable friend quoted they cannot do away with the surcharge at Bombay or other parts. My friend has quoted the case of the Ahmedabad mills. In that connection, Sir, I see that Ahmedabad is about 300 odd miles from Bombay and perhaps 100 odd miles from Bhavnagar and about 66 miles from Cambay (Kathiawar ports), and the shipping freights to Bombay or Kathiawar ports is Rs. 5-4-0 a ton as against Rs. 12-4-0 a ton at Lahore. So even in case the Ahmedabad mills pay surcharge on that small distance it will not amount to much.

Sir, the Honourable Sir Guthrie Russell has said that in the Punjab we have got cotton at our doors and the price of cotton will balance the extra charge suffered by this surcharge on coal. I might inform my Honourable friend that Bombay, the Central Provinces and Madras have got an equal cotton situation, similar if not better than the Punjab. The Central Provinces has got nice cotton at its doors, Madras has got superior cotton at its doors and so has Bombay. My Honourable friend, I think, has been labouring under some misunderstanding when he made that statement.

THE HONOURABLE SIR GUTHRIE RUSSELL : I was only comparing Lahore and Cawnpore.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : My friend says that he was only comparing Lahore and Cawnpore. I might, for his information, state that in and around Cawnpore a lot of cotton is grown, and that its mileage from the Central Provinces is much less than half the mileage from the Central Provinces to the Punjab.

My Honourable friend Sir Phiroze Sethna said that I was putting out the Central Provinces coal mines by my proposal of doing away with the surcharge for distances of 1,000 miles and over. He asked, "Why 1,000 miles ?" That figure was arrived at at the interview I had with the Honourable the Chief Commissioner of Railways. The 1,000 mile limit was taken with his concurrence. I am quite prepared to bring that mileage limit down to 700 or 800. The Central Provinces produced in 1931, 10,04,391 tons of coal. Perhaps my Honourable friend Sir Guthrie Russell is aware that His Excellency the Viceroy only recently, last week, opened the hydro-electric scheme in the Punjab. In that scheme Sir Guthrie Russell will find a very keen competitor and in case this surcharge continues to be levied, I am pretty certain that the coal traffic, as far as the Punjab is concerned, is bound to fall very heavily. I am glad that this competitor will soon show itself, and competition will force the Railway authorities to withdraw from the role of dictator. This will be a good time for examining this question closely and not to let Railways lose the present traffic earnings which they now get from carriage of coal. My friend says that the surcharge brings in Rs. 64 lakhs to the revenues of the Government, including Rs. 20 lakhs paid by Railways on their coal and which

is borne by the taxpayer but he does not say what amount out of this Rs. 64 lakhs is earned from the traffic for a 1,000 miles and over. My contention is that the amount is very small and that Government can well afford to lose it, and counterbalance the loss by increased traffic probably. Then he said that the Indian Mining Association and the Indian Mining Federation did not moot this point with great zeal. I might say that the quantity of long distance traffic of coal being too small might have led these Associations not to press the point much that I am now putting before the House.

THE HONOURABLE SIR EDWARD BENTHALL: Every ton is of importance to the coal industry nowadays.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: There is a statement from a commercial magnate. He says that as far as these Associations are concerned, every ton is of importance. I hope my Honourable friend Sir Guthrie Russell will be able to give a statement to this House as soon as possible and before this Council session ends whether he will be able to meet the demand made in my Resolution.

With these words, Sir, I commend my Resolution for the favourable consideration of this House.

THE HONOURABLE THE PRESIDENT: Resolution moved :

"That this Council recommends to the Governor General in Council to withdraw the surcharge levied on railway freight on coal or failing that substantially to reduce the surcharge on carriage of coal for distances of 1,000 miles and over."

to which an amendment has been moved—

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I meant to say, Sir, that I wanted to withdraw the Resolution on the assurance given by the Chief Commissioner of Railways.

THE HONOURABLE THE PRESIDENT: You did not say so. You wanted the Resolution to be favourably considered by the House. Is it your pleasure that leave be given to withdraw this Resolution?

HONOURABLE MEMBERS: Yes.

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

The Council then adjourned till Eleven of the Clock on Monday, the 20th March, 1933.