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THE
LEGISLATIVE ASSEMBLY DEBATES

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THIRD SESSION

OF THE

**FOURTH LEGISLATIVE ASSEMBLY,
1932**



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Legislative Assembly.

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MR. B. SITARAMARAJU, M.L.A.

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LEGISLATIVE ASSEMBLY.

Saturday, 6th February, 1932.

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

THE WHEAT IMPORT DUTY (EXTENDING) BILL.

The Honourable Sir George Rainy (Member for Commerce and Railways): Sir, I beg to move for leave to introduce a Bill to extend the operation of the Wheat (Import Duty) Act, 1931. This is a very short Bill which does not require much explanation. The operative provisions are merely these, that in the Act to be amended, for the figures "1932" the figures "1933" should be substituted, *i.e.*, it extends the operation of the Act by one year. The other operative provision repeals a section of the original Act the force of which is now expended. I move.

The motion was adopted.

The Honourable Sir George Rainy: Sir, I introduce the Bill.

THE SUGAR INDUSTRY (PROTECTION) BILL.

The Honourable Sir George Rainy (Member for Commerce and Railways): Sir, I move:

"That the Bill to provide for the fostering and development of the sugar industry in British India be referred to a Select Committee consisting of Mr. R. K. Shanmukham Chetty, Mr. B. Das, Lala Hari Raj Swarup, Sirdar Harbans Singh Brar, Mr. S. C. Sen, Mr. B. V. Jadhav, Mr. S. C. Mitra, Seth Haji Abdoola Haroon, Mr. Muhammad Azhar Ali, Kunwar Hajee Ismail Ali Khan, Mr. G. Morgan, Mr. L. V. Heathcote, Sir Edgar Wood, Mr. A. H. Ghuznavi Mr. R. S. Sarma and the Mover, with instructions to report on or before the 15th February, 1932, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

The House will have observed from an examination of the agenda that I have to deal with a somewhat varied range of commodities moving on from wheat to sugar, and from sugar to the less sympathetic topic of wire and wire nails and ending in paper. The entertainment I have to offer the House will therefore be what the Scotchman said of the sheep's head "fine confused feeding". As to sugar, I do not think it will be necessary for me to make a long speech explaining the reasons why Government have placed this measure before this House. The proposals of the Tariff Board have now been before the country, and before the House for more than ten months; and from what I have been able to gather of the trend of public opinion both in this House and elsewhere, I think the proposals have generally been accepted as right and as proposals to which the Legislature should give the force of law.

[Sir George Rainy.]

There is, however, one aspect of the case to which I should wish to direct attention. Usually when proposals for protective duties are placed before the Legislature we proceed on the basis that the Tariff Board after inquiry have found that the conditions laid down by the Fiscal Commission have been fully satisfied. Now, in this particular case, I doubt whether it can be said, in spite of the arguments that the Tariff Board have adduced, that at any rate one of the conditions laid down by the Fiscal Commission is entirely satisfied. I do not myself feel that we should be justified in saying that it is reasonably certain that in India generally sugar will some day be produced as cheaply as it is produced in Java and in Cuba. That, I think, is very doubtful. The reason which induced the Government nevertheless, in spite of this fact, to bring forward this measure lies in this, that they feel that it is of such national importance to agriculturists in many parts of India that sugar cultivation should be developed and should attain much greater magnitude than it has yet attained that other considerations have to give way. I believe from all I have read, both from what has appeared in the press and what I have heard from others, that this is the general opinion in the country, and that the public generally regard the development of sugar production as of real national importance. It is on that ground that the Government of India have put forward this measure and ask the House to give it its approval and support.

As regards the actual details of the measure, as Honourable Members are aware, the Tariff Board proposed that the duty should be fixed at the rate of Rs. 7-4-0 a cwt. for the next seven years period of protection. That rate of duty was actually imposed in March last, not as a protective duty at that time, but as a revenue duty; and so far as that is concerned, the present Bill makes no change; it merely converts the revenue duty into a protective duty. The House are also aware that in the supplementary and extending Finance Bill passed two or three months ago, a surcharge was imposed on the duty imposed in March. That is left entirely unchanged so far as this Bill is concerned; that is to say, the surcharge will continue to be levied up till 31st March, 1933, in accordance with the legislation already passed. But what this Bill does do is that for the next seven years it fixes the duty, apart from surcharges, at Rs. 7-4-0 a cwt. Then it will not be liable to revision in a downward direction at any rate merely according to financial exigencies. What we propose to do is to commit the Legislature of the country to the adoption of a policy of protection for sugar. Members will remember that the Tariff Board drew pointed attention to the fact that the development and establishment of the sugar industry in India would be a matter which would require a considerable period of time. It is not an industry of which you can expect the full development until after the lapse of a good many years, and it was for that reason that they put forward proposals by which the duty was to be fixed at Rs. 7-4-0 a cwt. for a period of seven years, and thereafter for a further period of eight years it was to be fixed at Rs. 6-4-0 a cwt. In the Bill, as we have placed it before the House, we have adopted the Tariff Board's proposal for the first seven years but we have said nothing about the subsequent period of eight years. We have, however, provided that, before the termination of the seven year period, there shall be statutory inquiry in order to determine what amount of protection will then be needed. I should like to make it quite plain that the Government of India

do not in any way differ from the Tariff Board as to the necessity of a long period before the industry is firmly and completely established. The Tariff Board is, I think, quite right on that point, and Government do not in any way differ from the conclusion of the Tariff Board that at the end of the seven years the continuance of the protection will still be necessary. The reason why they have varied the proposals of the Tariff Board in this respect is merely this that at present economic conditions are so disturbed that it seems idle to attempt to look ahead for so long a period as 15 years and to say what rate of duty will be appropriate during the latter part of that period. Honourable Members will of course understand what I am referring to when I speak of the disturbance of economic conditions—namely, the profound trade depression and also the disturbance of currencies and exchanges all over the world. For that reason the Government of India thought it better to adopt the plan embodied in the Bill, but I desire to make it plain that in the view of the Government of India the continuance of protection for 15 years at least will almost certainly be necessary, and I believe that the House will agree with them in that view.

Now, Sir, there are only one or two things more that I wish to say in explanation of this Bill. There is one small change in the rates of duty, and it is this. At present the cheaper kinds of sugar are not subject to the specific duty, but to a revenue duty of 25 per cent., which with the surcharge becomes 31½ per cent. It is proposed by the Tariff Board,—and Government have accepted the recommendation,—that that cheaper kind of sugar—below 8 Dutch standard I think is the test—should also become subject to the protective duty. That, in substance, I think, is the only change of importance or the only change we have made as regards the actual rates of duty.

There are one or two minor or subsidiary proposals of the Tariff Board to which perhaps I might refer. We have included in the Bill a provision,—it will be found in clause 4 of the Bill,—taking power to make rules requiring the owners of sugar factories in British India to make such returns relating to the production of sugar in their factories as the Governor General in Council may consider to be desirable. That is in accordance with the recommendation of the Tariff Board. We have not, however, included in the Bill another provision recommended by the Tariff Board, namely, taking power to make rules requiring the pasting of notices at factories showing the prices which the factory pays for sugarcane. I would like to explain—I know it is a matter to which Members of this House and a great many people outside attach importance,—that Government recognize that the benefit of this measure should not go entirely to the factory owner but that the cultivator should get his fair share. The reason why we did not include the provision recommended by the Tariff Board was merely this, that we doubted whether practically it would have the effect intended. We all of us realise that it is of very great importance, especially considering the fact that on the interests of the cultivator the whole measure is based, that such steps as are possible should be taken to see that the agriculturist gets a fair price for the sugarcane that he grows. It is not altogether easy, however, to secure this result or to devise legislative provisions for securing it. Possibly in the future it will be a matter on which there might be legislation in Provincial Councils, because in a matter of that kind it is very difficult for the Government of India, operating at long range, to take effective steps. But I should like to assure

[Sir George Rainy.]

the House that Government by no means ignore this aspect of the matter, and if and when satisfactory measures are devised, they will always be ready to take them into consideration. That, Sir, I think, concludes what I need say in justification of this measure, and I hope it will commend itself to the House.

Mr. A. Das (Benares and Gorakhpur Divisions: Non-Muhammadan Rural): Sir, in supporting this motion to refer the Bill to a Select Committee, I wish to invite the attention of the Honourable the Mover to the fact that there should be some protection given to the cane grower. Gorakhpur is a very important centre in which at least 4 or 5 sugar factories have been working for the last 10 or 15 years, and about 10 new factories are being fitted up this year. There the cane growers are put to very considerable inconvenience, because they have got no organization of their own, with the result that they have to suffer a number of inconveniences in the low price being offered, in the cane carts being allowed to stand in the night and sometimes for over two nights without being unloaded. These are very important factors which Government should consider in affording protection to the manufacturers. I do think it is absolutely necessary in the interests of the cane growers, whose interests are not being looked after at all by any party, that something should be done so that they might secure a fair price for sugar-cane. Otherwise, the result would be that those factories which have their own cane cultivation would, of course, prosper, but the poor cane growers who bring their own cane from a distance of 10 or 15 miles, are always at a disadvantage. I therefore hope that the Honourable the Mover, who has already assured the House, will do something to ameliorate their condition.

The Honourable Sir George Rainy: In reply to what has fallen from the last speaker, I only wish to say this, that as I have already explained, we do attach importance to that aspect of the question and that we are quite prepared to consider measures which are likely to prove satisfactory in practice, designed for the object he has in view. The difficulty is that it is not very easy to find effective measures, and as I have said, I think sooner or later it will probably rest with the Local Governments to take necessary action. In that case the Government of India will of course always be ready in so far as their co-operation is required to consider the matter very sympathetically.

Mr. A. Das: May I ask if the Tariff Board has not suggested a minimum price which the manufacturers have to pay in respect of cane?

The Honourable Sir George Rainy: It is a very difficult thing to enforce a minimum.

Mr. President: The question which I have to put is:

"That the Bill to provide for the fostering and development of the sugar industry in British India be referred to a Select Committee consisting of Mr. R. K. Shanmukham Chetty, Mr. B. Das, Lala Hari Raj Swarup, Sirdar Harbans Singh Brar, Mr. S. C. Sen, Mr. B. V. Jadhav, Mr. S. C. Mitra, Seth Haji Abdoola Haroon, Mr. Muhammad Azhar Ali, Kunwar Hajee Ismail Ali Khan, Mr. G. Morgan, Mr. L. V. Heathcote, Sir Edgar Wood, Mr. A. H. Ghuznavi Mr. R. S. Sarma and the Mover, with instructions to report on or before the 15th February, 1932, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

The motion was adopted.

THE WIRE AND WIRE NAIL INDUSTRY (PROTECTION) BILL.

The Honourable Sir George Rainy (Member for Commerce and Railways): Sir, I move:

"That the Bill to provide for the fostering and development of the wire and wire nail industry in British India be referred to a Select Committee consisting of Mr. R. K. Shanmukham Chetty, Mr. B. Das, Lala Hari Raj Swarup, Sirdar Harbans Singh Brar, Mr. S. C. Sen, Mr. B. V. Jadhav, Mr. S. C. Mitra, Seth Haji Abdoolah Haroon, Mr. Muhammad Azhar Ali, Kunwar Hajee Ismail Ali Khan, Mr. G. Morgan, Mr. L. V. Heathcote, Sir Edgar Wood, Mr. A. H. Ghuznavi, Mr. R. S. Sarma, and the Mover, with instructions to report on or before the 15th February, 1932, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

This proposal which we are placing before the House is something a little different from what perhaps I might call full-fledged protection, and perhaps the best way of explaining it is to go back a little into the previous history of the subject, although I do not propose to go into it in any great detail.

When the Steel Industry Protection Bill was passed in 1924, it included protective duties on wire and wire nails, but subsequently—I think in the year 1926 or possibly in 1925—that duty was removed because it was found on enquiry that the protection given was benefiting no one. The factory which had been producing wire and wire nails had been unable to continue and had gone into liquidation, and the Tata Iron and Steel Company had found themselves unable to produce wire rod and they also therefore received no benefit from any increase in their output of steel. Nevertheless, the fact remains that the general decision of this House in 1924 to protect the steel industry must be held, I think, to cover the case of wire and wire nails to this extent that wire and wire nails are products which form a subsidiary branch of the steel industry—a branch to which protective duties would naturally be extended provided of course it is established after full enquiry that the production can be economically and efficiently carried on, and also that there is a sufficient market in India for the products of the industry to ensure economical production. Now, Sir, a firm in India purchased the works which originally belonged to the Indian Steel Wire Products, Limited, and for the past two or three years have been carrying on, under certain difficulties, the production of wire and wire nails. But wire rod, which is the raw material out of which the wire is made, is not yet produced in India, and therefore they have had to use imported wire rod. Government have done what they could to assist them by allowing them to import their rod free of duty, but at present, as the Tariff Board have found, the conditions which justify the re-imposition of a protective duty in the full sense have not yet come into existence. The two conditions are, (1) that the manufacture of wire and wire nails should be renewed,—and that has been done; and (2) that the wire and wire nails should be made from steel manufactured in India, and this is not yet satisfied, because wire rod is not made in India and no one is yet equipped to make it. That is an important point because the whole claim of the manufacture of wire and wire nails to protection inevitably rests on its ability to make use of Indian steel. If it were to use for an unlimited period imported steel, then it would be cut off from the main stem of the national industry and becomes so to speak a side show with no particular claim to national assistance.

[Sir George Rainy.]

The firm at Jamshedpur, of which I have spoken, contemplate the purchase of a mill which would be capable of rolling wire rod from steel billets supplied by the Tata Iron and Steel Company, but the difficulty with which they are faced is this, that unless they receive some temporary assistance, they will find it almost impossible to raise the capital required for the purchase of the mill, and also they will find it very difficult—perhaps impossible—to continue the manufacture of wire and wire nails. What the Tariff Board have proposed is that they should receive temporary assistance in the form of a duty of Rs. 45 a ton on imported wire and wire nails and that in the course of the statutory enquiry to be held in 1933 their claim to protection in the full sense should be further examined.

That, Sir, is the history of the proposal which we are placing before the House. The Tariff Board in making their recommendations said a good deal about what they considered to be the equitable claims of the firm in Jamshedpur to receive this assistance in view of the history of what had happened in the past and of their right, as the Board consider, to receive assistance in the form of some measure of protection. It was made plain in the Resolution with which the Tariff Board Report was published that Government did not altogether accept that view. I am not going into the history of it, for it is a rather complicated and tangled matter. Nor indeed am I called upon to do so, but it is right that I should make it plain to the House that we are not asking their support to this measure on the ground of equitable claims on the part of a particular firm, but we are asking them to support it on the general ground, which is the true ground on which these proposals should be supported, namely, that it is in the national interest that this assistance should be given. I do feel, Mr. President, that it is of great importance to the welfare of the steel industry as a whole in British India that outlets for steel made in India should be multiplied. As Honourable Members are aware, there has been a great falling off in the demand for rails by the Indian railways in the last two or three years owing to circumstances completely beyond the control of the railway administration. That being so, it is of great importance that other outlets for Indian steel should be found and if this measure is passed into law, it is likely that, within a year or 18 months time, the Tata Iron and Steel Company will be selling their steel billets to the wire manufacturing company and the latter company from these billets will roll wire rod, and from the wire rod will manufacture wire and wire nails.

By passing this measure, the House will not commit itself finally to the continuance of the protection to the manufacture of wire and wire nails indefinitely. It will be necessary, before the claim is finally admitted, that the matter should be fully examined by the Tariff Board in the course of the statutory inquiry in 1933, or possibly, since the time before that inquiry will commence is not very long, they may report at the end of their inquiry that even then it is not fully possible to determine the claims of the manufacture of wire and wire nails or to assess the amount of protection that may be needed. At one time I was inclined to recommend that the temporary assistance should be given for three years, that is to say, up to 31st March, 1935, instead of up to the 31st March, 1934. On the whole, however, it seemed better, since we could not exclude wire and wire nails from the scope of the Tariff Board inquiry in 1933, that the period should be fixed at two years, and then all the protective duties

on steel would run out on the same date. It is possible, however, as I have said, that the temporary assistance may be eventually found to be necessary to be given for a year or two longer, before protection is finally given. In any case it is essential that the Tariff Board should fully examine the question, whether, conditions being what they are in India, the manufacture of wire and wire nails and also the manufacture of wire rod can be carried on economically and efficiently. This question is somewhat larger than may appear at first sight because, in order to get low costs and cheap production in the mill in which the wire rod will be produced, it will be necessary to produce other products also. This is an aspect of the case that has not been very fully discussed in the Tariff Board's Report, but it appears from letters from the applicant firm in the possession of Government that what they contemplate is a mill which will be capable of rolling hoops and strips as well as bars of certain small sizes, and when the Tariff Board come to make their final inquiry, they will have to consider not only what duties ought to be imposed on wire and wire nails, but in all probability also what duties ought to be imposed on these other products. They will all however be the ordinary products of the steel industry. I have said so much, on this point, Mr. President, in order to make it clear that I am not asking the House to commit itself to more than this—that temporary assistance should be given in order that the possibility of manufacturing wire and wire nails and certain other products cheaply and efficiently in India may be fully tested, and that it will be necessary for the firm after two, three or four years as may be found necessary to establish their claim after the manufacture of wire rod in India has actually been established. I hope I have succeeded in making it plain to the House what the Government are asking them to do, and perhaps I need not add to what I have said.

Mr. B. Das (Orissa Division: Non-Muhammadan): The Honourable the Leader of the House, who comes from the Province of Bihar and Orissa and who was the first Chairman of the Tariff Board, has a soft corner in his heart for the key industry in Jamshedpur and other industries that may spring up there. You, Sir, as the Chairman of the Fiscal Commission and your colleagues wrote an admirable report, but those industrialists who sat on that Committee, including yourself, never thought at the time that Government would come up before this House to protect every little industry that might spring up and ask for money at the expense of the tax-payers of India. My view of the Tariff Board's Report on the wire and wire nail industry is admirably summed up in a little note in the *Statesman*, which is published today, and I am glad to be able to agree with my friend Mr. Moore at least on this occasion. It says:

"The Board admit that there is much that is exceedingly speculative in the premises of their argument but finally decide to recommend the restoration of the protective duty on the ground that money has been invested in the industry relying on assurances given in the past by Government and the Legislature. The arguments on this issue to be found in the eleventh paragraph of the Board's report are not convincing."

Sir, I quite agree with the *Statesman* that the Board is backing a speculative proposition in this matter. Everybody knows that this wire-nail factory at Jamshedpur was promoted by the Bombay industrialists, who just squandered away Rs. 21 lakhs and more, and in the end took debentures from the Government of Bihar and Orissa to the tune of Rs. 5 lakhs. At last the Government of Bihar and Orissa pressed for the

[Mr. B. Das.]

money they advanced to the Bombay industrialists and the stock was sold away as a scrap heap for the sum of Rs. 3 lakhs to Mr. Inder Singh. And now the latter gentleman comes forward to my Honourable friend, Sir George Rainy, who has naturally a soft spot for Jamshedpur, urging that he has a claim on the Honourable the Commerce Member. He has purchased the stock for 3 lakhs. The total sum which he has so far invested is in the neighbourhood of 4 lakhs. Now this House and the Government are asked to give that protection to a speculative venture. Thereafter, as the Honourable the Commerce Member said, we may take it he will come up in 1934 to us for protection for another period of 7 or 8 years. Sir, when we gave protection to this Tata Steel Industry—which was described by the predecessor of the Honourable Sir George Rainy as a key industry and which this side of the House recognized as a key industry—we never expected that every little subsidiary industry that would spring forth from that key industry would need protection, so that the masses would groan under the present system of taxation. I find that when the General Manager of the Tata Iron and Steel Company gave evidence, he wanted to get for the steel ingots for this wire-nail factory the same concession as was claimed for the tinplate industry. He drew a contract between the Tata Steel Company and the Tin Plate Company—a contract which as Sir George Rainy knows is a blot in the history of contracts between two things, and for which the tax-payer is paying through his nose. Under the system of protection that we conceived—and I was a Member of this House in 1924—we never dreamt that the steel industry would come forward seeking protection in 1934 even: and if the Tatas squandered crores of rupees at Jamshedpur, the contract between the Tin Plate Company and the Tata Steel Company has added to that burden of the management and also to the groaning burden of the tax-payer. Sir, if I happen to be a Member of this House in 1934, I think I and those who will be here will then have to consider whether the system of patronage should continue to be granted to certain capitalists who have failed in their management and who I think simply live under State patronage. I do not mind if the Government have surplus money to give away to any industry, but everybody knows that the Government are going through a period of stress and strain financially, and when Government take advantage of the demand of certain industries to get protection, my Honourable friend, the Finance Member, of course reaps the advantage at the cost of millions and millions of consumers.

My Honourable friend, the Leader of the House, while moving the Resolution for protection to galvanized iron sheets last year, agreed with my friend, Mr. Deputy President, that he would have had given a bounty to that industry, but he pleaded then on behalf of the Honourable the Finance Member that he was hard put to it and needed the crore of rupees that would come in this way. Sir, everybody knows that the House did not like to agree to three years' protection for the galvanized steel industry, but gave it for one year subject to the approval every year of this House. If the Honourable the Commerce Member feels that by giving this protection to this industry, which has no basis to make the claim for that protection, he would encourage the Honourable the Finance Member to come up and ask for fresh taxation, we can understand the position. Some of us, Sir, suggested various systems of taxation which I hope the Honourable the Finance Member would, under the stress and strain of economic distress, bring up on the floor of this House, we would accord

sanction to such proposals some of which we suggested in the last session. But I do not like the Government idea of collecting a little more money for the purpose of patronising industries which are no industries at all. In this case the machinery was bought up at scrap price and the Tariff Board have not gone into the details of the cost of depreciation. What is the real cost of this machinery? 25 lakhs. The Tariff Board themselves are charging depreciation at 4 lakhs on present value. That means this particular firm will get a monopoly for wire-nail manufacture. I know when I was doing business at Bombay, there were small firms who were manufacturing wire-nail. I find the Tariff Board has not inquired into that aspect of the thing, that there are small firms in the bye-lanes of Bombay where wire-nails are manufactured. Now these firms have not come forward for protection, and yet they are manufacturing and selling their products and I am sure they are making a profit out of it. But, Sir, how long will this pampering go on? Sir, we have pampered the Tata Iron and Steel Company like a dog, and when we pamper a dog or other animal too much, we know it grows fat and becomes lazy and sluggish; and that is happening to certain industries that make no efforts to reduce their cost of production or to manufacture at market prices. Sir, my advice to the Honourable the Commerce Member is that he should continue the present concession in the matter of the importation of wire, and thereby let the wire nail industry feel that it is doing something, and I think the Honourable the Commerce Member should refer the whole subject back to the Tariff Board. Let them find out whether at the original capital cost the industry can stand on its own legs. If the industry cannot stand on its own legs, it is no use pampering it to enable it to have a monopoly—in addition to the advantage which the party concerned got out of the failure of certain Bombay industrialists. I do not like the idea of this perpetual monopoly being given to this firm. So for the present, Sir, I am agreeable that this firm should only receive the concession that it is receiving and should not receive anything further.

Mr. H. P. Mody (Bombay Millowners' Association: Indian Commerce): Sir, I am not a specialist in wire or wire nail manufacture, and I have no desire to inflict myself on the House for the excellent reason that I know very little about the subject. But I rise to take strong exception to what I might call the crude economics of my Honourable friend Mr. B. Das. I say so with great respect to my Honourable friend to whom it is always a great pleasure to listen. But when my Honourable friend inveighs against protection in general and talks about the interests of the consumer, I feel that it is necessary for me to try, at any rate, to set him right. Sir, if my Honourable friend the Commerce Member has a soft heart for the Tata Steel Industry, I say it does credit to his heart, and the softer the heart he has for industries like that the greater the good that he will do to the country. I would ask my Honourable friend Mr. B. Das whether he thinks that India can develop and can function as self-governing State some day without a great and quick expansion of her industries. I do not know, Sir, whether I would be in order in digressing from the subject, but the remarks that I am going to make have been called for by what my Honourable friend has said. At the present moment, something like 70 to 80 per cent. of the population of this country subsists on agriculture. Even in the United States, where there is a very highly developed scientific system of agriculture, the proportion of the population which subsists on it is not more than 30 per cent. So long as India's main dependence is on agriculture and so long as Indian agriculture is in the primitive stage in

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which it is at present, so long will the country continue to live on a bare margin of subsistence. The position will be very greatly aggravated in the next few years when India receives a constitution which places her in the front rank of the nations of the world. It will be impossible for that constitution to function; it will be impossible for India to shoulder the burden of the greatly enlarged social and other services which she will have to have if she is to be a civilized Power—I say it will be impossible for India to achieve all this unless there is a rapid expansion of her industries, and I should have thought that my Honourable friend Mr. Das would be the first to congratulate the Government of India on their increasing recognition of the place of industries in this country. For years together we have criticised the Government of India for their neglect of Indian industries, and that criticism was largely justified. I am not sure that we shall not apply that criticism on occasions even now to the Government of India. But I do see that in the last three or four years a very creditable attempt has been made on the part of the Government of India, on the recommendations of the Tariff Board, to give such assistance to such Indian industries as have made out a case for protection. When this is the case, I find it difficult to believe that any Honourable Member in this House can get up in his seat and inveigh against the Government of India for their practical recognition of the place of Indian industries.

Mr. B. Das: Why do not then the Government of India buy all articles manufactured in India for their own consumption? Have you ever tried that?

Mr. H. P. Mody: That would take me into a digression which I want to avoid. I may however tell my Honourable friend that various commercial organisations are keeping a very close watch upon the Government of India's purchases of their requirements both in India and in England. But that is not the issue to-day. The issue to-day is that an industry, for which a case has been made out by a recognised body of experts, has come forward before the Assembly for protection, and my Honourable friend has made an attack on the Government of India for giving effect to the recommendations of the body to whom the investigation of the claims of that industry was committed. I take strong exception to my Honourable friend's remarks on this head. I hope that the Government of India will increasingly come forward with protective measures for the benefit of Indian industries, and to the extent that they will come forward will the country benefit. After all the burden on the consumer will be there, but it has been recognised in all countries which have gravitated more and more towards protection that the burden on the consumer is inevitable in the first instance, but that the country as a whole is bound to benefit by the development of industries and by the employment which these industries would give to the people of the country.

The Honourable Sir George Rainy: Sir, my Honourable friend Mr. Mody referred to me as having a soft heart, and said that it did me great credit. But I would draw my Honourable friend's attention to the fact that Mr. Das used the expression "soft spot" and not "soft heart". I am a little in doubt whether—he was of course much too courteous to say so—he did not think that the soft spot was to be found in the head rather than in the heart. However that may be, I am always indebted to my Honourable friend for his observations on the protective measures I bring

before the House. Although I do not very often agree with him—possibly owing to the soft spot—still it is important that, when any measure of protection is under discussion, the interests of the consumer should not be overlooked and that there should be Members who have these interests at heart. I do not propose, however, to answer my Honourable friend at any length. Possibly at some later stage of this Bill an opportunity may arise when it may be necessary to answer his arguments more fully. I would only say this with reference to what he said about “a speculative proposition” that, in moving my motion I expressly disclaimed resting the case for this Bill upon what the Tariff Board have said with regard to the equitable claims of a particular firm. Rightly or wrongly, I rest it on the broader ground of national interests. Secondly, when my Honourable friend speaks of the strain which protective measures place upon Government finances, I am happy to be able to inform him that, in the opinion of the Central Board of Revenue, this measure is likely to relieve that strain to the extent of four lakhs a year. Therefore, Sir, I do not think that that particular argument was a very strong one.

Mr. President: The question is:

“That the Bill to provide for the fostering and development of the wire and wire nail industry in British India be referred to a Select Committee consisting of Mr. R. K. Shanmukham Chetty, Mr. B. Das, Lala Hari Raj Swarup, Sirdar Harbans Singh Brar, Mr. S. C. Sen, Mr. B. V. Jadhav, Mr. S. C. Mitra, Seth Haji Abdoola Haroon, Mr. Muhammad Azhar Ali, Kunwar Hajee Ismail Ali Khan, Mr. G. Morgan, Mr. L. V. Heathcote, Sir Edgar Wood, Mr. A. H. Ghuznavi, Mr. R. S. Sarma, and the Mover, with instructions to report on or before the 15th February, 1932, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five.”

The motion was adopted.

THE BAMBOO PAPER INDUSTRY (PROTECTION) BILL.

The Honourable Sir George Rainy (Member for Commerce and Railways): Sir, I move:

“That the Bill further to amend the law relating to the fostering and development of the bamboo paper industry in British India be referred to a Select Committee consisting of Mr. R. K. Shanmukham Chetty, Mr. B. Das, Lala Hari Raj Swarup, Sirdar Harbans Singh Brar, Mr. S. C. Sen, Mr. B. V. Jadhav, Mr. S. C. Mitra, Seth Haji Abdoola Haroon, Mr. Muhammad Azhar Ali, Kunwar Hajee Ismail Ali Khan, Mr. G. Morgan, Mr. L. V. Heathcote, Sir Edgar Wood, Mr. A. H. Ghuznavi, Mr. R. S. Sarma and the Mover, with instructions to report on or before the 15th February, 1932, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five.”

I hope that this is the last of the orations which I have to deliver today, and I now come to the subject of paper. That, like wire and wire nails, is a matter with which both in my present capacity as a Commerce Member and as the President of the Tariff Board I have had to deal before. As a result of the inquiry into the paper industry held in the years 1924-25, recommendations for the imposition of a protective duty were made by the Tariff Board and were accepted by the Government of India and also by the Legislature.

(At this stage Mr. President vacated the Chair which was taken by Mr. Deputy President.)

But at that time the Tariff Board held that further exploratory work was necessary before it could be established that the claim of the industry

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to protection had been finally established. They pointed out that, on the basis of the *sabai* grass, if that was to be the principal material to be used in paper making, the claim of the industry was not established because the material was insufficient in the sense that it was not sufficient to provide for any considerable expansion of the industry. It was a perfectly good material and no doubt will continue to be used for certain kinds of paper so long as paper is made in India at all. But the Tariff Board found that,

12 NOON. if development was to take place and the industry was to grow, it could only be done not on the basis of *sabai* grass but on the basis of bamboo. They held however that what was required at that stage was protection for a period in order that the possibilities of bamboo might be finally and fully explored and thereafter it would fall to the Legislature to determine whether the industry should be protected or not. The Tariff Board have examined the case very fully in the report which has been published, and the conclusion which they have come to is that the progress made during the last six years has been very substantial and satisfactory, and that they are now in a position to pronounce that the claim to protection has been made out. There are still certain difficulties which the paper mills find in dealing with the bamboo as a paper making material. These are mainly connected with crushing of the bamboo and the difficulties presented by the knots which are somewhat recalcitrant and difficult to crush. Nevertheless, the Board think, and Government have accepted their finding, that there can be no doubt that these difficulties will be overcome, and that the enormous supply of bamboo which India possesses provides a basis upon which a really important industry can grow up, and that protection should now be fully extended to the industry. That, Sir, is the substance of the case I have to present.

It is satisfactory that in many respects, the results which the Tariff Board found in their enquiry last year were a distinct improvement upon what the Board found in their earlier enquiry. There has been an important reduction in the cost of bamboo delivered at the mills, and that is obviously a very important point. There have been distinct reductions in the cost of production in the mill itself in such matters as chemicals. There have again been very distinct reductions in the cost of fuel and power owing to the improved equipment which has been installed in certain mills, and generally speaking the cost of production has come down to a remarkable extent. Now what the Board has proposed is this, that the same rate of duty which has been in force since September 1925 should remain in force for another period of seven years, that duty being Rs. 140 a ton or one anna a lb. But in addition the Board have made another proposal, namely, that a protective duty should be imposed upon imported wood pulp. During the 6½ years for which the protective duty has been in force there has been a good deal of criticism of the paper mills on the ground that they were not making sufficient progress with the use of Indian materials, and that their increased output of paper was due very largely not to the use of bamboo or *sabai* grass, but to the use of imported wood pulp. That question has been fully examined by the Board as was very necessary, because clearly in this case, as in all these cases of protection, what is desired is the fullest possible utilisation of Indian materials. What the Board find is—I quote from the Government Resolution—“that so far from the extended use of the imported pulp having prevented or retarded the experimental work on bamboo, the increased output of paper at a lower cost of

production which has been rendered possible very largely by a greater use of cheap imported pulp has enabled the Indian mills to provide the necessary finance for their work on bamboo". I think that is a sufficient answer to the particular point made by the critics of the mills. But the Board feel, and Government fully accept their conclusion, that the period during which this extended use of imported pulp has been necessary and even beneficial has now come to an end, and that it is desirable that legislation should be passed which will include a definite stimulus to the Indian manufacturer to make the fullest possible use of the principal Indian material, that is bamboo. It is for this reason that the Board has proposed, and the Government have accepted their proposal, that a protective duty of Rs. 45 a ton should be imposed upon imported wood pulp. The criterion that the Board applied, in order to determine what the amount of duty should be, was the amount by which it would be necessary to increase the cost of wood pulp so that it would become cheaper to use bamboo pulp. That I think is clearly the right basis on which to proceed. Had the Board not put forward this proposal for the duty on imported wood pulp, then for protective purposes, so far as paper was concerned, it would have been quite possible to reduce the protective duty on paper by perhaps Rs. 20 a ton or some figure of that amount. The retention of the existing rate of duty is therefore closely connected with the proposed imposition of the duty on wood pulp. I may mention that this proposal for a duty on wood pulp was in fact part of the original proposals of the applicant firms themselves in 1923 or 1924, but at that time the Board, and the Government agreed with them, did not approve of the proposal. But since then circumstances have materially changed, and Government have no doubt that it is desirable, in the interest of the industry, that a definite stimulus should be applied so that a fuller use may be made of Indian materials.

There is another matter to which I wish to allude in connection with this Bill. As the protective duty at present stands, printing and writing paper are specified as the kinds of paper to which the protective duty applies, and other kinds of paper are subject only to the revenue duty. Now, in practice, the administration of the law has given rise to a great many difficulties, because it is not very easy to draw a line between printing paper and writing paper and other kinds of paper. Thus it appeared not very long ago, I am told, that a paper which had always been classed as wrapping paper was imported by the Government of Madras and they claimed it was printing paper and not wrapping paper because they proposed to print upon it. I give that as an example of the difficulties that occur from time to time. Government had hoped that the Tariff Board would find it possible in their report to deal fully with the matter, and to suggest a revised entry in the tariff schedule, which might at any rate alleviate these difficulties and perhaps remove some of them. The Tariff Board have not, however, found it possible to do this and Government have not found it altogether easy to decide how the matter should be dealt with. What the Board suggested was that, after this Bill had become law, Government should hold a conference with the representatives of the trade in order to find a satisfactory definition of the protected kinds of paper based upon trade usage. Now, when it comes to interpreting the provisions of the law, I do not think that a conference is a good way of arriving at an interpretation. A conference may be a perfectly good method of getting assistance as to what the law ought to be; but after having made the law it is not at all a good method to decide what the meaning of that law is, because clearly in the last resort it is only the courts of justice that can

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decide what the law means. Government think the best plan to adopt would be this; it is suggested that instead of specifying the kinds of paper to be protected and leaving all other kinds of paper subject to the revenue-duty, we should reverse the procedure and say that the protective duty will be applicable to all kinds of paper except those which are specified for exemption. When Government reached that conclusion they had then to decide whether they could embody that proposal in the Bill now before the House; and they came to the conclusion that this was not possible, mainly owing to considerations of time, because if the customs procedure is reversed in the manner I have described, great care is necessary if we are to avoid inadvertently imposing the higher protective duty on classes of paper which nobody wants to protect. It is reasonable in such circumstances that the trade, on the one hand, should have a full opportunity of representing that a particular class of paper ought not to be subject to the protective duty and conversely that the industry should have an opportunity of representing that any proposed exemption is not justified. It was suggested that perhaps the difficulty might be got over by giving a very large power of exemption to the Governor General in Council; but personally I felt that that was not a satisfactory method of procedure. It may be desirable that some power of exemption should be granted to the executive Government, but as far as possible before the Legislature is asked to adopt a change in the law, it is desirable that they should have placed before them clearly and distinctly the exemptions which can be foreseen to be necessary, and that the authority which authorises these exemptions from the protective duty should be the Legislature itself and not any other authority. Therefore what we propose to do is this. We propose in the present Bill to leave the definitions alone, and they will remain exactly the same as they are under the existing Act. But we propose that as soon as possible Government should publish the definition which they think might be substituted for the existing definition, and to this definition there would be attached a schedule of the proposed exemptions from the protective duty. The definition would be widely circulated both to the industry and to the trade and they would be invited to make their criticisms on it. Thereafter there will be discussion between Government on the one side and the representatives of the trade and the industry on the other, and if the plan proves to be a satisfactory one a Bill will be placed before the Assembly in the next session. I am sure that there is a real difficulty here to be dealt with, and I believe that the plan we propose to adopt is the best possible in the circumstances.

There is, I think, only one other matter to which I need refer and it is this. In the existing Act there is a provision by which what is commonly called newsprint is exempted from the protective duty. Now, for the purposes of the definition of newsprint what the Tariff Board found in 1924-25 was that it would be reasonable to exclude from the protective duty all paper containing not less than 70 per cent. of mechanical pulp. They pointed out, however, that it was not a simple matter to test the percentage of mechanical pulp which a paper contains, but they thought that within an error of say 5 per cent. accurate testing was possible. They therefore proposed, and the recommendation was accepted, that instead of saying 70 per cent. we should exempt all paper containing 65 per cent. of mechanical pulp in order to allow for the error in testing. That particular provision has given rise to a good deal of difficulty. As long as 65 per cent. is the figure in the Act, then what manufacturers

are inclined to do is to place an order for paper containing 65 per cent. of mechanical wood pulp and then when the question of testing comes up, and it is found that the paper contains less than 65 per cent., they claim a further allowance and say that, although the test shows that it only contains perhaps 62 or 63 per cent., they are nevertheless entitled to have the paper admitted at the revenue rate of duty. These difficulties have been found so great that Government came to the conclusion that the right course to follow was to put in the Act the figure of 70 per cent. instead of the figure 65 per cent., and to leave the margin of error whether in the process of manufacture or in the process of testing to be settled entirely by executive order. The way the matter will then arise will be this. When the figure of 70 per cent. is in the Act, the manufacturer, if he chooses to place an order for paper containing only 65 per cent. of mechanical pulp, will clearly have no one but himself to blame if things go wrong. But the customs authorities will be quite prepared to make all reasonable allowances both for differences arising in the process of manufacture, because it is not easy to make paper the constitution of which is absolutely uniform in every sample, and errors in the process of testing, and in the actual administration of the law there will be very little difference from the state of things existing at present. That is to say, paper containing about 65 per cent. of mechanical pulp—a little more or a little less—will still be exempted from the protective duty. The difference will be that the manufacturer, if he wishes to get in his paper at the lower rate, will have to place his order for a paper containing not less than 70 per cent. of mechanical pulp. If he does not do that, if he orders papers with a lower content of mechanical wood pulp, he will clearly put himself in the wrong. I wanted to explain that point, because I know that it is a matter in which the importers of paper and the users of paper in India are naturally interested. It is of course mainly a Select Committee matter, but I think this explanation was due to the House. Sir, I move.

Mr. Nabakumar Sing Dudhoria (Calcutta Suburbs: Non-Muhammadan Urban): Sir, I would oppose this motion of the Honourable the Leader of the House, as I cannot accept some of the proposals embodied in the Government Resolution on the subject. My first objection is to the 7-year period, which is considered to be rather too long for a second instalment of the proposed protection in view of the impending constitutional changes. Next we must know beforehand the results of the proposed Conference with the representatives of the different interests to decide the proper definition of the classes of paper to be subjected to the protective duty. Then we must have a definite idea as to the extent to which the paper pulp section of the Forest Reserve Institute at Dehra Dun is in a position to develop with a view to undertake co-ordination of experimental work on bamboo. There is no knowing if that section of the Institute will not be closed down on the ground of financial stringency any moment. Lastly, we have to be perfectly satisfied as regards Government's decision, adverse to the Tariff Board's recommendation, to raise the percentage of wood pulp in printing paper from 65 to 75 in order to exempt it from protective duty. It is after those conditions are satisfied that we shall have an opportunity of speaking the last word on this subject.

From the Report supplied, Honourable Members have had an idea of the findings and recommendations of the Tariff Board on the subject and also of the views of the Government from the printed sheet accompanying it. Those two official documents present to them only one side of the

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picture. I shall place before them another account of the subject in order to show the other side of the picture.

In the memorandum which the Indian Journalists' Association submitted before the Tariff Board, they stated the following amongst other things:

"That the general book publication business is in a very bad way since the imposition of the protective tariff is apparent from the dearth of work in private presses all over the country but especially in Calcutta. During the four pre-protection years, the number of printing presses increased by 1,538, whereas during the four years after protection the increase is by 1,010 only. The publication of periodicals during the former period increased by 736, whereas during the latter period by 66 only. Books in English language 218 as against 95 and books in Vernacular and classical languages 4,640 as against 1,013. The whole business has now come to such a pass that unless the price of paper is cheapened it is sure to be ruined.

Of the school books the price has become so high that the poor students are feeling great difficulty in procuring their books.

The magazines and periodicals, which are probably the best source from which the general body of literates get inspiration for extending the field of their knowledge, could not reduce their prices since 1920 or reduce their rates of advertisements owing to the high cost they have to incur for their paper supply, although the price index of every other commodity has considerably gone down.

Since the war the interest of the literate people for all sorts of general literacy and scientific information has enormously increased and this cannot be satisfied owing to high price of magazines due to high cost of paper. The protection on paper has virtually become a tax on knowledge without any countervailing good to the country.

The protection of paper has besides become a severe tax on such traders who have to secure their trade through printed literature and catalogues.

"Analysis of the heads of the Post Office receipts will also show how the reduction of trade through Post Office has affected the revenue of the Post Office and put the Postal Authorities in such an unprecedented difficulty."

Those facts enumerated above clearly show that the protective tariff on paper, during the six years, it has been in operation since its introduction in 1925, has caused undoubted loss to the country in revenue, in money and in education.

Next, Sir, the publishing and bookselling trades, on which the indigenous printing industry is wholly dependent, are faced with total extinction in Bengal and are passing through quite a critical stage in most other parts of the country. This fact was not sufficiently brought to light in the Journalists' Association's Memorandum. The total capital and labour investments of the bookselling and publishing trades in India far exceed that of her paper industry and they were in a flourishing condition without State aid, protection, or any other measure involving hardships on the poor people of this country being invoked for their benefit.

So far as to the cost. But the result has not justified the sacrifice either because the same Memorandum says:

"The recommendations of the Tariff Board for protective Tariff in 1925 and the consequent passing of the Bamboo Industry Protection Act were effected with the object of fostering and developing the Bamboo paper industry in India. The expectation of the growth of a local industry engendered by high promises made by the manufacturers of papers when application was first made for protection, and supported by a spirit of sacrifice on the part of the consumers for the growth of an Indian industry, has now entirely been falsified by the results."

Next, let us examine the amount of increase that has taken place in the production of bamboo pulp and in the consumption of indigenous raw

materials as a result of the protection. Let me read out to you what an authoritative leaflet has to say on this subject :

"The Titagarh Paper Mills, which are the biggest paper as also pulp manufacturers in this country, gives the following figures. In 1924-25 they consumed 18,791 tons of indigenous primary materials. In 1929-30 they consumed 15,553 tons of grass, 496 tons of bamboo, 289 tons of rags, 415 tons of hemp ropes, 2,106 tons of waste paper, that is, in total 18,856 tons, thus showing a positive decrease during the 5 years. Then in 1930-31 the consumption of bamboo increased suddenly to 5,526 tons and the total of all these indigenous primary materials rose to 24,606 tons, which is barely more than 3,000 tons over the total of 1924-25 which would give only 1,200 tons of air dry pulp. But during these years the consumption of wood pulp has increased from 6,725 tons in 1924-25 to 12,222 tons in 1928-29 and then this latter figure shows a decrease to 10,026 tons in 1930-31 which shows an increase of nearly 35 thousand tons of wood pulp."

I shall now turn to another important aspect of this subject. Let us see what the general practice of the other paper concerns is in this matter. This is what we get from another leaflet bearing on the subject as it is quite interesting :

"The sea-customs return reveals that in 1925, 11,788 tons of pulp was imported, whereas this was increased in 1929 to 24,310 tons, which again was reduced to 22,716 tons in 1930-31. This shows that the imported pulp is used by Indian mills to the tune of 11,000 tons over and above the import figure of 1925, showing unmistakably that the Indian mills are taking advantage of protective tariff for manufacturing paper and no pulp. The Titagarh Paper Mills alone have benefited to the extent of 75 lakhs of rupees owing solely to the additional protective duty over the usual revenue duty, but spent not even 17 lakhs of rupees in adding to their general machineries of which not even 2½ lakhs is exclusively for pulp making machineries.

The enormously high percentage of dividend the Indian mills are paying for some years and the clamour for an extension of protection on papers show that the Indian mills are more bent upon making profit for their shareholders than the development of the Bamboo pulp industry."

It may now be questioned how the consumers, the people who are making tremendous sacrifices so that the paper manufacturers may benefit, are being treated in the matter of sale and purchase of paper. The following extract culled from one of the leaflets bearing on the subject affords definite information on the subject :

"The Titagarh papers are sold in Calcutta at As. 3-6-23 ps. per lb. The same papers are sold in other up-country markets, such as Lahore and Lucknow, at As. 2-11 per lb., that is, at a price less than the Calcutta price by not less than 6 pies. They could have reduced the price at Calcutta, but if compared with the price of 1925, the reduction of Calcutta price is practically nil, inasmuch as the price in 1925 was As 3-6-46 per lb., and in 1930 it was As. 3-6-23 per lb. according to their own declaration. They have taken advantage of the protection, as we have seen above, not to sufficiently invest in new plants, nor in reducing the price of the paper, but on making unusual profit."

It has thus been demonstrated that better pulp would be made at a lower cost than the usual imported stuff from bamboo. But the mills, quite indifferent to public interest, are too busy making their own profits while the protection continues, and are least concerned to bother themselves about the development of the bamboo pulp industry—the pretext on which this protection at the expense of the country has been issued to them since 1925.

Sir, in view of the above telling facts which have not been sufficiently met or contradicted, it ill becomes us to commit ourselves to any proposal for protection to paper for another 7 years without a proper examination of all the pros. and cons. of the matter.

Mr. B. Das (Orissa Division: Non-Muhammadan): Sir, I support this Bill to the extent that it wishes to give protection to the paper pulp manufacturing industry, and I oppose that portion which proposes to continue the protective duty on paper up till 1939. I do it on the well-known principle, under which the Tata Iron and Steel Company got protection—namely, that the key industry must be protected. If the paper pulp industry thrives, then the paper manufacturers can produce paper without deriving the huge profit which goes to the extent of 40 per cent., as is mentioned in the present Tariff Board's report. Incidentally my Honourable friend Mr. Mody may take objection to my crude economics about paper industry. I would say I know where the shoe pinches. Mr. Mody, who is a manufacturer, would like to exploit the millions of the masses—not exploiting exactly, but he would like to thrive at the cost of the millions of people in India. His policy is not to live and let live. I may tell the Government and this House that in the present economic depression the country wants a respite. The country has given up all its purchases so to say, and just for the sake of enlightening my Honourable friend Mr. Mody I will tell him that the exports of India in 1931 amounted to Rs. 169 crores and the imports to Rs. 135 crores,—that is, from January to December. In 1929 it was Rs. 228 crores exports and 245 crores imports. Mr. Mody therefore knows that at present there is very little money in the market, people cannot afford to buy even the daily necessities. I do not want that a few industrialists should be pampered and should make a huge profit and then start a rate-war, as my Honourable friend Mr. Dudhoria has said, at the cost of millions and millions of consumers. By all means give protection to the paper pulp industry, and with that protection to raw material let them build up their paper manufacturing industry. This Tariff Board's report mentions somewhere that a rate-war started between the Calcutta manufacturers and the Punjab Paper Mill. The Calcutta manufacturers wanted to supply paper at less than three pies or more, and owing to that, the Punjab Paper Mill stopped its working. That shows that there is a good margin of profit and when they are able to make a profit to the extent of 40 per cent. why should the paper manufacturing industry get any protection? In this connection I will quote my Honourable friend Mr. Arthur Moore and I am very glad that last night with his glass on the table he wrote this very excellent editorial, under the heading "The Passion for the Bad". It admirably sums up my view on the protection to paper industry.

Mr. Arthur Moore: On a point of order, Sir. May I ask whether the Honourable Member is in order in attributing to me articles that he reads in the newspapers? (Laughter.)

Mr. B. Das: I was paying a compliment to my Honourable friend, but if he does not like it, I beg to be excused:

"They (meaning paper manufacturers) were given heavy protection on their manufactured products, and by drawing an increasing proportion of their raw material from abroad they could make large profits while not bothering to foster the making of Indian pulp. Actually, almost the whole of the additional paper made in the last six years has been made from imported raw material which is precisely what would have been expected from the fact that paper makers are men who have entered the business to make money and not philanthropists concerned to justify the fantastic theories of the Tariff Board."

I draw the attention of my Honourable friend Mr. Mody to the word "philanthropists". Why does he want millions and millions of people to be philanthropists to support a few investors like my Honourable friend Mr. Mody, Sir Hugh Cocke and others so that they can invest their

money, and demand protection from the State and the purchasers may pay high prices and the investors can draw huge dividends :

"Since the qualification for membership of a Tariff Board would appear to be a lack of vision as to the future and complete blindness to the economic progress of the past, men who are risking their money naturally do precisely the contrary to what the Board expects them to do."

The Tariff Board in 1925, of which my Honourable friend Sir George Rainy was the Chairman, recommended as follows in paragraph 131 of their report :

"But if the abundant supplies of bamboo are developed, there is a reasonable assurance that before long no protection, beyond what the present duties give, would be needed, and ground for hoping that in course of time, as the cost of wood pulp increases, the industry could dispense with protection altogether."

I want my Honourable friend Sir George Rainy to forget himself that he is the Leader of this House and to take back his memory to what was in his mind when he signed that report. Did he think it will be a matter of 7 years protection or 14 years? I know that when he wrote the Steel report in 1924-25 he had no idea of giving protection for seven years. It was in his report of 1926 that the idea dawned on him and then the Government came forward with the idea of giving relief for the period of seven years in the case of the Steel Protection Bill of 1927. I hold him to his own writing which is written in letters of gold in that book. What was the period he wanted to give? Why this softness to these paper manufacturers? Why give them another 7 years exploitation of the country when people have no money even to buy their ordinary daily letters?

I wish to draw the attention of this House to a very notable change in the attitude of the Government. In 1925 the External Capital Committee was appointed as a result of the opposition in the House. A report was produced. Government never accepted that report. Government said that they were no parties to that report and they never thought of bringing that report for discussion on the floor of this House. Now, because a certain passage suits the attitude of the Government they have referred to it in their Resolution on paper pulp. They said :

"The principle that companies already engaged in an industry are not subject to the conditions in question received clear statutory authority in the first Steel Industry (Protection) Act of 1924, section 5 of which regulated the grant of bounties, and it was reasserted in unmistakable language by the External Capital Committee in 1925."

I wish to hold my Honourable friend the Leader of the House and every Member of the Treasury Bench to the underlying principle described here in unmistakable language by the External Capital Committee. I accept this portion which has suited at present the intentions of the Government. That means that the Treasury Benches have accepted the majority report of the External Capital Committee and they will bring forward a Resolution on the floor of the House or issue a communiqué stating that they have accepted the majority recommendation of the External Capital Committee. Sir, very few of them were agitators. There were there Sir Basil Blackett, Sir Charles Innes, Mr. J. W. A. Bell, Dr. Dwarkanath Mitter, Mr. G. A. Natesan and Sir P. S. Sivaswami Aiyar. There was Sir Walter Willson. We know what he is. The only two that were against were Pandit Madan Mohan Malaviya and Mr. Vithalbai Patel and as I find also my friend Mr. T. C. Goswami. I do not ask my Honourable friend Sir George Rainy to accept the note of dissent by Pandit Madan Mohan Malaviya or Mr. T. C. Goswami but I ask him

[Mr. B. Das.]

to accept what his former colleagues Sir Basil Blackett and Sir Charles Innes put their signatures to. Any way it is a notable significance that Government has accepted things in that report which they threw into the waste paper basket for the last 8 years. Now, Sir, the next few sentences in the Government Resolution are very interesting:

"While therefore the Government of India consider that manufacturing concerns enjoying tariff protection should hold it incumbent upon themselves to take such steps as are reasonably practicable to ensure Indian participation in the industry concerned, they must dissent from the view that compulsory methods of bringing about this result, such as those suggested in paragraph 108 of the Board's report are justified by any declaration of policy which has been made by Government in the past."

The trouble is that Government has never declared any policy in the matter of the recommendations of the External Capital Committee to which I draw your attention. The majority of them were Government officials or pro-Government Members of this or the other House. I do hope that this House had always been of the definite opinion that when important concessions are given to private firms or companies they must render in return some national service. It was the least that could be expected that European capitalist firms owned and managed by Europeans should at least give a few Indians training in the particular industry for which they seek protection from Government. To enunciate two distinct principles side by side in the same Government communiqué surprises me most, and I hope that Government will revise their views and approve the principle underlying the External Capital Committee's report.

Sir, I do not wish to challenge a division on this point because I want to give protection to a portion of the suggestions of the Tariff Board. I hold my Honourable friend to his own words which he wrote in 1925 and I also want him to look at the distress of the masses. Do not pamper a few capitalists. My friend Mr. Mody is a capitalist and I am an industrialist. I believe in discriminating protection. Protection should be given not because the Government of India want more money to their exchequer but because a particular industry needs protection and protection does not mean always levying protection tariff. There are other methods, such as subsidies and bounties. Why don't you do that? If Government have no money to give bounties, levy that amount of tariff which will just suffice to give a certain subsidy or bounty to a particular industry. Thereby the millions of consumers will not groan as they are groaning today. The bounty will come from the additional discriminating protection tariff which the Government will levy not to the extent that they are demanding but just to cover the amount required. Incidentally I will draw the attention of Mr. Mody to this. He was profuse in his praise of the Tata Steel Company's management. (*Mr. H. P. Mody*: "When was it?") A few months before. Sir, when the engineering industries demand cheap pig iron from the Tata Steel Company, they say, "no, we will sell it at Rs. 67 a ton to you but we will sell it at Rs. 40 a ton in Japan and England, and today they and their allied industries seek protection. Is there any equity, Sir, is there any justice in this? We have read in the papers that the Tatas are underselling steel in the British market. Why then should they come up in 1934 to seek the protection of this House when moreover they starve every engineering industry because thereby they can derive a few lakhs more by selling pig iron at Rs. 67 a ton in India? I keep an open mind on the question of protection to the Tatas"

Mr. Deputy President: We are not now discussing protection to the Tatas.

Mr. B. Das: I am prepared to give protection to any industry if necessary and I remind my Honourable friend that we are on the verge of constitutional changes. That being so, why do you want to pamper these paper manufacturers (Laughter) and other private companies? Why do you want to commit this House and the country to giving this protection till 1939? Did not the Honourable Member himself write in his report of 1925 that the Indian Paper Pulp Company was expected to become a limited company, shortly after? Sir, we see capitalists investing money and I have heard them described as engaged in the process of something like fattening pigs with a view to reaping high prices ultimately. So these capitalists are fattening, and when the concern gets properly fattened, they go to the share market and sell their shares at a very high premium. Is that or is that not the intention of the Indian Paper Pulp Company? Why is it that during the last seven years the party never made any offer to pay back the money? Sir, these are some of the very serious objections that are agitating this side of the House, and if the Honourable Member will see his way to accomplish merely this that the Indian paper pulp industry will be protected, this side of the House will agree, but it will never agree if a few private persons, over whom the Government have no hold, profiteer. Some of them even do not belong to this country. We should remember the recommendations of the Tariff Board in 1925 that companies should not be pampered indiscriminately with further protection at the cost of the consumer and the taxpayer.

Mr. Arthur Moore (Bengal: European): Sir, in the very brief Statement of Objects and Reasons, there is nothing to suggest that this Bill throws over an important recommendation of the Tariff Board and also that it changes the existing protective Act. The Honourable the Commerce Member has however given us his reasons this morning for these changes. I hope the Select Committee will take this question into their most careful consideration, and will revert to the existing Act and to the decision of the Tariff Board. The question is a very technical one as it concerns the definition, for the purpose of the Act, of "newsprint", and I do not propose to detain the House by going into the details. But I would add this, that there has been in recent years a very great development of the newspaper industry in this country. In Calcutta for example, I think that every daily newspaper printed in the English language is now printed on a modern rotary press. Now these fast rotary presses can only use a newsprint which is a soft absorbent paper, and it has to be made actually from pine pulp. Now the possibility of protection for that quality of paper simply does not arise. Newspapers must import their newsprint; there is no newsprint produced in this country which they could possibly use on those presses. Therefore, whatever tax is put on, they will have to pay it; they will have to import their paper, and I contend that this change is merely an attempt to get extra revenue under the guise of protection. The Honourable the Commerce Member said this morning that if anyone were to order paper with a minimum of 65 per cent. chemical content, he would deserve what he got; but, Sir why would he deserve what he got? He would be ordering newsprint, and newsprint which could not be produced in this country. Now the Honourable the Commerce Member and Leader of the House, I know, does not want to penalize the newspaper press unnecessarily, and he wishes us to understand that although they are altering the definition in the Act

[Mr. Arthur Moore.]

to raise the minimum from 65 to 70 per cent. of mechanical content, the case of newspapers will be considered and dealt with by executive action. Sir, that is not a very satisfactory arrangement, and we would much prefer statutory provision. I would remind my Honourable friend, the Leader of the House, that in the Act as originally passed in 1925 the definition of "newsprint" was so unsatisfactory that advantage was taken by the customs of it to defeat the object of the Tariff Board and to levy a protective duty on certain newspapers.

(At this stage Mr. President resumed the Chair.)

That was done, and there was no executive action to set it right. Those particular papers had actually to pay over the money, and finally the matter had to be set right by an amending Bill in 1927. After that experience, I feel that the newspaper press is entitled not to be at the mercy of some executive action in this matter, but to have proper statutory protection to carry out the expressed intentions of the Tariff Board.

Mr. Abdul Matin Chaudhury (Assam: Muhammadan): Sir, on the 3rd of February this Report on the paper pulp industry was released for publication, and to-day on the 6th we are being called upon to give our support to the continuance of the principle of protection to the paper industry. Honourable Members, Sir, have had no detailed opportunity of going through the two volumes—the Report and the evidence on which the Tariff Board based their reports—and when I looked for these, they were not available in the Assembly Library. Then the commercial bodies or the press have had no opportunity of discussing this Report. Still, the Government are rushing this Bill through this House, the reason advanced being the pressure of official business. But I think, Sir, the real explanation of this unusual promptness lies in the fact that, although the industry that is going to be protected may have an Indian domicile, in every other respect it is predominantly European.

Mr. R. S. Sarma (Nominated Non-Official): Does the Honourable Member know that most of the shareholders of this are Indians?

Mr. Abdul Matin Chaudhury: There are about eight mills in India and five of them are entirely owned by Indians. Their production capacity is only about 15,000 tons. The Titaghur Paper Mills Company and the Bengal Paper Mill Company, whose production capacity is about 30,000 tons, are mostly European. I am afraid I have not been able to give the Reports any detailed attention but what I have seen of them satisfies me that, unless an assurance is forthcoming on certain essential points, the House will be justified in rejecting this motion. The Tariff Board, while recommending the continuance of protection, emphasised that the industry must conform to certain principles laid down in the Fiscal Commission's Report. That Commission, Sir, over which you presided, stated in its Report that before a grant is given to any industry or before money is spent on the stimulation of any industry, it is reasonable to insist that the company should be registered and incorporated with rupee capital, that there should be a fair percentage of Indian Directors, and that facilities should be given to Indian apprentices for training. Now, the Tariff Board is not satisfied that these conditions have been substantially complied with. As regards registration as

a public company, they point out that an Indian Paper Company is yet a private concern. In paragraph 106 they say :

"The second and third conditions may be conveniently discussed together. As regards the Upper India Couper Paper Mills Company, the Deccan Paper Mills Company and the Andhra Paper Mills Company, the directorates are entirely Indian. The Titaghur Paper Mills Company had three Indian Directors on the Board in 1924 while at present four out of the seven Directors are Indians. The Bengal Paper Mill Company had one Indian and three British Directors in 1924 and now have one Indian and four British Directors. The proportion of Indian directorate in this Company is therefore lower now than in 1924. The Indian Paper Pulp Company being a private Company, this question does not arise in their case at present. With regard to the question of Indianization of the superior staff, although some progress has been made since 1924-25, the position cannot yet be regarded as satisfactory."

Then, Sir, in paragraph 107 they say :

"On a review of the facts stated in the foregoing paragraph we find that, of the three Companies in Bengal, the least satisfactory record in this respect is that of the Bengal Paper Mill Company. This Company have been in existence now for over forty years and during this long period appear to have made no progress whatsoever in associating Indians with the direction and superior management of their mill. We call special attention to this fact because we consider that the Company's record betrays a serious disregard of their obligations as an important unit in an industry receiving public assistance. As regards the other two Companies, while we acknowledge the efforts which have been made in this direction, particularly by the Titaghur Paper Mills Company, we desire to emphasise that unless further progress is made in the near future, they cannot be regarded as fulfilling substantially the conditions which underlie the grant of protection. It will be seen from paragraph 106 that it is in the most important section of the mills, namely the paper making department, that no progress has so far been reported."

Having said this much, the Tariff Board suggest some means by which these conditions can be enforced. They suggest that :

"In making any such grant, subsidy loan or concession, we would recommend that a condition precedent should be observance by the Company concerned or the members of the Association of the principles laid down in paragraph 292 of the Fiscal Commission's Report.' The general lines on which this recommendation is conceived are equally applicable to the Paper industry. Concessions for the exploitation of forest areas containing bamboo or grass are already held by paper Companies or may be sought hereafter. We consider that the co-operation of Provincial Governments should be invited in securing suitable guarantees before any such lease is granted or renewed and in exercising all their powers including those of terminating the lease to ensure the observance of these conditions. Further, the Controller of Printing and Stationery now purchases annually nearly 10,000 tons of paper, equivalent to a fourth of the Indian production. If, within a reasonable time from the passing of the Protection Act, it is found that any of the Companies have failed, in the opinion of the Government, to make suitable progress in complying with these conditions, Government patronage should be withheld. Finally we believe that one of most effective means of enforcing these conditions would be to ensure public scrutiny of the progress made by each Company from time to time. For this purpose we recommend that the paper Companies should be required to submit periodical statements to the Government embodying the progress made by them as regards each of the conditions laid down in paragraph 292 of the Fiscal Commission's Report. These statements should be placed before both Houses of the Legislature so as to ensure sufficient public scrutiny. Any Company which refuses to submit the statements called for should be penalised by either of the two methods already mentioned or by such other means as Government may decide."

I am sure Honourable Members at least on this side of the House will find themselves in entire agreement with these recommendations. This House has always insisted that, before protection is granted to any industry, there should be a fair proportion of Indianisation of the superior staff and the personnel. But I am surprised to find that the Government have gone back on that accepted policy of the House in their Resolution

[Mr. Abdul Matin Chaudhury.]

dated the 3rd February. My friend Mr. Das has already made a reference to that Resolution. The Government say:

"The Board's recommendations in respect of observance by paper-making companies of the conditions laid down by the Indian Fiscal Commission are contained in paragraph 104 and succeeding paragraphs of its Report. The Government of India consider it necessary to advert specially to these recommendations because in one important respect they appear to indicate a misapprehension of the Government's accepted policy in the matter. The policy of the Government of India has at no time been to require as a condition of its receiving assistance through the tariff or by bounties that a company already engaged in an industry when the grant of assistance is under consideration should conform to the principles stated in paragraph 292 of the Fiscal Commission's Report. The principle that companies already engaged in an industry are not subject to the conditions in question received clear statutory authority in the first Steel Industry (Protection) Act of 1924, section 5 of which regulated the grant of bounties, and it was reasserted in unmistakable language by the External Capital Committee in 1925. While, therefore, the Government of India consider that manufacturing concerns enjoying tariff protection should hold it incumbent upon themselves to take such steps as are reasonably practicable to ensure Indian participation in the industry concerned, they must dissent from the view that compulsory methods of bringing about this result, such as those suggested in paragraph 108 of the Board's report, are justified by any declaration of policy which has been made by Government in the past."

Sir, from this interpretation of the intention of the Legislature I entirely differ.

The Honourable Sir George Rainy: Does the Honourable Member dissent from the express words enacted by the Legislature?

Mr. Abdul Matin Chaudhury: The intention of the Government, as expressed by Mr. Chatterjee, has been referred to in the Report of the Fiscal Commission. In paragraph 292 of the Report of the Indian Fiscal Commission it is stated:

"During the debate in the Legislative Assembly on the 2nd March 1922 on the Resolution moved by Sir Vithaldas Thackersey recommending that measures should be taken to provide that as large an amount as possible of the 150 crores set aside for the rehabilitation of railways during the next five years should be spent in India, Mr. Chatterjee on behalf of Government stated: 'The settled policy of the Government of India, as I think we have mentioned more than once in this Assembly, is that no concession should be given to any firms in regard to industries in India, unless such firms have a rupee capital, unless such firms have a proportion, at any rate, of Indian directors, and unless such firms allow facilities for Indian apprentices to be trained in their works. This has been mentioned more than once, and I can only repeat this declaration.'"

Mr. S. C. Mitra: Please repeat it again for the benefit of the Honourable the Commerce Member.

Mr. B. Das: Mr. Chatterjee (Sir Atul Chatterjee) is no longer in the Government of India and his view does not hold good.

Mr. Abdul Matin Chaudhury: This interpretation is dissented from in the Resolution. I maintain the Tariff Board has more correctly interpreted the intention of this House. I am opposed to this unconditional grant of protection. For Government to accept only that portion of the Report which is in the interests of the companies which are predominantly European, and to reject that portion which is in the interests of the Indian public is a procedure which will not commend itself to any Member on this side of the House. (Hear, hear.) If the Indian consumer is to be burdened with a protective duty, it is necessary that the companies should assume an Indian character by conforming to the principle laid down in

the Report of the Fiscal Commission, and unless an assurance is forthcoming from Government that the means of observing those conditions that have been recommended by the Tariff Board will be acted upon, I think this House would be justified in refusing the motion for going to a Select Committee.

Mr. M. Maswood Ahmad (Patna and Chota Nagpur *cum* Orissa: Muhammadan): Sir, I am always opposed to any protective duty. By this means, the public is forced to pay more money to the manufacturers in India. A protective duty, in my opinion, is also one of the causes of trade lepression. If this duty is imposed, what will happen? Generally authors will send their manuscripts to foreign countries and get them printed there, in order to escape this protective duty. Sir, this duty will affect the printing industry of India as well, because manuscripts will be sent to foreign countries for printing purposes to escape this duty. This was the opinion of one of the Honourable Members expressed on the last occasion at the time when the supplementary Finance Bill was under discussion:

"The paper duty has now risen to such a height that what happens is this. The publishing firm in question sends the manuscript of the book to England. It is printed in England by English labour, and then that book printed on the paper which would have been taxed very high comes into India free of any duty, because it is a printed book and therefore subject to no duty."

Sir, this opinion was expressed when there was no protective duty and now this duty will raise the paper duty to such an exorbitant height that it will ruin the printing industry in this country. Sir, the percentage of literacy in India is very low and by this protective duty when papers will become too costly, naturally books also will become very costly. With these words, I oppose the principle of the Bill.

Mr. S. C. Sen (Bengal National Chamber of Commerce: Indian Commerce): I have read the Report of the Tariff Board and I must say that the reasons put forward by them are not convincing. There was a tariff fixed in 1925, and before it can be renewed, the companies or the persons interested in the manufacture of paper should convince not only the Tariff Board but also this Assembly as to what use they have made during the interval of the benefits given to them and what portion of the money which they have made has been used for the purpose of the business for the fostering of which protection was given to them. I find on page 52 of the Tariff Board Report as follows:

"The conclusion to which we are led by a consideration of the circumstances narrated in this Chapter is that considerable progress has been made in the improvement and development of bamboo pulp. Though progress has not been so immediate or so rapid as was anticipated six years ago, we believe that firm and solid foundations have been laid for the industry."

This has been accepted by the Government. Now let us see what these companies have done during the interval. On page 51 of the Tariff Board Report it is said:

"Thus the capital expenditure on the development of the bamboo pulp industry during the period of protection is ascertained to be:

	Rs. Lakhs,
Titaghur Paper Mills Company	5·83
Bengal Paper Mill Company	4·16
India Paper Pulp Company	1·50
Andhra Paper Mills Company	1·50 "

[Mr. S. C. Sen.]

Now it would be interesting to know what is the profit made by these companies during this period. According to page 22 of the Tariff Board Report the income of the Titaghur Paper Mills Company during this time amounts to about a crore of rupees. Out of this what they have been pleased to spend on the bamboo pulp industry is 5.83 lakhs, barely 5 per cent. of the income derived by them. That is considered by Government to be very good. Similarly if you make a comparison about the India Paper Pulp Company, they made an income of above 36 lakhs, and they have spent 1.50 lakhs for the purpose of the bamboo pulp industry, for the advancement of which protection was given to them. Now if Government consider that this is a very rapid and good progress, then what is the use of further protection at the rate mentioned in the Bill for the next seven years? If Government think that one per cent. of the income is sufficient for the purpose of developing the bamboo pulp industry during these years, why should we not consider for the next year the same amount to be sufficient? Why should there be such a big tariff for the purpose of the industry when the Government know perfectly well from past experience that these companies, so long as wood pulp will be available at cheaper rates, will not stick to bamboo pulp but will use wood pulp with a view to making profits at the expense of the consumer. These companies have made enormous profits and it is not proper that the Assembly should be asked to enable these companies to make further profits without putting some condition under which they will be bound to use more money, more funds for the purpose of the bamboo pulp industry, for the advancement of which this protection is to be given. Under these circumstances, I submit that no case has been made out for protection, and secondly for the amount of protection which is being offered by the Bill and also for the number of years.

The Honourable Sir George Rainy: Sir, I have listened with much interest to what has fallen from the Honourable Members who have spoken, but I do not think it is necessary that I should take up a great deal of the time of the House in my reply. I do not propose, for instance, to add to what I have already said on the point taken by my Honourable friend, Mr. Arthur Moore. As I have already indicated, that is really a Select Committee point, and no doubt some of the Members of the Select Committee will bring that question up and it can then be more easily and competently discussed in the Select Committee, because it is, as my Honourable friend said, a somewhat technical point.

Then I listened with great interest to the siren strains of my Honourable friend, Mr. B. Das, attempting to woo me from the attractions of protection to the more robust charms of free trade. In fact I found myself saying—when I looked first at him and then at Mr. Mody—“How happy could I be with either, were t' other fair charmer away!” For the moment, Mr. Mody has my heart and the soft spot in it.

The main question that has been raised in the course of the debate, and on which I should like to say something, is this question of Indianisation. But before I pass on to that, I should like to refer very briefly to what fell from the last speaker when he argued that the mills had made very insufficient use of their opportunities in developing the use of bamboo. I attempted to verify his figures from the Report, and I think there must be some misunderstanding, because I did not succeed in finding any figures indicating that the mills had made profits to anything like the

extent suggested. It is a question of opinion of course whether they could have done less or more; but when reference is made to the dividends paid by two of the paper mills, it is always necessary to remember that the capital account of both these mills has been very heavily written down in the past and that what looks like a high dividend on the share capital as it now stands is in reality quite a small dividend on the capital actually invested in the company. But what I would like to draw my Honourable friend's attention to is this. If he thinks that they ought to have done more in the past in the way of making full use of bamboo, we have at any rate provided in this Bill the necessary stimulus which will, I believe, make it necessary for the mills to follow an intensive policy of development in the way of making the fullest use of indigenous Indian materials. It is precisely for that reason that the duty on imported wood pulp has been proposed.

Now, as regards this question of Indianisation, I found it difficult to follow my Honourable friend, Mr. Abdul Matin Chaudhury, when he said that the House had always insisted on a certain policy and that Government had gone back on the accepted policy of the House. I asked him at that point whether he dissented from the words which the House had actually enacted, and he in reply quoted the Fiscal Commission. Very high authority attaches to the recommendations of that Commission, but I am not aware that this House has ever in terms committed itself to that particular recommendation to which he referred. Therefore if I am asked to say where the accepted policy of this House is to be found, the only place to find it is in an Act which this House has passed. I would like to read to the House section 5 of the Steel Industry Protection Act of 1924: it says:

"Notwithstanding anything contained in section 3 or section 4, no bounty in respect of steel rails, fish-plates or waggons shall be payable to or on behalf of any company, firm or other person—(and here come the words to which I wish to draw attention)—*not already engaged at the commencement of this Act in the business of manufacturing any one or other of such articles*, unless such company, firm or person provides facilities to the satisfaction of the Governor General in Council for the technical training of Indians in the manufacturing processes involved in the business, and in the case of a company, unless it is formed and registered under the Indian Companies Act, has a share capital expressed in rupees and such proportion of directors as the Governor General in Council may fix, consists of Indians."

I have quoted that because I think I am entitled to say that the inclusion in that section of the words "*not already engaged at the commencement of this Act in the business of manufacturing*" definitely shows how far the House as a whole had moved in the direction in which my Honourable friend desires us to move. He is fully entitled to say that he does not agree with the declarations of policy by Government in the past; he is quite entitled to say that the House would have been better advised to leave out the words which I have specially read. But I do not think he is entitled to say that we have gone back on any policy to which we have committed ourselves or indeed on any policy to which the House has committed itself.

I know quite well the importance my Honourable friends opposite attach to this question, and I am not at all sorry that it has been prominently brought to notice to-day. My own feeling about it has always been this, that if firms establish themselves in this country and desire to receive protection from the Legislature, as a matter of plain common sense and business prudence and also I think I may say, perhaps, of

[Sir George Rainy.]

reasonable good feeling, they ought to take active steps towards Indianisation. But it is quite a different matter when it is suggested that the Government should take out the big stick and say, "If you do not do this, we will make you do it".

My Honourable friend, Mr. Das, apparently found great difficulty in understanding what the policy of the Government was. If I on my part could understand what his difficulties are, I might perhaps be able to enlighten him. But after all in the Resolution which we published, we drew attention to the section of the Steel Industry Protection Act, which I have read: we drew attention to the Report of the External Capital Committee which was signed by two Members of the Government of India, and we might have referred, though we did not think it necessary to do so, to the relevant passage in the Reforms Despatch of the Government of India which has been published. It is the established policy of the Government of India that when concessions, bounties and subsidies are given to industrial firms, then in the case of any company not already engaged in the industry we enforce the conditions recommended by the Fiscal Commission. I should be very unwilling myself to initiate any new policy at this stage and for a very obvious reason. All Honourable Members are aware that that is a question directly connected with the very important issues which have been discussed in London in connection with the new constitution; and the very last thing, I think, which would be desirable would be that the conclusion of a satisfactory agreement to be embodied in the new constitution should in any way be retarded or impeded by anything said or done out here at present. It is a matter of quite first class importance for the future welfare of the country. And for that reason, even if for no other reason, it is impossible for Government to consider any material or substantial change in their policy in this matter at present. I hope I have said enough to satisfy the House that Government do appreciate the importance of the points which have been raised and that we are entitled to receive the support of this House as regards this Bill.

Mr. Abdul Matin Chaudhury: On a point of information, Sir. Do I understand that the paper industry

Mr. President: The Honourable Member can only rise for making a personal explanation. The question which I have now to put is:

"That the Bill further to amend the law relating to the fostering and development of the Bamboo Paper Industry in British India be referred to a Select Committee consisting of Mr. R. K. Shanmukham Chetty, Mr. B. Das, Lala Hari Raj Swarup, Sirdar Harbans Singh Brar, Mr. S. C. Sen, Mr. B. V. Jadhav, Mr. S. C. Mitra, Seth Haji Abdoola Haroon, Mr. Muhammad Azhar Ali, Kunwar Hajee Ismail Ali Khar, Mr. G. Morgan, Mr. L. V. Heathcote, Sir Edgar Wood, Mr. A. H. Ghuznavi, Mr. R. S. Sarma and the Mover, with instructions to report on or before the 15th February, 1932, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

The motion was adopted.

The Assembly then adjourned for Lunch till Twenty Minutes to Three of the Clock.

The Assembly re-assembled after Lunch at Twenty Minutes to Three of the Clock, Mr. Deputy President in the Chair.

THE INDIAN AIR FORCE BILL.

Mr. G. M. Young (Army Secretary): Sir, I move:

"That the Bill to provide for the administration and discipline of the Indian Air Force be referred to a Select Committee consisting of Sir Hari Singh Gour, Sardar Sant Singh, Mr. Gaya Prasad Singh, Sir Cowasji Jehangir, Sirdar Sohan Singh, Dr. Ziauddin Ahmad, Mr. Arthur Moore, Captain Sher Muhammad Khan Gakhar, Captain Jao Bahadur Chaudhri Lal Chand, Lt.-Col. Sir Henry Gidney and the Mover, with instructions to report on or before the 22nd February, 1932, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

As I said at the time of moving for leave to introduce this Bill, it is a long Bill, but I do not think that I need weary the House with a long speech at this stage. As to the principle of the Bill, there can be, I think, no controversy. The decision to raise an Indian Air Force has already been taken. The first batch of Indian officers trained at Cranwell is due to arrive in this country in the early summer. The other ranks are already under training. If there is to be an Indian Air Force, there must obviously be an Act of the Indian Legislature to give to that force a statutory existence, and to provide for its administration and control. As to the contents of the Bill also there can be, I think, very little question. If Honourable Members will look at the headings of the chapters, they will see that the provisions in this Bill are the normal provisions of a disciplinary Act of any arm of His Majesty's forces and that there is nothing unusual or new in them. The form of the Bill did give rise to some question. The alternatives were either to adapt the British Air Force Act with necessary modifications, or to have a self-contained Act. Owing to the unwieldy character of the British Air Force Act, and the numerous changes that would have to be made to suit Indian conditions, and adapting Act would be hardly less long than a self-contained Act, and would be much more complicated. It would be more difficult to frame and much more difficult to interpret and administer than a self-contained Act. So we decided to draft a self-contained Bill. This Bill, in order to save time, has been circulated by executive order. It has met with very little in the way of criticism or comment. Copies of the opinions received on it were placed in Honourable Members' hands about a week ago. All that remains now is to get down to a detailed examination of the provisions of the Bill in Select Committee, and I hope that we shall be able to do this in time to get the Bill passed through both Houses of the Legislature during the current session. Sir, I move.

Sardar Sant Singh (West Punjab: Sikh): I am glad to find that as regards the provisions of the Bill Government themselves have invited the opinion of the public on the most important clause in the Bill, clause 58. The principle involved in this clause has been commented upon by several gentlemen who have given their opinions. At this stage I will only point out that the healthy rule that a soldier belonging to the forces of His Majesty should be amenable to the jurisdiction of the civil court should not be departed from when the provisions of this Bill are examined thoroughly in the Select Committee. Clause 58 is such as to give rise to the fear that in the cases where a member of the Air Force commits an offence against a civil subject of His Majesty he may not have a chance of getting justice done to him through the courts and tribunals mentioned

[Sardar Sant Singh.]

in the Bill itself. Therefore it will be necessary to further examine the provisions in the light of the remarks made by several gentlemen. I will specially invite the attention of the House to the opinion given by the Home Secretary of the Government of the Punjab. On this clause he says :

"Apart from the fact that the latter might feel considerable inconvenience in adducing his evidence before a Court Martial, he will be deprived of the police assistance which might be indispensable for the proper presentation of the case. It seems unfair that an injured party who is not subject to the Act should be compelled to seek redress through a Court Martial, and it is therefore suggested that the provisions of the clause should be so revised as to give power to an injured person who is not subject to the Act to apply for redress direct to the ordinary criminal courts."

The same difficulty has been pointed out by the Honourable the Judicial Commissioner of Ajmer-Merwara. He says :

"The provisions of clause 58 extend the jurisdiction of Courts Martial considerably beyond that provided by the corresponding sections 41 and 42 of the Indian Army Act but I see no objection to this. The only point which occurs to me is in connection with the difference in phraseology in the proviso to clause 58 of the Bill and in section 42 of the Army Act : the proviso to clause 58 excludes offences of murder, etc., committed against a person "not subject to this Act" while section 42 of the Army Act (unless it has been subsequently amended) relates to offences of murder, etc., committed against a person "subject to military law". Does "Military law" include "Air Force law"? If so, a soldier who murders an airman would be triable by Court Martial under section 42 of the Army Act but an airman who murders a soldier would not be triable by Court Martial under clause 58 of the Bill and if a soldier and an airman jointly murder an airman or a soldier the position becomes somewhat complicated."

These defects in the phraseology of clause 58 have been pointed out, and I hope that in the Select Committee these defects will be cured. With these remarks I support this motion for reference to Select Committee.

Mr. S. G. Jog (Berar Representative): Sir, I take this opportunity of congratulating the Honourable the Army Secretary on placing before the House a very lengthy but all the same a self-contained Bill concerning the administration and discipline of the Indian Air Force. I also take this opportunity of congratulating him upon the moderate move that has been taken for the establishment of a class of Indian Air Force Officers. The move is not so far satisfactory and does not satisfy the ambitions of the Indian public. However, I congratulate him on the modest attempt that has been made in that direction. But what I find objectionable in the Statement of Objects and Reasons is that the Member in charge of the Bill still wants to make a distinction between the so-called martial and non-martial classes to which I would like to draw the attention of the House. He says :

"The Indian Army Act has existed in its present shape for 20 years covering a period of highly intensive use. It has been amended several times, certainly, but not heavily, and it is still the same measure, in arrangement and in substance. It is drafted in fairly simple English, easily comprehended by the Indian officer, and has been reproduced in translations known to the rank and file. The personnel of the Indian Air Force will very largely be drawn from the classes which now furnish recruits to the Indian Army, among whom some knowledge of the Indian Act is current."

The expression is not found in the Act itself, but I would point out to the House that the policy of the Government is making a distinction

between the martial and the non-martial classes should no longer in these days continue. The new recruits should be drawn from all classes, and no such invidious distinction should be made. Of course my observations have not much bearing so far as the provisions of the Act itself are concerned, but what is stated in the Statement of Objects and Reasons here should not be the future policy of the Government. That is the only point, Sir, to which I should like to draw the attention of Honourable Members. With regard to the other defects that have been pointed out by my Honourable friend, Sardar Sant Singh, I hope they will be remedied in Select Committee. Sir, I support the motion for reference of the Bill to a Select Committee.

Mr. G. M. Young: Sir, I have only a few words to say in reply to what has fallen from my Honourable friends, Sardar Sant Singh and Mr. Jog. As regards the objections urged by the former Honourable Member, I have only to point out that we ourselves recognized that the provisions of clause 58, which are taken directly from the provisions of the British Act, might be questioned, on the ground that they differ from the corresponding provisions of the Indian Army Act. So in circulating the Act we drew every body's attention pointedly to it, and invited opinions, and this will of course be one of the principal points for consideration by the Select Committee. Government have not reached any definite conclusion on the point. As regards the passage in the Statement of Objects and Reasons to which my Honourable friend, Mr. Jog, has drawn attention, I must say that I had not realized how much it might convey, in the direction of suggesting that the recruitment of the Air Force will be limited to certain classes. It was not intended to convey that impression at all. It was merely an anticipation that for some time at any rate those classes would be likely to provide the bulk of the volunteers for the Indian Air Force. But as far as I am aware, there is no intention at all to restrict the recruitment for this very small force. We shall merely take the best men we can get from whatever classes they come. Sir, I do not think I need say anything more on the subject.

Mr. President: The question is:

"That the Bill to provide for the administration and discipline of the Indian Air Force be referred to a Select Committee consisting of Sir Hari Singh Gour, Sardar Sant Singh, Mr. Gaya Prasad Singh, Sir Cowasji Jehangir, Sardar Sohan Singh, Dr. Ziauddin Ahmad, Mr. Arthur Moore, Captain Sher Muhammad Khan Gakhar, Captain Rao Bahadur Chaudhury Lal Chand, Lieut.-Col. Sir Henry Gidney and the Mover, with instructions to report on or before the 22nd February, 1932, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

The motion was adopted.

The Assembly then adjourned till Eleven of the Clock on Wednesday, the 10th February, 1932.