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FOURTH SESSION

OF THE

FIFTH LEGISLATIVE ASSEMBLY, 1936



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1937.

Legislative Assembly.

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Deputy President :

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MR. ABDUL MATIN CHAUDHURY, M.L.A.

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MAULVI SYED MURTUZA SAHIB BAHADUR, M.L.A.

MR. N. M. JOSHI, M.L.A.

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LEGISLATIVE ASSEMBLY.

Wednesday, 23rd September, 1936.

The Assembly met in the Assembly Chamber at Eleven of the Clock, Mr. President (The Honourable Sir Abdur Rahim) in the Chair.

MEMBER SWORN.

Mr. George Hemming Spence, C.I.E., M.L.A. (Secretary, Legislative Department).

QUESTIONS AND ANSWERS.

RENT OF REFRESHMENT ROOM BUILDINGS WITH FURNITURE ON THE NORTH WESTERN RAILWAY.

547. *Qazi Muhammad Ahmad Kazmi : (a) Will Government be pleased to state whether they are aware that the general rent of refreshment room buildings with furniture on the North Western Railway is Rs. 2 per mensem ? Is it the same for Indian and European refreshment rooms ?

(b) Is it a fact that the rent of Indian and European refreshment rooms on the East Indian Railway is Re. 1 per month for building only without furniture ?

(c) Have Government considered the advisability of making the East Indian Railway authorities to supply furniture to all refreshment rooms and charge them at the rate of Rs. 2 per mensem ?

The Honourable Sir Muhammad Zafrullah Khan : (a) No rent is charged for refreshment rooms, whether European or Indian, on the North Western Railway.

(b) The rent of all refreshment rooms on the East Indian Railway is based on the accommodation provided and is not rupee one per month. Furniture, kitchen and table equipment are supplied by the contractors.

(c) No change is contemplated in the present arrangements.

Qazi Muhammad Ahmad Kazmi : Is the Honourable Member aware that the accommodation provided for the English refreshment rooms at Laksar is much better than the accommodation provided for the Indian refreshment room ?

The Honourable Sir Muhammad Zafrullah Khan : No, I am not aware of that.

Qazi Muhammad Ahmad Kazmi : Is the Honourable Member not aware of it, or it is not a fact ?

(1675)

The Honourable Sir Muhammad Zafrullah Khan : I am not aware of it.

Qazi Muhammad Ahmad Kazmi : What are the rents that are generally charged for Indian refreshment rooms on the East Indian Railway ?

The Honourable Sir Muhammad Zafrullah Khan : As I have said, the rents are based on the accommodation provided.

Qazi Muhammad Ahmad Kazmi : Has the Honourable Member got any information as to the exact rent charged for any refreshment rooms on the East Indian Railway ?

The Honourable Sir Muhammad Zafrullah Khan : No, I have not ; but if the Honourable Member wants that information, he should put down a question, and I shall get the information for him.

Qazi Muhammad Ahmad Kazmi : At any rate it is not rupee one a month, is the Honourable Member definite about it ?

The Honourable Sir Muhammad Zafrullah Khan : The Honourable Member's question is whether on the North Western Railway a rent of rupees two per month was charged, and my reply was that no rent was charged on the North Western Railway.

Qazi Muhammad Ahmad Kazmi : On the East Indian Railway I say it is rupee one per month.

The Honourable Sir Muhammad Zafrullah Khan : On the East Indian Railway my information is that the rent is charged with reference to the accommodation provided, and that it is not rupee one per month.

ELECTRIC CHARGES REALISED FROM INDIAN REFRESHMENT ROOMS ON THE EAST INDIAN RAILWAY.

548. ***Qazi Muhammad Ahmad Kazmi :** (a) Will Government be pleased to state whether it is a fact that the Indian refreshment rooms on the East Indian Railway are charged Rs. 2-15-0 per month for electric fitting in addition to the ordinary electric charges, while no such charge is made from the European refreshment rooms ?

(b) If the answer to part (a) be in the affirmative, have Government considered the advisability of ordering the East Indian Railway authorities to make no such charge from Indian refreshment rooms ? If not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Rent on electric equipment is recovered at 11 per cent. per annum on the capital cost from all refreshment room contractors. Electric current consumed is also charged for at the rate of three-and-half annas per unit, or the actual rate, if current is obtained from a private company.

(b) Does not arise.

Qazi Muhammad Ahmad Kazmi : So far as the electric fitting charges are concerned, are they a continuous charge, or they cease at a certain stage when the full charges have been recovered ?

The Honourable Sir Muhammad Zafrullah Khan : I have not got the information, but I should imagine it is a permanent charge at that rate.

Qazi Muhammad Ahmad Kazmi : Is it charged from the European refreshment rooms also ?

The Honourable Sir Muhammad Zafrullah Khan : I believe so.

RENT OF INDIAN REFRESHMENT ROOMS ON THE EAST INDIAN RAILWAY.

549. ***Qazi Muhammad Ahmad Kazmi :** (a) Will Government be pleased to state whether it is a fact that Indian refreshment rooms on the East Indian Railway have recently been served with a notice that they must pay rent of the buildings at Rs. 25 per mensem, while the European refreshment rooms have yet to pay according to the old rate ?

(b) Have Government considered whether this increment in rent is sure to re-act on the prices and quality of the edibles supplied to the passengers by the refreshment rooms ? If so, what is their conclusion ?

(c) Have Government considered the advisability of pressing upon the East Indian Railway authorities the need to make no such additional charges from Indian refreshment rooms ? If not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : (a) At certain stations on the Lucknow Division the rentals of Indian refreshment rooms have been enhanced.

(b) The Agent states that the enhancement does not re-act on the price and quality of edibles.

(c) The question of the fees to be charged by railways for the use of refreshment rooms and for licenses for vending contracts is now under consideration and it is hoped to discuss it with the Central Advisory Council shortly.

Mr. S. Satyamurti : What is the reason for increasing the rents of the Indian refreshment rooms, while the rents of the European refreshment rooms have not been increased ?

The Honourable Sir Muhammad Zafrullah Khan : I am afraid I cannot give the exact reason. Probably the Administration thought that there was some justification for it, but as I have said in answer to part (c) of the question, the whole matter is being reconsidered.

Mr. S. Satyamurti : May I know if the whole matter includes the prevalence of differential rates for Indian and European refreshment rooms on several railways, especially on the Madras and Southern Maharatta and South Indian Railways because on these two Railways while the European refreshment rooms pay practically nothing, the Indian refreshment rooms have got to pay very much higher rates ?

The Honourable Sir Muhammad Zafrullah Khan : I imagine the whole question of the basis of these rates will come under consideration, and that is one of the aspects which I have no doubt the Central Advisory Council will take into consideration.

Mr. N. M. Joshi : May I know if the Government will consult the Central Advisory Council also as regards the quality of the food supplied and the rates charged on the restaurant cars ?

The Honourable Sir Muhammad Zafrullah Khan : I cannot say whether that is a matter that will be included in the agenda prepared with regard to these vending contracts, but I have no doubt that if the Advisory Council wishes to consider it, and there is material for considering the whole question, it will be able to do so.

Qazi Muhammad Ahmad Kazmi : How have the Government come to the conclusion that increase in the rents will not re-act on the prices and quality of the food supplied ?

The Honourable Sir Muhammad Zafrullah Khan : As I have said, the Agent states that he is satisfied, but so far as Government are concerned, the matter is under consideration.

Qazi Muhammad Ahmad Kazmi : Has the Agent given any reasons for that, or it is only his surmise ?

The Honourable Sir Muhammad Zafrullah Khan : I am afraid I could not give an exact reply without looking into the papers, but if the Honourable Member wants this information and will put down a question, I shall obtain the information for him.

Mr. Ram Narayan Singh : The Honourable Member is a Member of the Government, and he says he imagines that the whole question will be considered. May I ask him, when he says that the whole question will be considered, whether he can give his word for it ?

The Honourable Sir Muhammad Zafrullah Khan : I have not said what the Honourable Member is attributing to me.

Mr. Ram Narayan Singh : No, Sir, he said I imagine ?

The Honourable Sir Muhammad Zafrullah Khan : I have not said that.

Qazi Muhammad Ahmad Kazmi : Is the question of European refreshment rooms also under consideration ?

The Honourable Sir Muhammad Zafrullah Khan : The question of vending contracts on Railways is under consideration.

Mr. S. Satyamurti : Is the question of not charging differential rates also under consideration ?

The Honourable Sir Muhammad Zafrullah Khan : To that I have already given a reply.

Mr. Lalchand Navalrai : May I know if all the Local Advisory Councils will be consulted ?

The Honourable Sir Muhammad Zafrullah Khan : I believe, so far as the East Indian Railway is concerned with regard to whom the question really first arose, the Local Advisory Council have considered the question and have submitted their Report.

RATES CHARGED FOR ARTICLES OF NECESSITY IN THE PRECINCTS OF RAILWAYS.

550. ***Qazi Muhammad Ahmad Kazmi :** (a) Will Government be pleased to state whether they are aware of the general complaint of the travelling public that the rates charged for ordinary articles of necessity are very high in the precincts of railways and their quality is mostly inferior ?

(b) Have Government taken any steps to remove this complaint ? If so, what ?

(c) Is it a fact that the contracts for vending cigarettes, beetles, brasswares, leather goods and other similar articles are given for large sums of money ranging from Rs. 35 for Dehra Dun to Rs. 5,200 for Bareilly in the Moradabad Division of the East Indian Railway ?

(d) Is it a fact that this system of selling the contracts exists in the Moradabad Division ? If not, at which other places does it exist ?

(e) Have Government considered that the selling of these contracts reacts upon the prices and quality of articles sold to passengers ? If so, what are their conclusions ?

(f) Have Government considered the advisability of pressing upon the East Indian Railway authorities the necessity of selling these contracts for heavy sums of money ? If not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : (a) I presume the Honourable Member's question refers to the East Indian Railway, the Agent of which line states that the rates charged are in accordance with the local bazar rates prevailing from time to time, and that careful and constant attention is given to the quality in order that it should be kept to as high a standard as possible.

(b) Does not arise.

(c) Tenders are invited for the sale of miscellaneous articles, such as, cigarettes, brassware and leather goods, at certain stations on the Moradabad Division. The amounts tendered and accepted vary at the different stations.

(d) The system is in force on the Moradabad Division.

(e) and (f). The matter is one for consideration by the Administration and Government see no reason for their intervention. Articles, such as brassware, leather goods, wood-work, clay figures, etc., are not necessities for the travelling public and the prices at which they are sold will obviously be regulated by the demand.

Qazi Muhammad Ahmad Kazmi : Has any investigation been made that the rates charged at the railway stations are the same as are ordinarily charged in the local markets ?

The Honourable Sir Muhammad Zafrullah Khan : I don't think they could exactly be the same. There is bound to be some difference between the two, but as I have said, the Agent has stated that the matter receives careful and constant attention.

Pandit Lakshmi Kanta Maitra : Is the Honourable Member aware that from the Burdwan station a complaint was addressed to the Honourable Member's Department alleging that the foodstuffs supplied at all the railway stations between Howrah and Dinapore are far inferior in quality to the foodstuff obtainable in the bazar ?

The Honourable Sir Muhammad Zafrullah Khan : No, I am not aware of any specific complaint, but as I have said in answer to a supplementary question to a previous question, the matter is to come under the consideration of the Central Advisory Council.

Pandit Lakshmi Kanta Maitra : May I know if it is not a fact that some eminent doctors of the town of Burdwan on the East Indian Railway forwarded a complaint to the Railway Board alleging that the foodstuffs supplied by all these contractors are deleterious in character and are highly priced and are far inferior in quality ?

The Honourable Sir Muhammad Zafrullah Khan : I cannot say whether that is a fact or not. I am not aware of the specific complaint, but if the Honourable Member will put down a question I shall find out whether there was a complaint to that effect or not.

Qazi Muhammad Ahmad Kazmi : The contract for selling articles on the railway platform at Bareilly was sold for Rs. 5,200 per annum. Does the selling of contracts go on only in the Moradabad division, or is it prevalent on all divisions of the East Indian Railway ?

The Honourable Sir Muhammad Zafrullah Khan : My information is that this kind of contract is given on the Moradabad division. My inference from that is that it is probably confined to the Moradabad division, but I cannot give a specific reply without notice.

Qazi Muhammad Ahmad Kazmi : Does the Honourable Member think that when a contractor has to pay Rs. 5,200 and the other contractors have not got to pay so much, the prices of articles sold by such a contractor would not be higher than

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member can draw his own inference. Next question.

FREE JOURNEYS ENJOYED BY BEGGARS, *Fakirs* AND *Sadhus* ON STATE RAILWAYS.

551. ***Qazi Muhammad Ahmad Kazmi** : (a) Are Government aware that on certain State Railways beggars, *fakirs*, *sadhus*, and the like, are not prosecuted even under section 113, and are allowed to enjoy a free journey ? If so, why ?

(b) How do the railway staff presume that they have no money to pay the Railway charges and cannot pay when produced before a Magistrate ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Certain Railway Administrations have found it necessary to issue instructions for beggars, etc., found without tickets and who have obviously no money to pay their fares to be ejected. Experience has shown that prosecutions in such cases serve no useful purpose and cause considerable inconvenience and dislocation of work, consequent on the necessity for the railway staff concerned to attend Courts.

(b) Individual members of the staff with whom the responsibility rests presume indigence according to their personal powers of observation, intelligence and judgment.

Qazi Muhammad Ahmad Kazmi : Under what section of the Railways Act are the Government entitled to eject persons from the railway carriage ?

The Honourable Sir Muhammad Zafrullah Khan : I would require notice of that if the Honourable Member requires the legal authority to be specified.

Qazi Muhammad Ahmad Kazmi : May I know whether the railway have got any authority to take passengers out of a compartment ?

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member has answered that already.

Mr. S. Satyamurti : Did not the Government put forward the argument when the ticketless travel Bill came here that they had not power to eject, and, therefore they wanted that Bill ?

The Honourable Sir Muhammad Zafrullah Khan : It is exactly for that reason that I am unable to give a specific answer. There was a difference of opinion between different sections of the House with regard to the interpretation of that provision, and surely I cannot be called upon to clear up the position in answer to a supplementary question.

Mr. S. Satyamurti : What is their position ?

The Honourable Sir Muhammad Zafrullah Khan : Government have stated their position during the discussion on the Bill.

Qazi Muhammad Ahmad Kazmi : Have the Government interpreted that section to mean that they have got power to eject persons from railways ?

The Honourable Sir Muhammad Zafrullah Khan : That is a question of argument.

Qazi Muhammad Ahmad Kazmi : Is it a fact that in some cases in which persons were ejected, the persons who ejected them were found by the law courts to have acted illegally and they were also probably fined.

The Honourable Sir Muhammad Zafrullah Khan : Does the Honourable Member really expect that without notice of such a question I would have information at my disposal to give it to him in answer to a supplementary question ?

Qazi Muhammad Ahmad Kazmi : Before passing such orders that the T. T. E.'s would be entitled to eject persons from railways, Government ought to have considered....

Mr. President (The Honourable Sir Abdur Rahim) : That is a matter of opinion. Next question.

HONORARY SPECIAL MAGISTRATES DEALING WITH CASES OF TICKETLESS TRAVELLING ON STATE RAILWAYS.

552. ***Qazi Muhammad Ahmad Kazmi :** (a) Is it a fact that on certain State Railways Honorary Special Railway Magistrates are appointed by Government to deal with cases of ticketless travelling ?

(b) Since when has this scheme been started by Government, and with what result ?

(c) How many such Special Magistrates are on each of the various State Railways ?

(d) Do the Railways give the Honorary Special Magistrates any concessions and privileges ?

(e) Have any of the privileges been lately withdrawn ? If so, why ?

The Honourable Sir Muhammad Zafrullah Khan : (a) I would refer the Honourable Member to the reply I gave to Mr. Sri Prakasa's question No. 1098 on the 11th March, 1936.

(b) The records available do not show when such Magistrates were first appointed.

(c) From such information as is available, in regard to the State-managed railways, there are seventeen on the East Indian Railway, one on the North Western Railway, two on the Eastern Bengal Railway and three on the Great Indian Peninsula Railway.

(d) The East Indian Railway are allowing free passes available over the sections of the line within the jurisdiction of these Magistrates.

(e) The privilege recently withdrawn by the East Indian Railway was that of having passes extending beyond the magistrate's jurisdiction, as it was not considered that there was sufficient justification for granting such passes.

Mr. N. M. Joshi : May I ask why it is considered necessary to have special magistrates for the railways ?

The Honourable Sir Muhammad Zafrullah Khan : That is not a question to be addressed to the Railway Department.

Pandit Lakshmi Kanta Maitra : With regard to part (b) of the question, will the Honourable Member kindly enlighten the House as to when this institution of special railway magistrates originated in this country ?

The Honourable Sir Muhammad Zafrullah Khan : I have given the reply in answering part (b) of the question.

Pandit Lakshmi Kanta Maitra : Did it originate from the individual railway administration, or did it originate from the Government ?

The Honourable Sir Muhammad Zafrullah Khan : I have already said in answer to part (b) that the records available do not show when such magistrates were first appointed. Naturally the records cannot show whether it was on the initiative of the railways or of the Government.

Mr. N. M. Joshi : Will Government consider the advisability of stopping the practice of giving free passes to honorary special magistrates in the interests of the purity of judicial administration ?

The Honourable Sir Muhammad Zafrullah Khan : There is no question of the purity of judicial administration involved. They would ordinarily be entitled to draw travelling allowance for the section over which they travel in the performance of their duties, and if they travel on passes they will not be entitled to draw their travelling allowance.

Sardar Sant Singh : Who pays the travelling allowance ?

The Honourable Sir Muhammad Zafrullah Khan : Government.

Pandit Lakshmi Kanta Maitra : May I know if the Railway Department exercises any control over these magistrates ?

The Honourable Sir Muhammad Zafrullah Khan : No.

Sardar Sant Singh : May I know what Department of Government pays the travelling allowance to the magistrates when they travel on duty ? Is it the railway administration or the general revenues ?

The Honourable Sir Muhammad Zafrullah Khan : No, it would not be the railway administration but the general revenues. But, as I have said, so far as the magistrate is concerned, there is no question of the purity of judicial administration being involved.

Sardar Sant Singh : May I draw the attention of the Honourable Member to the fact that if the magistrate is entitled to draw his travelling allowance from the general revenues, by paying it from the railway revenues, they are showing some favour to the magistrate and thus giving occasion to impute partiality to them ?

The Honourable Sir Muhammad Zafrullah Khan : No. I do not accept that suggestion.

Mr. N. M. Joshi : May I ask whether the magistrates are permitted to use the free passes when they go out in connection with work not connected with the conduct of cases ?

The Honourable Sir Muhammad Zafrullah Khan : I would require notice of that question.

Mr. N. M. Joshi : May I ask whether the passes which are given to the honorary magistrates are given under some statutory authority or as a special favour to the railway magistrates ?

The Honourable Sir Muhammad Zafrullah Khan : I am unable to follow the question.

Mr. N. M. Joshi : May I ask my question again ? My question is this, whether the passes issued to the railway magistrates are issued under some statutory authority ? Have they got a statutory claim for a pass, or is the pass given to a railway magistrate as a special favour by the railway administration ?

The Honourable Sir Muhammad Zafrullah Khan : The railway magistrates have no statutory right to a pass, but the railway administration have a statutory authority to issue passes.

Mr. N. M. Joshi : May I ask whether the pass is obtained by the magistrate as a special favour from the railway administration ?

The Honourable Sir Muhammad Zafrullah Khan : No. It is not obtained as a special favour. All magistrates exercising jurisdiction in railway matters on some railways are, as a matter of course, given passes which extend to the areas within their jurisdiction.

Mr. N. M. Joshi : May I ask whether the Government of India will enquire whether the passes issued to honorary magistrates are used by them for private purposes or not ?

The Honourable Sir Muhammad Zafrullah Khan : The Honourable Member has already put that question and I said that I would require notice of that question. I am very sorry to observe that he has such a short memory.

Mr. N. M. Joshi : May I ask whether the Government of India have to collect any facts in replying to a question whether they will consider the question or not ?

The Honourable Sir Muhammad Zafrullah Khan : I said that I am not aware whether these passes are used in that manner or not, and I suggest that the Honourable Member should put down a question to that effect. In reply to that question Government will state their view.

Pandit Lakshmi Kanta Maitra : Are these railway magistrates treated as railway servants or as Government servants ?

The Honourable Sir Muhammad Zafrullah Khan : Treated by whom ?

Pandit Lakshmi Kanta Maitra : By the Government of India or the Railway Department ?

The Honourable Sir Muhammad Zafrullah Khan : They are not in any sense railway servants.

Mr. V. V. Giri : Are they given card passes or check passes ?

The Honourable Sir Muhammad Zafrullah Khan : I could not say without notice.

TICKETLESS TRAVELLING ON STATE RAILWAYS.

553. ***Qazi Muhammad Ahmad Kazmi :** (a) What various methods have been tried by each of the State Railways to check the evil of ticketless travelling during the last 12 years, and with what results ?

(b) Have Government enquired into the causes of an increase in illicit travelling with an increase in the number of ticket-checkers ? If so, what are they ?

(c) Are Government aware that illicit travelling is encouraged by the ticket checking staff in order to show their efficiency ?

(d) Is it a fact that an officer of the Railway Board who invented the crew system, definitely brought forward this charge ?

(e) Are Government aware that Ticket Checkers are pressed in various ways to give more money and those who are unable to comply are victimised ?

The Honourable Sir Muhammad Zafrullah Khan : (a) I would refer the Honourable Member to the reply given by the Honourable Sir Guthrie Russell to the Honourable Mr. Jagadish Chandra Banerjee's question No. 235 in the Council of State on the 14th December, 1933.

(b) An increase in the number of ticket checkers which permits of more intensive checking has led to a larger number of cases, in which passengers are travelling without proper tickets, being detected which might otherwise not have been detected.

(c) A statement to this effect was made by an officer who reported on the experimental introduction of the crew system on the East Indian Railway.

(d) The officer who made this statement was deputed by the Railway Board to report on the experimental introduction of the crew system.

(e) I would refer the Honourable Member to the reply to Khan Bahadur Haji Wajihuddin's question No. 241 which was laid on the table of the House on the 15th September, 1932.

Qazi Muhammad Ahmad Kazmi : Will the Honourable Member be kind enough to let us know what answer was given in the Council of State ?

The Honourable Sir Muhammad Zafrullah Khan : If you so direct, Sir, I will read it out.

Mr. President (The Honourable Sir Abdur Rahim) : Yes, please.

The Honourable Sir Muhammad Zafrullah Khan : " I am afraid I cannot enumerate here all the measures adopted by Railways to stop ticketless travelling. Some of the more important are checking of tickets at gates and enforcement of purchase of platform tickets in the case of non-passengers, employment of travelling ticket examiners to check *en route* and of flying squads to make surprise checks both on trains and at selected stations, appointment of Railway Magistrates at certain specified stations to deal with ticketless passengers, surprise checks in the presence of Railway Magistrates, appointment of lady ticket examiners, provision of unclimbable fencing at stations, and so on.

I am sorry to say, however, that in spite of these measures illicit travelling without tickets is still very prevalent and the suggestion has been made in the past and again only recently that the only way to stop this practice is to make the offence of travelling without a ticket a cognizable one."

Qazi Muhammad Ahmad Kazmi : I could not follow the Honourable Member's reply to part (c).

The Honourable Sir Muhammad Zafrullah Khan : I read it out.

Qazi Muhammad Ahmad Kazmi : I could not follow it.

The Honourable Sir Muhammad Zafrullah Khan : I cannot help the Honourable Member with regard to his inability to follow the reply. If he did not hear it, I shall read it out again.

Qazi Muhammad Ahmad Kazmi : That is what I meant.

Mr. President (The Honourable Sir Abdur Rahim) : Next question.

IMPROVEMENTS MADE IN RAILWAY FENCINGS OF SMALL STATIONS TO CHECK TICKETLESS TRAVELLING.

554. ***Qazi Muhammad Ahmad Kazmi :** Are Government satisfied that the Railway Administrations have improved the fencings of small stations and also taken proper steps to eliminate the chances of boarding the trains without a ticket and leaving the stations without handing over the tickets ? If so, what are they ?

The Honourable Sir Muhammad Zafrullah Khan : Government are satisfied that to the extent to which funds have been available, efforts have been made in the direction indicated by the Honourable Member. Detailed information as to what has actually been done in this respect is, however, not readily available. There are nearly 8,000 railway stations to properly fence all of which would cost between two and three crores, and the taking of further steps to prevent passengers entering or leaving the station, except at the prescribed gates, would necessitate a recurring expenditure of between Rs. 20 and Rs. 30 lakhs per annum.

Qazi Muhammad Ahmad Kazmi : Has any attempt been made to fence the bigger stations ?

The Honourable Sir Muhammad Zafrullah Khan : I do not know whether it has been laid down as a rule that stations of a certain size should be fenced but fencing has been carried out wherever it was practicable.

Qazi Muhammad Ahmad Kazmi : Ticketless travellers generally start from the bigger stations. So, if they start fencing the bigger stations and make proper arrangements to check ticketless travellers at such station, that will be much more effective.

The Honourable Sir Muhammad Zafrullah Khan : That is a suggestion, not a question.

DEFINITION OF " RUNNING STAFF " ON RAILWAYS.

555. ***Qazi Muhammad Ahmad Kazmi :** (a) Is there any State Railways compilation (Code, Manual, Act, etc.), in which the definition of " Running Staff " is given ?

(b) Is it a fact that the Governor General in Council in exercise of powers conferred upon him by sub-section (1) of section 71E of the Indian Railways Act IX of 1890 has defined " Running Staff " as those who " habitually work on running trains " and has included the following staff in that category :—drivers, shunters, firemen, guards, brakemen, travelling van porters, travelling van checkers, travelling ticket examiners, and travelling stores delivery staff ?

(c) Is it a fact that this definition of " Running Staff " was given by the Governor General in Council in 1930 and a declaration was made to this effect ?

The Honourable Sir Muhammad Zafrullah Khan : With your permission, Sir, I propose to reply to questions Nos. 555, 556 and 557 together. I would invite the Honourable Member's attention to my reply to his question No. 832, asked in this House on the 26th February, 1936.

Qazi Muhammad Ahmad Kazmi : May I know if the answer that was given in reply to question No. 832 was that ' Government have during the last five years already replied to more than 400 questions '. Is that the answer to which the Honourable Member is referring ?

The Honourable Sir Muhammad Zafrullah Khan : I am referring to question No. 832.

Qazi Muhammad Ahmad Kazmi : Then will you let me know definitely in what particular questions, these particular questions Nos. 555, 556 and 557 have been answered during the last five years ?

The Honourable Sir Muhammad Zafrullah Khan : That is a supplementary question which could have been put to the answer given to question No. 832.

Qazi Muhammad Ahmad Kazmi : I am entitled to put that question. I was not here when that question was answered. I find that so far as the reply to question No. 832 is concerned, the Honourable Member said :

" Government have during the last five years already replied to more than 400 questions concerning Travelling Ticket Inspectors, Travelling Ticket Examiners and

similar staff on the North Western and East Indian Railways, giving detailed information covering almost every aspect of this subject and I would refer the Honourable Member to these replies."

The Honourable Sir Muhammad Zafrullah Khan : That was not the whole of the reply.

Qazi Muhammad Ahmad Kazmi : Yes, I am sorry. In the next paragraph they say :

" Government have given the whole subject their very careful consideration and have granted the staff concerned the maxima concessions in pay, allowances and prospects that they consider justifiable. Government are not prepared to revise these orders and in the circumstances consider that no useful purpose will be served by providing further information on this subject."

That was the reply. I do not want to press their claims, either for increments, promotion or demotion. What I want to know is the definite information which is asked for in this question.

The Honourable Sir Muhammad Zafrullah Khan : What is the last question of the Honourable Member ?

Qazi Muhammad Ahmad Kazmi : My question is that Government did not give a reply to these questions because they thought that the reply to these questions was contained in the 400 or 500 questions that have been asked in this House. I do not think there is a single reply to any of these questions. I would ask the Honourable Member to let me know definitely as to what are the answers that have been given in the Assembly.

The Honourable Sir Muhammad Zafrullah Khan : All these questions are directed towards convincing the Government that the decision they have taken with regard to the pay and allowances of this category of staff is erroneous. The decision may or may not be erroneous but Government are not going to change it as a result of any arguments that are put forward in this series of questions.

Qazi Muhammad Ahmad Kazmi : That is no answer to my question.

Mr. President (The Honourable Sir Abdur Rahim) : I understand that these are questions relating to revising the pay and allowances of the staff and the Honourable Member says that he has dealt with the matter on many occasions and he is not prepared to revise the decision.

Mr. S. Satyamurti : Government may stick to their decision, but they have not answered the questions.

Qazi Muhammad Ahmad Kazmi : I am only asking for information.

The Honourable Sir Muhammad Zafrullah Khan : If the Honourable Member will put down that question, I shall either give him a detailed reply on the floor of the House or give him the numbers of those questions in answer to which the information has been supplied.

Mr. President (The Honourable Sir Abdur Rahim) : You had better put down a specific question.

Qazi Muhammad Ahmad Kazmi : Then it will not come up this Session and these questions are there already.

The Honourable Sir Muhammad Zafrullah Khan : If the Honourable Member wants the specific numbers of these 400 questions, that was a

question which ought to have been put as supplementary to question No. 832 last Session. If the idea has struck him only now, then he ought to put down a specific question.

Pandit Sri Krishna Dutta Paliwal : What are the concessions in the matter of pay and allowances which were dealt with last Session ?

Mr. President (The Honourable Sir Abdur Rahim) : This question has been already discussed and the Honourable Member has given his final reply.

REMOVAL OF THE TRAVELLING TICKET EXAMINERS FROM THE LIST OF RUNNING STAFF.

†556. ***Qazi Muhammad Ahmad Kazmi** : (a) Are the Railway Board or the Agents of State Railways empowered to amend, modify or annul a certain declaration made by the Governor General in Council ?

(b) If the reply to the above be in the negative, on what authority have the Agents of certain State Railways and the Railway Board removed the Travelling Ticket Examiners from the list of running staff in which they were included by the Governor General in Council ?

REMOVAL OF THE TRAVELLING TICKET EXAMINERS FROM THE LIST OF RUNNING STAFF.

†557. ***Qazi Muhammad Ahmad Kazmi** : (a) Is it a fact that in the State Railway Open Line Code, Volume II, the Travelling Ticket Examiners are declared by the Government of India as running staff and included in the same list as the drivers and guards, etc. ?

(b) When were the Travelling Ticket Examiners included in the list of running staff and when were they removed from this list, and on whose authority and why no amendment was made in the definition of running staff as given and declared by the Governor General in Council in 1930 (the above information may be given separately for the following Railways :—Burma Railway, Eastern Bengal Railway, East Indian Railway and North Western Railway) ?

(c) Is it a fact that on certain Company-managed Railways the Travelling Ticket Examining staff is still treated as running staff ?

(d) Is it a fact that luggage guards on certain State Railways, who receive and deliver packages and are under the guard in charge of the train, are treated as running staff ?

(e) Is it a fact that conductor guards, who are employed on mail trains for the convenience of first and second class passengers only (to find accommodation for them and to give them a call where required) are also reckoned as running staff and are under the guard in charge of the train ?

(f) Is it a fact that the staff employed on a railway engine, i.e., driver, fireman, shunter, cleaner, jack, etc., are all reckoned as running staff ?

† For answer to this question, see answer to question No. 555.

(g) What improvement has been brought about in the system of working and what advantage have the Railways derived by removing the Travelling Ticket Examiners from the category of running staff and for what reasons were they included in the list of running staff several decades back ?

INTRODUCTION OF PAYMENT OF MILEAGE SYSTEM ON STATE RAILWAYS.

558. *Qazi Muhammad Ahmad Kazmi : When was the payment of mileage system introduced on the various State Railways in India ?

The Honourable Sir Muhammad Zafrullah Khan : Presumably, by 'mileage system' the Honourable Member means the system of payment of mileage allowance to running staff on railways. If so, as far as can be ascertained, the system has been in force on Indian State Railways from the eighties of the last century.

INSPECTORS OF STATION ACCOUNTS ON CERTAIN STATE RAILWAYS.

559. *Qazi Muhammad Ahmad Kazmi : (a) Will Government be pleased to state in what category are the Inspectors of Station Accounts placed on the following Railways for the purpose of hours of employment : Eastern Bengal Railway, East Indian Railway, Burma Railways, Great Indian Peninsula Railway and North Western Railway ?

(b) Is it a fact that they are held to perform supervisory duties and have to put in long hours of work ?

(c) Is it a fact that, although held to perform supervisory duties, they are required to do a lot of ministerial work and have to compile statements, etc., and are not provided with any clerk for this purpose ?

(d) Is it a fact that supervisory staff have under them subordinate staff, but the Inspectors in question have none under them ?

(e) Are Government prepared to see that their hours of employment are regulated like other staff ? If not, why not ?

(f) Is it a fact that the Inspectors of Station Accounts on certain Railways have to inspect and audit the accounts of the Railway Schools and Institutes ? If so, why ?

(g) Is this system in force on all the State Railways ? If not, why not ?

(h) Have Government considered whether the accounts of railway schools and institutes cannot be inspected by Chartered Accountants or the Accountants of the Divisional Accounts Officers or the Accountants of the Chief Accounts Officer ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Supervisory staff.

(b) They perform supervisory duties, but their hours of work are not excessive as the number of Inspectors on each Railway has been fixed in such a way that every Inspector has to do only a fair day's work.

(c) These Inspectors check Station Accounts and in the course of such check prepare their inspection notes which include, *inter alia*, certain statements. No clerks are provided for these purposes, since none are necessary.

(d) It is not necessary for supervisory staff to have subordinate staff under their control.

(e) Government have no reason to believe that the hours of employment of these Inspectors are not regulated like those of Inspectors in other branches.

(f) and (g). The system of inspection of Accounts of Railway Schools and Institutes by Inspectors of Station Accounts is in force only on the East Indian, Great Indian Peninsula and the Burma Railways because on these Railways such inspections formed a part of the regular duties of these Inspectors during the time when these railways were under Company management.

(h) There is no special advantage in so entrusting the work.

Qazi Muhammad Ahmad Kazmi : What is the definition of a fair day's work so far as the Honourable Member is concerned ?

The Honourable Sir Muhammad Zafrullah Khan : That is perfectly obvious.

Qazi Muhammad Ahmad Kazmi : Will it be a whole day,—twelve hours in the day, or five hours in the day ? How much ?

The Honourable Sir Muhammad Zafrullah Khan : If the Honourable Member desires the exact average with regard to the hours of work, if he will kindly put down a question to that effect, I shall obtain the information.

Qazi Muhammad Ahmad Kazmi : Has not the Honourable Member taken into consideration what he exactly means by a fair day's work while answering this question ?

The Honourable Sir Muhammad Zafrullah Khan : The Railway Administrations concerned have taken that into consideration.

Qazi Muhammad Ahmad Kazmi : The Railway Administrations have said that this is a fair day's work. Has the Honourable Member inquired of them what they mean ?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir.

Mr. President (The Honourable Sir Abdur Rahim) : Next question.

DESTITUTES TREATED AT THE JUBBULPORE CANTONMENT GENERAL HOSPITAL.

560. ***Mr. N. V. Gadgil** (on behalf of Seth Govind Das) : (a) Will Government be pleased to state the number of destitutes treated at the Jubbulpore Cantonment General Hospital during the year 1935 ?

(b) Will Government be pleased to lay on the table a statement showing recoveries of fees from persons falling under category III of the rules and regulations for the said hospital and allotment received by the Operator, Assistant and the Cantonment Authority, Jubbulpore, since the introduction of the rules to March 31st, 1936 ?

(c) Will Government be pleased to state (i) if wealthy persons were treated at this hospital during the period mentioned above and (ii) the amount of increased percentage of fees realised from them ?

(d) Will Government be pleased to state the total amount recovered from persons under Rule IV (page 11) since 1934 to 31st March, 1936, and to whom the amount so collected has been paid ?

(e) Will Government be pleased to state the amount credited to the Cantonment Authority, Jubbulpore, under Rule V (page 11) since 1934 to 31st March, 1936 ?

(f) Will Government be pleased to state the qualification of the Military Sub-Assistant Surgeon attached to this hospital and since how long he has been attached to this hospital ?

Mr. G. R. F. Tottenham : (a) 264 as indoor and 3,806 as outdoor patients.

(b) Rs. 215 were recovered as fees and allotted as follows :

			Rs.	A.	P.
Operator	..	..	107	8	0
Assistant	..	..	53	12	0
Cantonment Authority			53	12	0

(c) (i) No.

(ii) Does not arise.

(d) Rs. 19 only. 25 per cent. of this amount was credited to the Cantonment Fund and 75 per cent. paid to the lady doctor or the sub-assistant surgeon who examined the patient.

(e) Rs. 1,773-7-0.

(f) The military sub-assistant surgeon is an L. M. P. of the Allahabad University and has been attached to the Hospital since the 5th February, 1934.

CANTONMENTS IN BRITISH INDIA AND THEIR RESPECTIVE STATIONS.

561. ***Mr. N. V. Gadgil** (on behalf of Seth Govind Das) : Will Government be pleased to state :

(a) the number of cantonments in British India and their respective stations ;

(b) the civil population of each cantonment according to the last census, and the present military strength therein ;

(c) which of these cantonments have elected and nominated boards and which are Corporation Soles ;

(d) the number of non-official members in each elected and nominated board ;

(e) if there are sub-committees under section 44 (1) (e) of the Cantonments Act, 1924, in these boards and which are they, and if the chairmen are official or non-official ?

Mr. G. R. F. Tottenham : Sir, I have prepared an answer which will take about twenty minutes to read and probably it would be better if I laid it on the table ?

Mr. President (The Honourable Sir Abdur Rahim) : Yes.

(a) There are 74 cantonments in British India at the following station :

Northern Command.

Nowshera, Peshawar, Risalpur, Cherat, Mardan, Campbellpore, Rawalpindi, Abbottabad, Jhelum, Murree Galis, Murree Hills, Sialkot, Ambala, Ferozepore, Jullundur, Kasauli, Lahore, Multan, Amritsar, Bakloh, Dalhousie, Dagshai, Dharamsala, Jutogh, Subathu, Kohat, Bannu, D. I. Khan.

Eastern Command.

Agra, Bareilly, Chakrata, New Delhi, Landour, Dehra Dun, Meerut, Almora, Lansdowne, Naini Tal, Ranikhet, Roorkee, Fyzabad, Muttra, Shahjahanpur, Lucknow, Fategarh, Sitapur, Barrackpore, Dinapore, Jalapahar, Lebong, Shillong, Allahabad, Cawnpore, Benares, Jhansi.

Western Command.

Quetta, Loralai, Hyderabad (Sind), Karachi, Manora, Drigh Road.

Southern Command.

Jubbulpore, Kamptee, Pachmarhi, Saugor, Ahmednagar, Belgaum, Kirkee, Poona, St. Thomas Mount and Pallavaram, Wellington, Deolali, Nasirabad, Ahmedabad.

(b) The civil population of those cantonments at the last census was :

Northern Command.

Nowshera	12,124	Ambala	..	42,299
Peshawar	.. 28,904			Sadar
Risalpur	5,959			Bazar
Cherat	627			since separated.
Mardan	1,716			Population of the retained area is about
Campbellpore ..	1,871			11,000.
Rawalpindi	.. 34,474	Ferozepore	.. .. .	23,232
Abbottabad	4,128	Jullundur	.. .. .	9,990
Jhelum	2,449	Kasauli	.. .. .	2,452
Murree Galis ..	..	Lahore	.. .. .	19,634
		Multan	.. .. .	7,933
		Amritsar	.. .. .	966
		Bakloh	.. .. .	1,002
		Dharamsala	.. .. .	326
		Dalhousie	.. .. .	695
		Jutogh	.. .. .	429
		Kohat	.. .. .	4,747
		D. I. Khan	.. .. .	1,039
Murree Hills ..	425	Dagshai	.. .. .	1,448
		Subathu	.. .. .	1,315
Sialkot	8,861	Bannu	.. .. .	2,523

Eastern Command.

Agra	21,996	Fatehgard	3,057
Bareilly	7,119	Sitapur	2,899
New Delhi	4,322	Barrackpore	8,921
Dehra Dun	5,517	Dinapore	9,072
Lamdour	1,149	Jalapaahar	563
Meerut	41,481	Lebong	437
Almora	685	Shillong	3,447
Lamdowne	3,088	Allahabad	8,336
Nainital	869	Cawnpore	23,278
Ranikhet	3,742	Benares	2,974
Roorkee	2,255	Jhansi	8,545
Fyzabad	3,962	Muttra	2,391
Shahjahanpur	4,448	Chakrata	1,256
Lucknow	16,125		

Western Command.

Quetta	13,651	Karachi	6,240
		Prior to the earthquake.	Manora
			.. Figures not available.
Loralai	1,879		
Hyderabad (Sind)	4,530	Drigh Road	.. Not known.

Southern Command.

Jubbulpore	12,271	Poona	28,267
Kamptee	3,699	St. Thomas Mt. cum Pallavaram	7,954
Pachmarhi	4,562	Wellington	5,976
Saugor	9,040	Deolali	6,114
Ahmednagar	11,141	Nasirabad	19,347
Belgaum	8,220	Ahmedabad	2,492
Kirkee	9,976		

The military strength in each Cantonment can be calculated from the Army List and the "Return showing the actual strength of the Army and Royal Air Force" both of which are in the Library.

(c) The following cantonments have elected and nominated boards respectively and the remainder have Corporations Sole :

Elected Board.

Rawalpindi, Sialkot, Ferozepore, Jullundur, Kasauli, Lahore, Multan, Agra, Bareilly, Dehra Dun, Meerut, Ranikhet, Lucknow, Barrackpore, Dinapore, Allahabad, Cawnpore, Jhansi, Hyderabad (Sind), Karachi, Jubbulpore, Saugor, Belgaum, Kamptee, Poona, Wellington, Deolali, Nasirabad, Ahmednagar.

Nominated Board.

Peshawar, Nowshera, Abbottabad, Jhelum, Kohat, D. I. Khan, Fyzabad, Fategarh, Shillong, Benares.

(d) The number of non-official members on elected and nominated boards is as follows :

<i>Elected Boards.</i>			
Cantonments	Number of elected non-official members.	Cantonments.	Number of elected non-official members.
Rawalpindi ..	7	Allahabad	7
Ferozepore	7	Cawnpore	7
Sialkot	7	Jhansi ..	5
Kasauli	4	Hyderabad (Sind)	5
Multan	7	Karachi	7
Jullundur	7	Jubbulpore ..	6
Lahore	7	Saugor ..	4
Agra	7	Belgaum	4
Bareilly	7	Kirkee	5
Dehra Dun ..	4	Poona	6
Meerut	7	Kamptee	4
Ranikhet	4	Wellington	4
Lucknow	7	Deolali	4
Barrackpore	5	Nasirabad	5
Dinapore	4	Ahmednagar ..	5

Nominated Boards.

Cantonments.	Number of non-official members.	Cantonments.	Number of non-official members.
Abbotabad ..	3	Dera Ismail Khan	3
Nowahera	2	Fyzabad	3
Peshawar	2	Fatehgarh	1
Jhelum	3	Shillong	3
Kohat	2	Benares	3

(e) The information asked for is given below :

Cantonments.	Committees constituted under section 44 (1) (e) of the Cantonments Act.	Chairman.
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Elected Boards.

Rawalpindi ..	Finance	..	} Non-official.
	Building	..	
	School	..	
	Bye-law	..	
	Health	..	

Elected Boards—contd.

Cantonments.	Committees constituted under section 44 (1) (e) of the Cantonments Act.	Chairman.
Sialkot ..	.. Sanitary .. } .. Finance .. } Official. .. General Works .. }	
Lahore ..	.. Land and Building .. } .. Public Health .. } Official. .. Finance .. } .. Education .. } .. General .. } Non-official.	
Ferozepore	.. Sanitary and Building .. } .. Public Works .. } Official. .. Finance and Taxation .. } Non-official.	
Multan	.. Sanitary and Public Works .. } .. Education .. } Separate Chairman not appoint- .. Finance .. } ed. President or in his absence .. } Vice-President presides over .. } the meetings.	
Jullundur	.. Building and Sanitary .. } .. Finance and General Purposes. .. } Ditto.	
Kasauli	.. Building .. } .. Education .. } Non-official.	
Agra	.. Finance .. } Non-official. .. Public Health and Public Works .. } Official.	
Allahabad	.. Finance .. } .. Public Works and Building .. } Official. .. Assessment .. }	
Bareilly	.. Finance and Assessment .. } .. Buildings, Public Works and Sanitation } Non-official. .. Education .. } Official.	
Barraekpore	.. Assessment .. } Non-official. .. Building .. } Official.	
Cawnpore	.. Building .. } Official. .. Assessment .. } .. Education .. } Non-official.	
Dehra Dun	.. Building .. } .. Assessment .. } Non-official. .. Finance .. } Official.	

Elected Boards—contd.

Cantonments.	Committees constituted under section 44 (1) (e) of the Cantonments.	Chairman.
Dinapore	.. Finance	} Non-official.
	Law and Education	
	Building, Sanitation and Public Works	Official.
Jhansi	.. Building	} Chairmen are elected by the members at the meetings and both official and non-official get a chance to preside.
	Finance	
	Education	
	Assessment	
Lucknow	.. Finance	} Official.
	Building	
	Public Works and Health	
	Education	Non-official.
Meerut ..	.. Finance	} Non-official.
	Public Works, Market and Building	
	Education	
	Public Health and Hospital	Official.
Ranikhet	.. Building	} Non-official.
	School	
	Finance	
Hyderabad (Sind).	.. School	Non-official.
	Works and Sanitary	} Official.
	Finance	
Karachi..	.. Building	Official.
Ahmednagar	.. Finance and General Purposes	} Official.
	Building	
	School	Non-official.
Jubbulpore	.. Finance	Official.
	Building and Health	To be elected by members.
Saugor ..	.. Finance, Land and Building	Official.
Belgaum	.. Finance	Official.
	Building	} Non-official.
	School	
Kirkee ..	.. Finance	} Official.
	Building and Health	

Elected Boards—concl.

Cantonments.	Committees constituted under section 44 (1) (c) of the Cantonments.	Chairman.
Karnaltee	.. Finance ..	} Non-official.
	.. Building ..	
	.. Hospital ..	
	.. School ..	
	.. Bye-law ..	
Poona ..	.. Building and Health ..	.. Non-official if Vice-President is a member otherwise Official.
	.. Finance ..	.. Non-official.
Wellington	.. Assessment ..	.. Non-official.
Deolali ..	.. No committee ..	..
Nasirabad	.. Finance, Taxation and Education ..	} Official.
	.. Building, Public Works and Public Health ..	
	

Nominated Boards

Nowshera	.. Building and Sanitation ..	.. Official.
Peshawar	.. Building ..	} Official.
	.. Assessment ..	
	.. Finance ..	} Non-official.
	.. Education ..	
	.. Bazar ..	
Abbottabad	.. Building and Sanitation ..	.. Official.
	.. Assessment ..	.. Non-official.
Kohat ..	.. Standing Committee ..	.. Official.
Jhelum ..	.. Finance ..	} Official.
	.. Works ..	
	.. Sanitation. ..	
Dera Ismail Khan	No committee ..	..
Fatehgarh	.. No committee ..	..
Shillong ..	.. No committee ..	..
Benares	.. Building and Sanitation ..	} Official.
	.. Finance ..	
Fyzabad	.. No committee ..	..

WATER SUPPLY IN CANTONMENTS.

562. ***Mr. N. V. Gadgil** (on behalf of Seth Govind Das) : (a) Will Government be pleased to state the cantonments where water is supplied by Municipalities or Military Engineering Services, and the cantonments which have their own arrangements for water supply ?

(b) Will Government be pleased to lay on the table a statement showing, in the case of each cantonment separately, the amount of water tax and rates realised annually from the civil population and military including dairy, grass farm, *dhobi ghats* and gardens, etc. ?

Mr. G. R. F. Tottenham : Sir, this question also entails reading out a long list and probably it would be advisable to lay this also on the table ; there are two or three pages of type.

Mr. President (The Honourable Sir Abdur Rahim) : Yes.

(a) The following are the cantonments where water is supplied either by Municipalities or by the Military Engineer Services to the Civil population :

Nowshera.
Peshawar.
Rawalpindi *Cum* Chaklala.
Abbottabad.
Dharamshala.
Murree.
Murree Gallis.
Ferozepore.
Jullundur.
Kasauli.
Lahore.
Multan.
Kohat.
Mardan.
Cherat.
Risalpur.
Campbellpore.
Ambala.
Amritsar.
Bakloh.
Dalhousie.
Dagshai.
Jutogh.
Ranikhet.
Allahabad.
Lucknow.
Cawnpore.
Delhi.
Agra.
Jhansi.
Chakrata.
Naini Tal.
Landour.
Almora.

Lansdowne.
Shahjahanpur.
Lebong.
Barrackpore.
Jalapahar.
Shillong.
Ahmednagar.
Belgaum.
Wellington.
St. Thomas Mount.
Deolali.
Aurangabad.
Subathu.
Bannu.
Bareilly.
Dehra Dun.
Meerut.
Pooza.
Kirkee.
Roorkee.
Baroda.
Jubbulpore.
Manora.
Drigh Road.
Karachi.
Quetta.
Nasirabad.
Neemuch.
Ahmedabad.
Loralai.
Mandalay.
Mingaladon.
Maymyo.
Rangoon.

The following cantonments have their own water supply arrangements :

Mhow.
Secundrabad (Partly M. E. S.)
Hyderabad (Sind) do.
Dinapore.
Sialkot.
Benares.
D. I. Khan.
Fatehgarh.

Fyzabad.
Kamptee.
Pachmarhi.
Sitapur.
Jhelum.
Saugor.
Matra.

(b) The collection of the information asked for by the Honourable Member would entail an expenditure of time and labour which would be incommensurate with the value of the result.

LANDS OWNED BY PRIVATE PROPRIETORS IN CANTONMENTS.

563. *Mr. N. V. Gadgil (on behalf of Seth Govind Das) : (a) Will Government be pleased to lay on the table a statement showing, in the case of each cantonment, the extent of private lands owned by private proprietors and shown as such in the registers maintained under section 273 of the Cantonment Code, 1912, 1889 ?

(b) Has this land been classified under the Cantonment Lands Administration Rules, 1925 ? If so, when, and what is the extent under each class and has this been done with the knowledge and consent of the owners concerned ?

Mr. G. R. F. Tottenham : (a) and (b). Land registered as private under the Cantonment Code, 1912, was similarly classified as private under the Cantonment Land Administration Rules, 1925, but the exact area and other details required by the Honourable Member could only be ascertained by a detailed examination of every register in all of the 74 cantonments in India. This would entail an expenditure of time and labour which would be incommensurate with the result—especially as the area of private land in cantonments is very small.

SADAR BAZARS IN CANTONMENTS.

564. *Mr. N. V. Gadgil (on behalf of Seth Govind Das) : Will Government be pleased to state the area of each Sadar Bazar, wherever there is one, within the cantonment limits and if their boundaries are in any way fixed and limited ?

Mr. G. R. F. Tottenham : The obligation to demarcate Sadar bazars by boundary pillars ceased to be imposed on the introduction of the Cantonments Act, 1924. Government are not aware whether these pillars have been maintained or to what extent existing Sadar Bazar areas conform to the old boundaries. It would be impossible to give the area of each bazar in every cantonment without making local enquiries and the labour involved would be incommensurate with the value of the results.

FRAUD CASES IN RESPECT OF THE FUNDS OF JOINT STOCK COMPANIES.

565. *Mr. Suryya Kumar Som : (a) Are Government aware of a considerable number of fraud cases with respect to the funds of joint stock companies ?

(b) Are Government aware that the public attach scanty importance to the auditors' report of the joint stock companies ?

(c) Are Government aware that under the present practice, with the joint stock companies selecting their own auditors, the auditors are entirely at the mercy of the joint stock companies for their appointment, which has a chance of standing in the way of honest and impartial audit ?

(d) Are Government prepared to consider the desirability of having an impartial Governmental authority for the selection of auditors for a particular company ?

The Honourable Sir Nripendra Sircar : (a) Some cases of fraud have been brought to the notice of the Government.

(b) No.

(c) It is true that the appointment of auditors rests with the Joint Stock Companies themselves but Government have no reason to suppose that this practice prevents a proper audit of the accounts of the companies concerned.

(d) No. The Government are not prepared to interfere in the manner suggested.

INTERMEDIATE CLASS FARE ON THE EAST INDIAN RAILWAY.

566. *Qasi Muhammad Ahmad Kazmi : (a) Will Government be pleased to state whether it is a fact :

- (i) that on the East Indian Railway the fare of intermediate class for the first fifty miles is one and a half times of the third class fare ;
- (ii) that for distances above fifty miles the intermediate class fare is more than one and a half times the third class fare and for distances above three hundred miles it is more than double the third class fare ;
- (iii) that the proportion of the rate of the first and second class fares is constant for all the distances ; and
- (iv) that the rate of the fare of intermediate class on North Western Railway is almost one and a half times the fare of the third class for all distances ?

(b) If the answer to parts (a) (i), (ii), (iii) and (iv) above be in the affirmative, will Government be pleased to state the reason for this abnormality in the intermediate class fare on the East Indian Railway ?

(c) Are Government aware that this abnormality in the fare of intermediate class on the East Indian Railway tends to decrease the number of passengers travelling for long distances and to further overcrowd the third class compartments ?

(d) Have Government considered the advisability of asking the East Indian Railway authorities to bring down the intermediate class fares for all the distances to the level of one and a half times the third class fare ? If not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes.

(b) Government do not accept the suggestion that there is anything abnormal. The scale of fares now in force on each railway has been determined generally by each Administration after consideration of its financial and other local conditions.

(c) Government have no reason to think that this is the case.

(d) The Honourable Member's suggestion will be communicated to the East Indian Railway Administration for consideration.

PROVISION OF A WAITING ROOM FOR INTERMEDIATE CLASS PASSENGERS AT SAHARANPUR.

567. *Qazi Muhammad Ahmad Kazmi : Will Government be pleased to state :

- (a) whether it is a fact that the Saharanpur Railway Station is a big junction which is visited by a considerably large number of passengers, especially due to the vicinity of Hardwar and Roorkee ;
- (b) whether they are aware that there is no intermediate class waiting room at Saharanpur Railway Station, the absence of which results in great inconvenience to the travelling public ; and
- (c) whether they have considered the advisability of asking the North Western Railway authorities to provide a waiting room for intermediate class passengers at Saharanpur ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes.

(b) Government have no information.

(c) Such matters are within the competence of the Railway Administration, whom Government consider to be in the best position to decide their relative importance.

Qazi Muhammad Ahmad Kazmi : Have Government communicated any recommendation regarding the Saharanpur Railway to the Agent of the North Western Railway ? Will Government send this question for the consideration of the Agent, North Western Railway ?

The Honourable Sir Muhammad Zafrullah Khan : If the Honourable Member so desires.

Qazi Muhammad Ahmad Kazmi : Yes.

PROVISION OF PROPER WAITING ROOMS FOR INTERMEDIATE CLASS PASSENGERS AT DELHI.

568. *Qazi Muhammad Ahmad Kazmi : (a) Are Government aware that the intermediate class waiting room at the Delhi Railway Station is of very small dimensions and quite inadequate for the needs of the large number of passengers visiting Delhi ?

(b) Are Government aware that there is no waiting room for ladies at the Delhi Railway Station ?

(c) Have Government considered the advisability of ordering the North Western Railway authorities to provide a proper waiting room for intermediate class passengers at Delhi, and also to provide one for ladies ? If not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : (a) The accommodation in the intermediate class waiting room for gentlemen at the Delhi Railway Station is considered adequate. No complaint regarding insufficient accommodation has been received.

(b) and (c). Separate first, second and intermediate class waiting rooms for ladies exist at the Delhi Railway Station platform. The question of increasing the accommodation in the intermediate class waiting room is already under consideration.

Qazi Muhammad Ahmad Kazmi : Has the Honourable Member inquired as to what are the dimensions of the intermediate class waiting room at Delhi ?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir.

Qazi Muhammad Ahmad Kazmi : Then who has satisfied him that they are sufficient for the necessities of the passengers that go to Delhi ?

The Honourable Sir Muhammad Zafrullah Khan : The observation by the station officials of the use made by passengers of these rooms.

TEMPORARY CONSTRUCTIONS MADE AT ROORKEE RAILWAY STATION FOR PASSENGERS DURING THE PEERAN KALIAR FAIR.

569. ***Qazi Muhammad Ahmad Kazmi :** (a) What is the approximate average cost of the temporary constructions made at Roorkee for passengers during the Peeran Kaliar fair in the last five years ?

(b) For how many years, approximately, have these constructions been made at Roorkee Railway Station, and what is the approximate amount of the total money spent on them ?

(c) Have Government considered the feasibility of gradually getting the constructions made permanent in order to save money to the railway and afford convenience to passengers ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Rs. 1,768.

(b) No records are available of what was done prior to 1929, but during the last eight years, Rs. 15,221 were spent on temporary works at Roorkee.

(c) It is proposed to provide permanent structures where these are justifiable and they will be carried out as funds become available.

OPEN ENCLOSURES FOR THIRD CLASS PASSENGERS AT HARDWAR RAILWAY STATION.

570. ***Qazi Muhammad Ahmad Kazmi :** Will Government be pleased to state :

(a) whether they are aware that at Hardwar Railway station many big open enclosures exist for third class passengers ;

(b) whether these enclosures are situated much below the level of the railway platform ;

(c) whether the approaches from these enclosures to the railway platform are sloping upwards, and passengers have to wait on these sloping approaches sometimes for hours for the opening of the gate at the time of the arrival of trains, mostly under a hot sun and sometimes in down pours of rains ; and

(d) if the answers to parts (a), (b) and (c) be in the affirmative, whether they have considered the advisability of providing sheds with floors on a level of the railway platforms for the pilgrim passengers? If not, why not?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes.

(b) There is a difference in level, amounting to about nine feet in places.

(c) The approaches slope upwards. There is no compulsion on passengers to wait on the slope, but Government are prepared to accept the fact that they do so.

(d) This work is on the list of the proposed improvements which were drawn up at a meeting in September, 1935, between the Divisional Superintendent, East Indian Railway, Moradabad and various gentlemen at Hardwar. A detailed examination of the proposals is being made by the East Indian Railway.

Pandit Lakshmi Kanta Maitra : Is it not a fact that even on the platforms of the Hardwar Railway Station there are no sheds whatsoever?

The Honourable Sir Muhammad Zafrullah Khan : I am not aware that there are not, but if the Honourable Member has so observed, I am prepared to accept it from him.

Pandit Lakshmi Kanta Maitra : Is the Honourable Member aware that the water hydrants on the Hardwar Railway platforms are very small in number—two or three only?

The Honourable Sir Muhammad Zafrullah Khan : That may be so.

Pandit Lakshmi Kanta Maitra : Will the Honourable Member kindly look into this matter in view of the Purnima Mela coming on next year, when there is going to be a huge concourse of pilgrims there? Will the Honourable Member kindly take all these facts into consideration and see that greater facilities are given to the pilgrims?

The Honourable Sir Muhammad Zafrullah Khan : I have no doubt that on the occasion of the kind of Melas referred to, greater facilities than those ordinarily available are always provided.

Qazi Muhammad Ahmad Kazmi : Are Government considering the improvement of the present Hardwar Railway Station?

The Honourable Sir Muhammad Zafrullah Khan : I have answered that in answer to part (d) of the question.

Qazi Muhammad Ahmad Kazmi : May I ask whether these specific complaints put down in this question have been ordered to be investigated and are under consideration now?

The Honourable Sir Muhammad Zafrullah Khan : I believe I have already said that a detailed examination of the proposals is being made by the East Indian Railway.

RECRUITMENT OF MORE INDIANS TO THE INDIAN MEDICAL SERVICE.

71. ***Mr. M. Ghiasuddin :** (a) Are Government aware of the fact that, according to the scheme of Indianisation, in the Indian Medical Service the number of Indians should be 210, and that their number at

present is only 190 ? If so, are Government taking any steps to recruit 20 more Indians, so as to bring the ratio according to the aforesaid scheme ?

(b) Are Government aware of the fact that out of the 190 Indians, there are only 27 Muslims at present ? If so, do Government propose to take any step so as to bring up the ratio of the Muslims in the Indian Medical Service to the ratio as laid down in the Government of India Notification ?

Mr. Muhammad Anwar-ul-Azim : Question No. 571.

Mr. President (The Honourable Sir Abdur Rahim) : Has the Honourable Member got the authority to put this question ?

Mr. Muhammad Anwar-ul-Azim : He asked me, Sir.

Mr. President (The Honourable Sir Abdur Rahim) : Has the Honourable Member his written authority ?

Mr. Muhammad Anwar-ul-Azim : No, Sir.

Mr. President (The Honourable Sir Abdur Rahim) : If the Honourable Member (Mr. Tottenham) wishes to answer that question, he may.

Mr. G. R. F. Tottenham : Sir, I would refer the Honourable Member to my reply to an identical question yesterday. (Laughter.)

ADMINISTRATION OF THE BANGALORE INSTITUTE.

572. ***Mr. Sri Prakasa :** (a) Has there been any trouble in the Bangalore Institute and do Government propose to make any changes in the details of administration ?

(b) Is it not a fact that on behalf of Government it was declared last year that it was most improper for any criticism to be levelled against that institute when an Indian—and specially one so eminent as the present head—has been appointed there ?

(c) If so, have Government changed their mind since then on the subject ?

Sir Girja Shankar Bajpai : (a) and (c). In accordance with Regulation 32 (i) of the scheme for the administration and management of the Indian Institute of Science, Bangalore, a committee was appointed in January last to review the working and progress of the Institute. The committee's report is now under consideration and I would ask the Honourable Member to wait for the result.

(b) I would refer the Honourable Member to the text of my remarks which are reported in the proceedings of this House for the 21st March, 1935.

Mr. Sri Prakasa : Was not the text to the effect that criticisms should not be levelled against that Institute because there was an eminent Indian in charge of it ?

Sir Girja Shankar Bajpai : No, Sir. What I said was that Honourable Members of this House should not pay any credence to irresponsible criticism of a certain individual who is holding such a responsible post at the Institute.

Mr. Sri Prakasa : Is the Honourable Member speaking from memory or has he got any papers before him ?

Sir Girja Shankar Bajpai : No, Sir. I have actually got the text before me which says that Honourable Members "should not pay attention to complaints which are made" and so on.

Mr. S. Satyamurti : Are Government aware that certain extracts from this report have been published in various newspapers and criticisms, malicious and otherwise, have been appearing in a number of Indian newspapers, against the Institute and the person who is in charge of it ?

Sir Girja Shankar Bajpai : Government have noticed with regret that there has been a certain amount of unauthorised publicity not merely of what purport to be the contents of the report but also the contents of a memorandum which the Director submitted to the Council.

Mr. S. Satyamurti : May I ask if Government will at the proper time, when they make up their mind, publish the entire documents so that there may be no misapprehension on the part of the public about the nature of the recommendations, or conclusions contained in either of these documents ?

Sir Girja Shankar Bajpai : Sir, in regard to the question of publicity, my Honourable friend will appreciate that we have to consult the Council also, but I can assure him that the point which he has raised is receiving the serious consideration of Government.

Mr. S. Satyamurti : May I know whether, in passing orders in due time on this report, and on the memorandum, Government will bear in mind that the Institute is now being managed by an Indian who is one of the most distinguished scientists of the world ?

Sir Girja Shankar Bajpai : My Honourable friend may rest assured that every relevant consideration will be weighed by Government before the decision is reached.

METHOD OF CIRCULATION OF BILLS FOR ELICITING PUBLIC OPINION.

573. ***Mr. Sri Prakasa :** (a) What is the system of circulation of Bills for eliciting public opinion ?

(b) Is it a fact that Members of the Legislature are not asked for their opinion ?

(c) Are any public communiqués issued, asking any person who may like to do so, to send his opinion ?

(d) Does it depend entirely upon the District Magistrates to choose as to whose opinion has to be invited ?

(e) Are Government satisfied that persons, whose opinions are invited, complete the list of those who are likely to be interested in any particular Bill, or, whose opinions are likely to be useful to the Legislature ?

The Honourable Sir Nripendra Sircar : (a) The Bill with papers relating thereto is forwarded to all Local Governments with the request that they will furnish :

1. their own opinion,
2. the opinions of the Honourable Judges of the High Court when the circumstances are such as to render judicial opinions desirable,
3. the opinions of such selected officers and other persons or bodies as they may deem fit to consult.

(b) They are not consulted as such, but they may be included among the other persons whom the Local Government think fit to consult.

(c) No, but any person is free to send his opinion to the Local Government.

(d) No, the selection of the officers and other persons or bodies to be consulted rests with the Local Government.

(e) The Government of India see no reason to suppose that Local Governments fail to exercise their discretion in such a manner as to produce this result.

Mr. Sri Prakasa : With reference to the reply to clause (d), is it not a fact that Local Governments send these Bills to District Magistrates who, in their turn, send them to such local residents such as they like for opinions and that these Bills are only sent to such persons who may happen to be known to District Magistrates and who may not really be interested in the subject of the Bill ?

The Honourable Sir Nripendra Sircar : My impression is that they are sent not only to District Magistrates but also very often to District Judges and Subordinate Judges. I believe the matter is left to the Local Government and they exercise their discretion. I do not think there is any hard and fast rule in the matter.

Qazi Muhammad Ahmad Kazmi : So far as the District Judges and the civil courts are concerned, these Bills are sent for their own opinions but so far as the District Magistrates are concerned they are sent to them for obtaining the opinions of other persons. The question is whether the Collectors take into their confidence all kinds of persons or whether they take the opinion only of such persons as they know to be loyal ?

The Honourable Sir Nripendra Sircar : The Collector cannot take the opinion of people whom he does not know and whose existence is not known to him. As regards the sting in the word "loyal", I have seen opinions from most disloyal persons.

Prof. N. G. Ranga : May I inform the Honourable Member that even in regard to the Civil Procedure Code (Amendment) Bill, when it was sent for circulation, opinions of Peasant Associations whose existence was known to the Local Governments were not asked for ?

The Honourable Sir Nripendra Sircar : I cannot answer this specific question as I do not know what happened on that occasion ; but if my Honourable friend knows it, I thank him for the information.

Prof. N. G. Banga : Is it a fact that when any person who is interested in any particular Bill offers his opinions to the Local Government, that Local Government is bound to communicate them to the Government of India ?

The Honourable Sir Nripendra Sircar : They always do.

Qazi Muhammad Ahmad Kazmi : Does the Honourable Member know that even the local Bar Associations are not consulted on this matter ?

The Honourable Sir Nripendra Sircar : Government acts on the principle that it is dangerous to ignore any Bar Association. (Laughter.)

Mr. N. M. Joahi : May I ask whether the Government of India publish in the body of opinions which are circulated to Members opinions sent to them by other persons or individuals voluntarily and who were not asked by Government to send them ?

The Honourable Sir Nripendra Sircar : Whatever opinions are received they are circulated to Members. It does not matter whether they are voluntary or obtained under coercion or obtained by theft, they are all circulated.

Mr. President (The Honourable Sir Abdur Rahim) : Next question.

Mr. Sri Prakasa : Sir, I had some more supplementary questions to ask as the subject is an important one.

Mr. President (The Honourable Sir Abdur Rahim) : There have already been plenty of supplementary questions.

ECONOMY EFFECTED BY THE APPOINTMENT OF INDIANS IN PLACE OF EUROPEANS IN THE HIGHER BRANCHES OF PUBLIC SERVICE.

574. ***Mr. Sri Prakasa :** (a) What economy, if any, has been effected by the appointment of Indians in place of Europeans in the higher branches of public service ?

(b) Are Indians paid the same sums of money as Europeans ?

(c) Was it not a fact that the object advanced for Indianisation was mainly economy ?

(d) Are Government satisfied that this object has been fulfilled in any way ?

(e) Have Indians refused to serve the Government of this country for less than what Government think is right and proper for Europeans ?

(f) Are Government aware that a separate caste of well-paid Indian servants of Government is being created in India ?

(g) If so, do Government favour this new factor in India's social life ?

The Honourable Sir Henry Craik : (a) I regret I cannot undertake to collect this information as it would entail time and labour incommensurate with the value of the results obtained.

(b) I would refer the Honourable Member to the Superior Civil Services Rules and the Revised Rates of Pay Rules, a copy of which is in the Library.

(c) No.

(d) Does not arise.

(e) No.

(f) No.

(g) Does not arise.

Mr. Sri Prakasa : What is the reply to sub-clause (c) ?

The Honourable Sir Henry Craik : I said : " No ".

Mr. M. Ananthasayanam Ayyangar : What, then, is the object of Indianisation ? Is it not one of the objects of Indianisation also ?

The Honourable Sir Henry Craik : The answer was " No ". That is not the main object.

Mr. T. S. Avinashilingam Chettiar : May I know whether the Indianisation has resulted in economy ?

The Honourable Sir Henry Craik : I imagine that in certain circumstances it has.

Mr. T. S. Avinashilingam Chettiar : If that is the case, why should not Government push on this Indianisation in view of economy ?

The Honourable Sir Henry Craik : Government are pushing on Indianisation.

Mr. C. N. Muthuranga Mudaliar : Sir, is it not Europeanisation rather Indianisation that is now going on ?

Mr. M. Ananthasayanam Ayyangar : Is it not a fact that in respect of all higher posts, Europeans are now taking the place of Indians in practically every department ?

The Honourable Sir Henry Craik : If the Honourable Member wants an answer, I suggest that he should look round these benches.

Mr. S. Satyamurti : With reference to the answer to clause (c) of the question, I think my Honourable friend said " No ". May I take it that that answer is based on information obtained from Indian officers by the Government ?

The Honourable Sir Henry Craik : The answer is " No ".

Mr. S. Satyamurti : What does it mean ?

The Honourable Sir Henry Craik : It means that Indians have not refused to serve the Government of this country for less than what Government thinks right for Europeans.

Mr. S. Satyamurti : May I, therefore, ask the Government whether they will consider the question of requesting all Indian Government servants to serve on less pay than the Europeans, in view of the imperative need for economy, and in view of the poverty of this country ?

The Honourable Sir Henry Craik : That inference does not flow from the answer I have given. I have said that Indians have not refused to serve the Government of this country for less than what Government think is right and proper for Europeans.

Mr. Sri Prakasa : My complaint is against the Benches Opposite ! Cannot these gentlemen who are Indians serve for less pay than Europeans ?

Mr. S. Satyamurti : May I know whether Government have considered the question of reducing Indian salaries to the level of social life in this country and the demand on a man's purse, thereby saving a large sum of money for the tax-payer ?

The Honourable Sir Henry Craik : That is a very wide question, but the possibility of introducing economies is constantly in the mind of Government.

Mr. S. Satyamurti : May I know if this aspect of introducing economies by asking Indian servants to serve for less than Europeans was ever actively considered by the Government ?

The Honourable Sir Henry Craik : If the Honourable Member means whether we have asked the existing Government servants to accept a voluntary reduction in their salaries, I doubt if that suggestion would receive a very favourable reception from them.

Dr. Khan Sahib : Is it not a fact that Europeans are given overseas allowances which are more than the Indian pay ?

Mr. President (The Honourable Sir Abdur Rahim) : That is a well known fact.

Mr. Sri Prakasa : What is the answer to parts (f) and (g) ?

The Honourable Sir Henry Craik : The answer to (f) is, no; (g) does not arise.

TRANSFER OF THE BANGALORE HUBLI SECTION OF THE MADRAS AND SOUTHERN MAHRATTA RAILWAY TO THE MYSORE GOVERNMENT.

575. ***Mr. N. V. Gadgil :** (a) Will Government be pleased to state whether Bangalore Hubli Section of the Madras and Southern Mahratta Railway has been handed over to the Mysore Government ?

(b) If not, is it a fact that there are negotiations going on for handing over the same to the Mysore Government ?

The Honourable Sir Muhammad Zafrullah Khan : (a) No.

(b) Not the Bangalore-Hubli section.

CHANGE IN THE NOMENCLATURE OF THE POONA BANGALORE MAILS.

576. ***Mr. N. V. Gadgil :** (a) Is it not a fact that the mail trains which left Poona for Bangalore and Bangalore for Poona were till quite recently known as Poona-Bangalore Mail and Bangalore-Poona Mail, respectively ?

(b) What is the object of the present move in calling the said trains now as No. 2-Poona-Hubli Mail and No. 34-Hubli-Bangalore Mail and No. 33-Bangalore-Hubli Mail and No. 1-Hubli-Poona Mail ?

(c) Is it not a fact that the same truck which leaves Poona and Bangalore carries passengers to its destination and, for all intents and

purposes, is it not the same old Bangalore-Poona Mail and Poona-Bangalore Mail ?

(d) Are Government aware that very great inconvenience is caused to the public by the halt at Hubli for more than five hours ?

(e) Is there any precedent for any other mail train in India being made to halt for more than five hours at any intermediate junction or station ? Is not the usual halt for 30 or 45 minutes only ?

(f) Did not the mail train stop only for 30 minutes at Hubli before ?

(g) Are Government aware that the Madras and Southern Mahratta Railway management has issued instructions not to permit passengers to remain in the railway compartments or use them in any way during this interval of five hours and more at Hubli ?

(h) Are Government aware that railway officials compel passengers to leave the compartments bag and baggage, resulting in serious inconvenience, unpleasantness and exasperation ?

(i) Is it a fact that the present move is the outcome of a policy on the part of the Madras and Southern Mahratta Railway to divert the railway traffic *via* Guntakal-Hubli, by causing as much inconvenience as possible in the direction of travel to Bangalore or Poona *via* Hubli ?

(j) Are Government prepared to take necessary steps to remedy this state of affairs immediately ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes.

(b) The mail previously left Poona at 22.0 and arrived at Bangalore at 6.40 on the second morning. In the reverse direction, the timings were 21.15 and 6.0. It was considered desirable to speed up the trains running on the metre gauge section, but to materially reduce the time for the journey between Poona and Bangalore would have made the timings at these stations most inconvenient. There was, however, no reason why important towns and areas midway, such as Belgaum and Hubli, should not have a faster service. The journey was, therefore, on the advice of the Advisory Committee divided into two sections *viz.*, a fast train between Poona and Hubli and another between Hubli and Bangalore.

(c) The same carriages run through.

(d) The Agent, Madras and Southern Mahratta Railway, states that the only inconvenience is to through passengers who use this train instead of the correct one, *i.e.*, a through express train leaving Poona at 12.30 and arriving at Bangalore at 18.45 on the following day : there being a corresponding train in the reverse direction.

(e) The view taken by the Administration is that the mail trains between Poona and Hubli are entirely distinct from the mail trains between Hubli and Bangalore.

(f) Yes.

(g) and (h). Yes, as rakes cannot be kept on the platform lines. There are waiting rooms and waiting sheds available.

(i) There is no foundation for such a suggestion.

(j) It is not a function of Government to interfere in the details of Railway Time Table. The Honourable Member will also have observed that the Madras and Southern Mahratta Railway's Advisory Committee support the alterations that have been made.

Mr. N. V. Gadgil : Is it not a fact that several complaints have been made in this connection by the public ?

The Honourable Sir Muhammad Zafrullah Khan : I am not aware of the fact.

Prof. N. G. Ranga : What is the time taken now for through passengers from Bangalore to Poona or from Poona to Bangalore when compared to the time taken previously ?

The Honourable Sir Muhammad Zafrullah Khan : The time taken now by the fastest train, that is to say the train which performs the journey most quickly is between 18 and 19 hours.

Mr. N. V. Gadgil : With reference to part (a), will not the Honourable Member find it convenient to keep some carriages for through passengers and not ask through passengers to get down and remain five hours ?

The Honourable Sir Muhammad Zafrullah Khan : This House has expressed the greatest repugnance against the system of using trucks for passengers.

Mr. N. V. Gadgil : I mean through compartments.

Prof. N. G. Ranga : In view of the fact that considerable inconvenience and expenditure are caused by asking the passengers to compulsorily leave the carriages and go on waiting in the waiting sheds with their bag and baggage for a long period, to catch the train coming five hours later, will the Government consider the advisability of providing at least two through carriages and allowing these people to remain in the train throughout the interval until the next train arrives ?

The Honourable Sir Muhammad Zafrullah Khan : I have already dealt with the matter in reply to the original question. The point raised by the Honourable Member in his question now is exactly the same as was raised in the original question.

PROMOTION OF SUB-ASSISTANT SURGEONS OF THE INDIAN MEDICAL DEPARTMENT.

577. ***Mr. N. V. Gadgil :** (a) Will Government state the procedure laid down for the promotion of Military Sub-Assistant Surgeons of the Indian Medical Department in the matter of promotion from Jamadars to Subedars and above ?

(b) Are promotions made on provincial basis or on all India basis ?

(c) Was any reduction ever made at any time in Sub-Assistant Surgeons Branch of the Indian Medical Department ? If so, under what basis ?

(d) Were the vacancies, subsequently created after reduction by way of retrenchment, discharge and dismissal, etc., in the cadre of Subedars and above filled in ? If so, on what basis ?

(e) Are transfers regularly effected after completing fixed period of tenure in one particular station or command? If not, what are the circumstances in which a particular Sub-Assistant Surgeon is kept in one and the same place for a number of years?

Mr. G. R. F. Tottenham : (a) The procedure for the promotion of military sub-assistant surgeons to the rank of Subedar and above is contained in paragraphs 59-B (ii), 60 and 61 of the Medical Services Regulations, a copy of which is in the Library of the House.

(b) On an all-India basis.

(c) and (d). Yes, on an all-India basis.

(e) Within the four Army Commands transfers between stations are the concern of the Headquarters of those Commands and they are regulated by the exigencies of military service.

Transfers between the four Commands are the concern of Army Headquarters, and every effort is made to arrange such transfers when a man has completed five years service in a Command and is desirous of transfer.

RATE CHARGED FOR WATER SUPPLY IN THE NASIRABAD CANTONMENT.

578. ***Mr. N. V. Gadgil :** (a) Will Government be pleased to state whether it is a fact that at Nasirabad Cantonment the rate charged by the Military Engineering Service for the supply of water is 0-8-6 per thousand gallons, whereas the rate charged by the Ajmer Municipality, which is the nearest Municipality is only 0-4-0 per thousand gallons? If so, what is the reason for this difference?

(b) Is it a fact that the water supply in that Cantonment is maintained for military purposes and it is only surplus water that is given to the public?

Mr. G. R. F. Tottenham : (a) The Military Engineer Services rate for water supply in Nasirabad Cantonment is 9½ annas per 1,000 gallons, which is the rate charged in Cantonments all over India. My information is that the rate charged for water in Ajmer Municipality is 9 annas per 1,000 gallons.

(b) The water supply in Nasirabad Cantonment is not maintained only for military purposes.

REFUND OF THE AMOUNT PAID BY THE NASIRABAD CANTONMENT BOARD FOR THE SUPPLY OF WATER.

579. ***Mr. N. V. Gadgil :** (a) Will Government be pleased to state whether it is a fact that the Cantonment Board of Nasirabad was compelled to pay Rs. 4,400 to the Military Engineering Service in the year 1935-36 over and above the amount collected by the Board from public on account of water?

(b) If the answer to part (a) above be in the affirmative, do Government propose to arrange for the refund of that amount under provisions of section 234 of the Cantonment Act?

Mr. G. R. F. Tottenham : (a) No.

(b) Does not arise.

ENHANCEMENT OF WATER TAX IN THE NASIRABAD CANTONMENT.

580. *Mr. N. V. Gadgil : (a) Will Government be pleased to state whether the water tax in Nasirabad Cantonment has been enhanced in the year 1935-36 from four to 6½ per cent. ?

(b) Is it a fact that this enhanced rate is more than the rate charged in the neighbouring Municipality of Ajmer ?

(c) Is it also a fact that this enhancement of tax has been made at the instance of the Military Engineering Services, who want higher rate for water supply than the neighbouring municipality ?

(d) If the answer to the above be in the affirmative, what step or steps do Government propose to take in the matter ?

Mr. G. R. F. Tottenham : (a) No.

(b), (c) and (d). Do not arise.

ASSESSMENT OF ANNUAL VALUE OF PROPERTY IN THE NASIRABAD CANTONMENT.

581. *Mr. N. V. Gadgil : (a) Is it a fact that one Mr. Munro was imported by the Executive Officer of Nasirabad for assessing annual value of property in that Cantonment ?

(b) Is it a fact that the elected members of the Cantonment Board objected to the appointment of this gentleman, and that he has no special qualification for the task entrusted to him ?

(c) What was the total amount paid to Mr. Munro and for how many months did he work ?

(d) Is it a fact that in all other Cantonments the work of assessment is done under the supervision of the Executive Officer by the Cantonment staff, and no special officer is ever appointed ?

(e) What step or steps do Government propose to take, under section 33 of the Act, for the recovery of the amount thus spent ?

Mr. G. R. F. Tottenham : (a) No, he was appointed by the Cantonment Board.

(b) Yes, but he had experience of assessment work having made a complete assessment of house property in Secunderabad with most satisfactory results.

(c) He worked for seven months and received Rs. 2,603.

(d) Government of India have no information.

(e) None.

Mr. N. V. Gadgil : May I know what are the qualifications of Mr. Munro ? Has he any previous experience ?

Mr. G. R. F. Tottenham : I do not know about his academical qualifications, but his practical qualifications are that he has done very useful work in Secunderabad.

Mr. N. V. Gadgil : Was he not in the Police Department before he was taken on to the Secunderabad Cantonment ?

Mr. G. R. F. Tottenham : I want notice.

SUPERSESSION OF THE BUILDING COMMITTEE OF THE NASIRABAD
CANTONMENT.

582. *Mr. N. V. Gadgil : (a) Will Government be pleased to state whether it is a fact that the Building Committee of Nasirabad Cantonment was superseded by the General Officer Commanding-in-Chief the Command in August, 1935 ?

(b) If the answer to part (a) above be in the affirmative, will Government be pleased to place upon the table of this House the notification superseding the Committee and the authority under which it is issued ?

(c) Is it a fact that this Committee has been re-constituted ? If so, when ?

(d) How does the constitution of the New Committee differ from the old ?

(e) Is it a fact that in the new committee official majority has been provided ? If so, why ?

Mr. G. E. F. Tottenham : (a) No.

(b) Does not arise.

(c) Yes, by notification in the Gazette of India, Part II-A, dated the 21st December, 1935.

(d) The re-constituted committee consists of the Health Officer as Chairman, the Executive Engineer, one nominated member and two elected members. Before re-constitution it consisted of the Vice-President of the Board as Chairman, the Health Officer, the Executive Engineer and two elected members.

(e) Yes, because the General Officer Commanding-in-Chief the Command was not satisfied with the manner in which the committee was exercising its functions.

TAXES LEVIED BY THE DEHRA DUN CANTONMENT FROM THE INHABITANTS
OF CERTAIN VILLAGES.

583. *Mr. N. V. Gadgil : (a) Will Government be pleased to state whether it is a fact that in 1915 the villages of Garbi, Dakra and Nimboowala were added to the Cantonment of Dehra Dun, simply for purposes of sanitation ?

(b) Will Government be pleased to state whether it is a fact that almost all Cantonment taxes have since been levied upon the villagers inhabiting these villages ?

(c) Is it also a fact that directly no services are being rendered to the inhabitants of these villages by the Cantonment authority of Dehra Dun Cantonment ?

(d) If the answer to the above be in the affirmative, what steps do Government propose to take to save the villagers from the heavy burden of taxation ?

Mr. G. E. F. Tottenham : (a) Yes. The villages were included in the cantonment in 1913, and not in 1915, mainly on grounds of sanitation.

(b) All taxes are levied except water tax.

(c) No. All the usual municipal services such as lighting, conservancy, road maintenance, vaccination, anti-malarial measures, etc., are rendered in the villages in question.

In fact the expenditure on these areas exceeds the receipts, while the incidence of taxation is considerably lower than in the adjacent municipality.

(d) Does not arise.

Prof. N. G. Ranga : Is there any hospital established there for these villages ?

Mr. G. R. F. Tottenham : There is a hospital in the Cantonment, but I do not know exactly where it is situated in relation to these villages which are part of the Cantonment.

SHORT NOTICE QUESTIONS AND ANSWERS.

HARDSHIPS EXPERIENCED BY PILGRIMS AT RAJGIR FAIR ON ACCOUNT OF SUSPENSION OF THE BIHAR-BUKHTIARPUR LIGHT RAILWAY TRAIN SERVICE.

Babu Kailash Behari Lal : (a) Are Government aware that a large number of pilgrims are collected at Rajgir Fair which is going on at present ?

12 Noon.

(b) Are Government aware that on account of suspension of the Bihar-Bukhtiarapur Light Railway train service, passengers anxious to return to their destination at Patna and on Moghal Sarai lines walked on foot to Gaya under the impression that the Gaya-Patna train service was in order ?

(c) Are Government aware that these stranded passengers were compelled to travel to Patna via Kiul ?

(d) Are Government aware that these unfortunate passengers have been compelled to pay railway fare via Kiul, which comes to three times the ordinary railway fare to Patna from Gaya ?

(e) Are Government aware that many passengers on account of their inability to pay three times the fare via Kiul remained stranded for some days and were thereby exposed to greatest hardship ?

(f) Are Government prepared to instruct the Railway authorities concerned to charge such passengers fare by the shortest route as used to be done before, until regular train service is resumed on the Gaya-Patna and Gaya-Moghul Sarai lines ?

The Honourable Sir Muhammad Zafrullah Khan : (a), (b) and (e). The Manager, Bukhtiarapur-Bihar Light Railway, telegraphed to the East Indian Railway on the 19th instant that all pilgrims were cleared by the 17th mostly by rail to Bihar and thence by road to Nawadah and that only circus parties and sellers with their merchandise for the fair were still at Rajgir. The East Indian Railway Administration had no information whatever of pilgrims from Rajgir Fair walking into Gaya nor was any representation made to the Railway by the civil authorities for special measures to be adopted. The Collector of Patna stated on the 18th instant that, from information received from the Sub-Divisional Officer at Rajgir, he understood that the majority of pilgrims had returned on foot to

Bukhtiarpur and only about a thousand people were left in the Rajgir area. The Railway's Divisional Superintendent at Dinapore has verified that approximately 3,000 pilgrims came in by foot to Bukhtiarpur station between the 15th and 17th instant. No pilgrims were booked from Nawadah and Wazirganj stations until the 18th when 126 booked for Mokameh Ghat and *via* from Nawadah and 45 to Gaya paying the ordinary fares.

(c) and (d). No.

(f) The Agent, East Indian Railway, states that in the belief that relief might be necessary, he authorised as an extreme distress measure the carriage of passengers *via* Kiul and Gaya at fares in force *via* Bukhtiarpur if necessity existed. But the Honourable Member will recognise that the Railway is under no obligation to book passengers by longer and circuitous routes when train services by the shortest route have been suspended owing to circumstances over which Railways have no control.

Mr. Ram Narayan Singh : If the people suffering now from this great calamity are not to be helped by either the railway authorities or Government, may I know what is the use of these institutions ?

The Honourable Sir Muhammad Zafrullah Khan : I am afraid the Honourable Member did not pay attention to the reply that I have read out. I said that the Agent, East Indian Railway, states that in the belief that relief might be necessary, he authorised as an extreme distress measure the carriage of passengers *via* Kiul and Gaya at fares in force *via* Bukhtiarpur if necessity existed.

Mr. Ram Narayan Singh : What does the Honourable Member mean by saying that the railway is under no obligation to allow people to travel by longer routes on smaller payment ?

The Honourable Sir Muhammad Zafrullah Khan : What I meant was that there was no obligation upon the railway by Statute or otherwise to provide services at the same fares as are applicable by the shortest route in case the shortest route service were out of order.

Mr. Mohan Lal Saksena : But is not there a moral obligation all the same ?

Babu Kailash Behari Lal : May I know if the railway authorities have got any permanent circular to the effect that in such circumstances passenger fares should be charged by the shortest route ?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir. I conceive the position to be this. If passengers have already booked from one station to another and there is a suspension or discontinuance of the services by the shortest route, the railway would be bound to carry these passengers by whatever route is available without charging them any extra fares. But I am unable to undertake that whenever the shortest route service is out of order for some reason or other and after it has been notified that booking on that section has been suspended, passengers between two points must be carried at what would have been the fares by the shortest route had the services by the shortest route been in operation.

Babu Kailash Behari Lal : May I ask whether by the accumulation of so many passengers at Gaya, the station authorities could not deduce that they must be stranded pilgrims ?

The Honourable Sir Muhammad Zafrullah Khan : What the officer on duty at a particular station should or should not deduce from the circumstances, I am unable to say.

SELECTION OF THE ORISSA CAPITAL SITE.

Pandit Nilakantha Das : (a) Is the news published in the *Amrita Bazar Patrika* from its correspondent on the 17th September, 1936, (page 3) to the effect that the Orissa Capital Site Selection Committee has recommended in favour of Cuttack, correct ?

(b) Is the decision of Government the same, and is it final ?

(c) If so, will Government please make a statement on the subject so that the anxiety in the matter may be allayed permanently ?

The Honourable Sir Nripendra Sircar : The report of the Orissa Capital Site Selection Committee will be published on the 24th September. No decision on the question of the selection of a site for the capital of Orissa will be taken until the report has been considered by the Local Government and discussed by the Orissa Advisory Council.

Pandit Nilakantha Das : Are Government aware of the strong feeling on this matter of removing the capital from Cuttack ?

The Honourable Sir Nripendra Sircar : I am aware of feelings running both ways.

Pandit Nilakantha Das : Have they got any representation from the popular side for the removal of the capital from Cuttack ?

The Honourable Sir Nripendra Sircar : They all claim to be popular sides.

Pandit Nilakantha Das : Except from Government people was there any other demand for removing the capital from Cuttack ?

The Honourable Sir Nripendra Sircar : That I cannot say without notice, but my impression is, yes.

Pandit Nilakantha Das : If I give the information to my Honourable friend the answer would be no.

Mr. President : Order, order.

THE INDIAN COMPANIES (AMENDMENT) BILL—*contd.*

Mr. President (The Honourable Sir Abdur Rahim) : The House will now resume consideration of the Bill further to amend the Indian Companies Act, 1913, for certain purposes, as reported by the Select Committee.

Mr. S. Satyamurti (Madras City : Non-Muhammadian Urban) : Sir, with regard to section 86-B, in clause 40, consideration of this was postponed, as Government said they might, after consultation, propose an agreed formula. May I know if any arrangement has been arrived at, with regard to the proviso to section 86-B ?

The Honourable Sir Nripendra Sircar (Law Member) : Sir, I am not in a position to say that an agreement has been arrived at. My information is that the parties are very near. I cannot say that there is an agreement, but I am hoping that as they are so near, if the matter is put up now, probably something will be decided.

Mr. S. Satyamurti : Sir, I move :

“ That in clause 40 of the Bill, the proviso to the proposed section 86B be omitted.”

I think Honourable Members are aware that, when we took up this matter, we came across two or three points of view. One extreme view represents the proviso as it stands, which means practically depriving the shareholders of the right to have A, B and C as directors, and compelling them, for an indefinite period of time and under ill-defined conditions, to have A, B, and C's nominees as directors. I am sure the House will agree that the election of a director is an election on account of his personal qualifications. It is not a job which can go to the man's transferee. A is elected, because the shareholders believe he is competent, by character and by ability to represent them on the board. Therefore, it was apparent to us that the proviso as it stood gave an unlimited power, which we could not approve of. On the other hand, there was the other view that it may be impossible for a board to carry on, if even for the short time when a director has got to go out of the district or out of the place, you have got to have a fresh election. I can quite realise the difficulty of having a series of by-elections for short absences, where the director may have to go away for a short time, and where you want to provide for an interim vacancy. I do not remember the exact words—perhaps the Honourable the Law Member will be able to correct me if I am wrong—but I believe in the English Act the provision is, if a director is absent abroad, that is to say, away from the country, for a period of six months, he can nominate a nominee in his place : whereas here temporary absence may mean, as my Leader said more than once in private conversation, that a man may walk into the next room for tea and it will be a “ temporary absence ” : neither the period of absence nor the limits beyond which he must be absent are provided. I saw a draft sometime back which suggested that it should be absence from the district where the headquarters of the company were and it should be for a minimum period. I am perfectly willing that we should evolve some kind of formula which will avoid on the one hand the perpetual phenomenon of appointing alternate or substitute directors, and on the other hand avoid the continuous happening of by-elections. If it is not possible to arrive at such a formula, I suggest that the proviso should go : there is no need for this proviso, and the board can carry on, in spite of the absence of one or two directors, so long as there is a quorum ; there is no need for this wide proviso, which may mean almost anything.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

“ That in clause 40 of the Bill, the proviso to the proposed section 86B be omitted.”

Mr. G. E. J. Robertson (Burma : European) : Sir, I oppose this amendment. At the same time, I would like to start off by saying that we accept Mr. Satyamurti's suggestion that the proviso as it stands at present should be amended in such a way as to provide against abuses of

the intention of the proviso. We have had one or two days in which to try and arrive at some formula which would appeal to all shades of opinion in the House. My Group has therefore tabled amendments which it is hoped will meet the objections raised by Mr. Satyamurti and which I may say we regard as not unreasonable. There is no doubt that the intention of the proviso is perfectly reasonable, but we accept the contention.....

Mr. President (The Honourable Sir Abdur Rahim) : Does the Honourable Member want to move that amendment now ?

Mr. G. E. J. Robertson : At the present moment, I am opposing Mr. Satyamurti's amendment : may I move the first amendment on supplementary list No. 2 to the Revised Final List ? Sir, I move :

“ That in clause 40 of the Bill, in the proviso to the proposed section 86B, for the words ‘ during a temporary absence ’ the words ‘ during an absence of not less than fourteen days from the district in which meetings of the directors are ordinarily held ’ be substituted.”

I wish to make the attitude of the group which I represent quite clear on this subject. I feel that the intention of the proviso as it stands is perfectly straightforward, but that it is possible that that intention may be abused and we are not at all opposed to trying to arrive at some formula which will meet all shades of opinion in the House. The two points which stand out and call for some amendment are the period of absence and the extent of absence. In the first place the word ‘ temporary ’ is very vague and I can quite well understand the objections that are taken to it. We have suggested that in place of the words “ temporary absence ” the words “ absence of not less than 14 days ” be substituted. This would avoid the possibility of a director finding it convenient not to attend a particular meeting by absenting himself for a day in order to avoid the meeting and putting in an alternate who did not represent the shareholders in the first instance. We have adopted a period of fourteen days as a maximum because we feel that any longer period than that would seriously interfere with the ordinary conduct of business. To take an example, you may have a managing agent firm managing several companies. The firm may have three or four partners and these partners may be distributed as directors one each on the board of the various companies managed. If the managing agent director of a certain company is called away on urgent business in connection with a company, it is not unreasonable to allow him, provided his absence is for a period of not less than fourteen days, to appoint an alternate in his place to attend board meetings during his absence. The second point which I think it is generally felt is not clearly enough defined in the proviso is the question of geographical absence, and here again my group are of the opinion that we must provide for an absence of some degree geographically. The mere fact that a director intends to travel a few miles from the registered office of the company should not enable him to appoint an alternate director in his place to attend a particular meeting. We have chosen the word ‘ district ’ which, I think, should meet all objections. Mr. Satyamurti remarked just now that in the English Act the word used was ‘ abroad ’, but I think that in India, which is a vast continent in itself, we have to make provision for absence from say Calcutta to Bombay, or at any rate absence out of the district. Now, I think it was contemplated at one time that the words “ town in which the registered office is situate ” might be used. My group have considered that point, and we know that in certain cases board meetings are not necessarily held

[Mr. G. E. J. Robertson.]

at the registered office of the company. They may be held in an entirely different place, and therefore we have suggested the words 'from the district in which meetings of the directors are ordinarily held' and I think every one will agree, that it is a reasonable phrase. Now, Sir, the full effect of the amendment that we suggest in this proviso is not contained in the amendment which I am at present moving. There is another amendment in the name of the group which I represent which will go further to place limitations on the power of a director to appoint an alternate, and I hope that when considering this amendment, the House will realise that we are prepared to go further and lay down that as soon as the original director returns to the place where meetings are held ordinarily, the alternate will *ipso facto* vacate office. This amendment has been put forward in an honest attempt to meet all possible objections to the proviso as it stands at present, and I hope the House will accept it. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : There is another amendment on the same point, is it not ?

Mr. G. E. J. Robertson : Yes, Sir.

Mr. President (The Honourable Sir Abdur Rahim) : Then I take it he is moving No. 1 ?

Mr. G. E. J. Robertson : Yes, No. 1.

Mr. President (The Honourable Sir Abdur Rahim) : Does not the Honourable Member want to move the other ?

Mr. G. E. J. Robertson : Yes.

Mr. President (The Honourable Sir Abdur Rahim) : There are two amendments in the name of the Group which the Honourable Member represents, and they are expected to make up their mind as to which one they want to move.

Sir Leslie Hudson (Bombay : European) : Sir, the amendment in full was sent in as one piece, and it was divided up in the office. Actually No. 2 is a part of No. 1.

Mr. President (The Honourable Sir Abdur Rahim) : In that case that will only come in if this is carried. Amendment moved :

“ That in clause 40 of the Bill, in the proviso to the proposed section 86B, for the words ‘ during a temporary absence ’ the words ‘ during an absence of not less than fourteen days from the district in which meetings of the directors are ordinarily held ’ be substituted.”

The Honourable Sir Nripendra Sircar : Sir, with reference to the amendment which has been moved, I regret to say that I cannot consider that this minimum of 14 days is reasonable, whatever the difficulties may be. Because four partners choose to go to four parts of India, the fact remains that unless a reasonable restriction is put, we may be landed with a situation that whereas A, B and C have been elected, practically the whole work will be done by D, E and F. They have got to go out for 14 days. I don't say they will go out designedly, but it is a very big jump from the English provision which applies only to directors going abroad to this provision which lays down the minimum of 14 days. I would be quite prepared to consider it for support if instead of 14 days they had suggested something reasonable like at least three months, but

I do consider that 14 days is extremely unreasonable, and the whole object of electing directors may be avoided if the provision is left in this form.....

Mr. President (The Honourable Sir Abdur Rahim) : Both the amendments are under consideration.

The Honourable Sir Nripendra Sircar : Yes, Sir. My position is this. I would accept Mr. Robertson's amendment if he could see his way to increase the time to some reasonable period like three months. If it stands in this form with only 14 days, then I am afraid I shall have to oppose it.

Mr. T. Chapman-Mortimer (Bengal : European) : Sir, if this proposal to substitute three months for 14 days is accepted by this House, then the proviso is really of no use at all, and companies will not in effect be able to nominate alternate or substitute directors. If I may, I should just like to quote from the case in our own concern, because that may help Honourable Members to understand what we mean. In every managing agency-house of any size, they have one member of the firm on the Board. He acts as Chairman of the company. In addition to that, they have a number of outside directors. Now, Sir, take, for instance, our colliery companies. The partner in charge of these colliery companies bears the full responsibility in consultation with his partners for the management of these colliery concerns. Now, if he is called off to the collieries for any reason, it may very easily happen that one of the other partners of the firm must take the chair at these meetings, otherwise the meetings will not be held at all. Honourable Members will probably remember the sad events at Loyabad nine months ago as a case in point, and, in that case, not merely one, but more than one of our partners had to leave Calcutta. If we had not been able to nominate another director as an alternate or substitute, it means that during all the time these directors were out of Calcutta examining and dealing with the affairs of the company in order to come to a wise decision in consultation with Government experts and our own management on the spot then, Sir, the ordinary business of the company to be transacted at a Board meeting could not take place at all, because, if the suggested proposal is carried by the House, we should not be able to nominate an alternate director. The whole point of providing alternate directors is to enable one man to act for another during that man's enforced absence from the place where the directors' meetings take place. I would urge upon Honourable Members the point I have just tried to make and ask them to believe that we entirely agree with the point of view put forward by my friend, Mr. Satyamurti. We do not want to see this power abused by dishonest persons, and he himself has tabled an amendment with regard to the length of time during which an alternate director can act. I think, Sir, if that amendment also were embodied, the final result arrived at would be satisfactory to all parties. People have a certain apprehension that all directors are dishonest, and there is a danger of passing legislation in this House which will make business absolutely impossible. On the one hand, you say the managing agents can appoint one director, and then you say if that director is away for any reason from the place in which his business is transacted, they cannot appoint any one to carry on the business. I would urge upon Honourable Members to accept our amendment, and I hope that the Honourable the Law Member will withdraw his opposition to what we have proposed.

Sir Cowasji Jehangir (Bombay City : Non-Muhammadan Urban) : Have you got that power to appoint alternate directors ?

Mr. T. Chapman-Mortimer : Yes, Sir.

Mr. Bhulabhai J. Desai (Bombay Northern Division : Non-Muhammadan Rural) : Sir, this is a matter of very serious consequence which evidently the House will not perceive unless the matter is more fully analysed. Under the company law, in any country in the world, where a director is nominated or elected, it is on the credit of his knowledge, skill, integrity and experience that the man is selected ; it is on his credit, integrity and experience that a great deal of the business of the company depends. Clause 86B, therefore, is a clause to which no exception can be taken, namely, that such an office of trust shall not be assigned and enacts no more and no less than that the office of a trustee cannot be assigned. Yet the proviso is intended to practically destroy the very section itself, and whatever my friends may feel, one thing is quite certain that no law can be made to meet merely hard cases of particular firms or companies. The law is no respecter of people who have too many businesses. It is then up to them to select which of the particular individual members of their firm is to be put up for selection or nomination who is able to attend to that particular business. In other words, as the Honourable the Leader of the House pointed out, the matter really rests in this that whereas A, B, C may be the ostensible directors of the company, D, E, F, are deputising for them, that is, you may put forward a popular man for election so that he can be elected, and having got that, you put forward another thoroughly incompetent man to act for him,—He may be a partner, but it is no consolation to the electors. That does not affect the issue. The true issue is this ; the matter is put forward as if an alternate directorship is a right. It is not appreciated that an alternate directorship is a very exceptional convenience in very rare cases. It must not therefore be imagined that because A is elected, therefore he has the power to delegate it to B, only with some supposed restrictions upon it. Therefore, to say that the man will vacate office when the original director comes is a matter of very futile value ; it is a sop that has no value. When the principal is there his agent cannot act. Therefore, the real question is this, is the company going to have the benefit of the services of a man or woman who may be elected or nominated as their director and on whose ostensible credit the business is being carried on, or that by a side wind you are going to destroy and make an office assignable which is unassignable at law and must remain unassignable at law ? In England therefore the only exception that was laid down was that alternate directorship is not a necessary part of any law, in fact, it would not be a necessary part of any law. It was only a concession to some exceptional cases of real difficulty, and that exceptional case cannot be made into a general rule by providing that if A or B is absent for fourteen days anybody can deputise for him and such a course cannot be held justified whatever may be the inconvenience to a particular class of people. The real point before the House is, are you going to destroy the unassignability of the directorship, or are you going to make a reasonable concession, which is only possible if you make at all events an absence of not less than three months a condition of the acting by means of an alternate director ?

Mr. Susil Chandra Sen (Government of India : Nominated Official) : Sir, I think there is some amount of misapprehension as regards the exact

nature of the amendment which is sought. In case referred to in the proviso to clause 86B, it is the right of an individual director to appoint a substitute or an alternate director, that has been dealt with. But it is an absolute fallacy to say that business will be at standstill unless this provision is amended in the manner asked for. If you will refer to the existing section 83 of the Act you will find, Sir, that in default of and subject to any regulation any casual vacancy occurring among the directors may be filled up by the directors. Take the case where one director is by reason of any circumstance forced to go away. It is the easiest thing for him to submit his resignation, and for the remaining directors to treat it as a casual vacancy and fill it up and go on with the business as usual. The only difference is that in the case where you appoint an alternate or substitute director, the director going out exercises his individual right and appoints the man. In the other case the director going out leaves the filling up of the gap not to himself but to the other members of the board. Therefore, so long as the last remedy is open, there cannot be any practical difficulty in the event of a director going out even for a temporary period. He can go out, the board will treat it as a casual vacancy and appoint a man to fill up the casual vacancy. On his return the man who was acting for him will resign and he will be taken in.

Mr. Husenbhai Abdullabhai Laljee (Bombay Central Division : Muhammadan Rural) : Just as the Government Members come in and go out.

Mr. Susil Chandra Sen : I do not know of Government Members appointing their substitutes, but I do know of casual vacancies being filled up by the Board, and business going on as usual. Therefore, from the practical point of view there is no difficulty, but as the Honourable the Leader of the House indicated, we were even prepared to give an individual director his right to appoint an alternate or substitute director provided there were reasonable safeguards. But for some reasons which I have not been quite able to appreciate, the suggestion as to the limit of time has not been accepted. I think we on this side shall therefore have to oppose the amendment and accept what has been suggested by Mr. Satyamurti.

Mr. F. E. James (Madras : European) : Before you put the amendment, I wish to submit to you that this side is willing to accept three months in lieu of fourteen days. It is not altogether satisfactory because it will lead to a great deal of difficulty particularly in the firms of which my Honourable friend, Mr. Chapman-Mortimer, has spoken. But rather than be faced with possibly a worse alternative, we are prepared to accept the figure of three months if the House will agree to that being incorporated in the amendment.

The Honourable Sir Nripendra Sircar : I might say that we have no objection to accept three months.

Mr. President (The Honourable Sir Abdur Rahim) : I will put the amendment to the House after substituting three months for fourteen days. The question is :

“ That in clause 40 of the Bill, in the proviso to the proposed section 86B, for the words ‘ during a temporary absence ’ the words ‘ during an absence of not less than three months from the district in which meetings of the directors are ordinarily held ’ be substituted.”

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : **Mr. Satyamurti's** amendment falls.

Mr. G. E. J. Robertson : Sir, I move :

" That in clause 40 of the Bill, to the proposed section 86B, the following further proviso be added :

' Provided always that any such alternate or substitute director shall *ipso facto* vacate office if and when the appointor returns to the district in which meetings of the directors are ordinarily held '."

I will not waste the time of the House because this follows the amendment which has just been accepted by the House. Furthermore, the Leader of the Opposition has described it as a useless sop. However, I do not think the House will have any objection to accepting it as a consequential amendment to the one which has just been carried. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

" That in clause 40 of the Bill, to the proposed section 86B, the following further proviso be added :

' Provided always that any such alternate or substitute director shall *ipso facto* vacate office if and when the appointor returns to the district in which meetings of the directors are ordinarily held '."

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment No. 3 in the Revised Final List in the name of Mr. Satyamurti falls. No. 4 in the Revised Final List.

Mr. S. Satyamurti : This refers to the power of managing agents to appoint themselves. My recollection is, you were pleased to rule that it must come in, when clause 42 is under consideration.

Mr. President (The Honourable Sir Abdur Rahim) : Very well.

Mr. L. C. Buss (Nominated Non-Official) : Sir, I move :

" That in clause 40 of the Bill, after the proviso to the proposed section 86E, the following *Explanation* be added :

' *Explanation*.—For the purposes of this section the office of managing agent shall not be deemed to be an office of profit under the Company '."

I may remind the House that when an amendment touching the same point was moved last week, that is to say, No. 4 in the Revised Final List, it was not acceptable owing to the reference to 83B (2). The revision of this section had made the amendment inapplicable. The present amendment is moved in its place and its object is the same as No. 4 of the main list. As clause 86E is worded, there is serious doubt whether a managing agent or a partner in a managing agency firm would not be debarred from being a director of the company on the score that he holds an office of profit. The only intention of the amendment is to secure that clause 86E shall not deprive a managing agent of any rights which he may otherwise have to become a director. I do not think I need say any more on this straightforward point. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

“ That in clause 40 of the Bill, after the proviso to the proposed section 86E, the following *Explanation* be added :

Explanation.—For the purposes of this section the office of managing agent shall not be deemed to be an office of profit under the Company.”

Mr. S. Satyamurti : On a point of order. This is the reverse of No. 4 in the main printed list. You will notice that No. 4 says : Nothing herein contained shall affect the right of a Managing Agent to appoint himself a director and this amendment says :

“ For the purposes of this section, the office of managing agent shall not be deemed to be an office of profit under the Company.”

Therefore, a director can be a managing agent. The whole question depends upon the decision of the House at the proper time, as to what are the rights and liabilities of the managing agents. I have given notice of certain amendments to clause 42, under which managing agents cannot appoint themselves as directors. It is for the House to decide at the proper time.

Mr. F. E. James : Mr. Satyamurti is under some misapprehension. This amendment of ours confers no rights on the managing agent. Section 86E says that no director shall without the consent of the company in general meeting hold any office of profit under the company except that of a managing director or manager or a legal or technical adviser or a banker. Under the Act as it stands, the managing agent has the right to appoint a director to the Board. But unless there is an explanation pointing out that the managing agent is not an office of profit under the company, this right of the managing agents will be taken away by the section. We are not conferring any rights. We are merely seeking to preserve what rights already exist under this Act.

Mr. Bhulabhai J. Desai : The more material point is this. Unless there is anything in the articles to the contrary, a managing agent could be appointed by a Board of Directors and the safeguard under this section is this—that no director shall without the consent of the company in general meeting hold any office of profit, etc. and unless we get to the section relating to the managing agents and as to how they are to be appointed, it would be dangerous now to enact that it is not a place of profit. You land yourself into a difficulty should this proviso be allowed here and there is no provision in the managing agency part of the section dealing with his appointment either being made by the company or approved by the company. I therefore suggest that when the section relating to managing agents, clause 42, comes up, this matter might then be considered, because it cannot be denied that as a matter of ordinary construction of law, it is a place of profit. It in fact is an office carrying the largest profit. It would be dangerous to lay down that it shall not be deemed to be a place of profit for the purposes of this particular section without realising all its implications until the section dealing with managing agent is dealt with. I suggest that this matter might be more appropriately dealt with when we reach the clause relating to the managing agents. It is intended to be an artificial definition that a place of profit is not a place of profit. That surely is the proviso. (*Voices* : “ No, no ” from the Benches in the European Group.) Undoubtedly, yes, it is, because the managing agent’s office is an office of profit, and therefore the proviso is that a place of profit is not a place of profit for the purposes of this section. If you are going to deal with it, it is very important to remember that all the safeguards

[Mr. Bhulabhai J. Desai.]

for the appointment of managing agents are known before you accede to this request.

Mr. President (The Honourable Sir Abdur Rahim) : Why can't you deal with it, here.....

Mr. Bhulabhai J. Desai : The answer is—which is the more appropriate place ?

Mr. President (The Honourable Sir Abdur Rahim) : Because there are so many sections dealing with connected questions....

Mr. Bhulabhai J. Desai : The connection is remote, I submit ; you may call it relevant under what is section 11 of the Evidence Act, but, Sir, I hope you would not apply that sort of test. I may assure my Honourable friends that I have no desire to prevent the consideration of this matter when the matter of the managing agency is being considered. I merely put it to them that that would be a more appropriate and more convenient place.

Mr. President (The Honourable Sir Abdur Rahim) : What does the Honourable the Leader of the House say ?

The Honourable Sir Nripendra Sircar : So far as we are concerned, Sir, it is immaterial to us whether the matter is discussed now or later. I cannot say that technically it can be argued that this amendment is not in order at this stage. The question of convenience is a matter entirely for the Chair.....

Mr. President (The Honourable Sir Abdur Rahim) : Well, I do not know, it is really for the House. As the Honourable Member in charge of the Bill, perhaps he will indicate his attitude.

The Honourable Sir Nripendra Sircar : As Member in charge of the Bill, I have no objection to the matter being discussed now. I do not see that any very great difficulty arises now.

Mr. President (The Honourable Sir Abdur Rahim) : The discussion will go on.

Sir Cowasji Jehangir : Sir, I have not been able to follow this discussion, because the matter seems to me to be fairly simple. If you will read section 86E—I am speaking now in favour of the amendment—it provides that a director shall not hold an office of profit. It then goes on to make certain exceptions. It says that the office of a managing director or a manager or a legal or technical adviser or a banker should not be considered to be an office of profit. Now according to my humble opinion a managing agent ought to have been added to all those exceptions. It was not. It was, I frankly admit, a slip on the part of the Select Committee. The managing agent should have been the very first to have been made an exception. There may be only one member of the firm of managing agents or there may be an individual who is an agent. It cannot be denied that he will have to be a director. Surely, it was not intended that if there is an individual as a managing agent it is necessary for him to go to the shareholders to enable him to become a director under this clause. The exception ought to be the very first one to be mentioned and it was omitted. Therefore I consider that not only is this the proper place to

make good the deficiency of the Select Committee, but it is an absolute necessity. I would certainly have added the words "managing agent" in clause 86E itself and have had an end of the matter. I would have said :

"No director shall without the consent of the company in general meeting hold any office of profit under the company except that of a managing agent, managing director or manager or a legal or technical adviser or a banker."

That would have been the proper way of drafting this, leaving out this second explanation ; but since it has been moved in this way, I support the amendment and I trust the House will accept it.

Mr. S. Satyamurti : I bow to your ruling, Sir, that this may be taken now, but may I point out....

Mr. President (The Honourable Sir Abdur Rahim) : I am sorry I cannot allow the Honourable Member to go into that.

Mr. S. Satyamurti : I am merely pointing out, Sir, to the Honourable the Leader of the House that, if he will kindly read these two proposed sections 86E and sub-clause (e) of section 87B, he will see how we shall be landing ourselves in a difficult position. I agree with the Deputy Leader of the Independent Party that, if those who sponsored the amendment really want to achieve what they think they are going to achieve now, the proper place would have been to move for the insertion of the "managing agents" in the first paragraph of section 86E. Having dropped that, they now seek to achieve their object, if I may respectfully say so, in a very clumsy manner. Sir, I would ask you to note these words :

"No director shall without the consent of the company in general meeting hold any office of profit."

Therefore, that section prohibits the holding by directors of any office of profit without the consent of the company in general meeting. What is the proviso ? The proviso says that for the purposes of this section the office of managing agent shall not be deemed to be an office of profit under the company. It means this : therefore, a director can, without the consent of the company in general meeting, hold an office of managing agent. Does it, or does it not, come to that ? If this proviso means anything at all, it means that—not that the managing agency is not an office of profit alone. It therefore seeks to enact that a director can hold an office of managing agent, without the consent of the company in general meeting. If Honourable Members will kindly look at sub-clause (e) of 87B in proposed clause 42, they will see it reads like this :

"the appointment of a managing agent, the removal of a managing agent and any variation of a managing agent's contract of management made after the commencement of the Indian Companies (Amendment) Act, 1936 shall not be valid unless approved by the company by a resolution at a general meeting of the company."

Now, let my Honourable friend kindly read these two sections together, and tell me how he proposes to reconcile the one with the other. We are now asked to vote for this proviso which will certainly mean, as I read it :

"For the purposes of this section it does not confine itself to any particular function of an office of profit". The words are comprehensive, "for the purposes of this section". It, therefore, seeks to rule out

[Mr. S. Satyamurti.]

the necessity for approval of the company in general meeting. My point is clear, that is to say, that we are now asked to vote for the proviso which is inconsistent with the possible decision of the House on sub-clause (e) of clause 87B. I, therefore, think that, whatever the object of the sponsors of the amendment may be, they will be consulting their own interest, if they will wait till we reach sub-clause (e) of clause 87B, and then move some amendment. At present, it seems to me that the House will be stultifying itself, if it votes for this amendment. I therefore oppose this.

The Honourable Sir Nripendra Sircar : Sir, I regret I do not agree with the arguments of my Honourable friend, Mr. Satyamurti. 87B (e), if Honourable Members will turn to it, deals with the appointment of a managing agent, the removal of a managing agent and any variation of a managing agent's contract of management. 86E is not dealing with the appointment or the termination of the terms of a managing agent. 86E deals with directors. It lays down that a director cannot hold an office of profit except for the three things mentioned there—a legal or technical adviser or a banker. The object of the amendment which has been just now moved is really, as has been pointed out, to add item No. 4 to the three which are already there. On the main section, therefore, whatever the merits, and on that I shall not have much to say ; but I do not agree that if we now decide that a director may hold the office of a managing agent, that does in any way stultify us by reason of 87B (e). Then, as regards the word "deemed", surely that word "deemed" is used, as will appear from any judicial dictionary, only where it does not represent the true state of facts. It is not necessary to say that a man should be deemed to be a man but if for the purpose of any law a woman should be deemed to be a man, then the word 'deemed' is used. On the merits, surely we have always contemplated that the managing agent will be allowed to nominate his directors on the Board. That being so, we are bound to support this amendment.

Mr. Bhulabhai J. Desai : May I interpret the possible construction which I may ask the Leader of the House to bear in mind. The practical substantial effect of this amendment would be that section 86E would run this way : "That a director may be appointed a managing agent without the consent of the company." Would it not then be read as an exception to section 87B (e) in this way ? I will read it again :

"The appointment of a managing agent.....shall not be valid unless approved by the company by a resolution at a general meeting of the company provided that he is not a director."

That is how it will read and I do not want even the likelihood of a conflict of legal opinion. I do appeal to my Honourable friends and to the Leader of the House to consider this point because it is possible to read the section in this way. Having passed section 86E in the terms in which it is stated that a director may be a managing agent without the consent of the company in a general meeting, if you read that along with section 87B (e), the result will be that "the appointment of a managing agent, etc., shall not be valid unless approved by the company, etc., except in the case of a director." This is due to the fact that you have already passed the proviso that a director, in order to be a managing agent, would not

require the consent of the company in a general meeting. I do not say that it is the right construction but it is a possible construction. In fact, there is a very grave danger of such a construction prevailing and I do appeal to the Honourable the Leader of the House to let it stand over until we come to clause (e) of section 87B and I make the same appeal to my Honourable friend who moved this amendment.

Sir Cowasji Jehangir : May I be allowed, Sir, to interrupt for one minute? The whole difficulty will be solved if you will allow another amendment whereby the words 'managing agent' should be inserted in section 86E after the words 'managing director'. To that my Honourable friends may have no objection and that will meet the point. Because that was not done in the first instance, all this difficulty has arisen. If the Honourable the Leader of the House will agree and if other Honourable Members will also agree to it, it will solve the whole problem.

Mr. Bhulabhai J. Desai : No, it will not solve the problem. I entirely accept the view that whether the word is added in the first part of the section or whether an explanation is added, the substantial result is the same. On that there is no difference of opinion so far as my understanding goes. But the point that I wish to submit is that a director, if you omit all the immaterial words for the purpose of this section, may be a managing agent without the consent of the company in a general meeting. That is how it will read.

Sir Cowasji Jehangir : No.

Mr. Bhulabhai J. Desai : Read it again if you like. Put it in the affirmative and it will then read this way :

"A director may be a managing agent without the consent of the company in a general meeting notwithstanding the fact that it is a place of profit."

That is its true import. Now, that being the true import, would you please go forward to page 19 and read sub-clause (e) of section 87B, which will read this way :

"The appointment of a managing agent—again omitting all the immaterial words—shall not be valid unless approved by the company except where a director is appointed a managing agent."

In that you have already passed section 86E which says that a director may be a managing agent without the consent of the company in a general meeting. At all events, it is not a matter that can be decided by merely denying it. The fact remains that if this is pressed now, you are unnecessarily forcing the hands of the House to vote against a matter which may be easily dealt with when we come to sub-clause (e) of section 87B.

Mr. President (The Honourable Sir Abdur Rabim) : It may or may not entail some amendment to sub-clause (e) of section 87B.

The question is :

"That in clause 40 of the Bill, after the proviso to the proposed section 86E, the following Explanation be added:

'Explanation.—For the purposes of this section the office of managing agent shall not be deemed to be an office of profit under the Company.'

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : I take it that Amendment No. 4 in the printed Final List goes and amendment No. 5 has already been moved.

Pandit Govind Ballabh Pant (Rohilkund and Kumaon Divisions Non-Muhammadan Rural) : Sir, I beg to move :

“ That in clause 40 of the Bill, after the proposed section 86E, the following new section be inserted :

‘ 86EE. No director shall, except with the sanction of the company in general meeting, be directly or indirectly concerned or interested in any contract or arrangement entered into, by or on behalf of the company of which he is a director, provided that nothing herein contained shall affect any contracts or arrangements entered into before the commencement of the Indian Companies (Amendment) Act, 1936 .’ ”

Mr. President (The Honourable Sir Abdur Rahim) : The House now stands adjourned for Lunch till Half Past Two.

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

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. Deputy President (Mr. Akhil Chandra Datta) in the Chair.

Pandit Govind Ballabh Pant : Sir, before we dispersed for Lunch, I had just moved amendment No. 6 standing in my name on this revised final list. This amendment in substance lays down that no contract concerning a company of which a person is a director shall be entered into except with the sanction of the company in general meeting, if any director is interested in it. As Honourable Members are aware, an amendment on this subject has already been moved by my Honourable friend on my left which goes much further than my amendment. He wants all such contracts to be prohibited altogether. I do not go as far as that. In fact, the amendment that I am moving is no more than a corollary of 86E of the present Bill. The Bill lays down that no director shall without the consent of the company in general meeting hold any office of profit under the company except that of a managing director, and so on. The general principle embodied in this clause is very plain, and it has been put down in an unequivocal and unambiguous manner that no director shall be allowed to hold any office of profit without the consent of the company in general meeting. Sir, the phrase “ office of profit ” is not free from vagueness. In fact at a stage in the course of our discussions at another place some people seemed to be of the view that an amendment of the type I have moved is not necessary as this clause would cover all such contracts and arrangements. But I do not want to leave things in a nebulous state. It is with a view to clarify the position that I have moved this amendment. Sir, there is hardly any reason for resisting this amendment when the provision of 86E has been accepted by Government and the Select Committee. What is after all an office of profit as distinguished from a contract or arrangement ? Instead of a frequency of contracts you have a continuity of business in consequence of one contract. There is no difference in substance between an office of profit and contracts or arrangements that may be entered into piece-meal. In the one case it may cover a certain definite period, in the other case it may not. But a

contract may also relate to a similar period without being a contract affecting an office of profit. So I submit that there is logically no reason whatever for resisting my amendment.

Sir, the language of my amendment, I have been told, is somewhat drastic but I do not see that myself. It only lays emphasis on the main object and the vital part of the principle embodied in this clause, but in substance it means no more than what I indicated at the outset. Whether you omit the words "directly or indirectly" or the words "or arrangements", the purport of the clause is not affected thereby, and I will have absolutely no objection if any suggestion is made for the omission of the words "directly or indirectly" or the words "or arrangements" from his amendment. I am not at all particular about that. In fact the language of this amendment might have been a bit different, but I thought that it would be safer to adopt the language of the existing Act than to invent a phrase in my own way. If Honourable Members will refer to Section 91A of the existing Act they will find that exactly similar language is used there. Section 91A which relates to post-mortem reports of contracts between the company and the directors runs as follows :

"Every director who is directly or indirectly concerned or interested in any contract or arrangement entered into by or on behalf of a company", etc.

I have used exactly the same expression from the same clause. So if the language contains anything that is redundant I am not responsible for that myself. I thought that those who framed the Indian Companies Act of 1913 would be better acquainted and more familiar with the language of a statute than I myself am. So I adopted the language of the existing Act. Sir, the reasons I think are almost obvious. A director above all holds a fiduciary position. He more or less occupies the same position as a trustee occupies with this difference that a trustee has generally to discharge his duties without being exposed to as many temptations as the director of a business concern ordinarily is. There are so many temptations in his way that it is necessary to protect him against himself and to safeguard his innate honesty. Sir, as Honourable Members are aware, there are provisions in local Acts concerning municipal boards, district boards and other similar bodies which prohibit any member of those boards taking part in any contract or any other office of profit concerning the affairs of such boards. In this case, as I have submitted, the temptation is still stronger, and there is much more reason why we should have a provision of this type. Then, Sir, in our country owing to the special nature of our industrial organisation the situation is made even more difficult and complicated because of the existence of the managing agency system. As Honourable Members are aware and as I pointed out the other day, a board of directors is mostly packed by the nominees of the managing agents themselves. If you were to leave things to directors and not take them to the general body of shareholders, then the directors would do no more than register the will of each other and of their common master, the managing agent. So it is necessary to provide a safeguard more effective than the mere sanction of the directors themselves. Then, as I pointed out the other day, it is necessary to introduce some provisions that would enable the boards to control the managing agents. The managing agents are in charge of the management, but they are not the owners of the concerns. For that it is necessary that you should have an independent body of people who could exercise control

[Pandit Govind Ballabh Pant.]

and supervise their activities. As you know, under Article 71 the management of the business of the company is vested in the board of directors. I think that the directors will not be able to exercise independence if they are allowed to carry on transactions with a company which is in charge of managing agents, for their own profit, at the sweet will and discretion of the managing agents. I want to protect the independence of the directors against the managing agents. I do not want to leave any opportunity for the managing agents by virtue of which they could oblige the directors. I do not want to leave the managing agent free to oblige the director by entering into a transaction with the director for the benefit of the director. After all, it is the moral prestige of a man which counts far more than anything else ; and the directors should be so far as possible above suspicion, like Caesar's wife. So, I suggest that there should be no direct relations between the directors and the managing agents. At the same time, I do not want to bar all these contracts between the company and the directors. I only suggest that these contracts should be entered into with the consent or sanction of the shareholders : and I may tell you why I am making this suggestion. I must frankly state that it is not with a view to keep avenues open for the advantage of the directors that I am making this suggestion. In fact, I feel that there may be occasions when in the interests of a company itself, it may be desirable that a company should enter into a contract or an arrangement with a particular director. It is with a view to enable the company to derive benefit through its co-operation with that particular director that I want to leave the company free to sanction an arrangement or contract with that particular director. Therefore my motive is not a personal one ; that is, it is not particularly with a view to enable a director to exploit the company that I am leaving the directors free to deal with the company with the sanction of the company. It is to provide for the cases when it may be in the interests of the company itself to enter into a contract with a director that I have left this door open for arrangements between the company and the directors with the consent of the shareholders. I do not want to go into things that are unpalatable. I have before me even just now—it was handed to me I think after the House adjourned for lunch and before we resumed discussions here after lunch—a pamphlet which is marked ' Private and confidential ', but which I think has been circulated here and of which copies have been given to the Members of this House headed " the necessity of independent directors on the board of directors of joint stock companies managed by managing agents ". I will not quote from this pamphlet, but I can say that there are many instances given in it by a person who seems to have himself been a victim of a series of sharp practices, of the heavy loss that he had been put to because of freedom of contract between the company and the directors, without any reference to or sanction of the shareholders. We are also aware of a number of other instances which are given in the opinions which have been supplied to us by the Government. I will not narrate them here, as it is not in any way pleasant to do so. I will only refer Honourable Members to what Mr. Sen has said in his report in this connection. He has said in one place :

" The position of a director vis-a-vis the company is more or less like that of a trustee and it is undesirable that any legal sanction should be given to directors for obtaining loans or advances from the companies of which they are the directors."

Further on, he says :

"I am of opinion that in a country like India . . . it is the duty of the legislature to prevent people in a fiduciary position from having monetary transactions with those to whom they stand in the position of a trustee more or less. To my mind transactions of this nature if allowed would create an undesirable conflict between duty and interest."

I submit that the proposal that I am making deserves acceptance and I would appeal to the Government to accept it.

In the end, I may remind Honourable Members of this House that the Federation of Indian Chambers of Commerce has recommended that managing agents—and I include directors in that—should not be allowed to have any transactions with the companies regarding sale or purchase of machinery, raw material, finished goods, etc. They want an absolute prohibition and bar. I am not going to that extent, so far as this particular amendment is concerned. I am leaving the companies free and the directors free to make such arrangements but only with the consent of the shareholders. I hope the House will see the reasonableness of my suggestion and adopt it unanimously.

Sir Cowasji Jehangir : Have you moved the latter part ?

Pandit Govind Ballabh Pant : No. I did not, because I thought that you would not agree to it.

Mr. Deputy President (Mr. Akhil Chandra Datta) : Amendment moved :

"That in clause 40 of the Bill, after the proposed section 86E, the following new section be inserted :

'86EE. No director shall, except with the sanction of the company in general meeting, be directly or indirectly concerned or interested in any contract or arrangement entered into, by or on behalf of the company of which he is a director, provided that nothing herein contained shall affect any contracts or arrangements entered into before the commencement of the Indian Companies (Amendment) Act, 1936.'

Mr. F. E. James : Before you ask Mr. Ayyangar to move his amendment, may I know whether amendment No. 5 is still before the House or whether it has been withdrawn ?

Some Honourable Members : All the amendments are moved together.

Mr. M. Ananthasayanam Ayyangar (Madras Ceded Districts and Chittoor : Non-Muhammadan Rural) : Sir, I move :

"That in clause 40 of the Bill, after the proposed section 86E, the following new section be inserted :

'86EE. Except with the consent of the company in general meeting, a Director of the company, or the firm of which he is a partner or any partner of such firm, or the private company of which he is a Member or Director, shall not enter into any contracts for the sale, purchase or supply of goods and materials with the company, provided that nothing herein contained shall affect any such contract or arrangement for such sale, purchase or supply entered into, before the commencement of the Indian Companies Amending Act, 1936.'

This is the third of the amendments relating to the right of a director to enter into a contract with the company. The first that was moved by my Honourable friend, Mr. Satyamurti, was to the effect that

[Mr. M. Ananthasayanam Ayyangar.]

all contracts entered into by a director with the company should be void, or in other words, that no contract shall be entered into by a director with the company. The second was that of my Honourable friend, Pandit Govind Ballabh Pant, to the effect that except with the sanction of the company no such contract shall be entered into, that is to say, instead of prohibiting all contracts and making them void, the consent of the general body of shareholders is made a condition precedent to entering into any such contract. But my amendment is much more favourable, or to use the words of my Honourable friend, Sir H. P. Mody, much more indulgent to the directors. It restricts the kinds of contracts for which the permission of the general body is necessary. I have improved upon the amendment of my Honourable friend, Pandit Govind Ballabh Pant, that is, instead of requiring the sanction of the general body for all contracts that may be entered into by the director with the company, I have restricted the need for sanction only to contracts relating to sale, purchase or supply of goods and materials.

An Honourable Member : What are left ?

Mr. M. Ananthasayanam Ayyangar : So many other things are left. The directors are in a peculiar relation to the company. The directors with respect to the outside world are the agents of the company in all its dealings with outsiders. They represent the company for all purposes, they are the custodians of the company's welfare. Ordinarily, in all dealings with others there may be no incentive to play fraud. Generally the question of dishonesty comes in or more than ordinary care is necessary when a person uses or when an agent uses for his own benefit the funds of the principal entrusted to him, therefore, the legislature has to intervene and put certain restrictions. The director here is not prevented from entering into any kind of contract for the supply, sale or purchase of goods and materials with third persons. It is his primary interest to safeguard the interests of the company, but if he wants to make such a contract with himself, if he substitutes himself for the third parties, where is the party or agency which can ordinarily scrutinise the benefit or the disadvantage to the company from such contracts ? It is not intended that it should be absolutely prohibited. There may be a number of directors who have specialised long before the new company was formed, long before their association with the new company, they may be persons who have been carrying on various kinds of business and it may be in the interests of the company of which they are directors to make a contract for sale or purchase with other companies which they are running for the manufacture of such goods. It may be in the best interests of the company, but in deciding the price, in deciding favourable terms they ought not to be judges in their own cause. Therefore, it is necessary that some kind of restriction ought to be placed. If you admit that that restriction is necessary, I would say that my amendment does not impose too much of restriction. It imposes the least amount of safeguard, if it is accepted that restriction is necessary with respect to transactions by the director in whose hands the entire management is entrusted. The transactions between the director on the one hand and the company on the other is similar to the case of a guardian and a ward. The Honourable the Leader

of the House might immediately jump up and say that the analogy is not on all fours, but I would say that though technically and legally the position of a director with respect to his company may not be the same as that of a guardian and a ward, or a beneficiary or *cestui que trust* and the trustee, the position is analogous to that position. If a trustee in so far as he deals with third persons deals with the property of the *cestui que trust* he is ordinarily expected to take care of the trust properly, but when he wants to take advantage of or enter into a contract for sale or purchase of the property of the beneficiary, himself, where is the person to see that he does not enter into any onerous agreement or that he does not enter into a profitable arrangement with respect to himself? If the contract is not scanned by any other person or the previous sanction at least is not insisted upon, what is the guarantee that he enters on all occasions into legitimate and beneficial contracts? I have not made the restriction stringent.

There is another reason why this House ought to accept my amendment, and that is, that there should be a consistency in what we have been doing till now. In clause 86B (1), it has been enacted and all of us have been parties to the new clause, that no company shall make to a director of the company any loan out of the monies of the company. This is an absolute prohibition of the grant of loan to a director from the monies of the company. This relates only to monies, funds. Not even the sanction of the general body can allow such a loan, the prohibition is absolute. But this can be easily circumvented if the goods or property of the company can be sold away to a director. If you do so for credit, that is another kind of loan. You will indirectly get over this prohibition that is contained in 86B and enable the director to take away large funds of the company, not directly the funds of the company, but in another form. And if he does not pay, what is the remedy? He may not be able to pay and the company may have to file a suit, he may or he may not be solvent. Yesterday we went into the question of remitting or writing off certain debts due by a director. Ultimately it is the shareholder who is the owner of the company, and these directors are all agents to manage the affairs of the company on behalf of the shareholders. Is it not legitimate, is it not proper that the shareholders should have a voice; should have a right to see these contracts and scan them before they are actually entered into? The shareholders may say, up to a limit of Rs. 10,000 or a limit of Rs. 5,000 the directors may enter into contracts for sale, purchase or supply of goods, or the shareholders may appoint a standing committee consisting of other persons than the directors to investigate into the matter from time to time. If it is made obligatory for the directors to place those contracts before the general body, before they are actually entered into, what objection can there be. My wording is a little general in that it requires the sanction of the general body with respect to the contract. It is not with respect to every contract that the sanction need be given or a meeting of the general body need be convened. A general body meeting is convened after 14 days notice. Ordinarily there are one or two meetings every year, and there may be a general sanction by the general body but with a limit, may be pecuniary limit, or limit with respect to the class of contract that may be entered into. It cannot be denied that even under the existing law it is open to the general body to

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say that the directors shall not enter into a contract for sale, purchase or supply of materials with the company. Under the law as it stands, it is open to the general body by special meeting, either by resolution or by its articles, to prevent directors from entering into contract with themselves. That is there.

Mr. M. S. Aney (Berar Representative) : That is not the meaning of your amendment.

Mr. M. Ananthasayanam Ayyangar : The general law enabling
3 P.M. the shareholders to impose restrictions on the directors is there. What my amendment seeks to do is this. It imposes an obligation on the directorate to place the matter relating to contracts before the general body. I am only asking that the directors might take the initiative in bringing it to the notice of the general body. I am not trying to encroach on the privileges and powers of a directorate. My Honourable friend, Pandit Pant, has already referred to the opinion of Mr. Susil Sen in his report, that the position of a director with respect to the general body is of a fiduciary character. Restrictions have to be imposed and it is suggested that certain restrictions have to be imposed. He thinks disclosure is enough. I say it is not. A tract has been circulated this morning which shows how the authority of a director to deal with the affairs of the company has been abused. Each director may look askance at the action of another director and the vicious circle will go on. Here we are trying to legislate for all time and I think a provision like this is absolutely necessary. It is in the best interests of the company itself. This will prevent a dishonest director from entering into dishonest transactions. An honest director who has the best interests of the company at heart has nothing to fear. If the general body considers that a particular transaction has been entered into in a perfectly *bona fide* manner, it is not in the least likely to interfere with the action of the director. They would not cut their nose to spite their face as they are also interested in the company. This is a most innocuous provision. This provision is only a consequential provision to that which we have already enacted and if we are to be consistent in our action, we must also pass this amendment. Sir, I move.

Mr. Deputy President (Mr. Akhil Chandra Datta) : Amendment moved :

"That in clause 40 of the Bill, after the proposed section 86E, the following new section be inserted :

'86EE. Except with the consent of the company in general meeting, a Director of the company, or the firm of which he is a partner or any partner of such firm, or the private company of which he is a Member or Director, shall not enter into any contracts for the sale, purchase or supply of goods and materials with the company, provided that nothing herein contained shall affect any such contract or arrangement for such sale, purchase or supply entered into, before the commencement of the Indian Companies Amending Act, 1936.'

There is another amendment on the same subject, No. 4 in List No. 2 by Sir H. P. Mody. Does the Honourable Member wish to move it ?

Sir H. P. Mody (Bombay Millowners' Association: Indian Commerce) : Sir, I beg to move :

" That in clause 40 of the Bill, after the proposed section 86E, the following new section be inserted :

' 86EE. Except with the consent of the directors, a director of the company, or the firm of which he is a partner or any partner of such firm, or the private company of which he is a member or director, shall not enter into any contracts for the sale, purchase or supply of goods and materials with the company, provided that nothing herein contained shall affect any such contract or agreement for such sale, purchase or supply entered into, before the commencement of the Indian Companies (Amendment) Act, 1936 '."

Sir, my amendment is of such a sweetly reasonable character (*Cries of " Oh "*) that I am quite sure that when my Honourable friends get rid of their little prejudice and apply their mind to its phraseology and do me the courtesy of giving me a hearing, they will give the amendment their blessing.

Mr. S. Satyamurti : But not our votes.

Sir H. P. Mody : I shall later on decide whether I shall have your blessing or not. The votes are the more important matter now. Well, Sir, the object of my amendment is to complete the provisions of the Act as it is today and to bring before the Board of Directors for their sanction every conceivable kind of transaction which can take place between a director and a company. My amendment will complete the provisions of section 91A and with the additional provision which is to be found in the Report of the Select Committee, when we have provided a register of such transactions, I submit that we shall have provided shareholders with all the safeguards that they want. My Honourable friend, Mr. Ayyangar, in a temperately worded speech in which he did not overstate the case, said that we were trying to legislate for all time. I do not know whether I am to look upon this Bill as the last word in legislative wisdom, and I would suggest to my Honourable friend that we might leave to posterity a little of legislative work in their own good time.

An Honourable Member : Then leave it to posterity and go home.

Sir H. P. Mody : If my Honourable friends want to have this Bill as it stands without any of those numerous amendments which they have been tabling, I for one would not have the least objection. After all, the Select Committee, which I am sure was a competent body dealt with all matters very carefully and looked into every single provision, and I think, even though I was a member of it, it ought to be congratulated on its handiwork !

Sir, my Honourable friend, the Leader of the Opposition, the other day made some observations with regard to the arrogation by directors and maganging agents of power and authority in their own hands in defiance of the rights of shareholders.

Mr. Bhulabhai J. Desai : I said ' in derogation '—not ' in defiance '.

Sir H. P. Mody : I put it rather worse.

Mr. Bhulabhai J. Dessai: They cannot do it.

Sir H. P. Mody : Then why put up all these safeguards ? If they cannot do it, they cannot do it. I am not suggesting that the directors and managing agents are masters of the companies of which they are directors, but I submit to my Honourable friend whether it is not right and fair and desirable that the day-to-day administration of the affairs of companies must be in the hands of a small defined body with a continuity of policy rather than in the hands of a large and fluctuating body of shareholders who are not intimately acquainted with the affairs of the company. The argument that I would put to my Honourable friend and others of his way of thinking is that directors and managing agents transact business worth lakhs without reference to the shareholders. Speaking now of textile mills, they buy lakhs worth of cotton, they sell lakhs worth of cloth and purchase lakhs worth of stores. All those transactions would give them, if they were unscrupulous men, very considerable opportunities of speculation, and, if they were not efficient men, very considerable opportunities of messing up the business of the company. If all those opportunities are there, and they are not cavilled against, why do my friends object to placing in the hands of the boards of directors transactions of this character ?

An Honourable Member : Who suggests ? Not the shareholders !

Sir H. P. Mody : Now, if directors do all these purchases, what possible objection can my Honourable friends have to vesting the board of directors with powers with regard to small day-to-day transactions ? Section 91A deals with the larger transactions of the company,—transactions which by their very nature are placed before the board of directors—and certain safeguards are provided under that section when those transactions take place. But there are a number of other transactions of a much smaller character which are never placed before the board of directors, and I seek to bring them also under the purview of section 91A. My submission is that when I have done that, and every single transaction, large or small, is necessarily placed before the board of directors, the investors have got all the safeguards they can possibly expect. Sir, my Honourable friends must not forget the peculiar industrial conditions which prevail in this country. Capital and enterprise have been forthcoming from a very limited class of people. The number of people who are available for seats on the boards of various companies is also limited. (Voices: "Oh, oh!") My Honourable friend, the Leader of the Opposition, smiles, but he knows that better than most people. Therefore, Sir, what happens is that with every company run by managing agents and directors there are a number of people associated in an executive capacity who have transactions of various kinds with the company. It is an inevitable growth of our industrial development. It is not as if somebody was trying to take advantage of his position as a director. I say it is inevitable because most directors are interested in some phase or other of commerce and industry, and therefore, necessarily, are placed in a position of having to transact business with the company. Why drive these people to subterfuges ? Assuming for a moment that they are unscrupulous people, what prevents them from having nominees in whose names to run the companies, and having transactions with those nominees ? You can almost always do it. Now, assuming for a moment that it is the unscrupulous people whom my friends want to

prevent from exploiting the companies with which they are associated,—and I say it is always possible to get behind the law—(Hear, hear) if transactions take place through nominal parties, they will not be open even to the scrutiny of the board of directors ; I speak from experience—(*Ironical Cries of "Hear, hear"*)—Yes, I have a little experience of every thing. (Hear, hear.) Again, when you place the matter before the Board of Directors, I do not see where the conflict of interest and duty that you talk about comes in.

An Honourable Member : Can you not see it ?

Sir H. P. Mody : No. It is not the director who is entering into the transaction who is voting upon it ; it is his colleagues.

Mr. S. Satyamurti : It will go by turns.

Sir H. P. Mody : Why not ? That is so here also. The directors who sanction these contracts are not parties interested in them. The worst that can be said is that they are naturally influenced by the fact that one of their colleagues is a party to the transaction. My reply is that in view of the fact that directors and managing agents do business of a far more important character than that envisaged in this amendment, that fear is not well-grounded. After all, directors owe a duty to shareholders ; they are largely the nominees of the shareholders, and speaking from experience of directors, I think they are men on the whole of very considerable capacity and integrity. I cannot speak for other provinces. I can only speak for my own. (Hear, hear.) Now, Sir, my Honourable friend, Mr. Ayyangar, was saying—as a matter of fact he nearly convinced me—that his amendment was absolutely harmless, that it meant nothing. Well, if it means nothing, I have no objection, but when my Honourable friend, Mr. Aney, asked him what it precisely meant, he had to confess that it meant exactly what it was intended to convey, that is, that for all transactions you have got to go to the general body of shareholders. What happens ? Am I to go and tell the meeting of shareholders every year, " well, I intend to enter into this transaction and that transaction during the year ", give them the names of all the parties with whom I intend to contract, and the particulars of every single article I want to purchase ?

Mr. S. Satyamurti : If you are interested—not otherwise ?

Sir H. P. Mody : Otherwise, I do not worry. Am I to tell them everything about those transactions so that all manner of questions are asked, and transactions are laid open ? It is also conceivable that certain bodies of shareholders may be interested in rival concerns, and may raise questions as to why we were not making purchases from so and so instead of so and so.

Mr. S. Satyamurti : That is an old story.

Sir H. P. Mody : Some of these old things have a great value. When my friend, Mr. Satyamurti, matures, he will possibly be much more valuable. He will then find the House having even a greater respect and affection for him than it now has. (Laughter.)

Sir, what do my friends of the Bombay Shareholders' Association say about this ? In spite of all my fundamental differences with their viewpoint, I will be the first to say that investors throughout the country owe them a very deep debt of gratitude for all the work that they have done. What do those people, in spite of putting up a strong and very

[Sir H. P. Mody.]

often an extreme case, say about this particular matter ? All that they say is that, if it was provided that there was for all these transactions sanction of a certain majority in the board (they mention three-fourths) and if there was a register kept, that would be a practical solution of the matter. Now, if the Bombay Shareholders' Association themselves, while in theory they would like the idea of stopping all transactions between directors and companies, are agreed that, as a practical compromise, it should be laid down that there should be a particular majority on the board of directors for such transactions and that a register should be kept, I say that you have a testimony which, from my point of view, is for this particular occasion of great value, and I strongly commend my amendment to the acceptance of the House. My Honourable friend, Mr. Satyamurti, is studying up the terms ; he is probably trying to see how he can trip me up, but I think every single comma, full point and syllable has been carefully thought out, and when he has applied his mind to it, he will see that I am really, from the point of view of the interests I am representing, selling the pass. I am giving away the whole case of directors and managing agents. I am bringing before the board of directors every single transaction that can take place between a company and its director, and if there is anyone who thinks that that is not sufficient for the purpose of safeguarding the interests of investors, then all I can say is that he is extremely hard to please. Sir, I move.

Mr. Deputy President (Mr. Akhil Chandra Datta) : Amendment moved :

“ That in clause 40 of the Bill, after the proposed section 86E, the following new section be inserted :

‘ 86EE. Except with the consent of the directors, a director of the company, or the firm of which he is a partner or any partner of such firm, or the private company of which he is a member or director, shall not enter into any contracts for the sale, purchase or supply of goods and materials with the company, provided that nothing herein contained shall affect any such contract or agreement for such sale, purchase or supply entered into, before the commencement of the Indian Companies (Amendment) Act, 1936 ’.”

Now, there will be discussion on all these four amendments.

Babu Baijnath Bajoria (Marwari Association : Indian Commerce) : Sir, all the motions before the House are of great importance. All of them relate to the same subject-matter and they deserve the serious consideration of this House. We must not allow ourselves to run away with any bias in this matter. I have given very serious consideration to this matter as I am anxious to protect the interests of the shareholders as well as to see that the management does not suffer and that efficient management is possible. Sir, the motion of my friend, Mr. Ayyangar, is that when any contract is made in which a director is interested, it must be made with the consent of the company at a general meeting. The motion of my Honourable friend, Sir Homi Mody, is that when any director is interested in a contract, it must be made with the consent of the Board of Directors. Sir, I will deal with these two motions and I do not wish to deal with the other two motions because they go to the extremes. Both the motions with which I propose to deal will safeguard the interests of the shareholders so far as the managing agents are concerned. The managing agent will not be able to give any

contract to any director according to his own whim and fancy and thus he will not be able to win over the director to his side. Now, we have to decide whether we would like to approach the directors or the shareholders in a general meeting. I will first deal with what would happen if we go to directors. There is some uncertainty that if we go to the directors, this thing may be liable to abuse. A director who is interested in the contract and if he is an influential man, he may be able to influence his colleagues on the Board of Directors and may get a substantial advantage from his colleagues. But we have provided against this. Let us see what provision has been made so that the Board of Directors may not be influenced by the directors. The first thing is this. Under this Act which we are going to pass, two-thirds of the directors will be elected by the shareholders in a general meeting. They will be supposed to be independent men but I doubt whether they will be so in actual practice. But we will have to go on some supposition. They are expected to safeguard the interests of the shareholders as their representatives. Secondly, it has been provided that interested directors will not be entitled either to vote on the question in which they are interested or have their names counted in the quorum of the Board of Directors. Then, again, there is a third provision. I will refer in this connection to sub-clause (b) of clause 44 of this Bill. It reads thus :

“ A register shall be kept by the company in which shall be entered particulars of all contracts or arrangements to which sub-section (1) applies, and which shall be open to inspection by any member of the company at the registered office of the company during business hours.”

This register will be open to the shareholders at all times during the business hours. If the shareholders have got any apprehension that the directors have been unduly influenced by a particular director, they can immediately go to the office and have a look at this register and they can raise the matter in the next general meeting or may even write to the managing agent complaining about it. Though there may be some abuse, yet I think a sufficient safeguard has been made.

Mr. M. Ananthasayanam Ayyangar : They may not know at all.

Babu Baijnath Bajoria : If they do not care to know, nobody can help them. Nobody can give them a lift and nobody can look after their interests if they allow themselves to sleep. Now, take the motion of my Honourable friend, Mr. Ayyangar. If we have to go to the general meeting of shareholders for each and every contract, it may not be convenient to hold a general meeting of the shareholders at all times. As a matter of fact, as far as I know, a general meeting is held only once or twice in a year. If for each and every particular contract which is going to be made by the director or with the director's firm we have to go to the general meeting of shareholders, then I can say from my personal experience that it will practically mean the exclusion of the directors from getting any contract.

Mr. S. Satyamurti : Why not ?

Babu Baijnath Bajoria : That is your amendment and I have already said that it is an extreme case and I do not agree with it. There may be cases where the directors or the directors' firms may be in a position to supply articles at a competitive rate or they may be in a position to buy the goods from the company at a fair market price. So, it will be very unjust if we deprive them of dealing at all with the

[Babu Baijnath Bajoria.]

company. If we go to the shareholders, that will be the result. A contract cannot wait and if we have to go to the shareholders it will take many months. Is it practicable, I ask the House ?

Mr. M. Ananthasayanam Ayyangar : It takes 14 days.

Babu Baijnath Bajoria : No. You cannot have a general meeting every 14 days.

[At this stage, Mr. President (The Honourable Sir Abdur Rahim) resumed the Chair.]

Sir, I do not think it will be feasible on the part of this House to put such a restriction in the day-to-day administration of the company. Considering the two things, I think the lesser evil will be to give the power in the hands of the Board of Directors and it is because of this that I agree to support Sir Homi Mody's amendment.

Mr. Sami Vencatachalam Chetty (Madras : Indian Commerce) : Sir, hearing the arguments of the legal Members of this Assembly, I am realising the truth of the statement that lawyers can make black into white and white into black. On the whole, the fear that is running through the four amendments that have been tabled seems to be one that threatens the Government owing to the Bengal terrorists. What the Bengal terrorists are to the Government, so are the managing agents of Bombay to some Members of this Assembly. That is why amendments are moved absolutely regardless of the inconveniences and difficulties which are bound to arise if those amendments are passed. I quite concede the fact that the managing agents and the directors and the shareholders and all those who have anything to do with any limited company financed by public subscription may abuse some or other of the provisions of the new Act. It is impossible to expect thorough righteousness and honesty in all dealings which concern human transactions in this world. But, on that score, I do not think that this Assembly is going to frame rules to stifle even honest trade and business. But yet, that will be the effect, if any of these amendments are passed. Sir, the amendments are well shaded. My Honourable friend, Mr. Satyamurti, wants to have nothing to be done by directors either directly or indirectly. My Honourable friend, Pandit Govind Ballabh Pant, relaxes this rigour a little, but I cannot understand what really is meant by the amendment of my Honourable friend, Mr. Ayyangar. Sir, Mr. Ayyangar, in very sweet words, told us that he was not going as far as Pandit Pant has gone, but he would only make the sale, purchase or supply of goods and materials with the company subject to the sanction of the company at a general meeting. When he was interrupted and questioned as to what were the other transactions which he exempted by mentioning the sale, purchase and supply of goods, he was not able to mention anything definitely, but he merely said there might be other transactions which did not come under his comprehensive definition.

Sir Cowasji Jehangir : I can give one instance : loans by managing agents to a company.

Mr. Sami Vencatachalam Chetty : That is the reverse position. I dare say if any such transaction could be thought of by either managing agents or the directors, my Honourable friend, Mr. Ayyangar, would be

the first to say that that transaction also would come under the definition which he has stated. Apart from that, I would like to mention a few preceding circumstances which have resulted in the tabling of these amendments. As I read the old Act, that is the existing Act, I find provisions from 91-A to 91-D were inserted by section 3 of the Indian Companies (Amendment) Act, 1914, that is to say even the necessity of a director's contract with a company being made known to the shareholders or being made known to the public was inserted only in 1914 and before then there was no such provision at all. We have been hitherto told that the managing agents were the villains of the piece, that they had all the power of directing the transactions of the company in their own hands, that directors were merely automatons or merely nominees or creatures of the managing agents. Now to the extent that you would prohibit the managing agents from dealing in transactions which would conflict with the interests of the company, it is conceivable that some provisions might be made, but having conceded that the managing agents are all-supreme, that the directors have had no power, now you say that even the directors who cannot exercise power according to their own interests are now to be prevented from entering into any transaction or contract with the company. I do not know if the amendments of Honourable Members have taken into account the existing state of affairs. I do not know if there are many companies in which the directors have not had some sort of contract or relationship either as sellers or suppliers or distributors of goods manufactured by certain companies. I know of a very big firm in the Madras Presidency on the board of which there is a very influential director holding very large share capital. It is not an Indian concern, it is an indigenous concern, but the managing agents are Europeans. But the director I am mentioning is an Indian. He was hitherto holding the position of an indenture meaning that he might be one of those who would be authorised to sell goods manufactured by that company. Latterly that company has removed that gentleman from being an indenture, still he is a director. He was not able to persuade either the managing agents or the directorate to continue his indentureship. That is the position in which directors are with regard to well managed and efficient companies. A director is not a whole-time man in the sense in which that position is being held in this country. He might be director of a number of companies and he might be also having large business of his own. The fact that he is a very large businessman, that he is a very influential man is considered to be a qualification to be taken in as a director of more than one company and thus advance the interests of the companies concerned. It would be very hard to those very useful directors if you should deprive them of dealing and transacting in commodities in which the companies are interested. My Honourable friend, Mr. Ayyangar, said that whenever a contract is necessary with the director, let a meeting be called for and let that matter be mentioned at that meeting so that the shareholders might know that a contract has been entered into. In all the provisions of this Act, a company has been saved from the necessity of divulging all its trade secrets. If, in the preparation of profits and loss accounts, it is not necessary that you should mention the rate at which you have produced an article and the rate at which you have made profit, I think it is all the more dangerous that the rate of every contract should be divulged to the share-

[Mr. Sami Vencatachelam Chetty.]
 holders as a meeting which might become the public property of all the people concerned. My Honourable friends are of opinion that these directors would use their position as directors in order to benefit themselves; as against that there will be the counter-interest of the other directors. The other directors and the managing agents will see that there is no undue encroachment of these directors on the profits of the company by using the position of directorship to his advantage. I may point out in this connection the significant change that was made in the Select Committee in section 86-E. When it was placed before the Select Committee, there was no mention of a legal or a technical adviser, but in the Select Committee, a legal or a technical adviser was introduced. The clause reads :

“ No director shall without the consent of the company in general meeting hold any office of profit under the company except that of a managing director or manager or a legal or technical adviser or a banker.”

Therefore, it would permit my lawyer friends to be a director and also to be a legal adviser for that company. In that case, my legal friends do not see that there is any conflict of interest so far as the provision of a legal adviser is concerned. It seems to me that the passing of these amendments seems to be incumbent upon the support of Government and it is very difficult to find out the mind of Government because it seems to be changing from time to time in spite of their sympathy or disaffection against the managing agents or directors. But should it be considered that Government should lay down certain restrictive measures in connection with the contracts that may be entered into by directors of the company, it seems to me that the least evil is that of Sir Homi Mody.

Mr. T. S. Avinashilingam Chettiar (Salem and Coimbatore *cum* North Arcot : Non-Muhammadian Rural) : Sir, as the matter is of some importance, I have a few observations to make. As far as the first amendment is concerned, the one moved by Mr. Satyamurti, it prohibits contracts of all directors. I fully endorse whatever has been said by my Honourable friend, Mr. Chetty. About the textile mills of Coimbatore I claim to have some knowledge, and I may say that a great many of the directors in each mill are people who contribute towards the profits of the mill by being agents for yarn in those companies. But for that it would be rather difficult to find such good agents and I would not be a party to any provision of law which prohibits contracts to directors. Secondly, comes the amendment moved by my Honourable friend, Pandit Govind Ballabh Pant. Here I have some difficulties. It reads :

“ No director shall except with the sanction of the company in general meeting, be directly or indirectly concerned or interested in any contract or arrangement entered into,” etc.

Sir, I want to deposit Rs. 10,000 in a mill of which I am a director and I understand that depositing in a mill is a contract or an arrangement. If I understand it correctly, this amendment would prohibit loans or deposits to companies. Let me say here that the reasons why directors are selected for particular companies are not their mere wisdom only, but for the financial support that they may give to the company in case of necessity.

Pandit Govind Ballabh Pant : Sir, may I ask whether under section 91A it is necessary to disclose such deposits and whether they are actually disclosed ?

Mr. T. S. Avinashilingam Chettiar : I may not be party to add one mistake to another and I will leave the interpretation of section 91A to lawyers. But this as far as I can see does include deposits and I have the opinion of a very valued and eminent lawyer friend of mine to say that deposits do involve contracts. And if directors are forbidden to deposit money in the mills and banks of which they are directors, then if these mills or banks or companies will have to work without the support of their own directors themselves. How can they get deposits or financial aids from other people ? The main reason why rich and well-to-do people are chosen as directors is that they will get financial aid from them, and for this reason I find it is rather too wide of the mark.

Thirdly, I come to my Honourable friend, Mr. Ananthasayanam Ayyangar's amendment. But before coming to that I should like to say a word about the amendment tabled by Sir Homi Mody. He wants only the sanction of the Directors :

“ Except with the consent of the directors, a director of the company, or the firm of which he is a partner or any partner of such firm, or the private company of which he is a member or director, shall not enter into any contracts for the sale, purchase,” etc.

He does two things ; one, he substitutes the consent of the directors for the consent of the shareholders and secondly, he specifies the nature of the contracts for which the consent of the directors is necessary. I should think that considering that there is some scope for abuse, that is, that the policy of the directors is, “ You scratch my back and I scratch yours ”, it would be rather necessary, it is rather good if the consent of the shareholders is obtained. But I would differ from Mr. Ananthasayanam Ayyangar in this matter that if every contract that is to be entered into has to obtain the sanction of the shareholders, it would be rather hard and difficult. I would rather say that it should be subject to the ratification of the company in general meeting at the end of the year when they have a meeting of the shareholders, so that things may be shown to them and put plainly before them, and next year the contract will depend upon their resolution. Then in regard to this I have another difficulty which the legal brains may solve for me. Mr. Ananthasayanam Ayyangar's amendment reads thus :

“ Except with the consent of the company in general meeting, a Director of the company, or the firm of which he is a partner or any partner of such firm, or the private company of which he is a Member or Director, shall not enter into any contracts,” etc.

Supposing A is a member of a company and A is supplying cotton to the company. Does the amendment mean that for every contract of cotton that A gets you have to get the sanction of the shareholders or a general resolution that A has been employed as broker of the company from whom we can get cotton, will do. If it means that he can be.....

Sir Cowasji Jehangir : That is an office of profit ; he cannot be a director.

Mr. T. E. Avinashilingam Chettiar : If it means that he can be appointed generally as a supplier of cotton or as agent for yarn, it is one matter. Or if it means that for every contract we want a separate permission : i.e., I sell a thousand *candies* of cotton now and a thousand *candies* a second time. Have I to get the permission of the shareholders separately for every single contract? If that is the nature of the amendment, while accepting the principle of the amendment that the consent of the shareholders may be taken before contracts are given to directors, I would not like to be a party to an amendment which will make every specific contract go to the shareholders, or even for the matter of that to the directors. And I should like the House to consider it seriously. Even if it takes some time it does not matter for this amendment will vitally affect the industrial life of this country.

Prof. N. G. Ranga (Guntur cum Nellore : Non-Muhammadan Rural) : Sir, I have heard the saying that a leopard can never change its spots : but I am inclined to feel, after having heard the two speeches of my Honourable friends, the Chettiars from the South, that even a leopard can change its spots, but not a capitalist of this country or this age, with certain honourable exceptions. It looks as if these capitalists may go into any party : they go there only to get something out of it, never to give anything to it. (Laughter.) Sir, a very delicious statement has fallen from the lips of my Honourable friend, Mr. Sami Vencatachelum Chetty, that in business there is always a certain amount of dishonesty. I am glad he has admitted it ; and I am glad he has made the confession of a capitalist. This capitalism cannot thrive except on the edifice of dishonesty, and I am also glad that my Honourable friend, Sir Homi Mody, has also said that he has had experience of all kinds, including of course what all people possibly get out of a company by all sorts of arrangements which we seek today to prohibit. He is good enough to proffer his assistance to me, so that I can also go and take some part of the spoils that he has been making. As I have already said, once before, I do not wish to walk into his parlour because I know that no honest man wishes to become a party to such arrangements. Even according to the Government's own arrangements, it is an established fact that no officer can get himself interested in any contract or any business arrangement over which he has got any say. If any particular P. W. D. engineer directly or indirectly is suspected and is found out to have had anything to do with the contracts that he has got to execute, and to have got some money out of it, then he is liable to be dismissed, and very often he is dismissed.....

Mr. Sri Prakasa : He is transferred and promoted !

Prof. N. G. Ranga : If he is transferred and promoted, then Government cannot say that it is the right thing to do : but Government has to admit that it is a wrong thing and tries to hush it up. But it is really wrong for these businessmen to come forward and say that what Government is not prepared to do, they really are anxious to do : what Government itself admits to be a wrong, these men come forward here and justify.....

Mr. B. Das (Grissa Division : Non-Muhammadan) : Directors are not whole-time servants.

Prof. N. G. Ranga : That is a most obnoxious statement and it is a most obnoxious practice. I am reminded by my Honourable friend, **Mr. B. Das**, that directors after all are not whole-time servants. That may be so. Members of local boards are not whole-time servants ; and yet no member of a local board or a municipal council is permitted to have anything to do with any particular project, either directly or indirectly, of a municipal council or local board, out of which some money can be got, some remuneration can be made. If it can be established,—and it is sought to be established on many occasions in a Court of law,—that any particular member of a municipal council or a local board has any such nefarious dealings with that particular local council, he is liable to be unseated and to be prosecuted therefor and to be punished also. Are we to be told that the directors of these companies are such demigods and gods—and on their own admission most of them are dishonest (Laughter)—that they should be left scot free, that all of us here should simply keep mum merely because they are not able to settle their own terms between the lawyers on the one side and the capitalists on the other ? (Laughter.) Sir, I refuse to be a party to this kind of a game they wish to perpetrate even in this House. I am glad that most of us are not businessmen—I am glad that most of us are not directors, and I am also glad that most of us are not capitalists ; and we are here not only to represent the shareholders but also the general public of the country as a whole and we are here to see that the capitalists behave themselves.

An Honourable Member : The shareholder is a capitalist !

Prof. N. G. Ranga : If it is a matter of keeping the peace between capitalist and capitalist, we know our way, the way of the Congress, the way of all genuine nationalists, the way of every patriotic Indian is to support the smaller capitalist as against the bigger capitalist, the disabled capitalist as against the intelligent capitalist, and the capitalist who cannot look after himself as against people like my friends, **Sir Homi Mody**, and **Mr. Vencatachalam Chetty** and **Mr. Avinashilingam Chettiar**. (Laughter.) Sir, we were told all secrecy will be gone once you allow this. How can it be ? My Honourable friend, **Mr. Pant**, is a lawyer but he is also a public worker and he has tried in vain to draw the attention of my Honourable friend, **Mr. Avinashilingam Chettiar**, to section 91A. It makes it clear that a—

“ register shall be kept by the company in which shall be entered particulars of all contracts or arrangements to which sub-section (1) applies, and which shall be open to inspection by any member of the company at the registered office of the company during business hours.”

If such a register is liable to be kept and is going to be kept, I do not see any reason why there should be any fear of any violation of the necessary secrecy in which alone these dishonest men can carry on their business, when the contracts in which the directors are interested are to be placed before the general body of the company. What is it this amendment of **Mr. Ananthasayanam Ayyangar** asks us to agree to ?

An Honourable Member : He is not a capitalist !

Prof. N. G. Ranga : Unfortunately he is not one and he is overweighed with a big family. (Laughter.) It only wants these directors to approach the general body of shareholders only when any director or

[Prof. N. G. Ranga.]

all of them are interested either directly or indirectly or through their partners or friends in the sale, purchase or supply of goods and materials to the company. But in justification of their position, my Honourable friend, Mr. Avinashilingam Chettiar, said : " Oh, many relatives of these directors and many of the directors themselves are today carrying on this kind of negotiations and transactions and thus are helping many of these companies.".....

Mr. T. S. Avinashilingam Chettiar : I said nothing of the sort.

Prof. N. G. Ranga : I speak subject to correction ; but anyhow I know the business conditions prevailing in Coimbatore from which place my Honourable friend hails, and I know also, just as he knows, all the havoc that many of these managing agents and many of these directors of Coimbatore businesses have been playing and the deceit they have been perpetrating upon many of their own shareholders. I can give points even to my Honourable friend, Mr. Avinashilingam Chettiar, although he is a capitalist, because I have studied the problem on the spot—I have been there twice in order to study the organisation of the cotton mill industry in that place ; and I can state here with full confidence that it would be still possible for all those mills in Coimbatore, in Madras and in other places to carry on their business quite honestly if they wish to, quite competently if they want to, and quite profitably as they do at present, without resorting to this malpractice of allowing any of their directors to take contracts, to get into all sorts of nefarious agreements with their own board of directors. We are told here are the directors of the board who are themselves the representatives of the shareholders and they are quite competent to look after them and so on. Even my Honourable friend, Mr. Bajoria, the capitalist, himself has admitted that many of these directors are liable to be influenced by the position and the personality of their colleagues. Under these circumstances, there does not seem to be any justification whatsoever to allow a practice like this. We do not want these people shall not give any contracts to anybody, but we do not want them to divide up the resources, the profits, the contracts, the dealings of the company as a whole among themselves. Here are the *purohits*, these *purohits* are even worse than the Roman Catholic priests. They want to be a law unto themselves. We shall not allow this. I sincerely hope that every elected Member of this House, including my Honourable friend, Mr. Kabeer-ud-Din, will support Mr. Ayyangar's amendment.

Sir Ghulam Hussain Hidayatallah (Sind Jagirdars and Zamindars : Landholders) : Sir, all the three amendments accept

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the principle that the directors, though interested in contracts, can enter into those contracts. This brings me to another point, whether those contracts should be entered into with the approval of the shareholders, or of the directors, or in some other way. First, I will deal with the amendment of my Honourable friend, Pandit Govind Ballabh Pant, who proposes that all the contracts should be entered into with the approval of the shareholders. I will characterise that amendment as impracticable and objectionable. I call it impracticable because for day-to-day administration, to go to a large body of shareholders is ridiculous. Besides, to call a meeting of the shareholders

for every contract is waste of time and energy. Further, this amendment of my Honourable friend presumes that every director is a dishonest man. Now, the law as regards those contracts is laid down in section 91A. Originally, whenever directors entered into such contracts they had only to disclose at a meeting of the board that they had entered into such contracts. The present Bill, in order to protect the interests of the shareholders, has tightened the law in this respect. The amendment of my Honourable friend, Sir Homi Mody, says that such a contract can only be entered into with the approval of the directors. Who are these directors? Under the Bill the managing agents can nominate not more than one-third of the directors, and the shareholders can elect a minimum of one-third, and in some cases, two-thirds. So, the consent to the contract that will be entered into by the directors will be of the directors who are the representatives of the shareholders mostly and of the managing agents. Again, another provision has been made in the Bill under clause 44. The Bill requires that a register should be kept in which all the contracts that are entered into by the directors should be entered in it, and that register will be open for inspection by every shareholder. If the director dishonestly acted, these shareholders have a chance to scrutinise that register and they can take them to task at the general meeting. The Bill further provides specially for the removal of the directors. If the shareholders find in the register that any *mala fide* transaction has been entered into by the director they have the remedy to remove him. With these words, I support the amendment of Honourable Sir Homi Mody.

The Honourable Sir Nripendra Sircar : Sir, after so many speakers have spoken, I do not want to speak at length. The first question which the House has got to consider is this. Why is it that in India we are requiring provisions which have not been embodied in England in the English Act? I believe the answer is that the shareholders here are not so vigilant, I do not know that shareholders in any country are.....

Sir Abdul Halim Ghuznavi (Dacca cum Mymensingh : Muhammadan Rural) : They are in England.

An Honourable Member : They have no trust in their own people.

The Honourable Sir Nripendra Sircar : I do not know as much of England, as my Honourable friends. I believe the argument is that the shareholders here are disunited, they are not vigilant and therefore they have got to be protected. Let us see how legislation on this matter stands. In 1913 when the Companies Act was consolidated, there was no provision for disclosure by directors. If I remember aright, the Select Committee said that something ought to be done on those lines, but inasmuch as the matter had not been circulated for public opinion they would keep it for future legislation. As a result of that, in 1914 sections 91A and 91B were introduced, which compel directors to make certain disclosures. I have no desire to read those sections. That was the state of affairs in 1914. Since 1914 this law has prevailed and we are now in 1936. Although so many speakers have spoken, I have not yet, except for a vague reference to some book which has not been placed before us—and I can assure my Honourable friend that I did not get a copy—come across any cases of abuse by reason of the directors having charged prices higher than the market rates or having taken undue advantage of their position. I submit with confidence that

[Sir Nripendra Sircar.]

no strong case, if any case at all, has been made. Sir, on a previous occasion I have stated my reasons concisely as to why the amendment moved by my Honourable friend, Mr. Satyamurti, and that moved by my Honourable friend, Pandit Govind Ballabh Pant, are unacceptable. We are left with two or two and a half, amendments because we have one from Sir Homi Mody, another from my Honourable friend, Mr. Ananthasayanam Ayyangar, and another which I will call half from Mr. Avinashilingam Chettiar, because there is no regular amendment as regards ratification. As regards the first two, putting it shortly, the question is whether these contracts should receive the approval or consent of the general body of shareholders or of the directors. The businessmen who have spoken are,—of course, they are capitalists—Mr. Sami Venkatachalam Chetty, Mr. Bajoria, and I do not know whether my Honourable friend, Mr. Avinashilingam Chettiar, is—.....

An Honourable Member : He is one.

The Honourable Sir Nripendra Sircar : I thought so. So far as they are concerned, they all agree that it would be inconvenient to go to the shareholders for sanction of these contracts. I do not agree that it means that every contract has got to be put before them because the shareholders can have a general resolution. But if you take a concrete view of things, supposing this is a meeting of shareholders, what is the resolution? "We allow our director Mr. A. to transact business up to the extent of Rs. 10,000 in cotton seeds, or this, that and so on." What is the value of that resolution? What the quantities are not mentioned, the rates have not been fixed,—and it is impossible to fix rates because the market rates will be changing from day to day, from week to week, or from month to month.—I submit, is any good done by having all this trouble of calling the shareholders, knowing that they cannot possibly at that time exercise their minds as regards the goods which have got to be bought, where they have got to be bought, and at what rates?

Sir, if my Honourable friend, Mr. Ranga, is to be believed, I mean if his argument is to be believed, for he is always to be believed, then all capitalists are dishonest people. If that is so, then why trouble the shareholders by asking them to attend meetings. They will be done in some way or other and why trouble them especially as this House has not allowed them any travelling allowance. At the present moment the position is that we have gone in advance of the English law in two matters, first of all in the matter of the register which has got to be kept of the directors' contracts which is open to inspection. That has its history. Very strong representations were made by some people including particularly the Bombay Shareholders' Association that it is necessary that such a register should be kept. We have conceded that, although there is no such provision in England. I do not say that the opinion of the Bombay Shareholders' Association is sacrosanct and that you should not go behind it but the fact remains that they have been most strenuous in their attempts to put fetters on directors and they say that they would be satisfied if the contracts come up before a certain majority of directors and a register is kept. We have provided for the register and if Sir Homi Mody's amendment is accepted, it will provide for the other thing which they want. In these circumstances, I make

my position clear that I shall not object to Sir Homi Mody's amendment, but I object to the other amendments.

Mr. Mathuradas Vissanji (Indian Merchants' Chamber and Bureau : Indian Commerce) : Sir, I would like to make a few remarks on the four amendments which are before us. Honourable Mr. Satyamurti's is of a very sweeping character. There has been a little modification by my Honourable friend, Pandit Pant, but it does not carry us to the extent that we want for the actual working of the companies. Mr. Ayyangar's amendment is also of the same nature. It only specifies the extent to which the company can prohibit the directors in the matter of business, if it so desires in general meeting. If we have to pass these amendments, the first effect of it will be that the directors at present who are concerned directly or indirectly with the business of any contract of the firm will have either to resign *in toto* or they will have to bring about the termination of the contract or arrangements anyhow. That will be the first deadlock created. The Bill itself provides that the existing contracts are not to be disturbed and although in the Select Committee there was a great deal of difference of opinion on the subject, a compromise was brought about. I can give the House practical instances of the difficulties that will have to be faced if we pass these amendments. Suppose a mill has got on its directorate some of the directors who have also got concerns with whom the mill has got to do business directly or indirectly. Then is it suggested that every time they have got to enter into a contract, they must call a general meeting of shareholders ? It is practically impossible. The director is concerned with some factories for ginning and pressing cotton, which have got to be engaged during the season. That time only comes up about the end of the monsoon, in October or November. The managing agent really does not know whether he is going to make a contract with the directors' company or not, because he has got to see what the best terms available are and if he finds that he can make a cheaper arrangement with the director's company, is he to go and convene a general meeting to give sanction to that arrangement ? It is absolutely impossible. Similar instances can also be cited. When there is another company where the supply of the material to the mill is concerned and a contract has got to be arranged, having regard to the market conditions prevailing which the managing agents do find are really in the interests of the company, are they to be asked to go to the shareholders to get the sanction ? I say it is practically impossible. Many limitations have been already placed by the new provisions. I think that if the amendment of Sir Homi Mody were to be carried, that will be serving the best interests of all concerned. With these words, I support the amendment of Sir Homi Mody.

Seth Govind Das (Central Provinces Hindi Divisions : Non-Muhamadan) : I had no desire to take part in this debate but for the three speeches which have been made here, two of them by my Honourable friends, Mr. Chettiar and Prof. Ranga, members of my own Party. Prof. Ranga said that the whole class of capitalists was dishonest. Now, Sir, I belong to that class and fortunately or unfortunately I find myself in complete agreement with the amendment which has been moved by my Honourable friend, Mr. Satyamurti. Unfortunately opposition to my own class has been my lot from the time I finished my education. At that time I belonged to the landlord class and unfortunately I differed

[Seth Govind Das.]

with them on what they thought were their class interests although they always gave me their confidence. I belong to this class of industrial capitalists and unfortunately I differ with them as well. The whole question should be looked at firstly from the moral point of view and in my opinion the directors have two capacities in any concern. First of all they are shareholders because they can be elected directors only after becoming shareholders of any concern. But secondly, as directors they are trustees for their shareholders. Now, I cannot understand how, when directors enter into contracts with their company, they can discharge their duties as trustees. As soon as self-interest crops up in ninety-nine cases out of hundred they forget their duties towards their shareholders and self-interest gains the upper hand. Sir, I myself tabled the amendment that my friend, Mr. Satyamurti, has tabled and I say that these contracts of directors with their concerns should be entirely prohibited. The difficulties in the way of getting those contracts sanctioned by meetings of shareholders have been placed before this House and I mostly agree with them. If you allow these contracts, and if you provide that they should be rectified by shareholders, there will be numerous difficulties and therefore, Sir, in my opinion the first amendment which has been moved by Mr. Satyamurti should be supported even from the capitalists who are honest and who think that directors besides being shareholders are also the trustees of shareholders. Now, Sir, from the business point of view it has been pointed out here that the business of companies will suffer if these contracts are not allowed. I do not agree with this point of view, because even if the contracts are not made with directors, which are generally made with concessions, the business of a company cannot suffer. Generally we find that contracts are given to directors in preference to other better offers and with the object of giving additional profits to the directors and in this manner the ordinary shareholders are put to a loss. Thus if we look at the matter from the point of view of shareholders, in my opinion their interests will not only not suffer, but will be better served, if all these contracts are strictly prohibited to the directors. Sir, I think now Professor Ranga who is obsessed with the theory of supposed class struggle will not have the same complaint which he had when he spoke and when he said that all capitalists were dishonest. I am sorry my friend, Mr. Vencatachalam Chetty and my friend, Mr. Avinashilingam Chettiar, though they belong to the progressive and better class of capitalists, thought it fit to oppose these amendments. Sir, I support the first amendment moved by my friend, Mr. Satyamurti.

Several Honourable Members : I move that the question be now put.

Mr. President (The Honourable Sir Abdur Rahim) : I will put the amendment standing in the name of Mr. Satyamurti first. The question is :

“ That in clause 40 of the Bill, after the proposed section 86E, the following be added :

‘ 86EE. No Director shall be directly or indirectly concerned or interested in any contract or arrangement entered into by or on behalf of the company of which he is a Director ’.

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim) : I will now put the amendment standing in the name of Pandit Govind Ballabh Pant. The question is :

“ That in clause 40 of the Bill, after the proposed section 86E, the following new section be inserted :

‘ 86EE. No director shall except with the sanction of the company in general meeting, be directly or indirectly concerned or interested in any contract or arrangement entered into by or on behalf of the company of which he is a director, provided that nothing herein contained shall affect any contracts or arrangements entered into before the commencement of the Indian Companies (Amendment) Act, 1936 ’.”

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim) : Next comes Mr. Ananthasayanam Ayyangar's amendment. The question is :

“ That in clause 40 of the Bill, after the proposed section 86E, the following new section be inserted :

‘ 86EE. Except with the consent of the company in general meeting, a Director of the company, or the firm of which he is a partner or any partner of such firm, or the private company of which he is a Member or Director, shall not enter into any contracts for the sale, purchase or supply of goods and materials with the company, provided that nothing herein contained shall affect any such contract or arrangement for such sale, purchase or supply entered into, before the commencement of the Indian Companies Amending Act, 1936 ’.”

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim) : Then I come to Sir H. P. Mody's amendment. The question is :

“ That in clause 40 of the Bill, after the proposed section 86E, the following new section be inserted :

‘ 86EE. Except with the consent of the directors, a director of the company, or the firm of which he is a partner or any partner of such firm, or the private company of which he is a member or director, shall not enter into any contracts for the sale, purchase or supply of goods and materials with the company, provided that nothing herein contained shall affect any such contract or agreement for such sale, purchase or supply entered into, before the commencement of the Indian Companies (Amendment) Act, 1936 ’.”

The motion was adopted.

Pandit Govind Ballabh Pant : Sir, with your permission, in place of amendment No. 19, I might move :

“ That in clause 40 of the Bill, after clause (g) of sub-section (1) of section 86G, the following be inserted :

‘ or (h) acts in contravention of section 86EE ’.”

That would be a consequential amendment.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That in clause 40 of the Bill, after clause (g) of sub-section (1) of section 86G, the following be inserted :

‘ or (h) acts in contravention of section 86EE ’.”

The motion was adopted.

Mr. T. S. Avinashilingam Chettiar : Sir, I move :

“ That in clause 40 of the Bill, after clause (g) of sub-section (1) of the proposed section 86G, the following be added :

‘ (j) or if convicted of any offence in relation to companies ’.”

Sir, 86G deals with the vacation of an office of director. It specifies the various occasions or circumstances under which directors will be automatically removed from the board of directors, and to that I seek to add another circumstance which will disqualify a director from being a member of the board of directors and that is that if he is convicted of any offence in relation to companies.

An Honourable Member : Why not also in the case of other offences ? The balance sheet may be wrong ?

Mr. T. S. Avinashilingam Chettiar : I had previously given notice of an amendment in this form :

“ If convicted of an offence involving moral turpitude.”

Mr. Sen's report in Chapter III, page 15, deals with the vacating of the office of a director of a company and there he writes :

“ I would recommend that it should therein be provided that the office of a director shall *ipso facto* be vacated on the happening of the following events :

* * * * *

(g) If he is convicted for fraudulent trading.”

There is no provision in the Bill itself which provides that on conviction the director will be asked to vacate his office. I should think it is necessary in the interests of the commercial life and the confidence that the public should repose in a company that a director who is convicted of an offence in a Court of law should be disqualified to hold his position as such. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

“ That in clause 40 of the Bill, after clause (g) of sub-section (1) of the proposed section 86G, the following be added :

‘ (j) or if convicted of any offence in relation to companies ’.”

The Honourable Sir Nripendra Sircar : Sir, I oppose this amendment. What is an offence relating to companies ? First of all, I believe that if there is an offence in relation to one company, it is not enough ; it must be an offence in relation to companies. Leaving that alone, what is an offence in relation to a company ? Mr. Sen's recommendation was with reference to a very definite matter, namely, fraudulent trading. The words of the amendment are very vague. I do not know if I assault the Darwan of a company, that is an offence relating to a company. Of course, that is not what my Honourable friend means, but the words are so vague that I must oppose this amendment.

Mr. K. Ahmed (Rajshahi Division : Muhammadan Rural) : Sir, I rise to oppose this amendment on the ground that the Mover says that a director should vacate his office only when he has committed an offence in relation to his company and not if he has committed any other offence. A scoundrel of the first water who is convicted for 10 years' rigorous imprisonment and who has committed certain heinous

offences will be qualified to become a director of a company. A man who has enticed away another man's wife and a man who has misappropriated thousands and thousands of rupees from different companies will be eligible for the directorship. Even a disqualification which is applicable in the elections to this Honourable House will not be applied in the case of a director. This House is as respectable—if not more—as the office of the directorate of a big company. We have in this House a multi-millionaire. Sir, my Honourable friend, who is the youngest Member of this House, has brought an amendment which has no legs to stand upon and I ask him therefore to withdraw it at once.

Mr. Akhil Chandra Datta (Chittagong and Rajshahi Divisions : Non-Muhammadan Rural) : Sir, I rise to oppose this amendment, and I will not take more than half a minute. Supposing a director is convicted for not filing a statement, would that be a reason for asking him to vacate his office ?

Mr. T. S. Avinashilingam Chettiar : Sir, it will shorten the discussion if I am allowed to say that I do not press my amendment.

The amendment was, by leave of the Assembly, withdrawn.

Dr. N. B. Khare (Nagpur Division : Non-Muhammadan) : Sir, I do not propose to move my amendment to oblige my friend, Sir Homi Mody.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That clause 40, as amended, stand part of the Bill.”

The motion was adopted.

Clause 40, as amended, was added to the Bill.

Maulana Shaukat Ali (Cities of the United Provinces : Muhammadan Urban) : Sir, I beg to move :

“ That after clause 40 of the Bill, the following be inserted :

‘ 40A. There shall be no managing agents in any key industry company, and every such company shall be managed by a Board of Directors elected by the shareholders. In every key industry company there shall be at any time not less than three-fourths of the total number of Directors Indians.’ ”

My object in moving this amendment is this.....

The Honourable Sir Nripendra Sircar : I rise to a point of order. You will remember, Sir, that you ruled out of order two amendments. I would draw your attention to amendment No. 7 which was intended to be moved by Professor Ranga which contained the definition of a key industry and also to amendment No. 9, both of which you ruled out of order. The result is that in the definition clause we have nothing to show what is a key industry. It seems rather useless to go on discussing when we do not know what a key industry is.

Maulana Shaukat Ali : It is no use passing a Bill and then go on changing it. It is by far better to have a fairly comprehensive law from the very beginning. I feel strongly that in the matter of a key industry we should be in a fairly safe position.

Mr. President (The Honourable Sir Abdur Rahim) : What are the key industries ? They are not defined in the Bill.

Maulana Shaukat Ali : Key industries refer to things that are essential for the country, such as, arms and ammunition ; also minerals that are produced in the country and which should be put in the finished form instead of getting them from outside.

Mr. President (The Honourable Sir Abdur Rahim) : But in a Statute like this they must be defined.

Mr. M. S. Aney : Is it not possible later on for the Governor General in Council, under the rule-making clause, to mention the industries which can be classed as key industries ? That amendment can be brought to that clause later on and it should not be ruled out at this stage.

The Honourable Sir Nripendra Sircar : There is no rule-making clause in the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : If an amendment is sought to be moved on the lines suggested by Mr. Aney, then I will consider whether it is in order or not, but at present this amendment is not in order, and, therefore, I rule it out of order.

Pandit Govind Ballabh Pant : The term "key industry" is a well-known term in economic science. Anybody can refer to that.

Mr. President (The Honourable Sir Abdur Rahim) : It is different in different countries and in different circumstances. It has not been defined anywhere.

Prof. N. G. Ranga : I can define what a "key industry" is, as an economist.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That clause 41 stand part of the Bill."

Mr. Sri Prakasa (Allahabad and Jhansi Divisions : Non-Muhamadan Rural) : Sir, I beg to move :

"That in clause 41 of the Bill, in the proposed clause (a) of sub-section (1) of section 87, for the words 'that directorship or of some one of those directorships' the words 'such directorship or directorships' be substituted."

Sir, I have very little to say on this subject. As the clause in the Bill stands, it is rather vague. It says that :

"in the case of an individual, his present name in full, any former name or surname in full, his usual residential address, his nationality and, if that nationality is not the nationality of origin, his nationality of origin and his business occupation, if any, or if he holds any other directorship or directorships the particulars of that directorship or of some one of those directorships",

shall be recorded in a register.

The Bill, as it is drafted, requires details of only "some one of the directorships" held by an individual. I.....

The Honourable Sir Nripendra Sircar : If it will shorten discussion, I may say just now that I am willing to accept the amendment. The language of the amendment is an improvement on the language in the Bill which is rather defective.

Mr. Sri Prakasa : I begin to feel suspicious now that the Honourable Member has accepted it ! Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That in clause 41 of the Bill, in the proposed clause (a) of sub-section (1) of section 87, for the words ‘ that directorship or of some one of those directorships ’ the words ‘ such directorship or directorships ’ be substituted.”

The motion was adopted.

Mr. M. Ananthasayanam Ayyangar : Sir, I beg to move :

“ That in clause 41 of the Bill, to clause (b) of sub-section (1) of the proposed section 87, the words ‘ the full name, address and nationality of each of its directors and ’ be added at the end.”

The Honourable Sir Nripendra Sircar : Before my Honourable friend proceeds further, I may say that if my Honourable friend will not feel suspicious, I am willing to accept this amendment.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That in clause 41 of the Bill, to clause (b) of sub-section (1) of the proposed section 87, the words ‘ the full name, address and nationality of each of its directors and ’ be added at the end.”

The motion was adopted.

Mr. M. Ananthasayanam Ayyangar : Sir, I beg to move :

“ That in clause 41 of the Bill, after clause (c) of sub-section (1) of the proposed section 87, the following clause be inserted :

‘ (d) the names of directors who have a share in or are otherwise interested in the remuneration payable to managers and managing agents ’.”

Sir, clause (c) of sub-section (1) of the proposed section 87 says :

“ in the case of a firm, the full name, address and nationality of each partner, and the date on which each became a partner should be given.”

Sir, all that I say is that these are the details that are required to be placed in a register so as to appraise the shareholders of the interest they have not only in this company but in other companies also so that whenever an occasion arises for election or re-election of a particular director, the shareholders may know the data on which they have to proceed whether those persons will devote their whole-hearted attention or not. The amendment which I move requires that particulars should be given regarding the names of directors who have a share in or are otherwise interested in the remuneration payable to managers and managing agents. I want these particulars for this reason, that if they are already interested in the managing agents or in getting a share in the remuneration, the shareholders may avoid them ; we have tried by a previous amendment to get in independent shareholders and there is still doubt or difficulty as to whether we have achieved the purpose of getting two-thirds of directors in a directorate to be elected by the shareholders. Much argument centred round the amendment of my Honourable friend, Dr. Khare, and it was finally accepted. Now, therefore, if in a directorate we want to have independent men, we have to know really whether these persons whom we are sending to the directorate under the two-thirds clause—that is to say two-thirds of the directors

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should be elected by the shareholders—we have to know whether after all we are choosing the right men, that is, independent of the managing agents. If they are already interested in the remuneration payable to managers or the managing agents—already the managing agents have got directly the right to appoint directors to the extent of one-third, and if out of two-thirds of the balance left for others, a director is appointed who is interested in the managing agent's remuneration, then indirectly the managing agent will have a voice in the election of two-thirds directors and in this way those persons who are appointed will be mere aliases of the managing agent. If with the knowledge that these people have got an interest in the remuneration payable to the managing agent, if with open eyes, the shareholders appoint these men as directors, then they have to thank themselves for it. Then there is absolutely no harm. Let not the shareholders act without proper information. The registers which are maintained only for the purpose of appraising the shareholders of the position and status of these people and of the interest they have in the management will help the shareholders in choosing the right sort of directors. My amendment will help the shareholders in that respect. I therefore hope the Honourable the Leader of the House will accept my amendment.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

“ That in clause 41 of the Bill, after clause (c) of sub-section (1) of the proposed section 87, the following clause be inserted :

‘ (d) the names of directors who have a share in or are otherwise interested in the remuneration payable to managers and managing agents.’ ”

The Honourable Sir Nripendra Sircar : Sir, I oppose this amendment. Clause 41 provides for keeping a register showing the names of directors, managing agents, etc. At the end of that clause, completely outside the scope of this section 87 my Honourable friend suggests that we should add :

“ (d) the names of directors who have a share in or are otherwise interested in the remuneration payable to managers and managing agents.”

What is the process by which this is to be ascertained ? With the help of the C. I. D. ? If not, there is no provision in this Bill which compels a manager or a director to give this information. If that information is asked for, the man asking can be asked to go to some unmentionable place. That is what would happen.

Mr. M. Ananthasayanam Ayyangar : If I am a director myself, I know whether I am to make this disclosure or not. It is not a third party to whom I look to this.

The Honourable Sir Nripendra Sircar : If my Honourable friend were a director and if he did not give that information, what could have happened to him ? He will possibly suffer in the next world ; but the Companies Act has no punishment for him in this world.

Mr. S. Satyamurti : He will live in Sir H. P. Mody's company.

The Honourable Sir Nripendra Sircar : Sir, I oppose this amendment.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That in clause 41 of the Bill, after clause (c) of sub-section (1) of the proposed section 37, the following clause be inserted :

“(d) the names of directors who have a share in or are otherwise interested in the remuneration payable to managers and managing agents.”

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim) : Now, I will put clause 41 to the House.

Mr. N. C. Chunder (Calcutta : Non-Muhammadan Urban) : Sir, may I point out a drafting error in this clause ? In the seventh line of clause (a), “ or ” should be changed into “ and ”.

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member may move an amendment to that effect.

Mr. N. C. Chunder : Sir, I will then move it as an amendment. I move :

“ That in section 37 (1) (a), for the word ‘ or ’ in the seventh line, the word ‘ and ’ be substituted.”

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That in section 37 (1) (a), for the word ‘ or ’ in the seventh line, the word ‘ and ’ be substituted.”

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That clause 41, as amended, stand part of the Bill.”

The motion was adopted.

Clause 41, as amended, was added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

“ That clause 42 stand part of the Bill.”

Sir Leslie Hudson : Sir, I beg to move :

“ That in clause 42 of the Bill, sub-sections (2), (3) and (4) of the proposed section 37A be omitted and sub-section (5) be re-numbered as sub-section (2).”

In my remarks on the motion to take the Bill into consideration, I said that there were certain provisions of the Bill which we took strong objection to on questions of principle. This is one of them in fact, this sub-section is, from that point of view, the most objectionable of the whole Bill, destroying as it does the sanctity of contract.

It has been said that the sanctity of contract does not exist and that the Legislature has frequently interfered with existing contracts. But the Legislature only interferes when contracts are found to be against public policy ; and then not to cancel contracts wholesale but to provide relief where in individual cases it is found that a contract is unconscionable. A contract is unconscionable only when a hard bargain is driven

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against a person in great need or distress or against an ignorant and helpless individual. It surely cannot be maintained that the shareholder is a needy and helpless person. With the section as passed by the Select Committee it cannot even be said that the intention of the Legislature is to give the shareholders the right to reconsider a long term contract after 20 years, for the managing agent is to be dismissed by the section, whether the shareholders like it or not. An attempt has been made by the Select Committee to remove the characteristic of expropriation by providing for compensation, but the existing law on the measure of compensation is so unsatisfactory that the managing agent may find himself left with a right which proves illusory. I was unable to convince the Select Committee of this; I was unable to convince them on the point of sanctity of contract; but I hope that in what I am about to lay before the House I may be more fortunate. In any event I must place on record our objection to the principle underlying sub-section (2) of the proposed new section 87-A of the Bill.

We have agreed to the statutory limit which 87 A (1) places on the duration of managing agents agreements in new companies, though we confess we are unable to see any overwhelmingly good reason why even there there should be this arbitrary interference with the freedom of the company to make such terms with its managing agents as it may think good and proper. While we are prepared to concede the point in new companies we cannot give our willing consent to a provision which treats lawful contracts already in existence as so many scraps of paper.

We consider this particular provision of the Bill to be wrong in principle, unnecessary, and dangerous to the interests of the company, i.e. the shareholders. I must ask the House to try and realise the position in which all existing managing agencies will be placed if this provision becomes law. They will be placed under a sentence of death twenty years hence, and when I say that I do not overlook the good intentions of the provision what I might call the recommendations to mercy, which are designed to facilitate the renewal of existing agreements on such fresh terms as may then be possible. Good intentions are one thing and hard facts are another and from whichever angle you look at the problem it seems obvious to me that the managing agent has no assurance, no guarantee that his agreement will be renewed and so long as that state of affairs continues the sentence of the sub-section is suspended over his head.

I cannot anticipate, any more than other Honourable Members can, the position some of the companies at present under managing agents are likely to find themselves in in ten, fifteen or twenty years' time. I cannot say what particular companies fifteen years hence may find themselves in need of financial assistance, and, as has so often been the case in the past, find that the security which they can offer is insufficient to enable the banks to advance them loans. In such an eventuality, the only alternatives of a company are liquidation or financial support from the managing agent. No managing agent is going to advance money in the expiring years of his agreement unless he is assured of a fresh lease of life to carry him for a longer period. What will be the position if the

shareholders for any reason, and it may be an entirely unaccountable reason, refuse to renew the managing agents agreement. It may easily happen that the company will find itself during a critical period in the hands of new managing agents who, in their turn so far as they know, may again have to hand over the affairs of the company in a very short time. I cannot anticipate, any more than other Honourable Members can, what sort of difficulties this particular provision of the Bill may give rise to. I can only tell the House what is in our mind and leave it to the good sense of Honourable Members.

I believe it was Confucius who said that if you would divine the
 5 P.M. future you must study the past. We can at any rate
 draw from past experience in Calcutta and Bombay in
 order to demonstrate the possible danger which we foresee if this provision goes through as it stands today.

Let me give one or two instances of the way in which managing agents have assisted the development of companies. I will first take an instance of a company which has only become successful through the careful nursing of managing agents. I refer to a company in Bengal which was the pioneer company in India for the production of Aeroplane spirit, known as Benzol. This company was started in 1918 with a capital of 12 lacs. As a result of post-war inflation the estimated cost of the Block was considerably exceeded and the company was only rescued from liquidation by the financial assistance of the managing agents. Five years after, in 1923, the company's overdraft with the managing agents amounted to Rs. 17 lacs, while to assist the company the managing agents handed back nearly Rs. 26,000 of the allowances to which they were entitled. Since 1930, the company has been solvent and the shareholders today are receiving an 8 per cent. dividend annually. I do not think it unreasonable to suppose that if in 1918, the managing agents had been faced with a statutory time limit to their agreement they would have thought twice before embarking on the long and unpromising prospect of managing and financing this particular company through its first twelve years of adversity. It is obvious that but for the managing agents advancing cash to the extent of nearly one and a half times the capital, and for their persistent and steady nursing through twelve barren years of the eighteen years of its existence, this company would have been forced into liquidation, the shareholders would have sacrificed their entire investment and a valuable indigenous industry would have been lost to India. I will give another instance of a company managed in Bombay. There is a company whose works are situated in Northern India which today is in a very sound condition. This company encountered bad times in 1923 and the managing agents made unsecured advances amounting to nearly Rs. 20 lacs and also guaranteed a loan from the bank on behalf of the company for Rs. 8 lacs, so that in that year the unsecured outstanding of the managing agents involved a sum nearly Rs. 28 lacs. In 1924 the company floated a debenture loan of Rs. 25 lacs bearing interest at 8 per cent. which was offered to the shareholders who, notwithstanding the attractive rate of interest, had then so little faith in the company that only 21 of them took up altogether Rs. 50,000 and the managing agents took up the balance of Rs. 24½ lacs. From 1924 to 1926 no interest on these debentures was paid to the managing agents, but they did not foreclose. The rate of interest on

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these debentures was, as I said, 8 per cent. At the suggestion of the managing agents it has now been reduced to 5½ per cent. Had it not been for this considerable financial assistance which the managing agents have given to this particular undertaking, and which, as the House will realise, was no light matter to them, the shareholders would undoubtedly have lost their all.

Mr. President (The Honourable Sir Abdur Rahim) : If the Honourable Member wishes to continue his speech, he can do so next day : he need not cut short his speech.

Sir Leslie Hudson : I shall take only about ten minutes more. There is another category of instances which relate to companies which, during periods of depression when banks would not advance money, received substantial advances from managing agents. I will only quote one instance here of the dozen or so which have reached us during the past few weeks. This refers to seven Indian tea garden companies under the management of the same managing agents. During the difficult years of 1920-21 the managing agents made no charge for their services in the administration of the seven companies, and wrote back to the different concerns some Rs. 58,000. They also advanced seven lakhs to help the companies through the slump. Five of the companies have recovered to a dividend paying basis while two are still being carried by the managing agents and overdrafts amount to Rs. 2½ lacs.

If I had time I could demonstrate to the House how managing agents have helped numerous companies in times of emergency by advancing money at rates of interest lower than those available in the market ; I could give examples of how managing agents have lost money personally through industries not being successful ; I think I could show why and how even the largest concerns find the rationalisation of the managing agency system preferable to individual company management. I will go on tomorrow, Sir, if I may.

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member can continue the next day.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 24th September, 1936.