

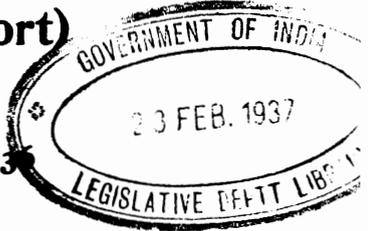
18th September 1936

THE

LEGISLATIVE ASSEMBLY DEBATES

(Official Report)

Volume VII, 1936



(15th September to 28th September, 1936)

FOURTH SESSION

OF THE

FIFTH LEGISLATIVE ASSEMBLY, 1936



NEW DELHI
GOVERNMENT OF INDIA PRESS
1937.

Legislative Assembly.

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THE HONOURABLE SIR ABDUR RAHIM, K.C.S.I., KT.

Deputy President :

MR. AKHIL CHANDRA DUTTA, M.L.A.

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

MR. M. S. ANEY, 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.

Friday, 18th September, 1936.

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

QUESTIONS AND ANSWERS.

†493*.

ARTICLE ENTITLED " A SUICIDAL POLICY " PUBLISHED IN THE *Amrita Bazar Patrika* re EARNINGS OF RAILWAYS.

494. *Mr. S. Satyamurti : Will Government be pleased to state :

- (a) whether their attention has been drawn to a leading article, entitled " A suicidal policy " regarding the ways of increasing the earnings of the Railways, in the *Amrita Bazar Patrika* of the 26th June, 1936 ;
- (b) whether they propose to consider the arguments contained therein ;
- (c) whether they propose particularly to consider the question of not increasing the freights and rates for milk ; and
- (d) if not, why not ?

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

(c) Government have no proposal under consideration at present for an increase in the freight rates for milk.

(d) Does not arise.

ARTICLE ENTITLED " PROPOSED CHANGES IN RAIL RATES " PUBLISHED IN THE *Hindu*.

495. *Mr. S. Satyamurti : Will Government be pleased to state :

- (a) whether their attention has been drawn to a leading article, entitled, " Proposed changes in rail rates ", in the *Hindu* of the 26th June, 1936 ;
- (b) whether the facts and allegations contained therein have been examined by them ; and
- (c) whether they propose to bear all the facts in mind before they make up their minds to increase the rail rates ?

The Honourable Sir Muhammad Zafrullah Khan : (a), (b) and (c). Yes.

† This question will be put and answered later.

(1459)

Mr. S. Satyamurti : Has any progress been made, with regard to the question of increasing rail rates, in respect of the matters mentioned in this question ?

The Honourable Sir Muhammad Zafrullah Khan : I have answered two or three questions with regard to that already. Government cannot come to any decision till the Railway Conference Association send up their views.

Mr. S. Satyamurti : When are they meeting ?

The Honourable Sir Muhammad Zafrullah Khan : I am afraid they cannot meet this year in Simla in October as usual because there is no recommendation for them. They will have to meet in Delhi sometime later on.

Mr. T. S. Avinashilingam Chettiar : May I ask whether the increased rates have increased the income of the railways ?

The Honourable Sir Muhammad Zafrullah Khan : I believe so.

Mr. T. S. Avinashilingam Chettiar : Are Government sure that this increase in revenue is due to increase in freights and not due to some extraneous causes, such as the fear of the impending war in Europe and things of that sort ?

The Honourable Sir Muhammad Zafrullah Khan : It is partly due to increased rates.

Mr. T. S. Avinashilingam Chettiar : Do they expect to keep up this increase ?

The Honourable Sir Muhammad Zafrullah Khan : They hope so.

PROTECTION TO THE HANDLOOM INDUSTRY.

496. ***Mr. S. Satyamurti :** Will Government be pleased to state :

- (a) whether their attention has been drawn to a letter entitled "Handloom Industry", in the *Hindu* of the 26th June, 1936 (or near that date) ;
- (b) whether they propose to examine the whole question and give protection to the hand-loom industry ; and
- (c) if not, why not ?

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

(b) No. The only practical method of granting direct protection against competition from Indian mills, which is the desire of the writer of the letter, would be the re-imposition of a cotton excise duty on mill products. The Government of India are not prepared to consider this step in present circumstances ; but they and the Provincial Governments are, as the Honourable Member is aware, assisting the handloom industry in other ways.

(c) Because the whole industry is at present protected under a scheme devised by the Tariff Board for a period which has not expired.

Mr. S. Satyamurti : May I know whether Government propose to compile the latest statistics, with regard to the production of handloom

cloth in this country and the production of the same type of cloth in Indian mills or of foreign imports, and try to see if it is possible to allocate, by means of some arrangement, or quota, for example, the production of handloom industry on the one hand, and the Indian mills on the other—I mean by agreement but not by coercion ?

The Honourable Sir Muhammad Zafrullah Khan : That is not asking for information.

Mr. S. Satyamurti : I asked if Government have any such intention of bringing about an agreement.

The Honourable Sir Muhammad Zafrullah Khan : There is no present intention ; it is for the interests concerned to move in the matter.

Mr. T. S. Avinashilingam Chettiar : May I know whether the protection contemplated by the Tariff Board to handloom industry has materialised and whether the protection has been sufficient for that industry ?

The Honourable Sir Muhammad Zafrullah Khan : Which particular protection ?

Mr. T. S. Avinashilingam Chettiar : The Honourable Member mentioned in his answer that some money was being given to the handloom industry by way of protection. May I know whether that is sufficient for the industry ?

The Honourable Sir Muhammad Zafrullah Khan : The money is being spent in assisting the handloom industry to improve its position, it is not meant to give protection to the handloom industry.

Mr. T. S. Avinashilingam Chettiar : Is the Honourable Member of opinion that the assistance is sufficient to make it alive ?

The Honourable Sir Muhammad Zafrullah Khan : That is asking for an expression of opinion.

Mr. S. Satyamurti : May I know if Government realise the urgent need for conserving the handloom industry, inasmuch as it gives a living to large numbers of people in many parts of the country ?

The Honourable Sir Muhammad Zafrullah Khan : That is why a scheme of assistance is being devised.

Mr. S. Satyamurti : Will Government consider the effects of this assistance and take fresh steps to give them the extra needed assistance without which they may perish ?

The Honourable Sir Muhammad Zafrullah Khan : Government will keep that assistance in mind.

Mr. N. V. Gadgil : Is it or is it not a fact that thousands of families of weavers have left Sholapur, because they could not make a living there on account of lack of facilities for carrying on their profession ?

The Honourable Sir Muhammad Zafrullah Khan : I have no such information.

Prof. N. G. Ranga : Is it not a fact that the Government of Madras have made repeated representations to the Government of India that the present assistance rendered to handloom weavers by the Local Government as well as the Central Government is inadequate and that additional protection is needed for handloom industry ?

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

Prof. N. G. Ranga : Is it not a fact that in recent months the handloom weavers in various parts of the Madras Presidency have been sending representations to the Government of India asking for additional protection ?

The Honourable Sir Muhammad Zafrullah Khan : That may be so ; I am not denying it. If the Honourable Member wants a specific answer, he must put down a question to that effect. I do not carry all the files of the Government of India with me.

Prof. N. G. Ranga : I wish to point out to you, Sir, that when I put a similar question the other day, the Honourable Member replied that there was a question on that point later down in the list and that he would answer it later on. Now, I have been waiting for that opportunity to put the question, but the Honourable Member now excuses himself by saying he wants notice.

Mr. President (The Honourable Sir Abdur Rahim) : This does not arise. The Honourable Member has already answered that question. Next question.

PROTECTION TO INDIAN COCOANUTS.

497. ***Mr. S. Satyamurti :** Will Government be pleased to state :

- (a) whether their attention has been drawn to an article entitled "Protection for Indian Cocoanut" published in the *Hindu*, dated the 27th June, 1936 ;
- (b) whether they propose to examine the whole question of giving protection to Indian cocoanuts ;
- (c) if so, when ; and
- (d) if not, why not ?

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

(b) to (d). The matter is at present receiving the consideration of the Government of India.

Mr. S. Satyamurti : May I know, what according to the latest information in the possession of Government, is the exact position ? That is to say, the prices which the Indian cocoanuts are able to get now, as against imported cocoanuts. What is the extent of loss which the growers are now suffering, owing to want of protection ?

The Honourable Sir Muhammad Zafrullah Khan : That contains an argument ; in any case it would be difficult to estimate, the loss that the growers are suffering. I have received repeated representations from cocoanut growers in India for relief.

Mr. S. Satyamurti : Have the Government of India made enquiries into those allegations, and those statements of grievances ?

The Honourable Sir Muhammad Zafrullah Khan : Government asked for information from those interests. They came up here and exchanged views with the department concerned.

Mr. S. Satyamurti : When do Government hope to come to a definite conclusion on this matter, so as to give protection to this industry ?

The Honourable Sir Muhammad Zafrullah Khan : I do not know what the final conclusion of Government will be, but I hope it will be possible to come to a final decision within a short time.

Mr. T. S. Avinashilingam Chettiar : Is it a fact that the Diwan of Cochin submitted a scheme for marketing and for improving the price of cocoanut ?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir.

Mr. N. M. Joshi : May I ask whether the Government of India have considered the question of imposing some cess on the Indian cocoanut and forming a Cocoanut Cess Committee for having propaganda for the consumption of cocoanut in this country ?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir.

Mr. S. Satyamurti : Why not ?

The Honourable Sir Muhammad Zafrullah Khan : For the reason that it is for the industry itself, if it is in a position to bear the burden of a cess, to make a suggestion to that effect.

Mr. N. M. Joshi : May I ask whether Government are aware that cocoanut is not consumed in any appreciable quantity in some parts of India ?

The Honourable Sir Muhammad Zafrullah Khan : I am afraid I am unable to understand what is the implication behind the suggestion that it is not being sufficiently consumed.

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

PROTECTION TO THE GLASS INDUSTRY.

498. ***Mr. S. Satyamurti** : Will Government be pleased to state :

- (a) whether their attention has been drawn to a leading article on the survey of the glass industry in India, published in the *Hindu*, of the 27th June, 1936 ;
- (b) whether they propose to examine the whole question of giving protection to the glass industry in India ; and
- (c) if not, why not ?

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

(b) and (c). No, Sir. The decision of Government which was announced in Commerce Department Resolution No. 458-T. (14),

dated the 22nd June, 1935, was taken after full and careful consideration of the case in all its aspects. Government are, however, watching the position and will reconsider their decision if and when there is any material change in the position.

Mr. S. Satyamurti : Up to date, since the publication of the Commerce Department's notification, to the knowledge of the Government of India has there been no change in the position ?

The Honourable Sir Muhammad Zafrullah Khan : I am afraid not.

Mr. S. Satyamurti : I do not ask question No. 499.

†499*.

LASCARS EMPLOYED ON THE *F. L. V. Danidaw* AND *Kalagonk* PLYING IN THE RANGOON PORT.

500. ***Prof. N. G. Ranga :** Will Government be pleased to state :

- (a) how many *Lascars* are employed on the *F. L. V. Danidaw* and *F. L. V. Kalagonk*, and how many on the other *F. L. V.'s* plying in the Rangoon Port ;
- (b) whether these *Lascars* employed on the *F. L. V. Danidaw* and *Kalagonk* are granted any gratuity or pension ;
- (c) whether it is not a fact that those employed on the *F. L. V. Saraswati* of Chittagong Coast are granted pension ;
- (d) whether the *Lascars* of the *F. L. V. Danidaw* and *Kalagonk* have sent a memorial to Government, asking for the fixation of a graded scale of pay, crew hospital leave, relief of the crew after three months of continuous service instead of six months as at present, to provide the crew with free quarters, single or double, as was done in the past, or in the alternative, to give a house-rent allowance, and to make their service pensionable ; and
- (e) if so, when and what action has been taken to redress their grievances ?

The Honourable Sir Muhammad Zafrullah Khan : (a) The Light-vessel " *Danidaw* " was sold in February, 1932, and the Light-vessel " *Kalagonk* " was sold in September, 1930.

(b), (d) and (e). Therefore do not arise.

(c) The Light-vessel " *Sarsuti* " belongs to the Commissioners for the Port of Chittagong and Government are not aware whether the posts of " *lascar* " on that vessel are pensionable or not.

DECK PASSENGERS' CONFERENCE HELD AT VIZAGAPATAM.

501. ***Prof. N. G. Ranga :** Will Government be pleased to state :

- (a) whether they are aware of the holding of the Deck Passengers' Conference at Vizagapatam in June, 1935 ;

† This question was not put by the questioner.

- (b) whether they have received the resolutions passed at that Conference ; and
- (c) if so, what action has been taken on them to relieve the sufferings of the deck-passengers, travelling to and from India and Burma ?

The Honourable Sir Muhammad Zafrullah Khan : (a) and (b). Government have received a copy of resolutions which purport to have been passed at a conference of Indian Deck Passengers at Vizagapatam in June, 1935.

(c) After considering the resolutions Government decided that the existing rules regulating the carriage of deck passengers between India and Burma were adequate and that no action was necessary.

Prof. N. G. Ranga : Are Government aware of the fact that great discontent prevails amongst the deck passengers on account of the inhuman treatment meted out to them by the steam navigation companies on their steamers ?

The Honourable Sir Muhammad Zafrullah Khan : Government do not accept the implication that inhuman treatment is being meted out to the deck passengers.

Prof. N. G. Ranga : Will Government consider the advisability of having a report by one of their own administrative officers on the allegations made by the deck passengers and incorporated in the resolutions passed at that conference ?

The Honourable Sir Muhammad Zafrullah Khan : I have said in reply to part (c) of the question that Government, after considering the resolutions, have come to the conclusion that no action is necessary.

Prof. N. G. Ranga : What steps were taken by the Government of India in order to ascertain that these allegations were wrong or were not true ?

The Honourable Sir Muhammad Zafrullah Khan : I have not said that all these allegations are wrong, what I have said is that Government do not think that any change is necessary in the rules regulating the carriage of passengers between India and Burma.

Pandit Lakshmi Kanta Maitra : Did Government hold any enquiry into these allegations ? Did they take any evidence from those people who made representations to the Government about maltreatment of deck passengers ?

The Honourable Sir Muhammad Zafrullah Khan : It was not necessary to take evidence from people who had sent up these resolutions. Those were there already.

Pandit Lakshmi Kanta Maitra : Was any enquiry held by the Honourable Member or his department as to the truth or otherwise of the allegations contained in those resolutions ?

The Honourable Sir Muhammad Zafrullah Khan : These matters relate mostly to the rules and Government looked into the rules and found them adequate.

Prof. N. G. Ranga : In regard to the administration of the rules did Government take any steps to see that these rules were properly administrated and adequate amenities were provided for these deck passengers ?

The Honourable Sir Muhammad Zafrullah Khan : Most of the matters that are contained in the resolutions that were sent up and are before me deal not with the administration of the rules but with the rules themselves.

WORKING OF THE PAYMENT OF WAGES ACT IN BURMA.

502. ***Prof. N. G. Ranga** : Will Government be pleased to state :

- (a) if the Payment of Wages Act of 1936 has been made applicable to Burma ;
- (b) if so, since when ;
- (c) how many workers, and in which industries, have been brought within the scope of that Act in Burma ;
- (d) how many of them are Indians and in which industries ; and
- (e) what is the latest report of the working of the Act in Burma ?

The Honourable Sir Frank Noyce : (a) The Act as passed extends to Burma but it is not yet in force in any part of India or Burma.

(b) to (e). Do not arise.

Prof. N. G. Ranga : When will it come into force ?

The Honourable Sir Frank Noyce : I hope it will be possible to bring it into force very early in 1937. I may remind my Honourable friend that I warned the House that the preparations for bringing it into force might take about a year.

Prof. N. G. Ranga : What effect will this delay have in regard to Burma ? Will it be applicable to Burma along with India, or will the Burmese Legislature have to come to a decision whether or not to apply this particular Act to their province ?

The Honourable Sir Frank Noyce : I have told my Honourable friend that I hope it will be possible to bring the Act into force very early in 1937. The separation of Burma will not, I believe, take place before April, 1937.

Prof. N. G. Ranga : Will Government see that this Act is brought into force before Burma is actually separated from India ?

The Honourable Sir Frank Noyce : All I can say is that I am as anxious as my Honourable friend that the Act should be brought into force as soon as possible. It is our hope that it will be brought into force at the beginning of 1937.

PERMANENT EXTENSION OF THE SALT CONCESSIONS TO THE NORTH VIZAGAPATAM DISTRICT.

504. *Prof. N. G. Ranga : Will Government be pleased to state :

- (a) if it is a fact that the peasants of North Vizagapatam District (formerly a portion of Ganjam District) have asked for the permanent extension of the salt concessions to their district ;
- (b) that the temporary concession extended to them during the 1936 famine has been withdrawn ; and
- (c) if so, whether they propose to reconsider their decision and extend the salt concessions permanently to this North and South Vizagapatam District ?

Mr. A. H. Lloyd : (a) and (b). The concession relating to private manufacture and collection of salt granted under the Delhi Pact in 1931 has not so far been withdrawn, either temporarily or permanently, from the North and South Vizagapatam Districts.

(c) Does not arise.

Prof. N. G. Ranga : Are Government aware of the fact that when the peasants went there to gather salt they were frightened away and driven away by the police saying that the concession was withdrawn and they were not entitled to collect salt ?

Mr. A. H. Lloyd : No. I have no such information.

EMPLOYMENT OF INDIANS IN THE INDIA OFFICE.

505. *Mr. C. N. Muthuranga Mudaliar : With reference to the answers to starred questions Nos. 266 and 350 in February, 1936, are Government prepared to consider the advisability of making suitable representation to the Secretary of State for India in Council to enable Indians already in service in India, superior and subordinate, to be employed in the India Office ?

The Honourable Sir Henry Craik : I would refer the Honourable Member to the answer given to part (d) of Dr. T. S. S. Rajan's question No. 266 on the 11th February, 1936, and to the supplementary questions then asked. I have nothing more to add.

Mr. C. N. Muthuranga Mudaliar : May I know, Sir, if in view of the substantial amount of money that is being spent out of the Indian revenues on the India Office, the Government will not re-open this question with His Majesty's Government ?

The Honourable Sir Henry Craik : The new Act provides that the expenses of the India Office will be met by Parliament and that will come into force from April next. I do not think there is any good case for re-opening the matter.

SHARE OF INDIANS IN THE QUOTA OF IMMIGRATION ALLOWED INTO THE UNITED STATES OF AMERICA.

506. *Mr. C. N. Muthuranga Mudaliar : With reference to the second part of the answer to starred question No. 355 (b) of last Session, will Government state what the position now is and whether any steps are

being taken to obtain for the natives of India a proportionate share in the quota of immigration allowed annually into the United States of America ?

Sir Aubrey Metcalfe : Further representations have been made to His Majesty's Government who are still in correspondence with the Government of the United States of America.

As regards the last part of the question, quotas of immigration are not available for natives of India as they are ineligible to the citizenship of the United States of America. The Government of India do not consider that any useful purpose will be served by making representations for the removal of this disability which Indians share with Japanese and Chinese subjects.

Mr. C. N. Muthuranga Mudaliar : May I know if Government will initiate legislation controlling the entry into India of Americans for business or missionary purposes ?

Sir Aubrey Metcalfe : The Honourable Member is asking for action and not for information.

Prof. N. G. Ranga : Is it not a fact that Americans are entitled to Indian citizenship ?

Sir Aubrey Metcalfe : That I should require notice of.

Mr. T. S. Avinashilingam Chettiar : Will Government consider the advisability of introducing a Bill to that effect ?

Sir Aubrey Metcalfe : To what effect ?

Mr. T. S. Avinashilingam Chettiar : Will Government consider the advisability of introducing a Bill to restrict the entry of Americans into India in the same way as restrictions have been imposed on the entry of Indians into America ?

Sir Aubrey Metcalfe : I do not think I should be asked to answer a large question of policy of that kind in reply to a supplementary question.

Mr. S. Satyamurti : What are the reasons, on which the Government have come to the conclusion, that no useful purpose will be served by taking up the question of getting the United States of America to remove the ban on Indians, Japanese, Chinese and other Asians, I believe, securing citizenship in the United States ?

Sir Aubrey Metcalfe : Because I do not think there will be the smallest hope of getting the ban removed. This is a very complicated question and I think possibly there is some misunderstanding in the House as to the exact meaning of my reply. When I say that they are not entitled to a quota of immigration, it does not mean that Indians are not allowed to enter the United States. There are several ways of securing admission both as non-quota immigrants and also for temporary purposes which I can explain to the House if they wish me to do so.

Mr. S. Satyamurti : Will Government examine the question of taking steps by way of retaliation, to the extent to which we are discriminated against by the United States, as a self-respecting Government of India ?

Sir Aubrey Metcalfe : Government have already looked into this with some care and they do not think that in present circumstances there would be any possibility of effective retaliation.

Mr. S. Satyamurti : Have Government considered the question of treating the Americans in India, just as Indians are treated in America, and amending the law if necessary for that purpose ?

Sir Aubrey Metcalfe : They have considered it but they see no advantage in doing so at present.

Prof. N. G. Ranga : Is it not a fact that there are a large number of Americans in India who are voters according to our own Government of India Act ?

Sir Aubrey Metcalfe : If the Honourable Member requires exact information I should require notice, but so far as I have been able to discover the number of Americans in India is comparatively small, far smaller than the number of Indians in America.

PROVISION OF AIRCRAFT DEPÔTS OR PARKS IN WESTERN OR SOUTHERN INDIA.

507. ***Mr. C. N. Muthuranga Mudaliar** : (a) With reference to starred question No. 354 asked on the 13th February, 1936, will Government state whether they propose to have any aircraft depôts or parks in Western or Southern India ?

(b) Will Government state the number of Indian officers in the Royal Air Force, and what steps they are taking to increase their number, or wholly to Indianise the force ?

(c) Will Government state whether they are taking any steps to Indianise wholly the 1,304 other personnel, consisting of artificers, mechanics, drivers and clerks ? If not, why not ?

(d) How many Ground Engineers are employed in the aircraft Park at Lahore and the depôt at Karachi and how many of them are Indians ?

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

(b) As I have frequently explained before the Royal Air Force is a British Service, there are no Indians in it nor can it be Indianised as such. The process of forming the Indian Air Force, on the other hand, which is a separate Indian unit, is proceeding as quickly as the personnel can be trained to take their place in a service unit.

(c) The Honourable Member has misunderstood the position. I informed him before that there were 1,860 airmen in the Royal Air Force and that 556 Indians were employed *with* the Royal Air Force. He has deducted the latter figure from the former, but he should have added the two together. There is no question of reducing the number of British airmen actually belonging to the Royal Air Force.

(d) At the Aircraft Park, Lahore, and the Aircraft Depôt, Karachi, there are, as I have already explained, no Ground Engineers, but at the Park 187 and at the Depôt 535 artificers of various trades are employed, and of these 71 and 184, respectively, are Indians.

Mr. M. Asaf Ali : What facilities are provided by Government for the training of Ground Engineers, Pilots and others required for the Indian Air Force ?

Mr. G. R. F. Tottenham : If the Honourable Member wants a full answer, he had better put down a question.

Mr. M. Asaf Ali : I should like to have some sort of skeleton answer. Will the Honourable Member tell me whether any facilities are provided for this purpose.

Mr. G. R. F. Tottenham : Ground Engineers are civil personnel. They are employed for Civil Aviation. I do not know anything about them, but for the purpose of providing artificers for the Indian Air Force, we have a system of taking apprentices and giving them training at Karachi.

Mr. M. Asaf Ali : To how many persons have you extended this privilege during the last two years.

Mr. G. R. F. Tottenham : I cannot give the exact figures but if the Honourable Member will look up the pamphlet entitled 'Summary of Important Matters' that was sent to him, he will find some information on that subject there.

Mr. M. Asaf Ali : I do not believe even as many as 20 persons have been allowed that privilege.

Mr. G. R. F. Tottenham : I think there has been over a hundred apprentices. I do not know the exact figure.

Mr. C. N. Muthuranga Mudaliar : With regard to answer (b), Sir, may I know when Government expect to have a completely Indianised Air Force ?

Mr. G. R. F. Tottenham : I cannot give a definite answer to that question. It all depends on what the size of the Indian Air Force is going to be, but at present, as the Honourable Member is aware, the policy is to form one squadron of the Indian Air Force. A squadron consists of three flights. One flight has already been formed and is quartered on the Frontier. The second will be completed next year and the third will be begun in 1937.

Mr. C. N. Muthuranga Mudaliar : May I know what proportion of the expenditure on the Royal Air Force is paid out of Indian revenues ?

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

Mr. C. N. Muthuranga Mudaliar : Will the present British personnel be replaced by Indians at any time ?

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

EMPLOYMENT OF INDIANS IN THE OFFICE OF THE HIGH COMMISSIONER FOR INDIA.

508. ***Mr. C. N. Muthuranga Mudaliar** : (a) Will Government lay on the table a full statement showing the salaries paid to the various persons in the establishment of the High Commissioner for India including any special allowances that may be given to any of them ?

(b) Are Government prepared to take early steps to see that more Indians are employed in the Office of the High Commissioner, if necessary, by transfer of persons from the Government of India Secretariat or the Secretariats of the various Provincial Governments ?

The Honourable Sir Muhammad Zafrullah Khan : (a) I am afraid I am unable to furnish here details of the salaries and allowances drawn by members of the High Commissioner's establishment which consists of about 600 persons, but if the Honourable Member wishes I shall be glad to show him at my office a list of the High Commissioner's establishment which contains this information.

(b) Indians are given preference in recruitment for clerical posts in the High Commissioner's Office but, except for a certain number of higher posts in his office for which officers are deputed from India, it is not practicable to transfer persons from the Government of India or Provincial Secretariats for service under the High Commissioner, partly because such transfers would involve a considerable amount of extra expenditure on passages and partly because it would be difficult to find suitable candidates who would be prepared to serve in England on the rates of pay and under the conditions that are applicable to local recruits.

Prof. N. G. Ranga : What is the proportion in which Indians and Englishmen are employed in the office of the High Commissioner ?

The Honourable Sir Muhammad Zafrullah Khan : I have not got the information with me. If the Honourable Member will put down a question to that effect, I will give him an answer.

Pandit Lakshmi Kanta Maitra : Will the Honourable Member give some idea of the maximum and minimum salaries given to people employed in this office ?

The Honourable Sir Muhammad Zafrullah Khan : I would ask the Honourable Member to put down a question.

Mr. S. Satyamurti : Who fixes the strength of the office and the scale of salaries ?

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

Mr. S. Satyamurti : Does India pay for the entire staff ?

The Honourable Sir Muhammad Zafrullah Khan : The entire staff is paid out of the revenues of India.

Mr. S. Satyamurti : Have Government any voice in the settlement of the scale of pay and the number of officers and staff to be employed ?

The Honourable Sir Muhammad Zafrullah Khan : Yes, Sir.

Mr. S. Satyamurti : May I know if Government are satisfied with the information in their possession, that this office is not overstaffed and overpaid ?

The Honourable Sir Muhammad Zafrullah Khan : That is a question of policy. I have conducted no inquiry into the matter but I have no reason to believe that that is so.

Mr. S. Satyamurti : When did Government make an inquiry into this matter, and what are the grounds on which Government have come to the conclusion that this department is not overstaffed and overpaid ?

The Honourable Sir Muhammad Zafrullah Khan : I did not say that any inquiry was held into the matter. I said that I had no reason to believe that the office was overstuffed and overpaid.

Mr. S. Satyamurti : Will Government make an inquiry into this matter and see that we are not spending more than is absolutely necessary on this office ?

The Honourable Sir Muhammad Zafrullah Khan : If *prima facie* grounds supporting that allegation are established, Government will be prepared to look into the matter.

Mr. C. N. Muthuranga Mudaliar : Will the Honourable Member ascertain what the practice of the other High Commissioners' offices in London is ? Whether they employ their own nationals or only Britishers in their offices ?

The Honourable Sir Muhammad Zafrullah Khan : I did not say that the High Commissioner for India's office consists of Britishers alone. There are a good number of Indians also.

Mr. K. Ahmed : There are any number of Indians ? Isn't it ?

The Honourable Sir Muhammad Zafrullah Khan : Yes, there are a number of Indians.

Mr. S. Satyamurti : What is the percentage of Indian officers ?

The Honourable Sir Muhammad Zafrullah Khan : In reply to a similar question, I said I would require notice.

Mr. S. Satyamurti : Then, how is it that Government are able to say that a very large number of appointments are held by Indians ?

The Honourable Sir Muhammad Zafrullah Khan : Because that is so.

Mr. S. Satyamurti : What is the percentage ?

The Honourable Sir Muhammad Zafrullah Khan : I cannot say, but during my visits to the India House, I found that there are a large number of Indians employed there.

INTRODUCTION OF NEW TYPE OF THIRD CLASS CARRIAGES.

509. ***Mr. C. N. Muthuranga Mudaliar :** (a) With reference to the answer to starred question No. 500 asked in this House on the 17th February, 1936, regarding the introduction of new type of third class carriages, will Government state at what stage the matter now is and whether the new types of third class carriages have been put into use on any of the railways ?

(b) Will Government state if they have under consideration the introduction of a similar type of carriage on the metre gauge of the South Indian Railway and the Madras and Southern Mahratta Railway among others ? If not, why not ?

The Honourable Sir Muhammad Zafrullah Khan : (a) I would invite the Honourable Member's attention to replies given by me on this subject during the current Session.

(b) No. The question of designing an improved type of metre gauge bogie third class carriage depends on the decision to be arrived at on the broad gauge third class carriage.

Mr. C. N. Muthuranga Mudaliar : How long will Government take for the approval of the design ? Will it be a century ?

An Honourable Member : Never.

Another Honourable Member : Not till Doomsday.

The Honourable Sir Muhammad Zafrullah Khan : The Honourable Member can choose between the two.

PRESENT POSITION HELD BY MR. FRANKS, FORMERLY NEWS EDITOR IN THE DELHI BROADCASTING STATION.

510. ***Mr. C. N. Muthuranga Mudaliar :** (a) Will Government state the present position held by Mr. Franks who was till recently News Editor in the Delhi Broadcasting Station ?

(b) Will Government state the emoluments he was then receiving, and what are his present emoluments ?

(c) Is the appointment to the present post in the nature of a promotion ?

(d) Have Government taken into account the various anti-Indian activities of Mr. Franks before he was promoted to this post ?

(e) Have Government taken into consideration the various questions that were asked on the floor of the Assembly during the last Delhi Session ?

The Honourable Sir Frank Noyce : (a) and (e). The attention of the Honourable Member is invited to the reply given by me on the 9th September, 1936, to Mr. Satyamurti's starred question No. 266.

(b) Mr. Franks was appointed in the All-India Radio on Rs. 700 per mensem and there has been no change in his emoluments.

(c) No.

(d) Does not arise.

RECRUITMENT OF OFFICERS FROM THE PROVINCES IN THE GOVERNMENT OF INDIA SECRETARIAT.

511. ***Mr. C. N. Muthuranga Mudaliar :** (a) Will Government please lay on the table a copy of the rules or orders under which superior officers are taken from the various provinces for appointment as Deputy Secretaries and upwards in the Government of India ?

(b) Was there any rule at any time, or is there any rule now, which limits the terms of any class of these officers to any stated period, and if so, do the rules apply to all Departments of the Government of India, or only to some ?

(c) Is it a fact that there was a rule or a convention that the term of these officers should be only three years, at the end of which they should be returned to their Provinces and allow other men from the provinces to come to the Government of India and get training in various Departments ?

(d) Is it a fact that during the past 10 or 15 years, this rule has not been observed in practice and that officers from the various provinces continue in various capacities under the Government of India in one Department or another and thus defeat the object of this rule ?

(e) Will Government state the names of the officers who in one department or another have been serving the Government of India Secretariat for more than three years ?

(f) What is the recommendation of the Wheeler Committee in regard to the recruitment of officers to the Government of India Secretariat from the various provinces ?

(g) Will Government place a copy of the report on the table of this House ? If not, why not ?

(h) Are Government aware of the necessity of giving Secretariat training to as many officers of the Provincial Governments as possible in the various Departments of the Government of India ?

The Honourable Sir Henry Craik : (a), (b), (c), (d) and (h). I would invite the attention of the Honourable Member to the reply given to parts (c) and (d) of question No. 177 in the Council of State on the 17th. April, 1936.

(e) I lay a statement on the table.

(f) and (g). I would refer the Honourable Member to the reply given to question No. 51 in this House on the 2nd September, 1936.

Statement showing the Names of Superior Officers obtained from the Provinces who have been serving in the various Departments of the Government of India for more than three years.

Serial No.	Name of Officer.	Name of Department.
1	Mr. W. H. Lewis, C.S.I., C.I.E. ..	Reforms Office.
2	Mr. G. H. Spence, C.I.E. ..	Legislative Department.
3	Mr. J. Bartley, C.I.E.	Ditto.
4	The Hon'ble Mr. T. A. Stewart, C.S.I. ..	Department of Commerce.
5	Mr. G. R. F. Tottenham, C.S.I., C.I.E. ..	Defence Department.
6	Sir Girja Shankar Bajpai, K.B.E. ..	E., H. and L. Department.
7	Mr. M. S. A. Hydari, C.I.E. ..	Ditto.
8	Mr. M. W. Yeates	Ditto.
9	Mr. A. H. Lloyd, C.S.I., C.I.E. ..	Finance Department.
10	Mr. A. J. Raisman, C.I.E. ..	Ditto.
11	Mr. J. B. Shearer	Ditto.
12	The Hon'ble Mr. A. G. Clow, C.S.I., C.I.E. ..	Industries and Labour Department.
13	The Hon'ble Mr. M. G. Hallett, C.S.I., C.I.E. ..	Home Department.

Mr. S. Satyamurti : Is there any proposal to shelve the Wheeler Committee's recommendations ?

The Honourable Sir Henry Craik : No, Sir.

Mr. C. N. Muthuranga Mudaliar : May I know whether the Wheeler Committee's Report will be published along with the Government's approval thereto ?

The Honourable Sir Henry Craik : I have already answered that. The answer is " yes ", they will be published.

POST OF THE CABINET SECRETARY.

512. ***Mr. C. N. Muthuranga Mudaliar :** (a) Will Government state when the post of Cabinet Secretary was created ?

(b) Is there any office working under him, and if so, what is the strength of the officers and the establishment working under the Cabinet Secretary ?

(c) Will Government state what are the functions now discharged by the Cabinet Secretariat, and by whom were those functions discharged before ?

(d) Does the Cabinet Secretariat perform any part of the work involved in the coming reforms and if so, can it not be adequately done by the existing Reforms Office ?

(e) Are Government aware that there is an impression in non-official circles that the post of Cabinet Secretary was created with a view to provide an alternative post for the outgoing Private Secretary to the Viceroy ?

(f) Will Government state whether the present incumbent of the post of Cabinet Secretary holds any substantive post in the British Civil Service or elsewhere ?

(g) Are Government prepared to consider the advisability of abolishing the office of Cabinet Secretary in view of the stringent financial position of the Government of India ?

The Honourable Sir Henry Craik : (a) On the 1st November, 1935.

(b) Yes, a small office consisting of a Superintendent and two clerks.

(c) I would refer the Honourable Member to the replies which I gave to Mr. Satyamurti's starred questions No. 417 and No. 461 on the 16th September, 1935, and the 14th February, 1936, and to the supplementary questions and answers.

(d) and (e). No.

(f) The present incumbent of the post of Secretary to the Executive Council is Mr. G. H. Spence who performs the duties of this office in addition to those of Secretary in the Legislative Department.

(g) No.

Mr. C. N. Muthuranga Mudaliar : Does he receive any allowance for this additional duty in addition to his salary and allowances as Secretary of the Executive Council ?

The Honourable Sir Henry Craik : He gets a small allowance.

Mr. T. S. Avinashilingam Chettiar : How much ? What is the allowance ?

The Honourable Sir Henry Craik : Rs. 300 a month.

Mr. S. Satyamurti : May I know if Government are satisfied that Mr. Spence has been able to discharge all these duties of the Legislative Department Secretary, attendance in this House, and also of the Cabinet Secretary quite satisfactorily ?

The Honourable Sir Henry Craik : At present Government are satisfied that Mr. Spence is able to discharge both duties with his usual efficiency and despatch. (Hear, hear.) The present arrangement is admittedly experimental, and I cannot say that it will always be possible to combine the office of Secretary of the Executive Council with that of a Secretary to the Government of India.

Mr. S. Satyamurti : May I take it, therefore, that Government will keep in mind the possibility of abolishing this post of Cabinet Secretary, if Mr. Spence proves equal to the task ?

The Honourable Sir Henry Craik : No, there is no question of abolishing that office. The duties which Mr. Spence is discharging in that office serve a very useful function. The question is whether it can continue to be discharged by an officer with other duties or it should be discharged by a whole-time officer.....

Mr. T. S. Avinashilingam Chettiar : Did the Cabinet Secretary go to England and visit the Cabinet to learn the work of the Cabinet system ?

The Honourable Sir Henry Craik : There is another question on that. I have said, Sir Eric Mieville went to England to study the system of the Cabinet Secretariat there.

Mr. T. S. Avinashilingam Chettiar : Then, after studying the Cabinet system, did he submit a report ?

The Honourable Sir Henry Craik : He did submit a report.

Mr. T. S. Avinashilingam Chettiar : Will that report be placed in the Library of the House ?

The Honourable Sir Henry Craik : No, Sir.

Mr. T. S. Avinashilingam Chettiar : Why not ?

The Honourable Sir Henry Craik : It is confidential.

Mr. S. Satyamurti : What are the duties that Mr. Spence is now discharging as Cabinet Secretary ?

The Honourable Sir Henry Craik : I have answered that in reply to the Honourable Member's previous question.

Mr. S. Satyamurti : I am asking what are the duties which Mr. Spence is now discharging, in addition to his own normal duties as Cabinet Secretary.

The Honourable Sir Henry Craik : The same duties, as I explained.

Sir Cowasji Jehangir : May I ask the Honourable Member how much midnight oil the Honourable Mr. Spence is now using for the compensation of Rs. 300 a month ?

The Honourable Sir Henry Craik : It does impose a heavy additional burden of work on him ; I am quite certain of that.

INTRODUCTION OF NEW SCALES OF PAY FOR SUPERIOR SERVICES.

513. ***Mr. C. N. Muthuranga Mudaliar :** (a) Will Government state at what stage is the consideration of the proposal by the Secretary of State for India to introduce new scales of pay for the Indian Civil Service and the Indian Police Service and other services recruited by the Secretary of State for India ?

(b) When can the new scales be expected to be introduced for these services ?

The Honourable Sir Henry Craik : (a) and (b). I would refer the Honourable Member to the replies given in this House to questions Nos. 129 and 998 on the 6th February and 6th March, 1936, respectively. The question is now being further considered.

Mr. T. S. Avinashilingam Chettiar : In view of the fact that the promise to reconsider the scales of pay was made long ago, may I ask whether they would expedite this matter ?

The Honourable Sir Henry Craik : It is under close consideration at the moment.

Mr. T. S. Avinashilingam Chettiar : When do they expect to reach a final conclusion ?

The Honourable Sir Henry Craik : The conclusion does not rest with the Government of India.

Mr. T. S. Avinashilingam Chettiar : Have they submitted the results of their reconsideration ?

The Honourable Sir Henry Craik : The question is now under the close consideration of the Government of India but the final decision does not rest with them but with the Secretary of State.

Mr. C. N. Muthuranga Mudaliar : How long will it take to come to a final decision ?

Mr. T. S. Avinashilingam Chettiar : That is, so far as the Government of India are concerned.

The Honourable Sir Henry Craik : I should think the Government of India will be in a position to submit their views to the Secretary of State very shortly.

RULES GOVERNING THE RECRUITMENT OF BRITISHERS TO THE INDIAN CIVIL SERVICE.

514. ***Mr. C. N. Muthuranga Mudaliar :** (a) Will Government please lay on the table a copy of the rules recently framed governing the recruitment of Britishers to the Indian Civil Service ?

(b) Will this House be given an opportunity to discuss these rules before they are actually enforced ?

The Honourable Sir Henry Craik : (a) As I have mentioned before in reply to other questions on the subject, copies of the Home Department Press Communiqués, dated the 27th April, 1936, and the 9th July, 1936, dealing with this matter are available in the Library.

(b) As the Honourable Member is aware the House has already discussed the matter.

†515*.

MUSLIM MEDICAL OFFICERS AND COMPOUNDERS, ETC., ON THE ASSAM BENGAL RAILWAY.

516. ***Mr. Muhammad Anwar-ul-Azim :** (a) Will Government be pleased to state how many Mussalmans are there in the Assam Bengal Railway as District Medical Officer, Subordinate Medical Officers, Sub-Assistant Surgeons and Compounders ?

(b) How many such officers and subordinate officers were recruited during the last five years, and what has been the share of the Mussalmans therein ?

The Honourable Sir Muhammad Zafrullah Khan : I place a statement on the table of the House giving the required information :

Statement.

(a)

Categories.	Total staff.	No. of Muslims.
District Medical Officers ..	2	Nil
Subordinate Medical Officers ..	There is no such category on the A. B. Railway.	
Sub-Assistant Surgeons ..	28	3
Compounders	21	3

(b)

Categories.	Recruited 1931-32 to 1935-36.		No. of Muslims.	
	Permanent cadre.	Temporary cadre.	Permanent cadre.	Temporary cadre.
District Medical Officers	
Subordinate Medical Officers	There is no such category on the Assam Bengal Railway.			
Sub-Assistant Surgeons ..	6	5	1	2
Compounders	6	2	1	2

† This question will be put and answered later.

EFFECT OF THE AMENDMENT OF SECTION 4 (2) OF THE INDIAN INCOME-TAX ACT.

517. ***Mr. S. Satyamurti** : Will Government be pleased to state :

- (a) whether they are aware that the recent amendment of section 4 (2) of the Indian Income-tax Act, which gets under its purview income from property, employment and every other source arising or accruing out of British India, is detrimental to national interests ;
- (b) whether they are aware that the working of this Act has prevented the flow of foreign income into British India ?
- (c) whether they have examined the working of this amendment, especially on taxation of salaries and wages of employees ;
- (d) whether this prevented foreign wage-earners to spend their surplus earning in British India as often as they would otherwise do ;
- (e) whether they have compared the working of the Act with a similar English Act ;
- (f) whether they propose to take steps to repeal this amendment, or amend it in suitable manner ; and
- (g) if not, why not ?

The Honourable Sir James Grigg : I would refer the Honourable Member to the reply which I gave to his starred question No. 302.

Mr. T. S. Avinashilingam Chettiar : May I know whether there is any provision in the British Income-tax Act ?

The Honourable Sir James Grigg : Yes, and a much stiffer one.

ADVERSE EFFECT OF THE IMPORT OF FOREIGN POTATOES ON ITS INDIGENOUS PRODUCTION.

518. ***Mr. S. Satyamurti** : Will Government be pleased to state :

- (a) whether they are aware that the indigenous production of potatoes is adversely affected by the import of foreign potatoes ;
- (b) the extent of such competition by foreign potatoes ;
- (c) whether they propose to take steps to control and check the import of foreign potatoes with a view to facilitate the potatoe industry in the country ; and
- (d) if not, why not ?

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

(b) Detailed statistics of potatoe production in India are not maintained but so far as can be estimated internal production amounts to about two million tons per annum. Imports, which are mainly for seed purposes, amount to 10,000 tons per annum or one half per cent. of the internal production.

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

Mr. S. Satyamurti : What is the date of these figures ?

The Honourable Sir Muhammad Zafrullah Khan : They are the latest available.

Mr. S. Satyamurti : Are Government satisfied that no potatoes are imported into this country for consumption ?

The Honourable Sir Muhammad Zafrullah Khan : If any portion of these ten thousand tons is used for consumption also, surely that does not affect the situation.

Mr. S. Satyamurti : Are Government aware that Italian potatoes have been dumped into the Port of Bombay ?

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

EXTENSION OF THE RAILWAY LINE TO NAWABSHAH IN SIND.

519. ***Bhai Parma Nand** (on behalf of Mr. Lalchand Navalrai) :

(a) Are Government aware that Mirpur Khas and Nawabshah districts are very important cotton centres in Sind ?

(b) Are Government aware that there is an urgent demand for these two districts being linked together by a railway in the interest of Barrage land produce ?

(c) Is it a fact that at present there is a Company-managed Railway line from Mirpur Khas to Khadro, which is about 22 miles from Nawabshah ?

(d) Is it a fact that the owners of the existing Sind Light Railways Limited, applied to the Government of India for necessary sanction to extend the railway line to Nawabshah ?

(e) If so, when was it, and what decision have Government arrived at ?

(f) Is it proposed to extend that line ? If so, when ?

(g) Have Government consulted the Sind Government on the point ? If so, with what result ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Government are aware that Mirpur Khas and Nawabshah are important cotton centres.

(b) Government have received requests to build a railway link in addition to the rail communication which already exists.

(c) The line is company-owned and is operated by the Jodhpur Railway.

(d) Yes.

(e) Letters were received in November, 1932, and March, 1933. A traffic survey has been made which showed that the proposal would result in a considerable loss to Government.

(f) A proposal for an extension from Khadro to Shahpur is now under examination.

(g) Government have been in communication with the Bombay Government and the question of the guarantee which would be required from the Sind Government to justify this construction is under consideration.

EXTENSION OF THE PRESENT RAILWAY LINE TO JACOBABAD *via* GARHI KHAIRO IN SIND.

520. **Bhai Parma Nand** (on behalf of Mr. Lalchand Navarai) : (a) Will Government be pleased to state if on the right bank of the Indus in Sind the metre gauge railway from Shahdadkot to Dodapur was recommended by the Stubb's Report to be abandoned and the present line extended to Jacobabad *via* Garhi Khairo ?

(b) Was any further detailed survey undertaken since that report ?

(c) Do Government propose to give effect to the aforesaid recommendations ? If so, when do Government propose to undertake the extension of the line ?

(d) Have Government considered the feasibility of a broad gauge line to be substituted in this part of the country ? If so, do they propose to have a broad gauge line ? If so, when ?

The Honourable Sir Muhammad Zafullah Khan : (a) The Railway from Shahdadkot to Dodapur is narrow gauge, not metre gauge. Mr. Stubbs' recommendation was that the Shahdadkot-Dodapur section should be taken up and the line extended from Shahdadkot to Jacobabad *via* Garhi Khairo provided that the results of a detailed traffic survey showed that no excessive loss to Government would accrue.

(b) Yes.

(c) and (d). Government are now considering a project to build a broad gauge line from Larkhana *via* Shahdadkot and Garhi Khairo to Jacobabad. This appears to be the most remunerative proposal.

INDIGENOUS SUPPLIES OF RAW MATERIALS FOR THE GLASS INDUSTRY.

521. ***Bhai Parma Nand** (on behalf of Mr. Lalchand Navarai) : (a) With reference to my supplementary questions to starred question No. 3, asked on the 4th February, 1936, will Government be pleased to state if any further steps have been taken by them for production and method of manufacture of indigenous supplies of raw materials for glass industry in India in order to remove the obstacle to the grant of the protection ?

(b) Has there been any development since February last in the production of soda-ash in Khewra or elsewhere in India ? If so, to what extent ?

The Honourable Sir Frank Noyce : (a) and (b). No.

Mr M. Ananthasayanam Ayyangar : Have Government considered the possibility of manufacturing soda ash in this country ?

The Honourable Sir Muhammad Zafullah Khan : Government have not considered the possibility of manufacturing it themselves but Government have reviewed the position recently and there does not appear to be at present any project for the immediate manufacture of soda ash in this country.

MANUFACTURE OF ELECTRICAL BULBS IN INDIA.

522. *Bhai Parma Nand (on behalf of Mr. Lalchand Navalrai) :
 (a) Are electrical bulbs made in India ? If so, where ? If not, what steps do Government propose to take to encourage their manufacture in India ?

(b) Will Government be pleased to state if there has been any advancement since last year in the indigenous supply of copper for the manufacture of electric wires and cables ? If so, to what extent ? If not, what steps do Government propose to take for its indigenous supply ?

(c) Are there any electrical materials which are not yet being manufactured and are being solely imported from outside ? If so, what are those, and what steps do Government propose to take to encourage their indigenous production ?

The Honourable Sir Frank Noyce : (a) Yes, at Calcutta, Bombay, Agra and Aligarh.

(b) Government are not aware of any indigenous sources of supply of copper suitable for the manufacture of electric wires and cables. They are not in a position to take any action to secure an indigenous supply.

(c) The term " electrical materials " covers a wide range of articles, many of which are not manufactured in India. It is not possible to give an exhaustive list of such materials, but a list of some of the important items is placed on the table.

As regards encouragement to the manufacture of these articles in India, attention is invited to the reply given by me on the 4th February, 1936, to Pandit Krishna Kant Malaviya's starred question in the Legislative Assembly No. 5. The Industrial Research Bureau has, in order to assist the Indian industry in electric lamps, arranged to carry out tests of the products of Indian factories free of charge at the Government Test House.

List of some important electrical goods not manufactured in India.

Generators ;

Rotary Convertors ;

Motors ;

Transformers ;

High Tension switch boards ;

Extra High Tension Insulators ;

Electric Lifts and Hoists ;

Paper Insulated Cables ;

Train Lighting and Headlight equipment ;

Lighthouse, Broadcasting, and Air route lighting equipment ;

Secondary Batteries including Train lighting batteries ;

Telephone and Telegraph equipment including special cables and wires ;

Railway carriage fans ;

Measuring and testing instruments.

Mr. C. N. Muthuranga Mudaliar : May I take it that the Government are purchasing their requirements from these indigenous manufacturers of bulbs whenever they want them ?

The Honourable Sir Frank Noyce : Government are purchasing their requirements in this country whenever they are available and suitable.

Pandit Lakshmi Kanta Maitra : May I know if Government have taken any supplies of bulbs from these Indian sources and manufactured in this country ?

The Honourable Sir Frank Noyce : Yes, Sir. They have taken supplies from the Bengal Electric Works Co., Ltd., which is included in the Indian Stores Department "Rate" Contract for the supply of electric lamps. Fourteen thousand lamps have been actually ordered from this firm during the first eight months of the currency contract.

TRAINED CADETS OF THE "DUFFERIN".

523. ***Bhai Parma Nand** (on behalf of Mr. Lalchand Navalrai) : (a) Will Government be pleased to state how many cadets have come out trained from the ship "Dufferin" since its start ?

(b) How many of them are now employed as officers in the ships plying between India and other countries, or along the coast ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Since the establishment of the training Ship "Dufferin" 181 cadets have completed their training and taken their passing-out certificates. Of these, 59 cadets have obtained their certificates of competency after completing their sea-training as apprentices.

(b) Of the 59 certificated *ex*-cadets, 37 have been employed as officers in the Merchant Navy while 13 others have found employment elsewhere.

Mr. T. S. Avinashilingam Chettiar : May I know, in reference to the employment of different cadets, as to how many of them have been employed by foreign companies who are under obligation of contract to the Government of India ?

The Honourable Sir Muhammad Zafrullah Khan : I have already answered that question during the course of the Session and I believe it was by the same Honourable Member.

Mr. T. S. Avinashilingam Chettiar : Last time I asked whether the foreign companies were under any obligation to employ the *ex*-cadets of the "Dufferin" and the Honourable Member replied that no foreign company was under any obligation to take any cadets.

The Honourable Sir Muhammad Zafrullah Khan : Then I did reply.

Mr. T. S. Avinashilingam Chettiar : But that is not the reply that I wanted.

The Honourable Sir Muhammad Zafrullah Khan : It may not be the reply that the Honourable Member wanted, but that was the reply to the question.

Mr. T. S. Avinashilingam Chettiar : May I know whether Government have written to any foreign companies who are carrying mail contracts about the employment of the *ex*-cadets of the "Dufferin" ?

The Honourable Sir Muhammad Zafrullah Khan : If the Honourable Member will specify any particular cases, I might be able to answer. But, as I explained last time, foreign companies are not concerned with this matter at all.

Mr. T. S. Avinashilingam Chettiar : I want to know whether the Honourable Member has written to foreign companies which have contracts with the Government of India, *e.g.*, P. and O. ?

The Honourable Sir Muhammad Zafrullah Khan : We wrote to the British India Steam Navigation Company, but I was not imagining that the Honourable Member was referring to British India as a foreign company.

Mr. T. S. Avinashilingam Chettiar : I was referring to P. and O. ?

The Honourable Sir Muhammad Zafrullah Khan : No, we have not written to them.

Mr. T. S. Avinashilingam Chettiar : May I know which company carries the mails of the Government of India ?

The Honourable Sir Muhammad Zafrullah Khan : The P. and O., I believe, carries the mails from India to England, but the mails between India and Burma are carried by the B. I.

Mr. T. S. Avinashilingam Chettiar : May I know whether they have written to the P. and O. Company about the employment of *ex*-cadets as it is a company which carries the mails from India to England ?

The Honourable Sir Muhammad Zafrullah Khan : If I were to give an exact answer, I will have to ask for notice but I believe not.

Pandit Lakshmi Kanta Maitra : Has the B. I. Company employed any "Dufferin" cadets ?

The Honourable Sir Muhammad Zafrullah Khan : I believe they have employed some but I cannot give the exact number off-hand.

Mr. T. S. Avinashilingam Chettiar : Have the B. and I. Company refused to employ the "Dufferin" cadets ?

The Honourable Sir Muhammad Zafrullah Khan : No, they have not refused.

Mr. N. V. Gadgil : Will the employment of the "Dufferin" cadets be made a condition for the grant of mail contracts ?

The Honourable Sir Muhammad Zafrullah Khan : That question has recently been considered and Government have come to the conclusion that unless they were to modify considerably the financial conditions of the contract, they could not force these companies to employ a certain number of cadets. But they will try to persuade these companies to offer employment, as far as is reasonable, to *ex*-cadets.

Mr. N. V. Gadgil : Is it still a process of persuasion ?

The Honourable Sir Muhammad Zafrullah Khan : Yes, Sir, by means of the supply of facts and figures and by pointing out that these young men are properly trained for these jobs.

EFFECT GIVEN TO THE RESOLUTION OF APPOINTMENT OF A JOINT STANDING ARMY COMMITTEE.

524. ***Bhai Parma Nand** (on behalf of Mr. Lalchand Navalrai) : With reference to the Resolution adopted on the 4th February, 1936, recommending to the Governor General in Council to appoint a Joint Standing Army Committee consisting of Members from both of the Houses of the Indian Legislature to advise Government on all matters connected with the defence of India, will Government be pleased to state if the said Resolution has been given any effect to, or is contemplated by the Governor General in Council to be given effect to wholly or in some restricted form ?

Mr. G. E. F. Tottenham : Government have decided not to set up any standing committee, but are prepared, as they always have been, to consult Members of the Legislature with regard to particular questions when it appears desirable to do so.

REDUCTION IN THE PROTECTIVE DUTY ON COTTON FABRICS AND PIECE-GOODS OF BRITISH MANUFACTURE.

525. ***Bhai Parma Nand** (on behalf of Mr. Lalchand Navalrai) : (a) Has the attention of Government been drawn to the Press comment and the opinions of the Indian Chambers of Commerce with regard to the Government Notification, dated the 25th June, 1936, reducing the protection duty on cotton fabrics and cotton piece-goods of British manufacture ?

(b) Do Government propose, in view of the public opinion on the point, to place this matter of the reduction of duty before this House for their consideration ? If so, when ? If not, why not ?

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

(b) I would refer the Honourable Member to the reply given by me to parts (e) and (f) of starred question No. 492 by Mr. S. Satyamurti during the current Session.

HIGHER POSTAL CHARGES ON OUTGOING MAILS BY AIR.

526. ***Mr. M. Asaf Ali** : Will Government be pleased to state if it is a fact that the postal charges on outgoing mails by air are higher than similar charges on incoming mails ? If so, will they state the reasons for the difference ?

The Honourable Sir Frank Noyce : As regards the first part of the question, it is not a fact that the air surcharges on mails despatched from India by air are in all cases higher than similar charges on the mails coming from the corresponding countries. In most instances the reverse is the case. As regards the last part, the Honourable Member's attention is invited to the memorandum which was laid on the table of the House in reply to part (a) of question No. 663 put by Mr. Mathuradas Vissanji on the 19th February, 1936.

Pandit Lakshmi Kanta Maitra : I understood the Honourable Member to say that in most cases the charges are the same. May I know what are those cases where these charges are different and why are they so ?

The Honourable Sir Frank Noyce : What I said was that it is not a fact that the air surcharges are in all cases higher than similar charges on the mails coming from the corresponding countries, but if my Honourable friend wants some examples, I have a lengthy statement here from which I can quote various examples. Take Hungary, for instance. The rate of air fee to India from Hungary is Re. 1-7-9 as against the air fee of six annas from India, excluding postage in both cases. The rate of air fee to India from Italy is As. 13-4 as against six annas and from Egypt As. 11-7 as against four annas. There is a large number of such cases.

Pandit Lakshmi Kanta Maitra : Is the Honourable Member going to place that statement on the table of the House ?

The Honourable Sir Frank Noyce : I shall be very glad to do so. I have brought it for my own information but if it is of interest to the House I shall be very glad to have it put in a form in which it can be placed on the table of the House.

Mr. Mohan Lal Saksena : What are the rates from the United Kingdom to India ?

The Honourable Sir Frank Noyce : The rate, including postage from the United Kingdom, is six annas. As my Honourable friend is probably aware, the rate from India to the United Kingdom is seven-and-half annas also including postage.

TRUNK TELEPHONE CALL BILLS.

527. ***Mr. M. Asaf Ali** : (a) Will Government state why trunk calls are not allowed to subscribers who have delayed the payment of their trunk call bills, but whose deposit would not be exhausted even after meeting the unpaid trunk call bill, but would leave enough balance to meet the bill for the call desired to be booked ?

(b) Are Government prepared to issue necessary instructions to book calls within the amount of such deposits ?

The Honourable Sir Frank Noyce : (a) The deposit referred to by the Honourable Member is not intended to be an advance payment for trunk call bills but is intended to be a security for payment and is, therefore, utilized against bills only when a subscriber ceases to use the trunk service. Subscribers' accounts are maintained by Telephone Revenue Accounting Offices and not by Telephone Exchanges. If subscribers were allowed to make trunk calls against the deposited amount, the object of the deposits would be frustrated, because then subscribers would have nothing at their credit for adjustment against trunk calls made by them during the interval between the issue of bills by Telephone Revenue Accounting Office and the date on which they cease using the trunk service.

(b) No, but Government have decided to suspend, as an experimental measure, the deposit system altogether for one year. If as a result of the experiment it is found that this step has been appreciated by the public and that bad debts have not shown any important increase, the abolition of the system will be considered.

INSANITARY CONDITION OF THE THIRD CLASS COMPARTMENT ATTACHED TO THE HOWRAH EXPRESS FOR A THROUGH JOURNEY TO THE PUNJAB.

528. *Sardar Sant Singh : (a) Has the attention of Government been drawn to the insanitary condition of the third class compartment attached to the Howrah Express for a through journey to Punjab ?

(b) What steps have Government taken to remove this inconvenience ?

(c) Is it a fact that this compartment is always overcrowded and there are more passengers than the seating capacity of the compartment ? If so, what steps do Government propose to remove this complaint of the travelling public ?

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

(b) Does not arise.

(c) The answer to the first part is no ; the second part does not arise.

WANT OF A RAISED PLATFORM ON THE BRANCH LINE BETWEEN CHICHOKI MALIAN *via* JARANWALA ON THE NORTH WESTERN RAILWAY.

529. *Sardar Sant Singh : (a) Has the attention of Government been drawn to the fact that there is no raised platform on the branch line between Chichoki Malian and Sherkot *via* Jaranwala on the North Western Railway ?

(b) Are Government aware that Jaranwala, Landhanwala and Kamalia are important centres of trade on this line ?

(c) Do Government propose to construct a raised platform on these stations. If so, when ?

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

(b) Government are aware that there is a certain amount of trade at Jaranwala, Tandlianwala and Kamalia. There is no station named Landhanwala.

(c) The decision as to carrying out works of this size rests with the Agent. The Local Advisory Committee might bring this proposal to his notice.

Mr. N. V. Gadgil : You are going as fast as the Punjab Mail and we cannot follow you.

The Honourable Sir Muhammad Zafrullah Khan : I am afraid you did not hear me, because some Honourable Members from the other side were speaking at the same time.

RESERVATION OF INTERMEDIATE AND THIRD CLASS SEATS ON THE EAST INDIAN RAILWAY.

530. *Mr. Sri Prakasa : (a) Is it a fact that the East Indian Railway are arranging for the reservation of intermediate and third class seats for a little extra payment ?

(b) If so, what is the amount of space provided for each seat ?

(c) Is the reservation for night only, or for any period of time during the 24 hours ?

(d) Is it a fact that a bench about six feet to 6½ feet long by 18 inches to 20 inches broad in a small intermediate class compartment is divided into four seats for reservation purposes, and marked as such ?

(e) Are Government aware that the space of about 18 inches to 20 inches by 18 inches to 20 inches is not sufficient for an individual ?

(f) Are Government prepared to advise the Railway Administration concerned at least to double the amount of space for reservation purposes ?

The Honourable Sir Muhammad Zafrullah Khan : (a) Yes, on certain trains.

(b) The standard width of a seat on which the carrying capacity of intermediate and third class carriages is based is 19½ inches and this is the minimum space reserved for each seat. In practice, however, the accommodation provided is invariably more, as compartments with reserved seat holders are never filled to their carrying capacity.

(c) Any period of time, provided the distance is not less than 100 miles.

(d) Yes.

(e) and (f). No.

Prof. N. G. Ranga : Will Government be pleased to extend the same concessions and facilities to other Railways also ?

The Honourable Sir Muhammad Zafrullah Khan : The experiment is being tried at Howrah, and I believe at Sealdah also, and if it proves successful and similar facilities can be provided elsewhere, the Railways will no doubt extend them.

Pandit Lakshmi Kanta Maitra : Will the Honourable Member at least try the experiment on State Railways, and if it proves successful, he can extend it to other Railways ?

The Honourable Sir Muhammad Zafrullah Khan : It is not a question of company-managed or State Railways. To begin with, this kind of arrangement is easier from a terminus station, and there are difficulties where trains run through over a long line, but if these difficulties can be got over, I have no doubt, the question of extending those facilities will be considered.

Mr. Sri Prakasa : Sir, is it a fact that a person can get a whole of second class berth by paying two intermediate class tickets even though the berth is marked to carry four passengers, while to get a whole berth in an intermediate class compartment he will have to pay four fares ? In view of this, will Government think of extending this facility to intermediate class passengers also ?

The Honourable Sir Muhammad Zafrullah Khan : It is not correct that a single second class berth can be reserved by paying for two intermediate class tickets.

Mr. Sri Prakasa : Is it not a fact, Sir, that one second class ticket is roughly equal to two intermediate class tickets ?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir, the tickets are just the same in size.

Mr. Sri Prakasa : My Honourable friend cannot pull my legs so easily

The Honourable Sir Muhammad Zafrullah Khan : Sir ; the Honourable Member was so particular about the English used on the railways that I had to be very particular in the reply I gave.

Mr. Sri Prakasa : What I ask is this : Does not a second class ticket cost roughly double of an intermediate class ticket, and while only twenty inches by twenty inches can be reserved by paying for one intermediate class ticket, for a second class fare, which is double the intermediate class, a whole berth can be reserved, even though the berth is ordinarily marked to carry four passengers ?

The Honourable Sir Muhammad Zafrullah Khan : It may be so ; I cannot express an opinion.

Mr. Sri Prakasa : Has the Honourable Member made any provision for the possibility of a passenger travelling in intermediate class of the proportions of my Honourable friend, Mr. Kabiruddin Ahmed ?

The Honourable Sir Muhammad Zafrullah Khan : Am I required to answer that question, Sir ?

Dr. Ziauddin Ahmad : Are the Government contemplating charging railway fare by weight ?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir ; neither by weight nor by size in the case of passengers, and in any case I hope Mr. Kabiruddin Ahmed will never be under the necessity of travelling in the intermediate class.

BOARDS INDICATING THE DESTINATIONS OF TRAINS FITTED ON THROUGH COMPARTMENTS ON THE EAST INDIAN RAILWAY.

531. ***Mr. Sri Prakasa** : (a) Are Government aware that many trains contain through compartments which are attached and detached at various junction stations on the East Indian Railway ?

(b) Are all these compartments fitted with boards at the top indicating their destinations ?

(c) Are Government prepared to recommend to the Railway Administration to fit lights, so that the lettering on these boards might be visible at night to help passengers to get into the proper compartments ?

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

(b) Yes.

(c) There are considerable difficulties in arranging what the Honourable Member suggests without infringing moving dimensions, but the matter is under examination.

Mr. Sri Prakasa : Is the Honourable Member aware that very often passengers get into wrong through compartments and are shunted off at midnight at junction stations and find themselves at a wrong place the next morning ? In order to avoid this confusion, will the Honourable Member consider this matter seriously ?

The Honourable Sir Muhammad Zafrullah Khan : That is the whole point of the question, and that is why I said that the matter is under examination.

†532*.

†533*.

COMPLAINTS OF THE OWNERS OF HORSE AND BULLOCK-DRAWN CONVEYANCES AND CARTS IN DELHI.

534. ***Mr. M. Asaf Ali :** Has Government's attention been drawn to the public complaints of the owners of horse and bullock-drawn conveyances and carts, of bribery and corruption against (i) officers of the Society for the Prevention of Cruelty to Animals, and (ii) Traffic Police and the neglect of the Local Government which resulted in a general strike beginning on 1st July, 1936, and its consequences ? If so, will Government state why no steps were taken to prevent the strike, which caused considerable inconvenience to the public ? And, further, was any independent inquiry made into these allegations, and if so, what was its result ?

The Honourable Sir Henry Craik : Government did not receive any specific complaints of bribery and corruption either against the officers of the Society for the Prevention of Cruelty to Animals, or against the Traffic Police before the commencement of the strike. In April last the Society for the Prevention of Cruelty itself, on receipt of certain complaints, invoked the assistance of the police to investigate, and as the result of information derived from that investigation the Society for the Prevention of Cruelty to Animals discharged two of their officials. There was no neglect on the part of the Local Government, nor were they in a position to take any steps to prevent the strike, as it started suddenly without warning. Once the strike had started, the difficulties of the Local Government in effecting a settlement were increased, and the inconvenience caused to the public was in consequence prolonged by the action of the local Congress Committee in actively supporting and encouraging the strikers not to give way.

The Deputy Commissioner undertook to make enquiry into any specific allegations made against officials of the Society for the Prevention of Cruelty and this is being done.

Mr. M. Asaf Ali : May I know, Sir, if it is a fact that all fines realised under Prevention of Cruelty to Animals Act are handed over to the Society by the Government ?

† This question will be put and answered later.

The Honourable Sir Henry Craik : It does not seem to me to arise ; in any case I must have notice.

Mr. M. Asaf Ali : Is the Honourable Member aware of the fact that this practice of handing over these funds to the Society is encouraging them to harass people unnecessarily ?

The Honourable Sir Henry Craik : No, Sir ; my impression is that the practice of handing over fines to the Society stopped some time ago, but I must have notice.

INDIANISATION AND MECHANISATION OF THE INDIAN ARMY.

535. **Mr. M. Asaf Ali :** Will Government be pleased to make a detailed statement about the progress of (i) Indianisation, and (ii) mechanisation of the Indian Army, during the year 1936 ?

Mr. G. E. F. Tottenham : (i) The progress of Indianisation during 1935-36 is fully described in Section III of the " Summary of Important Matters concerning the Defence Services in India, 1935-36 ", copies of which have been supplied to Honourable Members.

(ii) During the first few months of this year orders were placed for two companies of light tanks and a decision was taken to mechanise all the Royal Horse Artillery batteries in India. Mechanisation cannot, however, be judged by progress during a few months. It must be reviewed over a period of years.

The substitution of machine power for animal power takes two forms. The first concerns those portions of an army behind the battle front which supply the material requirements of the troops in action. Generally speaking this means the transport which feeds and maintains the troops. The second form of mechanisation is that applied to the fighting units themselves with the object of increasing their speed, mobility and effectiveness in the battlefield.

The first form of mechanisation dates in the main from 1927 and the general position now reached is that we have mechanised as much transport as is at present considered necessary in relation to the role of the army for the defence of the frontiers of India and the terrain in those areas.

The second form of mechanisation was started shortly after the Great War and has gradually progressed as new machines have been devised and as finances permitted. Even more than in the matter of transport, the form of mechanisation requires the closest consideration to be paid to the ground over which the army may be called upon to operate in the fulfilment of its role. The position is that a measure of mechanisation has been carried out principally in Artillery, Engineers, the Tank Corps and the Signal Corps. A small measure of mechanisation has been applied to Cavalry Regiments but as yet none to Infantry units.

Reviewing the situation generally it may be stated that a very appreciable proportion of the amount of mechanisation deemed to be desirable for the army in India has been carried out and more would have been done had the money been available.

Mr. M. Asaf Ali : May I know how much money the Government consider will be necessary for complete mechanisation of the Indian Army ? Have they ever made any estimate ?

Mr. G. R. F. Tottenham : No, Sir ; we have made no estimate.

Sardar Mangal Singh : Would it be possible to reduce the size of the Indian Army after the mechanisation is completed ?

Mr. G. R. F. Tottenham : That is a hypothetical question.

Sardar Mangal Singh : You are now incurring additional expenditure on the mechanisation of the Indian Army, and so it will increase the efficiency of the Indian Army. After that it should be possible to reduce the size of the Indian Army ?

Mr. G. R. F. Tottenham : I cannot discuss that question now, but, I do not agree with the Honourable Member.

Mr. S. Satyamurti : May I know if the object of this mechanisation is merely increased efficiency, or any possible retrenchment in army expenditure in this country ?

12 Noon.

Mr. G. R. F. Tottenham : Mainly to increase efficiency, but it has its economic aspect as well and that is taken into consideration. If you use machines instead of horses you are relieved of the expense of keeping up a large number of animals, and the establishment who have to look after them. From that point of view mechanisation may be economical as well as increasing the efficiency of the fighting forces.

Mr. S. Satyamurti : So far as it has gone, has it reduced the army expenditure to any extent, and if so, to what extent ?

Mr. G. R. F. Tottenham : I could not give the figures now but if the Honourable Member wishes to have information on that point, he would perhaps put down a question.

Pandit Lakshmi Kanta Maitra : Will the Honourable Member give us an idea of the time required for the mechanisation of the whole Indian Army ?

Mr. G. R. F. Tottenham : I could not.

Mr. M. Asaf Ali : May I know whether Government propose to pursue this policy of mechanisation from year to year or will they watch the result of the mechanisation so far as it has gone ?

Mr. G. R. F. Tottenham : We do not frame a new policy every year ; it is a continuous policy. But, as I have said, we now have reached a position when we have fairly nearly accomplished what we think is necessary to do at the present stage. Of course it depends very largely on developments in other parts of the world and on the progress of machinery and new inventions. If new inventions come into being we have to consider whether to adopt them in our army or not.

STATEMENTS LAID ON THE TABLE.

Information promised in reply to starred question No. 1089 asked by Pawlit Lakshmi Kanta Maitra on the 10th March, 1936.

CHURCHES ESTABLISHED BY CERTAIN RAILWAYS FOR THE USE OF THEIR EUROPEAN AND ANGLO-INDIAN EMPLOYEES.

Statement showing the location, number and total Railway expenditure on churches established for use of European and Anglo-Indian railway employees

Serial No.	Railways.	Location.	Number.	Cost.	Total cost.	Remarks.
				Rs.	Rs.	
1	Great Indian Peninsula.	*Parel ..	1	6,400	79,641	*Common for G. I. P. and B. B. and C. I. Railways. The G. I. P. subsequently met also Rs. 3,111 for additional works, which is not included in the total cost.
		Igatpuri ..	1	20,816		
		Lonavla ..	1	27,625		
		Bhussawal ..	1	17,000		
		Bina ..	1	13,000		
		Bina ..	1	12,000		
		Bhopal ..	1	12,000		
		Jhansi ..	1	12,000		
						†Contribution from railway funds.
2	Eastern Bengal.	Cossipur (Calcutta)	1	6,714	6,714	
3	East Indian	Lillooah ..	1	18,505	135,157	
		Asansol ..	1	83,322		
		Gomoh ..	1	13,169		
		Moghal Sarai ..	1	12,200		
		Buxar ..	1	6,200		
		Mirzapore ..	1	1,821		
4	Bengal Nagpur.	Nil.	Nil.	Nil.	Nil.	
5	Assam Bengal	Pahartali ..	1	12,000	4,000	† Contribution from railway funds.
		Badarpur ..	1	12,000		
6	Bengal and North Western.	Gorakhpur ..	1	20,000	20,000	Estimated cost.

Serial No.	Railways.	Location.	Number.	Cost.	Total cost.	Remarks.	
				Rs.	Rs.		
7	Bombay, Baroda and Central India.	Parel	1	8,511	84,357		
		Gangapur City ..	1	4,400			
		Abu Road	1	9,500			
		Bandikui (C. of E.)	1	23,402			
		Bandikui (R. C.)	1	10,799			
		Ajmer	1	26,219			
		Rewari	1	1,526			
8	Madras and Southern Mahratta.	Hubli	1	4,500	31,709 (Estimated cost.)	§Railway made some grant towards the construction of this Church but the exact amount is not known. Contribution from Railway funds.	
		Perambur (Weslyan).	1	§			
		Perambur (C. of E.) ..	1	12,880			
		Rajahmundry (C. of E.) ..	1	1,400			
		Rajahmundry (R. C.) ..	1	5,000			
		Jalarpet	1	6,429			
		Nandyal	1	1,500			

Information promised in reply to starred question No. 1464 asked by Mr. S. Satyamurti on the 7th April, 1936.

ACTION TAKEN UNDER THE CRIMINAL LAW AMENDMENT ACT, 1935.

(a) and (b). Nineteen houses were searched and 12 people arrested under the Criminal Law Amendment Act, 1935. This action was taken in connection with the communist case instituted at Bombay against Somnath Lahiri and others. In addition action was taken, up to the middle of April in 65 cases for offences against the press provisions of the Act.

Information promised in reply to starred question No. 1695 asked by Pandit Krishna Kant Malaviya on the 17th April, 1936.

POLICY REGARDING ALTERATION OF THE AGE OF EMPLOYEES ON THE NORTH WESTERN RAILWAY.

Government are informed as follows :

(a) Yes.

(b) and (c). The Honourable Member's attention is invited to Mr. P. B. Kau's reply to starred question No. 308 asked by Mr. Lalchand Navalrai on the 8th February, 1935.

(d) and (e). No.

Information promised in reply to a supplementary question to starred question No. 146 asked by Mr. S. Satyamurti on the 7th September, 1936

REPORT OF THE COMMISSION OF ENQUIRY CONCERNING THE RIOT IN ZANZIBAR.

Report of the Commission of Enquiry concerning the Riot in Zanzibar on the 7th of February, 1936.

Appendices :

- *A. Minutes of Meetings.
- *B. Copy of Public Notice.
- *C. Evidence.
- *D. Extraneous Memoranda.
- E. Enactments of remote or doubtful relevance.

Personnel of the Commission :

HIS HONOUR W. T. S. FRETZ, Assistant Judge (Acting Chief Justice),
Chairman.

THE HONOURABLE WILLIAM LESLIE WEBB, M.R.C.S. (Eng.), L.R.C.P. (Lond.), M.B., B.S. (Lond.), D.P.H., R.C.P.S. (Director of Medical Services).

THE HONOURABLE SHEIKH ALI BIN AMEIR EL-MARHUBI, Arab Member of Legislative Council.

AHMED AYUB, Esq., Advocate.

THE VENERABLE ARCHDEACON G. G. ELLIOTT.

MISS HELEN L. WILSON (*Secretary*).

TO HIS EXCELLENCY SIR RICHARD S. D. RANKINE, K.C.M.G.,

BRITISH RESIDENT,

ZANZIBAR.

PART I.

INTRODUCTION.

YOUR EXCELLENCY,

We were appointed by you, under the Commissions of Enquiry Decree, on the 15th of February, 1936, to make investigations concerning the causes of the disturbance which occurred in Zanzibar on the 7th of February of this year. The terms of the Commission are set out in the

Official Gazette of the Zanzibar Government (*Gazette Extraordinary*) published on the 17th of February, 1936, and are as follows :

“ To enquire into and report upon the causes direct and indirect of the riot which took place in Zanzibar Town on the 7th of February, 1936, including any circumstances which may reasonably be considered to have been contributory factors.”

Anticipating at the outset the possible difficulties of obtaining reliable information, the Commission inserted an explanatory notice in English, Arabic, Gujerati and Kiswahili in all the leading journals, which met with a ready response ; and we desire to thank those who so willingly gave their evidence by verbal or written statements which have been of the greatest benefit to our enquiry.

We held twenty-five formal meetings and several others of an informal nature, and received information from every available source, official and un-official, including representatives from all classes of the community, by means of oral evidence and written statements. Forty-seven witnesses were examined and numerous statements were submitted for our consideration.

Our formal meetings were held in private, and in view of the expressed desire of the majority of the witnesses that their evidence should be regarded as confidential, we respectfully recommend to Your Excellency that the evidence on which our report is based and the accompanying written statements should not be published.

During the course of our investigations we have found ourselves confronted with issues involving the necessity of closely examining the attitude of the Government towards matters affecting native interests. It is not within the scope of our terms to make recommendations, but we have found that the causes of this disturbance are so closely connected with the Administrative and Agricultural Departments of the Government that we consider that we would not be justified in withholding criticism which, though adverse, is impartial.

It will be necessary, before proceeding to deal with the questions referred to us, to give an account in general outline of the sequence of events relative to this outbreak of lawlessness on the part of the Manga Arabs on the 7th of February, 1936.

THE RIOT.

The opening scenes of the disturbance occurred at approximately 11 A.M. on the 7th of February, 1936, in that quarter of Zanzibar known as Malindi. There, a deputation of Manga Arabs visited the office of the Agricultural Produce Inspector who was then being interviewed by their representative. This meeting had been previously arranged for the purpose of laying before the Produce Inspector the grievances of the Manga Arab copra dealers and merchants.

At the close of the interview, as the representative was leaving the office to report the result to those others of his Manga brethren who awaited him, he was set upon by them, apparently under the belief that they had been deceived by him, with swords and sticks. Though wounded, he succeeded in warning the Produce Inspector, who was then also attacked and injured, but evaded his assailants by escaping from a

window at a height of approximately fifteen feet from the ground, where he was again set upon by the malcontents of the disaffected copra merchants, some with swords and others with knives and sticks. The Produce Inspector succeeded in making his way to the office of the Clove Growers' Association in the vicinity, where he found refuge with the Secretary-Manager and his assistant.

The Assistant District Commissioner had in the meantime arrived on the scene in a motor car, accompanied by the Town Mudir, and having gone on to the road for the purpose of endeavouring to pacify the now infuriated mob, he was attacked with swords and sticks and succumbed later from his injuries.

The attention of the crowd at this point was again diverted by the arrival of the Acting Commissioner of Police with three askaris, but unarmed; they were followed closely by the Provincial Commissioner and an official from the Secretariat. These were in turn attacked and both the Acting Commissioner of Police and the Provincial Commissioner, as also one askari, were seriously wounded. It is recorded that the Acting Commissioner of Police was assaulted in one instance by an Arab wielding a sheathed sword and this has been suggested as an indication that at this time at least some element amongst the rioters were more intent upon wounding and hurting than killing.

The rioters then being out of control, the Europeans and police withdrew to await the arrival of armed forces. These events had been witnessed by numerous passive Indian and Swahili spectators, the rioters being comprised almost entirely of Manga Arabs from the rural districts, who were engaged in the copra trade.

The crowd of Arabs, apparently now without leadership or any idea as to concerted action, separated into parties which set out for different parts of the town, the main body proceeding towards the police station at Darajani. These parties were augmented, as they proceeded, by the addition to them of numbers of undesirable characters, both Arab and Swahili, who seemingly attached themselves more for the purpose of depredation than from any feelings of injustice or discontent. On the arrival of a detachment of armed police at Malini under the command of the Assistant Commissioner, a move was made to the Darajani Police Station, nearing which they came in contact with the main body of the rioters, other parties of whom were elsewhere in the town.

The police activities were concentrated on the Creek Road and its neighbourhood. An Asiatic Assistant Inspector of Police was there surrounded and killed, and the infuriated crowd, now swollen to approximately a hundred, proceeded to attack the police with swords and knives. Fire was then opened by two police detachments, two or more rounds being fired in each instance. The rioters instantaneously dispersed, fleeing in all directions and there was, subsequent to this action, no further disturbance. At 5 p.m. the situation was under complete control.

A small party of mixed Arabs and Swahilis ventured to attack the Post Office during the affray at Darajani, it is believed for the purpose of obtaining money, but meeting with no success dispersed after some amount of damage to the building. There was no disturbance in any other part of the Protectorate.

Two Government officers were killed and three injured, and amongst the rioters were four killed, all of whom were Manga Arabs.

It seems clear from the evidence before us that the timely arrival of the police at the most critical moment and their decisive action in checking the violence of the outbreak averted what might have been a massacre of European officials in Zanzibar, against whom the outbreak was directed.

THE MANGA ARAB.

We have made allusion in the preceding paragraphs to the "Manga Arab", and it will be found convenient at this point for the purpose of more clearly understanding the subsequent points of this report to describe, so far as possible, to what class of Arabs this term may be applied.

Yearly, about the middle of November, at the advent of the north-west monsoon, from time immemorial bands of Arabs in great numbers arrive in boats and dhows at Zanzibar from the coasts of Arabia. A considerable number of these come from Muscat and the coasts of Oman. They are of a wild, ungoverned nature, turbulent and prepared at all times for any mischief, being usually armed with daggers or "jambias" and possessing double-edged swords, in the use of which they are expert and to which they have immediate resort at any sign of danger. They are known as the "Manga" or "Wamanga", and many return to the north and to the Persian Gulf in April with the south-west monsoon.

The Manga arrives with a very limited amount of capital with which he proceeds to establish a small shop in some rural district, or more often obtains coconuts on credit with the object of converting them into copra for sale. In many instances he relies almost entirely for his existence in Zanzibar on the small copra trading transactions. In former days before the promulgation of the Clove Growers' Association Decree, 1934, he likewise traded on a small scale in cloves, but subsequently, owing possibly to the altered conditions in the clove trade, his endeavours to maintain himself from that source have been abandoned.

The Manga, in the methods he uses to obtain the material for making his copra, is not always above suspicion. He does not usually hesitate to purchase nuts that may have been stolen and to adjust the price accordingly. These nuts have frequently been prematurely picked and are unripe, in consequence the copra obtained, on that account as also by reason of his insufficient knowledge concerning the correct methods of drying the material, falls far below the requisite standard demanded by the Adulteration of Produce Decree and is of very inferior quality. This copra nevertheless has a ready monetary value within the Protectorate, and from such transactions the Manga is enabled to pay the merchant from whom he had obtained the nuts on credit.

As may be readily observed, any precipitate action on the part of the Government in obstructing these copra cash transactions would result in depriving the Manga trader of his income and livelihood, and it is clear from the evidence submitted that this was being brought about by the methods adopted in the application, in relation to copra, of the Adulteration of Produce Decree of 1934. We are of the opinion that to this fact may be ascribed the primary cause of the outbreak of the Manga Arabs on the 7th of February, 1936.

THE ADULTERATION OF PRODUCE DECREE OF 1934.

It has already been pointed out that the copra produced in Zanzibar is of very inferior quality despite the known fact that the nut from which it is obtained in Zanzibar contains as high a percentage of oil as the Ceylon nut, the copra of which commands the highest market prices of the world. In order to effect an improvement in Zanzibar copra it was considered desirable to introduce a system of grading, as was applied in the case of cloves, under the Agricultural Produce Export Decree. Before this could be effected, however, it was necessary to establish a standard quality of copra, to deal below which should be an offence.

The Adulteration of Produce Decree became law in July, 1934, and by that law the lowest quality of copra which could be lawfully exposed for sale or export was that "Not containing more than 7 per cent. of moisture and more than 10 per cent. of any or all of the following substances, namely, defective, mouldy, immature or decayed kernel and foreign superfluous or inferior matter". On the 22nd of July, 1935, one year subsequent to the passing of the Decree, it was notified in the *Official Gazette* that the provisions of the Decree would be strictly enforced in respect of copra. From then onwards there were regular inspections of copra and a marked improvement in its quality, particularly in respect to the amount of moisture contained; there has also been a relative improvement in prices offered, and it is therefore apparent that the Decree is, in its application, of great benefit to the agricultural interests of the Protectorate.

Before the Decree came into force, the Manga experienced no difficulty in disposing of his copra in exchange for ready money; subsequently, however, it became necessary for the copra to be examined at the Inspection Sheds in Zanzibar, where the examination was conducted by native examiners, employees of the Agricultural Department, under the immediate authority of the Agricultural Produce Inspector. If, after having been examined, the copra failed to pass the requisite standard, the owner was then required to remove it for further preparation, and if, as it frequently happened, the successive tests resulted in failure, the owner suffered financial loss and was further debarred from disposing of it elsewhere; hitherto an open and ready market had been available for copra of any quality. There is no power conferred by the law on the examiners to destroy or confiscate copra of inferior quality, but to sell or export such material, which had failed to pass the required standard, would be an offence under the Decree.

After the examiners had declared the copra to be of satisfactory quality, sales were then usually effected by way of the broker to one of the copra shipping merchants and the owner received cash value less brokerage charges for his material which was then removed to the merchant shipper's warehouse.

THE DIRECT CAUSE OF THE RIOT.

(a) *Defective Methods in the Application of the Adulteration of Produce Decree in Relation to Copra.*

The shippers themselves are plantation owners, copra dealers and manufacturers. Their copra being exempted from passing through the examination sheds was transported direct from the plantation to their

warehouses. This fact was revealed to us at our personal inspection of the copra sheds, where we availed ourselves of the opportunity of visiting the warehouses of two of the merchants in question. There, we discovered immense quantities of copra, prepared in sacks for immediate export, which had not only been exempted from passing through the copra sheds but also had not, at any time, been subjected to any examination such as was being applied to the Manga Arab and small trader. It is true that these warehouses and the copra contained in them were open to inspection by Government inspectors, but nevertheless it is also clear that the Manga Arab and the rich shipping merchants were not on the same basis of equality as regards the application of the law. The Manga was not slow in appraising this fact which sowed in his mind the seeds of discontent and revolt.

Events at the copra sheds during the days preceding the riot throw further light on the methods employed under this heading. The full force of the Decree had hitherto not been applied to copra, which product still remained below the requisite standard. During the days preceding the outbreak, however, stringent measures had been applied and but a comparatively small proportion succeeded in satisfying the examiners; there resulted accordingly, at the Inspection Sheds, an increasing accumulation of copra of inferior quality, and on the day previous to the riot this had amounted to approximately 1,500 bags. The general dissatisfaction became more pronounced and was aggravated by the report, false and unfounded though it was, that the rejected copra was about to be thrown into the sea. The Arab Association, a self-constituted body for the protection of Arab interests, succeeded in partly intervening and the greater part of this copra was eventually sold during the course of the day, but feelings of discontent and unrest had been fostered by these events in the mind of the Manga.

(b) Misconduct of Copra Examiners and Lack of Supervision by the Agricultural Department.

The European Produce Inspector, with a staff of native produce examiners under his supervision, was responsible for the inspection of the agricultural produce pertaining to the Decree, and as he was thus busily engaged during a greater part of his time in clove inspection and office duties, much responsibility rested accordingly with the native staff of copra examiners. The owner, therefore, when aggrieved by the examiner's decision frequently experienced great difficulty in obtaining an interview with the Agricultural Produce Inspector, an officer, who, at the time of the riot, being youthful and inexperienced, was placed at a disadvantage. It is clear, from the evidence before us, that there were certain employees amongst the staff of native examiners of very doubtful integrity who possessed no scruples in their ways and manner of dealing with the poverty-stricken Manga who arrived with his small consignment of copra for examination; it is apparent that not only was there bribery and corruption but also in many instances acts of insolence and insulting behaviour on the part of the examiners towards the Mangas, one of the worst offenders being himself of servile origin. It is evident, therefore, from these facts, that there was a singular absence of supervision by the Agricultural Department over the native examining staff. The Manga Arab, as previously described, is by nature turbulent and easily roused to anger, and the desire to avenge the treatment described above was inflamed by the activities and false reports of agitators.

(c) Maladministration and Lack of Departmental Co-operation.

Apart from the Notice in the *Official Gazette*, to which reference has been made, the native agricultural community received but small warning that the terms of the Decree were to be enforced as regards copra. The Decree declared that copra should henceforth be of a certain improved standard, and it follows as a reasonable deduction that it would be the duty of the Administration to assist the native to learn or understand the methods by which such improvement might be achieved. We find, nevertheless, that no active endeavours to instruct or assist the natives in this respect were made by either the Administrative or Agricultural Departments in Zanzibar. The Manga having been made to understand that he must comply with the terms of the Decree, remained in ignorance as to the method by which the improvement in his copra was to be accomplished. This is in striking contrast to the procedure of the Administrative and Agricultural Departments in the sister island of Pemba, where an organized system of explanatory propaganda was actively carried out under similar circumstances, resulting in an improvement in copra without any disturbance in any part of the island.

We feel that in conclusion under this heading we are justified in observing that if any enactment is promulgated which is likely to cause dissatisfaction or misunderstanding amongst the natives, then at least the native should be given a fair opportunity to learn and understand the meaning of its terms and methods of improvement before the practical application of the law is forced upon him. We find it therefore impossible to exonerate the Administrative and Agricultural Departments from blame in this respect.

 PART II.

INDIRECT CAUSES AND CONTRIBUTORY FACTORS.

In considering the indirect causes and contributory factors of the riot, it is a matter of some difficulty to decide precisely to what extent the many causes that have been submitted to us as being "contributory" may strictly be said to fall within the terms of our reference. Evidence has been adduced in many instances, which though supporting possible causes of discontent concerning affairs within the Protectorate, yet nevertheless have been considered to be outside the sphere of our enquiry and too remote to be worthy of consideration as causes contributory to the riot. A careful analysis of the evidence submitted concerning the contributory and indirect causes has led us to the following conclusions.

(a) Economic Situation and Trade Depression.

The state of depression in trade and the general economic situation throughout the Protectorate would appear to be the base and origin of the causes which contributed to this lawless outbreak, and it would follow as a reasonable deduction that, at a time of economic stress and poverty, any contentious enactment likely to affect the financial resources of the community would be regarded with a greater amount of disfavour than it might have received at some other more opportune period. This becomes more pronounced in the light of the fact that amongst the major part of the populace the bare means of existence is the uppermost and ever-present consideration.

(b) *Repercussions of Previous Riots.*

It has been found necessary at this point to make some reference to a feature of the riots which occurred in the year 1928. During five consecutive days in the month of March of that year there was continuous fighting in the town of Zanzibar between the Manga and Shihiri Arabs, resulting in a casualty list of six killed and forty-six wounded. During the whole of that period there was no decisive action taken by the police to quell the disturbance; and despite the fact that a patrol escorting the wounded was threatened by the mob, there were no orders at any time issued, beyond the gesture or rifles being loaded, to fire on the rioters.

There followed, in October of the same year, a mutinous outbreak amongst the prisoners at the Central Gaol. Approximately one hundred prisoners held the prison authorities and police at open defiance for seventeen hours, and having announced their intention to do so, broke out of the prison without meeting with determined opposition.

There is evidence to support the supposition that these omissions to take some decisive action tended subsequently to influence the mind of the native, there being conceived in his imagination the belief that acts of violence could with impunity be committed in Zanzibar.

(c) *Disturbing Influence of Amended Market Regulations.*

It was perhaps an unfortunate coincidence that Monday, the 3rd of February, was chosen for the introduction at the fruit and vegetable markets of altered methods of selling produce. The former system, it had been discovered, was open to abuse in that it afforded means of evading the local charges, thereby causing loss to the revenue. The application of these rules on the 3rd of February offered a suitable opportunity for the spread of false reports and agitation by the malcontents of the markets. Owing to conflicting opinions, it is impossible to decide with accuracy to what extent the ensuing state of unrest at the market during the previous part of the week affected the outbreak at Malindi on the Friday.

(d) *Dissatisfaction Resulting from the Change of Currency.*

At the beginning of the year the Currency Decree came into force whereby shillings and cents of a shilling became legal tender in lieu of rupees and pice; it was decided, however, that for a period of some months both forms of currency should continue to exist throughout the Protectorate, in order to allow the meaning of the Decree to be clearly understood. The substitution of cents of a shilling for pice, involving as it does a process of calculation, incurred the disfavour and antagonism of such classes of the population as were unable to understand the methods of these transactions, and when informed that two cents of a shilling should represent one pice yet five cents of a shilling would yet be represented by two pice, not only was such a transaction refuted but also the native conceived the idea that he was being systematically robbed, and indeed in many instances the astute petty trader did actually utilize such discrepancies to the disadvantage of the illiterate Arab. It seems clear, therefore, that though the advantages of the changed system of currency may eventually be realized, yet nevertheless there are reasonable grounds for the acceptance of the opinion that the change of currency may be considered as a cause of unrest latently connected with the riots.

CONCLUSION.

In addition to the indirect causes considered under the foregoing headings, diverse opinions and theoretical arguments have been submitted to us for consideration as contributory factors ; these appear to us to be of such doubtful relevancy to our terms of reference that no useful purpose, we consider, would be achieved by their further analysis. A list of enactments, submitted to us as possible causes of discontent and underlying factors of the Manga riots, will accordingly be found in Appendix E.

It will be noted that the outbreak was directed against the European official, for which fact there is no parallel or precedent in Zanzibar. In the light of this experience it is clearly the duty of the Government to watch the situation throughout the Protectorate with care and understanding, and to study it from every aspect, if outbreaks of violence directed against authority are to be avoided in the future.

We desire to express our keen appreciation of the services of our Secretary, Miss H. L. Wilson, whose duties, including the onerous task of taking down and transcribing the evidence, have been performed with expedition and marked ability.

W. T. S. FRETZ (*Chairman*).

W. LESLIE WEBB.

ALI BIN AMEIR EL-MARHUBI.

AHMED AYUB.

GILBERT G. ELLIOTT.

Zanzibar, 25th April 1936.

APPENDIX E.

ENACTMENTS OF REMOTE OR DOUBTFUL RELEVANCE.

1. Native Hut Tax Decree, Cap. 98, Laws of Zanzibar, 1934.
2. Alienation of Land (Restriction and Evidence) Decree, Cap. 112, Laws of Zanzibar, 1934.
3. Towns Decree, Cap. 100, Laws of Zanzibar, 1934.
4. Trades Licensing Decree, Cap. 97, Laws of Zanzibar, 1934.
5. Customs Tariff (Amendment) Decree, 1935.
6. Clove Exporters Decree, Cap. 119, Laws of Zanzibar, 1934.
7. The Zanzibar Town Waterworks Rules, 1935, under the Town Decree, Cap. 100, Laws of Zanzibar, 1934.
8. Government Hospital Charges—Government Notice No. 271/36.
9. The Clove Growers' Association Decree, Cap. 118, Laws of Zanzibar, 1934.
10. The Moneylenders Decree, Cap. 85, Laws of Zanzibar, 1934.
11. The Public Health Decree, Cap. 60, Laws of Zanzibar, 1934.
12. The Clove Grading and Export Rules, under the Agricultural Produce Export Decree, Cap. 116, Laws of Zanzibar, 1934.
13. Restriction on Export of Clove Stems. Government No. 85/35, under Customs Management Decree, Cap. 91, Laws of Zanzibar, 1934.

Information promised in reply to a supplementary question to starred question No. 290 asked by Mr. S. Satyamurti on the 10th September, 1936.

CONCLUSIONS ARRIVED AT BY THE TRANSPORT ADVISORY COUNCIL.

CONCISE STATEMENT OF POLICY ADOPTED AT THE SECOND MEETING OF THE TRANSPORT ADVISORY COUNCIL, JULY, 1936.

Part I.—The construction of Roads and Railways.

1. For the present, funds available for roads, other than funds required for maintenance or for the fulfilment of existing commitments, should be applied largely to the development of roads which do not duplicate existing means of transport.

[United Provinces, Punjab and Bihar dissented.]

2. Where a metalled road runs parallel to a railway, feeder roads giving access from or to that road to or from railway stations, towns and large villages close to it, should be constructed or improved and maintained up to a standard which will secure that the access is unimpeded.

3. In the administration of the Road Fund no scheme for the construction or improvement of a road included in the skeleton trunk road system now adopted by the Council should be rejected by the Government of India on the ground that such a road is competitive with a railway.

[The complete skeleton system in Bengal and Sind has yet to be agreed with the local Government.]

[3. United Provinces did not accept the skeleton system proposed in their case.]

Part II.—The control of traffic.

1. For the double purpose of promoting the public safety and convenience and of placing competition between road and rail on an equal footing, the following measures should be adopted in regard to motor buses :

- (a) a reasonable standard of maintenance of vehicles ;
- (b) the medical inspection of drivers ; and
- (c) the adequate inspection and enforcement of regulations.

2. The number of motor buses should be restricted so as to avoid wasteful competition.

In order to secure this end—

- (a) motor buses or services of motor buses should be licensed for a special route or specified routes only ; and
- (b) in determining whether a license should be granted or not, regard should be had to the following four tests, namely :
 - (i) the extent to which the needs of the proposed routes are already served ;
 - (ii) the extent to which the proposed service is desirable in the public interest ;
 - (iii) the traffic needs of the area as a whole, including the need to link up routes with railways and other routes ; and
 - (iv) the suitability of the routes for the proposed traffic.

[Punjab dissented. Central Provinces and North-West Frontier Province could not undertake to give immediate effect to this.]

3. It may be expedient in order that fuller advantage may be taken of a particular road—

- (a) to grant a monopoly of motor bus traffic for a limited period on that road to a well organised service, and

- (b) to arrange for the issuing of through tickets for journeys partly by such a service and partly by a railway fed by it.

[United Provinces considered that this should have reference to feeder roads only.]

4. Where a pilgrim tax is imposed and collected on behalf of the local authority by railway administrations a similar or countervailing tax should be imposed on passenger road motor vehicles. Local Governments should take the necessary steps in this direction.

[There was a general reservation regarding the necessity for further examination of the question of the free zone on railways. Madras stated that unless the free zones were abolished they could not undertake to impose countervailing taxation.]

5. (1) For the co-ordination of all forms of transport it is desirable to restrict the carriage of goods by motor transport to its appropriate sphere.

(2) To this end it should be unlawful for any one to carry goods on a road in any motor vehicle whether for private purposes, or as a common carrier or bailee, save under the authority of a road service permit.

(3) Road service permits for goods motor vehicles of all classes should specify the routes or area for which they are valid and the purposes for which the vehicle may be used.

(4) Road service permits should not normally be granted for long distance transport of goods.

(5) Road service permits may in certain circumstances specify certain classes of goods which may or may not be carried in the vehicles to which they apply.

[(2) United Provinces made a reservation in favour of further consideration of the question of road service permits for private lorries.]

Part III.—Administrative machinery.

1. (1) For the readier adjustment of differences between different means of transport within a province, it is desirable that Boards of Communications should meet more frequently than is at present always the case and be enabled by means of sub-committees and otherwise thoroughly to examine transport problems arising in the province and advise the local Government thereon.

(2) To this end it is desirable that wherever possible Secretaries to Boards of Communications should be appointed who have adequate leisure to carry out their duties thoroughly. In certain provinces it may be necessary to have a special Road Engineer acting also as Secretary to the Board of Communications.

[(2) United Provinces dissented.]

2. For the enforcement of route or regional control over motor transport a licensing authority will be required having jurisdiction in an area which would ordinarily be considerably larger than the civil district.

[Bengal dissented.]

Part IV.—Recommendations by the Transport Advisory Council.

This Council recommends to the Government of India—

- (1) that immediate steps should be taken to amend the Indian Motor Vehicles Act, 1914, on the lines of the draft Bill considered and amended by this Council;
- (2) that steps be taken in due course for the complete overhaul of the Indian Motor Vehicles Act, 1914, in consultation with local Governments, including the amendment of Sections 9 and 10, in the light of the conclusions of this Council;
- (3) that the Government of India in consultation with local Governments appoint a committee to enquire into and report on the desirability of enforcing compulsory insurance against third party and passenger risks, the class of motor vehicles which should be compulsorily insured, the nature of the policies of insurance which would be required, and cognate matters; and

- (4) that the incomplete draft of model rules to be made under the Indian Motor Vehicles Act be completed and circulated to local Governments.

[(3) Punjab dissented.]

Part V.—Miscellaneous.

1. A uniform basis for the taxation of motor vehicles is desirable. The basis suggested by the Council is—

- (a) for private cars—unladen weight ;
- (b) for buses—seating capacity ; and
- (c) for goods lorries—registered laden weight.

Motor vehicles should be divided into categories by weight or capacity as the case may be with a flat rate of tax for each category. The Government of India will after consulting local Governments and the trade interests make a recommendation as to what these categories should be.

[Punjab and Bihar dissented. Orissa reserved opinion.]

2. Where this is not already the case, local Governments should consider whether in their taxation Acts and Rules thereunder it is not possible to grant exemption in respect of private motor cars for a period of one month in the case of *bona fide* visitors.

3. Reciprocal arrangements for the taxation of motor buses plying across provincial borders are desirable. The simplest method is for the neighbouring transport authorities to agree on the number of buses to be licensed for inter-provincial routes by each authority and for local Governments to agree that in such cases a tax should be levied on the bus only by the province in which the road service permit is issued.

[Madras and United Provinces dissented.]

4. No general reciprocal arrangements in the taxation of goods lorries are recommended. In rare cases where a lorry is used in two provinces under a road service permit issued by the authority in one and countersigned by the authority in another, arrangements similar to those suggested in the case of buses would be suitable.

[Madras concurred only in the first sentence.]

Part VI.—Conditions attaching to the Road Fund.

This Council takes note of the following conditions for participation in the Central Road Fund which the Government of India propose to incorporate in a revised Road Resolution to be moved in the Central Legislature at its forthcoming session :

1. Local Governments will adopt and enforce to the satisfaction of the Government of India adequate rules for the control of motor traffic.

2. (1) The balances now held by local Governments will not be withdrawn.

(2) Future " share " allotments will be based as at present on petrol sales, but will be held by the Government of India at the credit of local Governments.

(3) Local Governments will be informed of the sums placed at their credit, and will also be supplied with revenue forecasts to assist them in preparing their programmes.

(4) The new credit accounts will not be drawn upon until the balances now held by local Governments are exhausted. Thereafter they will be drawn upon for approved schemes. Sums will be advanced equivalent to 90 per cent. of the estimated expenditure to be incurred in each quarter, and adjustments will be made at the end of each quarter against actual expenditure.

(5) The Government of India reserve the right to re-appropriate sums from the credit account of any local Government if at any time they are satisfied that the balance at the credit of a local Government is greatly in excess of the requirements of schemes which have actually been sanctioned or which may be expected to come up for sanction within a reasonable time. They consider that a *prima facie* case for

investigation would exist if at the close of any financial year the balance substantially exceeded two years' revenue but they recognise that a reasonable period must be allowed for the expenditure of the balances at present accumulated.

(6) Any sum re-appropriated from the credit account of a local Government, in accordance with sub-paragraph (5), will be distributed between the credit accounts of local Governments and the Reserve with the Government of India in the proportions calculated in respect of the main distribution for the financial year preceding the year in which the transfer is made. Provided that the distribution calculated in respect of the Province from which the transfer is made will also be credited to the Reserve.

3. Over a period of 4 years, or provided that a reasonably complete programme is accepted by the Government of India, then 7 years :

(a) not more than 25 per cent. of the share of a local Government shall be spent for the development of roads deemed by the Government of India to be competitive with railways whether those roads are included in the skeleton trunk road system or are others for which special justification is accepted by them ; and

(b) not less than 25 per cent. of the share of a local Government shall be spent on the construction or improvement of feeder roads, a feeder road being a road the primary object of which is to connect a rural area, a large village or a town, with a railway, inland waterway or main road, where that function is not already performed by existing alternative means of communication.

4. The Government of India would agree to any reasonable expenditure on the additional cost of traffic control or of planned road development resulting from the measures recommended by this Council being debited to the Road Fund. Provided that it is understood that the Road Fund is not necessarily permanent and that it will therefore be desirable to review the position at suitable intervals.

[1. Madras, Bombay, Punjab, Assam and North-West Frontier Province dissented.

2 (2). Bengal, United Provinces and Central Provinces dissented.

2 (5) & (6). Bengal, United Provinces and Bihar dissented.

3. United Provinces and Bihar dissented.]

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. We will go back to clause 37. **Mr. Desai.**

Mr. Bhulabhai J. Desai (Bombay Northern Division : Non-Muhammadan Rural) : Sir, I understand Government have some little difficulty about my amendment. I, therefore, do not press it.

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

“ That in clause 37 of the Bill, for the proposed sub-section (g) of section 83B, the following be substituted :

‘ (g) Notwithstanding anything contained in the articles of a company other than a private company not less than two-thirds of the whole number of directors shall be persons whose period of office is liable to determination at any time by retirement of directors in rotation :

Provided that nothing herein contained shall apply to a company incorporated before the commencement of the Indian Companies (Amendment) Act, 1936, where by virtue of the articles of the company the number of

[Mr. President.]

directors whose period of office is liable to determination at any time by retirement of directors in rotation falls below the two-thirds proportion mentioned in this section '."

The Assembly divided :

AYES—45.

Asaf Ali, Mr. M.
Ayyangar, Mr. M. Ananthasayanam.
Azhar Ali, Mr. Muhammad.
Bajoria, Babu Baijnath.
Bhagchand Soni, Rai Bahadur Seth.
Chaliha, Mr. Kuladhar.
Chattopadhyaya, Mr. Amarendra Nath.
Chettiar, Mr. T. S. Avinashilingam.
Chetty, Mr. Sami Vencatachelam.
Datta, Mr. Akhil Chandra.
Desai, Mr. Bhulabhai J.
Deshmukh, Dr. G. V.
Gadgil, Mr. N. V.
Giri, Mr. V. V.
Hans Raj, Raizada.
Hidayatallah, Sir Ghulam Hussain.
Jogendra Singh, Sardar.
Joshi, Mr. N. M.
Kailash Behari Lal, Babu.
Khan Sahib, Dr.
Khare, Dr. N. B.
Maitra, Pandit Lakshmi Kanta.
Malaviya, Pandit Krishna Kant.

Mangal Singh, Sardar.
Mudaliar, Mr. C. N. Muthuranga.
Paliwal, Pandit Sri Krishna Dutta.
Parma Nand, Bhai.
Rajah, Rao Bahadur M. C.
Raju, Mr. P. S. Kumaraswami.
Ranga, Prof. N. G.
Saksena, Mr. Mohan Lal.
Sant Singh, Sardar.
Sarma, Sir Srinivasa.
Satyamurti, Mr. S.
Sham Lal, Mr.
Sheodass Daga, Seth.
Singh, Mr. Ram Narayan.
Sinha, Mr. Anugrah Narayan.
Sinha, Mr. Satya Narayan.
Som, Mr. Suryya Kumar.
Sri Prakasa, Mr.
Thein Maung, Dr.
Varma, Mr. B. B.
Yakub, Sir Muhammad.
Ziauddin Ahmad, Dr.

NOES—19.

Abdul Hamid, Khan Bahadur Sir.
Abdul Matin Chaudhury, Mr.
Ayyar, Diwan Bahadur R. V. Krishna.
Craik, The Honourable Sir Henry.
Griffiths, Mr. P. J.
Jawahar Singh, Sardar Bahadur Sardar Sir.
Jehangir, Sir Cowasji.
Jinnah, Mr. M. A.
Metcalf, Sir Aubrey.
Mody, Sir H. P.

Mukherjee, Rai Bahadur Sir Satya Charan.
Naydu, Diwan Bahadur B. V. Sri Hari Rao.
Noyce, The Honourable Sir Frank.
Sher Muhammad Khan, Captain Sardar.
Sircar, The Honourable Sir Nripendra.
Spence, Mr. G. H.
Umar Aly Shah, Mr.
Vissanji, Mr. Mathuradas.
Zafrullah Khan, The Honourable Sir Muhammad.

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim) : The remaining amendments on the main list to this clause go out

Prof. N. G. Ranga (Guntur *cum* Nellore : Non-Muhammadan Rural) : There is my amendment No. 98, Sir : I want to reserve a seat specially for the workers.

The Honourable Sir Nripendra Sircar (Law Member) : On a point of order, Sir. This amendment is barred, because it is to add something to proposed sub-section (2). Proposed sub-section (2) is gone : it has been substituted.

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

Dr. N. B. Khare (Nagpur Division : Non-Muhammadan) : Sir, there is one more amendment of mine—No. 2 in supplementary list No. 6. May I move it ?

Mr. President (The Honourable Sir Abdur Rahim) : It is to add to the original sub-section : that also would go ?

Mr. S. Satyamurti (Madras City : Non-Muhammadan Urban) : On that point, may I make a submission ? I can understand if it is an amendment to the original sub-section that has now been substituted—it can be argued that it falls : but this amendment simply says that, after the proposed sub-section, the following shall be inserted, etc., etc. I submit it has nothing to do with the structure of the proposed sub-section (2) : it is a mere sub-section to be added to it.

Mr. President (The Honourable Sir Abdur Rahim) : It is consistent with amendment No. 89, which has been carried ?

Mr. S. Satyamurti : Yes : with either : whether in the original form or as it has now been carried. I, therefore, submit it is in order.

The Honourable Sir Nripendra Sircar : I want to make a submission that this is out of order. Dr. Khare's amendment reads thus :

“ That in clause 37 of the Bill, after the proposed sub-section (2) of section 83B, etc., etc.”

Does my friend want that as a different sub-section ?

Dr. N. B. Khare : Yes.

The Honourable Sir Nripendra Sircar : Then I do not raise any point of order

Dr. N. B. Khare : Sir, I move :

“ That in clause 37 of the Bill, after the proposed sub-section (2) of section 83B, the following be inserted :

‘ (5) Every company registered after the commencement of the Indian Companies (Amendment) Act, 1936, shall have at least half of the total number of Directors Indians whether appointed or elected.’ ”

Sir, I do not think any great arguments are required to convince this House of the utility of this amendment. It is a very modest measure moved by a modest person, and that should be sufficient argument why the House should accept it with a unanimous vote. This managing agency system of the British Imperials unlimited, I mean, the Government of India is pledged to Indianisation, and of course our friends of the European Group who represent the subsidiary companies of this managing agency system naturally must follow suit because they are subsidiary companies and I do not think any Indian in this House who is worth his salt will oppose this amendment. So, I move it without any further argument and I hope the House will unanimously accept it.

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

“ That in clause 37 of the Bill, after the proposed sub-section (2) of section 83B, the following be inserted :

‘ (5) Every company registered after the commencement of the Indian Companies (Amendment) Act, 1936, shall have at least half of the total number of Directors Indians whether appointed or elected.’ ”

The Honourable Sir Nripendra Sircar : Sir, I shall be equally brief. All directors under the articles require usually a certain number of qualifying shares, whether they are worth Rs. 500, or Rs. 1,000 or Rs. 5,000. Supposing the shareholders are all non-Indians and none of them are qualified to be on the board : yet

Prof. N. G. Ranga : They must try to get Indian shareholders !

The Honourable Sir Nripendra Sircar : Will you kindly keep quiet and allow me to go on ?

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member ought not to interrupt.

The Honourable Sir Nripendra Sircar : The result will be that we must have half of them Indians, none of them having any qualifying shares. That will be the result. In other cases there may be some Indian shareholders, but none of them may have the qualifying number of shares. There is absolutely no reason why it should be enacted that the board of directors must have half of them Indians. Sir, I oppose.

Prof. N. G. Ranga : Sir, I rise to support this amendment. I do not think there is absolutely any reason whatsoever why this Government as well as the public in India should allow any company to be formed in this country and to function which has not got any Indian shareholders in it. The external Capital Committee has made it perfectly clear that if there was to be any foreign capital in this country, it should be allowed to be imported only subject to certain salutary conditions ; and they also suggested that at least 75 per cent. of the capital would have to be subscribed by Indians and a large proportion of the directors also should be set apart for Indians. I cannot understand why the Law Member has advanced this very extraordinary argument that there may be some companies formed in this country without any Indian shareholders.....

The Honourable Sir Nripendra Sircar : With qualifying shares for directorship.

Prof. N. G. Ranga : With qualifying shares. But I say there shall not be any company here, formed in this country, with Europeans in it without any qualifying Indian shareholders ; and I cannot understand why the Honourable the Law Member is so very anxious to oppose this particular amendment. He was so very anxious to oppose it that he would not brook any interruption at all. I can understand, Sir, if he is overweighed with anxiety to save time and overweighed with arguments also, if he had any sane-minded argument in favour of his particular point, he could express a certain amount of impatience about any interruptions in this House : but when he has absolutely no proper argument at all to advance and when he is not even himself loyal to the salt of the country of which he is an inhabitant, and he is not anxious to display trust in Indian opinion, I cannot understand why he should come and oppose this amendment. Therefore I say that every Honourable Member who is elected in this House and who comes here and wishes to claim to be an Indian should support this amendment and hope it will be carried by an overwhelming majority.

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

“ That in clause 37 of the Bill, after the proposed sub-section (2) of section 83B, the following be inserted :

‘ (3) Every company registered after the commencement of the Indian Companies (Amendment) Act, 1936, shall have at least half of the total number of Directors Indians whether appointed or elected.’ ”

The Assembly divided :

AYES—45.

Aney, Mr. M. S.
Asaf Ali, Mr. M.
Ayyangar, Mr. M. Ananthasayanam.
Azhar Ali, Mr. Muhammad.
Chaliha, Mr. Kuladhar.
Chattopadhyaya, Mr. Amarendra Nath.
Chettiar, Mr. T. S. Avinashilingam.
Chetty, Mr. Sami Vencatachelam.
Das, Mr. B.
Das, Pandit Nilakantha.
Datta, Mr. Akhil Chandra.
Desai, Mr. Bhulabhai J.
Deshmukh, Dr. G. V.
Fuzlul Huq, Mr. A. K.
Gadgil, Mr. N. V.
Giri, Mr. V. V.
Hans Raj, Raizada.
Hosmani, Mr. S. K.
Jogendra Singh, Sirdar.
Kailash Behari Lal, Babu.
Khan Sahib, Dr.
Khare, Dr. N. B.
Laljee, Mr. Husenbhai Abdullahai.

Maitra, Pandit Lakshmi Kanta
Malaviya, Pandit Krishna Kant.
Mangal Singh, Sardar.
Mudaliar, Mr. C. N. Muthurang.
Paliwal, Pandit Sri Krishna Dutta.
Pant, Pandit Govind Ballabh.
Parma Nand, Bhai.
Raju, Mr. P. S. Kumaraswami.
Ranga, Prof. N. G.
Saksena, Mr. Mohan Lal.
Sant Singh, Sardar.
Satyamurti, Mr. S.
Sham Lal, Mr.
Sheodass Daga, Seth.
Singh, Mr. Ram Narayan.
Sinha, Mr. Anugrah Narayan.
Sinha, Mr. Satya Narayan.
Som, Mr. Suryya Kumar.
Sri Prakasa, Mr.
Thein Maung, Dr.
Varma, Mr. B. B.
Vissanji, Mr. Mathuradas.

NOES—57.

Abdul Hamid, Khan Bahadur Sir.
Acott, Mr. A. S. V.
Ahmad Nawaz Khan, Major Nawab Sir.
Ahmed, Mr. K.
Ayyar, Diwan Bahadur R. V. Krishna.
Bajoria, Babu Baijnath.
Bhagechand Soni, Rai Bahadur Seth.
Bhat, Mr. M. D.
Buss, Mr. L. C.
Chapman-Mortimer, Mr. T.
Craik, The Honourable Sir Henry.
Dalal, Dr. R. D.
Das-Gupta, Mr. S. K.
DeSouza, Dr. F. X.
Dey, Mr. E. N.
Fazl-i-Haq Piracha, Khan Bahadur
Shaikh.
Grant, Mr. C. F.
Griffiths, Mr. P. J.
Grigg, The Honourable Sir James.
Hidayatallah, Sir Ghulam Hussain.
Hossack, Mr. W. B.
Hudson, Sir Leslie.
James, Mr. F. E.
Jawahar Singh, Sardar Bahadur Sardar
Sir.
Jehangir, Sir Cowasji.
Joahi, Mr. N. M.

Khurshaid Muhammad, Khan Bahadur
Shaikh.
Lal Chand, Captain Rao Bahadur
Chaudhri.
Lloyd, Mr. A. H.
Metcalfe, Sir Aubrey.
Milligan, Mr. J. A.
Mody, Sir H. P.
Morgan, Mr. G.
Mudie, Mr. R. F.
Mukherjee, Raj Bahadur Sir Satya
Charan.
Nauman, Mr. Muhammad.
Naydu, Diwan Bahadur B. V. Sri Hari
Rao.
Noyce, The Honourable Sir Frank.
Rajah, Rao Bahadur M. C.
Rau, Mr. P. S.
Robertson, Mr. G. E. J.
Roy, Mr. S. N.
Sarma, Sir Srinivasa.
Scott, Mr. J. Ramsay.
Sen, Mr. Susil Chandra.
Sharma, Mr. D.
Sher Muhammad Khan, Captain Sardar.
Singh, Rai Bahadur Shyam Narayan.
Sircar, The Honourable Sir Nripendra.
Spence, Mr. G. H.

NOES—*contd.*

Sprawson, Major-General Sir Cuthbert.
 Thorne, Mr. J. A.
 Tottenham, Mr. G. R. F.
 Witherington, Mr. C. H.

Yakub, Sir Muhammad.
 Zafrullah Khan, The Honourable Sir
 Muhammad.
 Ziauddin Ahmad, Dr.

The motion was negatived.

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

“ That clause 37, as amended, stand part of the Bill.”

The motion was adopted.

Clause 37, as amended, was added to the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : Clauses 38 and 39 have already been disposed of. The question is :

“ That clause 40 stand part of the Bill.”

Mr. S. Satyamurti : I have got two amendments, Nos. 104 and 105. My first amendment is :

“ That in clause 40 of the Bill, in the proviso to the proposed section 86B, for the word ‘ an ’ the word ‘ a ’ be substituted and the words ‘ alternate or ’ be omitted.”

If you will permit me, I will move No. 105 also, because they hang together.

Mr. President (The Honourable Sir Abdur Rahim) : No. The Honourable Member may move that separately.

Mr. S. Satyamurti : Very well, Sir. I move, No. 104. Honourable Members will notice that the proviso to the proposed section 86B, at the top of page 15 of the Select Committee’s report, runs as follows :

“ Provided that the exercise by a director of a power to appoint an alternate or substitute director to act for him during a temporary absence, if done with the approval of the board of directors, shall not be deemed to be an assignment of office within the meaning of this section.”

I really do not know the difference between “ alternate ” and “ substitute ”, but if there is a difference, I do not want him to appoint an alternate director. I understand that there is really no difference. If that is so, my amendment will make it clear, and then the section will run as follows :

“ provided that the exercise by a director of a power to appoint a substitute director to act for him during a temporary absence.....”

I am agreeable that, during a temporary absence, with which I shall deal in amendment No. 105, the director should have power to appoint a substitute, but I think the word “ alternate ” should not be there, if it has a different meaning, but if it has the same meaning, it is unnecessary. I therefore move amendment No. 104 standing in my name.

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

“ That in clause 40 of the Bill, in the proviso to the proposed section 86B, for the word ‘ an ’ the word ‘ a ’ be substituted and the words ‘ alternate or ’ be omitted.”

Mr. T. Chapman-Mortimer (Bengal : European) : I oppose my Honourable friend's amendment. It seems to me that he is making unnecessary fuss about a matter.....

An Honourable Member : Please speak up. We cannot hear a word.

Mr. T. Chapman-Mortimer : It seems to me that he is making an unnecessary fuss over a matter over which there need not be any fuss at all. It is a very common provision in the articles in order to meet a case where a director has probably gone upcountry to inspect collieries or mills and so forth, or possibly come to the Assembly or on some other business, and while he is away directors' meetings do take place. Now, according to the very stringent provisions laid down in this Bill, it would be very difficult to get directors' meetings unless you make a provision of this kind so that when a director goes away on business either in the public interest—coming to Delhi or Simla,—or in the interests of his company when he goes to inspect a mill or a colliery and so forth, he should have some power to enable him to nominate a person as an alternate director for him at the meetings which he cannot attend because he is away on pressing business. I think there cannot be any objection in principle to the words "alternate or" because the difference between alternate and substitute is obviously not one of principle but purely a purely technical or verbal difference, and I would urge upon my Honourable friend to withdraw his amendment. Sir, I oppose the amendment.

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

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

Mr. Bhulabhai J. Desai : Sir, with reference to the proviso which is under discussion, apart from the small issue which is before the House, namely, whether the word "alternate" or "substitute" should both remain or the one or the other should remain, there is a much more difficult matter involved in that proviso, and the matter is this. The words "during temporary absence" are words of such a nature that it would be possible for A, B and C, to be elected as directors and D and F always to act for them, because of the words "temporary absence" without the additional words occurring in the English Act, e.g., business abroad. I am afraid you are rendering it possible to have three popular men elected and three substitutes acting for them all the time, which practically destroys the unassailability of directorship. So I have spoken to the Leader of the House, and, with your permission, may this amendment stand over till Monday ?

Mr. F. E. James (Madras : European) : May I interpose one remark ? If there is to be agreement with the course suggested by the Leader of the Opposition, may I make again the point that I made yesterday ? If there is any draft which has to be considered by this House, it should be circulated in sufficient time for the respective Parties to give due consideration to it.

The Honourable Sir Nripendra Sircar : I suggest that the drafts be circulated tomorrow and this matter need not be taken up before Wednesday. There will not be much time on Monday, and Tuesday is a non-official day.

Mr. S. Satyamurti : I suggest that amendment No. 105 may also stand over.

Mr. Deputy President (Mr. Akhil Chandra Datta) : The question is :

“ That further consideration of amendments Nos. 104 and 105 be held over till Wednesday and that the draft be circulated by tomorrow.”

The motion was adopted.

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

“ That in clause 40 of the Bill, for sub-section (1) of the proposed section 86D, the following be substituted :

‘ (1) No company shall make any loan or guarantee any loan made to a director of the company or to a firm of which such director is a partner or to a private company of which such director is a director ’.”

I am not raising any issue by means of this amendment. I am only seeking to remedy what seems to me to be a loophole which has got in quite inadvertently. As Honourable Members will notice, the Bill does not permit the company to make any loan to a director but it does not in any way prohibit any guarantee for a loan taken by a director. To that extent, the next amendment on the Order Paper No. 107 by Mr. Sen agrees with mine.

The Honourable Sir Nripendra Sircar : I think it will shorten the debate if I say that we are prepared to accept this amendment.

Mr. Deputy President (Mr. Akhil Chandra Datta) : The question is :

“ That in clause 40 of the Bill, for sub-section (1) of the proposed section 86D, the following be substituted :

‘ (1) No company shall make any loan or guarantee any loan made to a director of the company or to a firm of which such director is a partner or to a private company of which such director is a director ’.”

The motion was adopted.

Pandit Govind Ballabh Pant : Sir, I move :

“ That in clause 40 of the Bill, in sub-section (2) of the proposed section 86D, for the words ‘ the making of the loan ’ the words ‘ such contravention ’ be substituted.”

This is consequential to amendment No. 106 which has been accepted by the House.

Mr. Deputy President (Mr. Akhil Chandra Datta) : The question is :

“ That in clause 40 of the Bill, in sub-section (2) of the proposed section 86D, for the words ‘ the making of the loan ’ the words ‘ such contravention ’ be substituted.”

The motion was adopted.

Pandit Govind Ballabh Pant : Sir, I move :

“ That in clause 40 of the Bill, in sub-section (2) of the proposed section 86D, after the words ‘ repayment of the loan ’ the words ‘ or in discharging the guarantee ’ be inserted.”

This, again, is consequential upon amendment No. 106.

Mr. Deputy President (Mr. Akhil Chandra Datta) : The question is :

“ That in clause 40 of the Bill, in sub-section (2) of the proposed section 86D, after the words ‘ repayment of the loan ’ the words ‘ or in discharging the guarantee ’ be inserted.”

The motion was adopted.

Mr. S. Satyamurti : Sir, I move :

“ That in clause 40 of the Bill, in sub-section (3) of the proposed section 86D, the words ‘ or to a Banking Company ’ be omitted.”

Honourable Members will notice that sub-section (3) of proposed section 86D reads as follows :

“ This section shall not apply to a private company (except a private company which is the subsidiary company of a public company) or to a banking company.”

Sub-section (1) says :

“ No company shall make to a director of the company any loan out of moneys of the company.”

Sub-section (3) seeks to exempt banking companies from the operation of this section. I may mention that in the original Bill the exemption was not provided. It provided simply this :

“ No company shall make to a director of the company any loan out of moneys of the company.”

I now seek to restore the Bill to the form, in which it was introduced in this House, and I shall give only one reason, which I believe ought to be conclusive in all such matters. No man ought to place himself or ought to be allowed to place himself in a position where his duty and interests are likely to come into conflict. Not that they should come into conflict in every case, or they will, but the general principle of all public offices is that no man should be placed in a position where his duty and interests are likely to come into conflict. I put it to my Honourable friends whether it is not right for me to contend that, when a director of a banking company lends moneys to himself, he is likely to be in a position where his duty and interests will come into conflict. After all, I recognize that the main business of banking is lending money, but surely it seems to me that there should be a prohibition of this kind because, *ex hypothesi*, if the director has got ample credit, there ought to be no difficulty for him in getting moneys for his business. whereas, on the other hand, if he has no credit, he ought not to get any loans at all. And I may say, Mr. Deputy President, that in Madras, we have had the Indian Bank in which this power of lending money to directors became a gross abuse, and our friend, Mr. Vidya Sagar Pandya, who I think was a Member of this House sometime ago, resigned his secretaryship, because he felt it was a regular scandal. Directors managed elections to directorships not on any other ground except on the ground of getting credit for themselves, and they wanted to have a clique in the directorate, a majority, which will lead to certain directors, and not to others. This became scandalous and Mr. Vidya Sagar Pandya resigned and has now formed a new Bank called the “ Hindustan Bank ” in which the articles provide that no loans should be given to directors. I want to illustrate, what I say, by some examples from the evidence

[Mr. S. Satyamurti.]

given before by the Central Banking Enquiry Committee. I may mention that that Committee itself in paragraph 710 of their report say :

" Similarly, the Articles of Association should provide for limitation of loans to directors and managers and members of the staff."

I recognize that that recommendation does not go, to the extent to which my amendment goes. They want restrictions, but my point is that, as the Bill stands today, there is not even any restriction, on the loans to directors of banks. Before the Central Banking Enquiry Committee, evidence was led with regard to the abuse of this power by certain banks, and I want to give a few examples, in order to show how this power has been abused. I refer to the Karachi Bank :

" The debts due by the Managing Director and another Director were not separately shown. . . . the Managing Director was jointly liable in 1924 in respect of the following loans :

Rs. 15,000, Rs. 59,000. . . ."

Similarly, in the case of other directors,

" Rs. 18,000, Rs. 30,000, Rs. 18,000. . . ."

" It appears that on 15th June, 1928, a director wrote that all debts due by Director should be realised immediately. But no action was taken. The debts due by Mr. Lokamal and R. B. Shewaram were not realised."

I give another example from the Bank of Burma, Limited :

" It will be seen from examination of Appendix B that the securities deposited were very largely in shares of companies promoted by Mower and Company of which they were managing agents.

.....The bank was practically used for the benefit of Messrs. Mower and Company"—

and the liquidators in their criticism say :

" The bank was used practically entirely for the purpose of the two directors, Messrs. Mower and Clifford in the financing of their schemes. It was so easy for them to get money from the bank that the bank funds might almost as well have lain in the office safe of Mower and Company",

and they borrowed freely. Then I come to a famous case, that of the Alliance Bank of Simla, Limited :

" Loans running into lakhs were made from time to time to the firm of Boulton Brothers; the members of the firm who were directors of the bank were liable for these loans. In spite of this, their liability as directors was not disclosed in the balance sheets as required by law. . . . The indebtedness of Mr. Moncrieff, a Director of the Bank, for £79,850 was not separately shown in the balance sheets."

Then, Sir, shortly stated, the note says that :

" Boultons used the funds of the Bank in the following ways,—as direct loans, loans to partners, the Bank purchased shares in the Boulton group of companies, loans advanced to the Boulton Group of Companies, and the Bank purchased the business of Boultons when it was in a hopeless condition."

I want to mention that the total value of shares purchased in the Boulton Group of companies was Rs. 88,25,000.

Then, there was the case of the Bengal National Bank, Limited, in which also there was this evil of loans to directors on account of the managing director, B. N. Banerjee. The history of this case will show that the managing director was dealing in shares nominally through

his own account, but also through others. The account was heavily in debt when it was adjusted through a transaction which disclosed a grave scandal.

There was again the case of B. K. Lahiri. The history of this case will show that the director Lahiri was dealing in shares, not only through his own account, but through others also. Sir, I do not want to take up more of the time of the House, but I do hope that the House will see the reasonableness of this amendment. The only argument I can see against it is that, after all, a banking company must do banking business. Why should not directors deal with their own banks? My answer is that the directors of banks occupy a fiduciary position, and they ought not to place themselves in a position where they may make loans on conditions more favourable to themselves, than they would make to their other constituents. I hope the House will accept this amendment. Sir, I move.

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

“That in clause 40 of the Bill, in sub-section (3) of the proposed section 86D, the words ‘or to a Banking Company’ be omitted.”

Sir Cowasji Jehangir (Bombay City : Non-Muhammadan Urban) : Sir, I do not think my Honourable friend, Mr. Satyamurti, has quite understood the implications of his amendment. A company other than a bank naturally should be prohibited from giving loans to its directors. Giving loans is not part of its business. Take a jute mill, take a cotton mill, take a steel works, or anything you like. Their business is not to give loans, and then if they give loans to a director, they would naturally be suspect. But a banking company stands on a completely different footing. Its one business is to give loans and receive deposits. Therefore, my Honourable friend would desire that a banking company should not do its legitimate business with its own directors. Now, Sir, usually banks desire to have men on their directorate who are capable of taking loans from the bank and, in exceptional cases, of giving large loans to the bank when required. If my Honourable friend, Mr. Satyamurti, had followed the banking business of any Indian bank, he would have known that one of the credentials for appointing a man as a director is that he would bring in business into the bank and the companies under his management would borrow moneys from the bank which they would otherwise have done from another bank. He himself, if he was in a large way of business, would be appointed a director if he could divert all his business to the particular bank of which he was offered the directorship. Therefore, one of the very qualifications which is required for appointment as a director of a bank, my Honourable friend would take away under a statute. Now, I will give my Honourable friend my own personal experience, which is the experience practically of every director of a bank. I have constant loans from my bank which run on from year to year and, in times of stress and need, I have had to lend to my own bank, and my family have had to lend to my own bank lakhs and lakhs of rupees at a time. How can you deprive a director of the right of borrowing from and lending to a bank when it is the usual practice in India and in England to appoint a director who is capable and financially strong enough to be able to do so. The result of my Honourable friend's amendment, if carried, would be that 90 per cent.

[Sir Cowasji Jehangir.]

of the directors of the Imperial Bank of India would resign tomorrow. (Mr. B. Das : "Of every bank.") I am only mentioning the name of one big bank, the Imperial Bank of India. I am certain that several directors of my own bank would be likely to tender their resignations, and I can say the same about the Central Bank of India. If that is what my Honourable friend desires, he can have it, and then let those directors who resign be replaced by my Honourable friend, Mr. Satyamurti. Now, Sir, if such a proposition were to be placed before any English commercial body, it would be characterised as ridiculous. My Honourable friend has pointed out many cases of malpractices. Perhaps I can point out to him cases of malpractices from my own knowledge ; but because certain banks came to grief, because they were indiscreet in lending money to their directors, are we to have a provision of this sort in the Act ? What about directors being indiscreet about lending moneys to men who are not directors ? Besides, as my Honourable friend knows, there is a provision in the Act whereby a director who borrows money from a bank is not allowed to vote. He is absent from the meeting ; he walks out ; he is not even present. And so far as my own personal experience goes, I can tell my Honourable friend that, when it comes to lending money to a director otherwise than on Government paper, that loan is most carefully scrutinised. In fact, it is more carefully scrutinised by the directors than a loan which is given to an outsider on security other than Government paper. I do not know what is the practice in other banks ; I cannot speak with knowledge about them. My Honourable friend gave us one or two well-known cases of malpractices. Well, all I can say is that if a managing director is allowed to take loans from a company—not as a director but as a servant of the company,—then I do not know how to characterise the vigilance of the directors of that company. Everything depends upon the vigilance of the directors of a bank and if they are not vigilant and careful, no Act of the Legislature can make them so. If a director desires to be dishonest or the manager of a bank desires to be dishonest, no amount of provisions in this Act will make him honest. All that you can do is to provide for punishment and to make the chances of fraud as little as possible. But you will never be able to get over such cases as my Honourable friend has mentioned. They are disgraceful cases in themselves but such cases are bound to occur and will go on occurring as long as human nature remains what it is and as long as there are dishonest men in this world.

Sir Muhammad Yamin Khan (Agra Division : Muhammadan Rural) : Sir, I think the amendment moved by Mr. Satyamurti is based on a good foundation and it must be supported by this House. The arguments which have been given by my Honourable friend, Sir Cowasji Jehangir, cannot convince anybody except the man who wants to have the full possession of the bank in his own interests. What my Honourable friend has said is this that because he had been lending some money to the bank of which he is the director, therefore all directors must be allowed to borrow money from their banks in their own interests.

Sir Cowasji Jehangir : I hope my Honourable friend will quote me correctly. I said I lend and borrow money from the bank.

Sir Muhammad Yamin Khan : My Honourable friend lends and borrows from the bank. He may be in the happy position to lend money

to the bank but I do not think the same can be said about him when he borrows the money as a director. If a director who is in charge of the money of the subscribers handles it in his own interest, then it is the duty of the Legislature to come forward and put a stop to such a practice. I think the money which is put under the control of the directors by the subscribers must remain quite safe and must not be used by the people who have got a control over it in their own interests. My Honourable friend's whole argument is this that because a man is appointed a director and because he happens to enjoy the confidence of certain business concerns, therefore he should be allowed to become a director even if he borrows money for his own benefit. I think such a proposition no Legislature can tolerate. The interests of the subscribers must be safeguarded rather than the interests of the people who become the directors. There have been many scandals in the country when people have lost their money. As a rule, Indians are not very fond of putting their money in the banks. But when they do put their money in the banks, very often they find that they have lost it on account of the dishonesty of the directors. The case of Boulton Brothers has already been quoted by my friend, Mr. Satyamurti, who bolted away with all the money of the people. There were other cases also. We are finding this sort of thing happening every day. In spite of these illustrations which have been given by my Honourable friend, Mr. Satyamurti, I think it was.....

Mr. M. S. Aney (Berar Representative) : You were going to give one more illustration.

Sir Muhammad Yamin Khan : There are many illustrations which can be given and after this, I think that it requires some nerves on the part of my Honourable friend, Sir Cowasji Jehangir, to get up and say that he opposes the amendment. Sir, I support the amendment.

The Honourable Sir Nripendra Sircar : Sir, if it requires nerves for my Honourable friend, Sir Cowasji Jehangir, to oppose this amendment, it requires still greater nerves for my Honourable friend, Sir Muhammad Yamin Khan, to support this amendment. Sir, judging by his speech, one thing is clear that my Honourable friend has not got the least experience of banks or loans to directors.

Sir Muhammad Yamin Khan : I have lost money of my own in the banks.

The Honourable Sir Nripendra Sircar : My Honourable friend went on saying that this thing was happening every day. What are the examples ? Boulton Brothers and the Bengal National Bank ; having heard these names from my Honourable friend, Mr. Satyamurti, that is his contribution to the discussion. Every one in this House will realise that the case of Boulton Brothers and the Bengal National Bank are exceptional cases of conspiracy between a large number of persons done with such deliberation and skill that no amount of legislation from my Honourable friend, Sir Muhammad Yamin Khan, could stop those people from cheating other people. I believe the Federation of Indian Chamber of Commerce has a little more experience than my Honourable friend here. What do they say ? They support the proposal made, that is to say, an exception should be made in the case of banking companies. I believe also the Calcutta Indian Chamber of Commerce they ought to have a little more knowledge and a little more sense of proportion than my Honourable

[Sir Nripendra Sircar.]

friend here—they support it. I submit that my Honourable friend has not met the point that if this amendment is carried, it will end in ninety per cent. of the directors of the Central Bank and the Imperial Bank of India and all other banks resigning tomorrow. My Honourable friend has not met that point. Why? Because he has not the slightest idea, the slightest experience of banking, and he may have lost only a few hundreds in some bank which I do not know. That is no reason why this amendment should be supported. As has been said by my Honourable friend, Sir Cowasji Jehangir, it is the business of a bank to lend money and it will be very curious indeed that the director of a bank cannot have over-drafts in that bank. I have very little to add to the arguments advanced by my Honourable friend over there, but I will read to the House a sentence which I read the other day and I say this applies with all the greater force to banking companies. I may read from Buckley, page 743, who says :

“ It may be more advantageous to have directors who can advance the interests of the company by their connection than to have the benefit of their advice in every proposed transaction.”

It is to the interest of a bank to have these people as their directors and the good which has been done to so many banks is not to be negated because my Honourable friend is repeating the case of Boulton Brothers and the Bengal National Bank. There must be millions of transactions which have taken place on overdrafts to directors of banks. What is the good of citing two exceptional cases. My Honourable friend said that these cases are happening every day ; that only shows the amount of irresponsibility there is in talking in this House. Does he really suggest that by reason of loans given by banks to directors, these banks come to grief or that the public have been agitating against this every day. Of course, I do not say every day literally. But are these cases numerous? I have little more to add to the argument of my Honourable friend. I oppose the amendment.

Mr. Mathuradas Vissanji (Indian Merchants' Chamber and Bureau: Indian Commerce) : Sir, I have only to add a few words to what has been said in the speeches of my Honourable friends Sir Cowasji Jehangir and the Leader of the House. Sir, the practice prevalent in several banks for advancing money even to the directors is not generally known to the public at large. There is a regular routine to be passed through when a proposal is brought forward before the Board of Directors, and even then that proposal is brought forward for a sort of enquiry being made into the matter and all the relative documents and information laid on the paper are circulated amongst the directors. But those documents are not sent to the director concerned who has applied for a loan. Then, again when it is approved, it is generally again laid on the table for consideration of the Board. At that time also, of course as has been mentioned by my Honourable friend, Sir Cowasji Jehangir, the director concerned is not present. I would rather say that from my connections with certain banks, the director concerned, who applies for a loan, is not present at these meetings when loan is sanctioned. This is the general routine that is being followed, so that the discussion may proceed freely in the absence of the director concerned. In that way, whatever may be the kind of loan, whether it is a call loan, or an over-draft or a cash credit, it is being thoroughly

scrutinized, and after that if there is any mishap, I do not think the directors or the Board can be held responsible. If this amendment is passed I am sure there will be very great hardship to the banks. I think very probably as has been mentioned by the Honourable the Leader of the House, nearly ninety per cent. or even more of the directors of the present institutions will have to resign. Sir, I oppose the amendment.

Mr. Sham Lal (Ambala Division : Non-Muhammadan) : Sir, the Honourable the Leader of the House stated that cases are very few where misappropriation takes place, but I think even the Honourable the Leader of the House must have read about the disclosures made in the Punjab. In the case of the People's Bank, crores of money were taken away by very responsible directors without any security. The orphans and the widows have all lost their money, and if this position were to be told in the Punjab that the directors of the bank are allowed to take money, I think it would be shocking to them. The details must be shocking to this House if they were to read the proceedings in the High Court of Lahore. My Honourable friend, Mr. Matnurdas Vissanji, said that the method and the routine of granting loans to the directors was very strict and that the directors concerned were generally absent from those meetings where the loan was sanctioned. From the proceedings in the High Court of Lahore, it will be found that the loan was taken by the father and the son, and both the father, the son and one more relative were present when the loan was sanctioned. That is the routine. It was stated by the auditors and other persons that there was security ; but now it turns out that there was no security. In one case the only security there was was the map of a house. The map of a house was put in without any documents or title deeds. This is the case, and nobody among the Board of Directors had the courage to say that loan should not be sanctioned. Of course, I cannot say that these cases are happening from day to day, but really the power is in their hands, and the directors can easily get a loan to themselves or to their relatives. It might be true that in the case of my Honourable friend, Sir Cowasji Jehangir, or other honest directors like him, their connection with a bank will be of great advantage. They may be of great help to the bank. But taking human nature as it is, where there is temptation, where there is power, it is likely to be abused. I, therefore, support the amendment.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions : Muhammadan Rural) : Sir, I just want to say one word. If a director borrows money on good security, then I am sure on that good security any bank will lend him the money. And if he borrows on bad security or on not very good security, then his own bank should be the last to lend him money. Therefore, the occasion to borrow money in any case will never arise.

Sardar Sant Singh (West Punjab : Sikh) : Sir, I have listened to this debate with great interest. I happen to be on the board of directors of a local bank in Lyallpur for the last 10 years.

Dr. Ziauddin Ahmad : Is it still in existence ?

Sardar Sant Singh : It is not only in existence but the Banking Inquiry Committee commended this bank to many other banks.

Sir Muhammad Yamin Khan : How many times did you borrow money from it ?

Sardar Sant Singh : I will tell you just now. Really it is the honesty and the integrity of the board that is responsible for the flourishing or the destruction of a bank. This safeguard of non-borrowing by the directors from the banks already exists in the present Companies Act. In the annual balance-sheet it is incumbent upon the board to disclose how much money has been borrowed or is invested with the directors of the bank. I think that provision of the law is sufficient to safeguard the interests of the shareholders. No board worth its name ever risks the reputation of the bank : no board will ever risk the stability of the bank in the eyes of the public if it does not disclose the facts about the directors' dealings with the bank in sufficient and clear terms. Our bank has been lending money to the directors and the directors have been allowed to withdraw in their cash credit accounts.

Dr. Ziauddin Ahmad : Without security ?

Sardar Sant Singh : With or without security. Generally the security offered is the fixed deposit receipts of the bank. It will be anomalous to ask the directors to invest their money in the bank itself in fixed deposits and savings bank and other accounts and yet when they need money on the security of these fixed deposit receipts they should not be accommodated and told to go to another bank and ask for a loan. The only difficulty which my Honourable friend, Mr. Sham Lal, has placed before you is a difficulty of an exceptional nature relating to one bank whose affairs are still pending before the High Court. I wonder how Mr. Sham Lal had the courage to refer to that unfortunate incident in the Punjab when he was employed as Counsel for one of the persons who were publicly examined in the High Court. If I were in his position I would have refrained from mentioning anything about that which was still pending before the High Court. However, Sir, that is his own affair.

Mr. Sham Lal : The High Court has given its decision.

Sardar Sant Singh : Whatever it is, the Honourable Member derived his knowledge as Counsel.

Mr. Sham Lal : It is not pending before the High Court now ; the High Court has given its decision. I have not mentioned the name of any person and I only referred to disclosures which are admitted. It is only my Honourable friend who now wants to bring in names. I have taken particular care not to mention any names.

The Honourable Sir Nripendra Sircar : But you mentioned father and son ; that is known to all.

Mr. Sham Lal : The Honourable Member may know it ; but this sort of thing has happened in many other cases.

Sardar Sant Singh : If my Honourable friend, Mr. Sham Lal, thinks that by not mentioning names with regard to this particular incident he has deceived anybody, he must know that he has only deceived himself and nobody else. This incident is so well known even outside the Punjab that the very mention of the fact clearly gave a hint to everybody as to what he was talking about.

Mr. S. Satyamurti : Not at all.

Sardar Sant Singh : Madras is too benighted to understand. (Laughter.)

Mr. S. Satyamurti : It is certainly better than the Punjab. In the Punjab you only quarrel among yourselves, Hindus, Sikhs, and Muslims. I would rather be in Madras, than in the Punjab.

Sardar Sant Singh : My Honourable friend, Mr. Satyamurti, is not very happy when I expressed my opinion about Madras. He says that the Punjab is fighting ; but that is because the Punjab has got fighting qualities. (Laughter.)

Mr. S. Satyamurti : You only fight among yourselves, not against Government.

Sardar Sant Singh : Coming to the point, Sir, I will appeal to the Honourable Members that this amendment will prove very harmful to the interest of banking, if it is persisted in. I will still appeal to my Honourable friend, Mr. Satyamurti, though he is in a temper just now, to withdraw it and not to press this amendment to a division.

Mr. M. Ananthasayanam Ayyangar (Madras Ceded Districts and Chittoor : Non-Muhammadan Rural) : Sir, after all that we have heard having the interests of banking at heart, we find that no power to borrow or to lend indiscriminately is desirable. Lending to the directors on fixed deposit of some kind, even to 90 per cent., may be allowed ; and there is absolutely no danger because the money remains with the bank. And if there are moveable securities which could be deposited with the bank, even then ordinarily no difficulty arises. It is only where immovable property outside is given as security that the difficulty arises regarding their valuation. Then I would say, taking human nature as it is, it is ordinarily not possible for any set of directors to ignore the requests of a brother director. The borrowing director may be absent physically but mentally his presence obsesses every one of these directors. From small things to great, from small co-operative societies to district banks and bigger banks, the same difficulty arises. Many a director has found it practically impossible to reject the request of another for a loan from the bank. If the Leader of the House thinks in the best interest of the banks, to restrict the scope of the power of a director to take a loan from the bank to those on fixed deposits and other securities to be deposited there as Government securities, etc., it would not be causing any inconvenience. I would say, Sir, that Mr. Sen in his report said that whatever may be said about the capacity of the directors to take loans in other companies, in a banking company no director ought to be allowed to take a loan. On page 48 of his report, I request the Leader of the House to refer to this, he says :

“ I have already made my recommendations with regard to all companies and I have given my reasons as to why I recommend a total prohibition of the giving of loans to the directors and other officers including the auditor. I am glad to find that the Central Banking Inquiry Committee have made a similar recommendation in the case of banking companies. In case my general recommendations are not accepted I would recommend their acceptance in the case of banking companies at any rate.”

But the expert's opinion has not been accepted in the Bill. If it is accepted, an exception will be made in the case of companies other than banking companies only. I find the process has, here, been inverted.

[Mr. M. Ananthasayanam Ayyangar.]

Latitude has been given to banking companies. The authors of this Bill have ignored the opinion of the expert and no reason has been given to this House as to why the opinion of the expert who went into the matter at very great length should be so lightly brushed aside. For the past few days I have noticed various threats being hurled from one side of the House or another. The Honourable the Leader of the House said yesterday that if a particular amendment was carried he would drop the Bill. It is not at my instance that the Bill came into being : and to say that the Bill must be pushed through with all kinds of clauses that the Government may want is not right. Again Sir Cowasji today says that if such and such amendments were carried he would drop out.....

Sir Cowasji Jehangir : Drop out of what ? I did not say I would drop out of the Bill.

Mr. M. Ananthasayanam Ayyangar : The Honourable Sir Cowasji Jehangir said he would drop out of banks ; as if God will immediately send *pralayam* into this world and put an end to all things ! So far as the Bill is concerned, let us look at it dispassionately. Sir Cowasji Jehangir with his millions of money and other millionaires can invest freely all their moneys in the banks : there is absolutely no prohibition against that under this clause : the prohibition comes in only when they want to borrow. When they lend, let them lend at any rate of interest they like : but when they want to borrow, let not these gentlemen be members of the directorate. When we wanted that half of the directorate should be Indians, the Leader of the House talked of disqualifications. The Honourable Knight from Bombay, Mr. Mody.....

An Honourable Member : Sir H. P. Mody !

Mr. M. Ananthasayanam Ayyangar : Excuse me, Sir, if I do not use all your titles.....

Sir H. P. Mody (Bombay Millowners' Association : Indian Commerce) : I am not concerned with my title—I am only concerned with borrowing. (Laughter.)

Mr. M. Ananthasayanam Ayyangar : We found then an amount of zeal exhibited when he not only ran into the "Noes" lobby, but invited all of us also. And, after all, for what ? We wanted 50 per cent. of Indians on the directorate. He said that they may not possess the necessary qualifications ; today I say that even Sir Cowasji Jehangir can be kept out of a directorate if I put the qualification as 2,00,000 crores of share qualification—I do not know, my estimate of his wealth is he may not have 2,00,000 crores. If it is possible to fix that qualification for a director, you can shut out any man and say he has no qualification. Let us not therefore embark upon that. If the rich men go out, poor people will still get on with the bank administration.

I also found another jibe. Mr. Satyamurti and myself may not have earned as much as the Honourable the Law Member or any other person like him may have earned ; but that is no reason.....

The Honourable Sir Nripendra Sircar : You must have earned a lot of money.

Mr. M. Ananthasayanam Ayyangar : Hereafter we will learn how to earn. I would therefore say, let us not use this kind of language. Each one of us may not be directors of the Imperial Bank or the Reserve Bank. But we have been directors of district banks and local banks and we find to our great dismay, and utter disappointment, that those persons who have been kept in charge of the administration as directors have lent to themselves and none to others. That is unfortunately the position. If you look at it dispassionately, therefore, you cannot deny that there is need to put some restriction upon the powers of borrowing with respect to directors of a bank more than in an ordinary company where there is ordinary business carried on : there is no question there of lending—the company has to go out of its way in order to find the money to lend. In a bank there are fluid resources : the money is there and a director can easily get at it. So rightly, the expert said that whatever may be said as regards ordinary companies, whether you give a loan or not, to a director as regards a bank where the temptation is much greater, where it is more easy to take the money and put it in one's own pocket, the prohibition must be there. I would therefore appeal to the Honourable the Law Member if it is not too late even now to make suitable amendments so as to put restrictions upon lending to directors of banks except on their own fixed deposits or government securities. If he is not amenable to this, no matter if we do not lend to these directors of banks, let the crash come by their withdrawing from the banks and we can then see and provide against it.

As regards benighted Madras and united Punjab, I say that all of us are benighted so long as we have to look to an irresponsible government. All of us are slaves and there is no choosing between us.

I have great pleasure, therefore, in supporting the amendment.

Mr. Deputy President (Mr. Akhil Chandra Datta) : The question is :

“ That in clause 40 of the Bill, in sub-section (3) of the proposed section 86D, the words ‘ or to a Banking Company ’ be omitted.”

The motion was negatived.

Mr. Suryya Kumar Som (Dacca Division : Non-Muhammadan Rural) : Sir, I move :

“ That in clause 40 of the Bill, after sub-section (3) of the proposed section 86D, the following be added :

‘ (4) No Director of a company shall hold more than ten per cent. of its share capital :

Provided this sub-section shall not apply to private companies ’.”

I don't think I need dwell on this amendment at great length, Sir, the votes in a company are generally controlled by the managing agents and the directors, and this aspect of the question has been argued at great length on the floor of the House for the last three or four days. My object in moving this amendment is, in order, so far as it is possible to do so, to control the controlling of votes by the managing agents and the directors. When the clause dealing with managing agents will come up for discussion, Honourable Members will find that I have already tabled an amendment to the effect that the managing agents shall not

[Mr. Suryya Kumar Som.]

hold more than 25 per cent. of the share capital, and, here, in regard to directors, I propose there should be provision to the effect that directors in a company should not hold more than ten per cent. of the share capital. This will meet the objection we have been hearing all these days that it is the managing agents and the directors who, by purchasing a majority of the shares, control the business of the company thus making it impossible for the shareholders to influence the managing agents to carry on the business of the company in a manner which would meet the wishes of the shareholders. On this point we heard so much yesterday about promotion of business, transferable and non-transferable votes, and so on. By my amendment I desire that there should be some control over the controlling of a majority of the shares in a company by the directors and the managing agents. If Honourable Members are really serious and are sincerely anxious, as they were yesterday and the day before, to control the powers of the directors and the managing agents in a company, I hope they will support my amendment.

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

“ That in clause 40 of the Bill, after sub-section (3) of the proposed section 86D, the following be added :

‘ (4) No Director of a company shall hold more than ten per cent. of its share capital :

Provided this sub-section shall not apply to private companies ’.”

The Honourable Sir Nripendra Sircar : Sir, I oppose this amendment. As my friend has shown no reasons why directors should be prevented from holding more than ten per cent. of the share capital, I don't see how I can meet his arguments, because there are none. He has mixed up the question with managing agents ; the section really relates to directors, and not to managing agents. I don't see why a director should not hold.....

Mr. Suryya Kumar Som : I may draw my Honourable friend's attention to another amendment in the section which deals with managing agents. There I have proposed that the managing agents shall not hold more than twenty-five per cent. of the share capital.

The Honourable Sir Nripendra Sircar : Sir, I think one evil at a time is enough. I am now dealing with the amendment of my Honourable friend which he has just moved. I really don't wish to waste the time of the House further by advancing more arguments. I see no reasons whatsoever have been advanced. I don't see how the Heavens will come down if a director holds more than ten per cent. of the share capital.

Mr. Deputy President (Mr. Akhil Chandra Datta) : The question is :

“ That in clause 40 of the Bill, after sub-section (3) of the proposed section 86D, the following be added :

‘ (4) No Director of a company shall hold more than ten per cent. of its share capital :

Provided this sub-section shall not apply to private companies ’.”

The motion was negatived.

Pandit Govind Ballabh Pant : Sir, I move :

“ That in clause 40 of the Bill, in the proposed section 86E, after the words ‘ no director ’ the words ‘ or firm of which such director is a partner or private company of which such director is a director ’ be inserted.”

This amendment, Sir, is on the lines of the previous amendment moved by me, and I hope the Government will accept it.

Mr. Deputy President (Mr. Akhil Chandra Datta) : The question is :

“ That in clause 40 of the Bill, in the proposed section 86E, after the words ‘ no director ’ the words ‘ or firm of which such director is a partner or private company of which such director is a director ’ be inserted.”

The motion was adopted.

Mr. L. C. Buss (Nominated Non-Official) : Sir, I don't wish to move No. 116, but I wish to move No. 3 in the Supplementary List No. 6.

Mr. Deputy President (Mr. Akhil Chandra Datta) : Does the Honourable Member wish to move No. 116 ?

Mr. L. C. Buss : No, Sir. I don't wish to move it. But I wish to move No. 3 in the Supplementary List No. 6 instead of No. 116.

Mr. Deputy President (Mr. Akhil Chandra Datta) : The Honourable Member can move that amendment when it comes up in due course.

Mr. Sri Prakasa (Allahabad and Jhansi Divisions) : Non-Muhamadan Rural) : Sir, I don't wish to move the amendments Nos. 6 or 7 appearing in List No. 2.

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

Pandit Sri Krishna Dutta Paliwal (Agra Division) : Non-Muhamadan Rural) : Sir, I move :

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

Section 86E runs thus :

“ 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.”

This section, Sir, is a considerable and welcome improvement in the present condition of things. It is evidently undesirable that directors should occupy positions in companies which are incompatible with their duties of their position as directors of the same company without the consent of the company. This principle has been recognised and embodied in this clause. From that point of view it is all right so far as it goes, but unfortunately it does not go any far, because the proviso which I want to omit exempts all directors who hold such incompatible offices in the existing companies, I mean the companies incorporated before the commencement of this Act. In other words, Sir, all those who hold such offices as directors in companies incorporated before the commencement of this Act are exempted by this proviso. So, if this proviso is not omitted, the result will be that these directors can merrily go on with their unconscionable contracts. I do not understand why this license should be given to the directors ? I know that the doctrine of the sanctity of contract will be hurled against us, but, in my opinion, no sanctity should attach

[Pandit Sri Krishna Dutta Paliwal.]

to any contract which militates against public good. All sanctity should cease the moment it comes into conflict with public policy. For these reasons I appeal to the House to accept my amendment. The position is this. You say that it is wrong for a director to occupy a position which is not compatible with his office as a director, and you say that you will not allow such a thing to be done in the future. But you also say that, because you have done this wrong up till now, therefore you can merrily go on doing this wrong. I cannot understand the logic of this argument and that is why I hope that the House will accept my amendment.

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

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

Mr. T. S. Avinashilingam Chettiar (Salem and Coimbatore *cum* North Arcot : Non-Muhammadan Rural) : May I know if a director, if he is re-elected next year but still holds a position of profit, will be allowed under this clause to hold on to the position of profit ?

The Honourable Sir Nripendra Sircar : I think in answer to my Honourable friend I should say yes, because the proviso is :

“ Provided that nothing herein contained shall apply to a director elected or appointed before the commencement of the Indian Companies (Amendment) Act, 1936, in respect of any office of profit under the company held by him at the commencement of the said Act.”

He might have been appointed to an office of profit, say, in 1930 or 1931. That will not be affected by the passing of this Act. That is the object of this proviso.

Mr. T. S. Avinashilingam Chettiar : But when he is re-elected as a director ?

The Honourable Sir Nripendra Sircar : Then, speaking offhand, he will be hit.

Mr. M. Ananthasayanam Ayyangar : Yes, because he has been re-elected.

The Honourable Sir Nripendra Sircar : I oppose this amendment on the ground that I have mentioned on several occasions, that I do not think that this is a case where retrospective effect should be given. I would rather not go into the question of what is meant by the expression, “ office of profit ”, because I do not mind making a confession, it sometimes does one good. We have taken it from the English Act.—holding an office of profit. I find Lord Justice Buckley in his note to that section has only one line, “ What is an office of profit ? ”, but he has not answered the question. So, I hope my Honourable friend will not ask me what is an office of profit. I leave that to the Court to construe. I will not take up more time, but I do think that in the case of people who have been holding an office of profit before this Act came into operation there is no sufficient justification for giving retrospective effect. I have nothing more to say.

Mr. S. Satyamurti : I support this amendment. It seems to me that the idea, that those who want retrospective effect to be given to the

clauses of this Bill should make out a special case, is not wholly tenable. I take it that this Bill is intended to remove the abuses found in the existing management of the companies; and wherever a clause provides for removal of an abuse, I put it that it is on those who want to say that the removal of the abuse shall not apply to existing companies, to make out a case for it. What does this clause provide? It provides:

"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."

There are two limitations in favour of directors who may hold this office. The first limitation is that, without any kind of sanction in general meeting, the directors may hold the office of managing director, manager, or a legal, or technical adviser, or a banker. All that is normally possible and necessary is provided for. But, if they want to hold any other office of profit, besides these various offices, namely, managing director, manager, or a legal or technical adviser or a banker, they have got to go to the shareholders and get their sanction at the general meeting. I want to know who is hurt by this position.

The Honourable Sir Nripendra Sircar : The answer is that I quite accept the proposition that this Bill is for removing abuses, subject to this limitation that where by the introduction of a provision we are taking away vested rights or we are affecting rights under a contract, then a case must be proved for the necessity of giving retrospective effect to the particular measure. This provision will hit the man who has been appointed, who is entitled to hold an office of profit, without going to shareholders say, for the next five years. He will have to go out on the 1st November, 1936. We do not propose to do that because there is not sufficient justification.

Mr. S. Satyamurti : My answer is twofold. There can be no vested rights in the perpetuation of admitted abuses. Really, there is an abuse, that is to say, this clause contemplates that directors shall not hold an office of profit, except certain classes, or without the consent of the general meeting. Therefore, it seems to me that there can be no such vested right at all. Secondly, my Honourable friend is wrong in saying that they will have to go out of office. No. They will have to go to the company in general meeting, and get their consent. It is not as if all directors are compelled to go out of office at all. They have only to go to their own shareholders, their own masters, and get their consent. It is not as if the law says, you shall go out. The law says, you shall go out, unless you get the consent of the owners of the company, whose directors you are. What is wrong in that? What is the suffering to anybody? It seems to me that the clause as it is worded is perfectly all right and perfectly innocent.

Sir H. P. Mody : You are changing my contract.

Mr. S. Satyamurti : If Sir Homi Mody is to have all his contracts, then the country will make no progress. It is because the Government and the House feel that some of the contracts are unconscionable, that this Bill has been introduced. The managing agency is so bad, the terms of tenure are so bad, the commissions and various other things are so bad, that the Government and this House feel that these contracts must come

[Mr. S. Satyamurti.]

to an end, and, the sooner the better. All this talk about the sanctity of contract is wholly irrelevant. We have got to see what public policy demands, and I submit that the clause, as it stands, affects no interest adversely. The directors can continue to be managing directors, managers, or legal advisers, or technical advisers, or bankers. What are the offices of profit besides and above these which they cannot hold? The Honourable the Leader of the House has himself not ventured to answer what is an office of profit, and I shall not attempt it. Again, they have only to go and convince the shareholders. What is this lack of faith in the shareholders? Why should my Honourable friend the managing director fight shy of the shareholders of the company? If he holds an office of profit which is consistent with the interests of the company, *ex hypothesi* the shareholders will say yes. The clause simply says, hold those offices which I mentioned, but if you want to hold any other office of profit, please go to the shareholders and get their verdict.

The Honourable Sir Nripendra Sircar : He is not bound to do that under the terms of the appointment.

Mr. S. Satyamurti : But, because the Government have put forward this clause in the Bill and I believe the House is in favour of that clause, I say to the House, go further and complete the process of not giving effect to the earlier contracts to those who have got them, especially as they are not sent out completely, but they have only to go and get the verdict of the shareholders at the general meeting. And, we have been told more than once that managing agents have a powerful voice in almost all companies. Therefore, it seems to me that they are fighting a shadow and, if this proviso goes, no interests of the company will be adversely affected. I strongly support the amendment, and I hope the House will accept it.

Mr. T. S. Avinashilingam Chettiar : I am one of those who have got great respect for contracts, and I believe in the sanctity of contract. I do not fully understand the justification of this proviso. If a man is under contract with a company, by all means let the contract be respected. Let us say, I am director of a company. I hold a position of profit in the company. Today the Act does not prohibit it, but according to this Bill, admittedly Government accept that it is a good principle that a director should not hold an office of profit. If they accept the principle that for a director to hold an office of profit is not salutary for the company then, why not apply the same to the older companies? As regards offices to which they were appointed before the commencement of this Act, the proviso says :

“ Provided that nothing herein contained shall apply to a director elected or appointed before the commencement of the Indian Companies (Amendment) Act, 1936. . . . ”.

I do not know whether I have understood the Law Member correctly. Say, I have been elected as a director in 1935. I hold a position of office of profit under the company. I am again re-elected in 1937 and after this Amendment Act comes into force, is it open to me to hold that position of profit. (*Some Honourable Members :* “ No, no.”) Then it is a transitory provision.

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

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

The motion was negatived.

Mr. L. C. Buss : Sir, I move :

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

‘ Provided, further, that, subject to the provisions of section 83B (2), nothing herein contained shall affect the right of a Managing Agent to appoint himself or his partner or if the Managing Agent is a private company a director of that company as Director to the Board of any Company, of which he is a Managing Agent ’.”

I move this in preference to No. 116 in the Final List, because, I think, that amendment might be thought rather too wide. The point at issue is not a very great one but it is not without importance. As the sub-section is worded at present, a managing agent appears to be entirely debarred from becoming a director. This, of course, conflicts with the existing practice and is at variance with what I take to be the decision in the Bill. Let me read clause 86E :

“ 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 banker.”

There seems little doubt that this will raise legal difficulties with regard to the appointment of any members of a managing agency firm or company as directors of the company managed. The amendment is designed to make sure that such a situation does not arise from this sub-section and I do not think I should take up any more time on this matter. Sir, I move.

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

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

‘ Provided, further, that, subject to the provisions of section 83B (2), nothing herein contained shall affect the right of a Managing Agent to appoint himself or his partner or if the Managing Agent is a private company a director of that company as Director to the Board of any Company, of which he is a Managing Agent ’.”

Mr. M. Ananthasayanam Ayyangar : May I ask what has 83B (2) got to do with this. It relates to the going out of directors, by rotation and so on.

Mr. Svsil Chandra Sen (Government of India : Nominated Official) : With regard to the query of my Honourable friend, Mr. Ayyangar, I think he is right. This amendment when it was drafted related to 83B (2) which stood, until it was amended this morning in a form which dealt with the appointment of directors. But as it is now, there is no question of appointment and I think my Honourable friend is right that it is rather inappropriate with regard to 83B (2) as it now stands. I suggest that my Honourable friend, Mr. Buss, should omit reference to section 83B (2) and then move his amendment.

Mr. L. C. Buss : May I ask you, Sir, to delete the words " subject to the provisions of section 83B (2) " ?

Mr. President (The Honourable Sir Abdur Rahim) : What is it now ?

Mr. Susil Chandra Sen : If you look at it in terms of the amendment, No. 89, moved by my Honourable friend, Dr. Khare, you will find that it is in substitution of section 83B as drafted in the Bill and there is no question of appointment of directors dealt with by it. It now deals with the question of the retirement of a certain number of directors by rotation. Therefore, reference to 83B (2) in the amendment moved by Mr. Buss is inappropriate now. It was quite in order when it related to the original 83B (2) as in the Bill.

Mr. President (The Honourable Sir Abdur Rahim) : Then, it is not in order now ?

Mr. F. E. James : Sir, the words " subject to the provisions of section 83B (2) " are of course now inapplicable. But the amendment still stands without those words. The remainder of this amendment stands because it has reference to rights which are contained in section 83B (1) and the Act generally. Therefore, we ask that the amendment should be accepted, without those words relating to 83B (2).

Mr. President (The Honourable Sir Abdur Rahim) : You want the words " subject to the provisions of section 83B (2) " to be deleted ?

Mr. F. E. James : Yes.

Mr. Bhulabhai J. Desai : Sir, may I point out that this cannot be a proviso to section 86E—and for that matter it cannot be a proviso to any of the sections which have hitherto been dealt with by this House. I do not say, therefore, that it is not competent in law to the managing agent, assuming he has the power of nomination, to nominate any individual he chooses, but undoubtedly it is no proviso. What is section 86E ?

" No director shall without the consent of the company "—

Do what ?

" in general meeting hold any office of profit."

That has got nothing to do with the question whether the managing agent may or may not appoint any particular person as his nominee. It is certainly entirely inappropriate to section 86. . . . it is equally inapplicable to section 86B but that question does not arise now.

Mr. S. Satyamurti : An amendment must be consistent, and capable of being read in an intelligible manner.

Sir Cowasji Jehangir : Sir, may I just point out that in 86E, as it stands now, is a prohibition against the appointment of certain directors who hold offices of profit. There are exceptions made to that in 86E.—that is to say, the managing director or manager or a legal or technical adviser or a banker may be a director although he may hold an office of profit. That is 86-E. In those exceptions the managing agent does not appear. The managing agent is a man who holds an office of profit. I believe—I am no lawyer—as it is not mentioned here, it is doubtful whether a managing agent could hold the office of a director without the consent of the shareholders. That would be ridiculous,—that a managing agent should not be able to hold the office of a director without the consent of the shareholders.

Therefore, if I understand my Honourable friend, the Leader of the Opposition, it would meet the case if all those exceptions that have been included in the proviso were embodied in 86E, itself,—if there is no technical objection, then the proviso might stand as it is, but if there is a technical objection, then 86E might be amended to read as follows :

“ 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 or his partner, or if the managing agent is a private company, a director of that company ”,

—and then continue the section as it is :

“ or managing director or manager or a legal or technical adviser or a banker.”

That will meet any objection that is raised.

Mr. President (The Honourable Sir Abdur Rahim) : I suppose there are provisions here as regards managing agents holding offices ?

Mr. S. Satyamurti : Sir, if you will kindly look at 86E, no clause of the Bill has conferred on the managing agent the power to nominate directors. There is no other clause, to the best of my knowledge, and I submit that I have sent in notice of an amendment today, to the effect that “ no manager shall appoint any director ”. Unless that is disposed of, this can't be taken up,—and so far there is no clause conferring this power on directors.

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member's point is that it is really not relevant to 86B ?

The Honourable Sir Nripendra Sircar : I suggest, Sir, that we accept Mr. Satyamurti's suggestion. He has given two notices today, rather promptly, one for undoing what he believes is a mischief which has been done. One is that the managing agent shall have no power to appoint any director....

Mr. President (The Honourable Sir Abdur Rahim) : Is that an amendment or a separate clause ?

The Honourable Sir Nripendra Sircar : It is an amendment to the managing agency section ; and the other is to restore the feature—it was in the Select Committee's report—that they could appoint, but the maximum would be one-third, which, speaking off-hand, is more hopeful ; but I suggest that this amendment may stand over along with those two, because it would be rather inconsistent to discuss now as to what the managing agent can appoint or not until the specific question is brought to an issue by the two amendments. I suggest my Honourable friend, Mr. Buss, might give notice to bring this up as an amendment on the managing agency section.

Sir Cowasji Jehangir : May I just point this out to the House ? Here is a prohibition in 86E, for the appointment of directors : “ no man who has an office of profit can become a director of the company ”. (*Voices of “ No, no, no, no ”.*) That is to say, no man who has an office of profit can become a director. (*Voices of “ No, no, no, no ”.*) Therefore, if an exception is to be made in the case of a managing agent who has an office of profit, should he not be included in 86E ?

Mr. President (The Honourable Sir Abdur Rahim) : I do not think this amendment should be moved to section 86E. The Honourable Mr. Buss, if he wants to move it, can give a fresh notice under the proper

[Mr. President.]

clause or as an amendment to the amendment which Mr. Satyamurti has given notice of.

Mr. F. E. James : Sir, may we express our difficulty ? We are quite prepared to reconsider the question because the situation has been altered since we put in this amendment. Our opinion still is that the amendment ought really to come in here. But subject to anything on which we may be advised, we would prefer, if the House so agrees, to allow this to stand over until we have had the opportunity of consulting the Honourable the Leader of the Opposition and the Honourable the Law Member in regard to possibly a new clause.

Mr. President (The Honourable Sir Abdur Rahim) : It has to be re-drafted as an amendment to 81 : after all, there are clauses relating to managing agents which come in there.

The Honourable Sir Nripendra Sircar : Sir, my Honourable friend made an appeal to the Leader of the Opposition and to myself. I do not speak for the Leader of the Opposition, but I do not know if subsequently a point will be raised that his amendment is precluded by reason of section 86E. I express no opinion on that. I am not going to commit myself and the House can do what it likes.

Prof. N. G. Ranga : We cannot commit ourselves at all.

The Honourable Sir Nripendra Sircar : Nobody is asking you.

Mr. President (The Honourable Sir Abdur Rahim) : After all, the question is which is its appropriate place ?

The Honourable Sir Nripendra Sircar : If you ask me that question—which is the more appropriate place,—then this is certainly the more appropriate place. No director can hold the office of a director except as manager or legal or technical adviser. The next step therefore will be that no director can hold the office of a managing agent.

Mr. N. M. Joshi (Nominated Non-Official) : Exactly.

The Honourable Sir Nripendra Sircar : My Honourable friend says "exactly", but we want the opposite of that "exactly". I think this is the appropriate place for it. The Leader of the Opposition may not raise an objection later on but we can depend upon Prof. Ranga to raise the objection that it is already barred. So, I submit this is the more appropriate place. If there is objection to starting that as an amendment, you may permit that to be started as a separate clause.

Mr. Bhulabhai J. Desai : May I point out that my Honourable friend, Mr. Buss, had given notice of a motion of amendment which he has, for reasons best known to himself, dropped. The amendment was that after the words "Managing Director" the words "Managing Agent" be inserted. And now the argument is that what he dropped ought to be revived.

Mr. T. Chapman-Mortimer : May I say, Sir, just one word on the point why the amendment that we proposed first was not moved and why we moved this second amendment ? My Honourable friend, Pandit Pant, moved amendment No. 115 and that having been carried we felt that it could only be made quite clear by moving an amendment on the lines of the amendment which my Honourable friend, Mr. Buss, has just moved. I

too agree with the Honourable the Law Member that this is the most appropriate place when this matter should be taken up. If there is any question as to the correct wording of our amendment, then, Sir, I submit that the whole clause be taken up at a later time.

Mr. President (The Honourable Sir Abdur Rahim) : The real question is which is the appropriate place, and if the Honourable Member insists on moving his amendment, he can do so, though I myself think that this is not the proper place for it.

Mr. S. Satyamurti : I submit, Sir, that this amendment is out of order. I want you to consider whether it is, or it is not out of order. My submission is that it is not in order. There is no section which confers the power on the managing agent, to appoint anybody as a director. The proviso says :

“ Provided further that nothing herein contained shall affect the right of a Managing Agent to appoint himself or his partner or if the Managing Agent is a private company a director of that company as Director to the Board of any Company, of which he is a Managing Agent.”

Section 86E which is in clause 40 of the Bill, does not confer on the managing agent the right to appoint anybody as a director, nor is there any earlier section which confers a similar power on the managing agent. Therefore, this proviso must be to a clause which confers on the managing agent the power to appoint a director. There can be no proviso to a clause which does not contain anything of the subject-matter of the proviso. My second submission is this. When we come to clause 42, we will deal with the whole subject of managing agents—their rights and their duties and their remuneration. I have given notice of an amendment saying that managing agents shall not be appointed as directors.

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member can deal with it in any way he likes, but this is not the proper place for the amendment.

Mr. S. Satyamurti : After all, I have given notice at the appropriate place, and am I going to be barred by an amendment which does not come at its appropriate place ? It is not right that the House should be asked to vote on an amendment like this. In any case, I suggest that, if you are not inclined to accept my point of order, this amendment should stand over, till the House has had opportunity to decide on the main question.

Mr. President (The Honourable Sir Abdur Rahim) : What are your amendments ?

Mr. S. Satyamurti : I have given my amendments just now. They will be two or three days in advance of the usual time required for the notice of amendments, before you reach the proper place to which they relate.

Mr. F. E. James : Surely, Sir, the point of order cannot have any relation to an amendment which is not before the House.

Sir Cowasji Jehangir : May I be allowed to make one more suggestion, Sir, most respectfully to you ? The whole trouble will be overcome

[Sir Cowasji Jehangir.]

if Mr. Buss' amendment No. 116 is allowed to be revived and the following words are added : " or his partner, or if the managing agent is a private company, a director of that company ". Then it will meet everybody's point of view and Mr. Satyamurti's point of order cannot arise. But in case you are not inclined to do that, then I submit that the matter should be postponed till some later day.

Mr. President (The Honourable Sir Abdur Rahim) : I think this amendment had better stand over. It will be taken up with other amendments.

Pandit Sri Krishna Dutta Paliwal : Sir, I move :

" That in clause 40 of the Bill, after the proposed section 86E, the following new section be inserted ; and the subsequent sections be relettered accordingly :

' 86F. No director of a company which has issued debentures shall be appointed as or be eligible to act as trustee for the holders of debentures of the company '."

Sir, the purpose of my amendment is to prohibit a director from acting as a trustee for the holders of debentures in a company because the office of the trustee for debenture-holders is not compatible with the duties of his office as director of the company. The Government themselves also were of the same opinion and they embodied it in the Bill as originally proposed. I have taken this amendment bodily from their own proposal, word for word and comma for comma. It was in the Select Committee that this thing was dropped. I think it is only fair that we should go back to the original proposal. With these words, Sir, I commend my amendment to the acceptance of the House.

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

" That in clause 40 of the Bill, after the proposed section 86E, the following new section be inserted ; and the subsequent sections be relettered accordingly :

' 86F. No director of a company which has issued debentures shall be appointed as or be eligible to act as trustee for the holders of debentures of the company '."

The Honourable Sir Nripendra Sircar : Sir, I oppose the amendment moved by my Honourable friend. I quite admit that if a director is dishonest, there may be difficulties. But taking the general case, I think that a person who was appointed to look after the affairs of the company, assuming that he is honest, would be a more suitable person than an outsider and I do not see any reason why a ban should be placed on the director of a company from being eligible to act as trustee for the debenture holders. If the debenture holders have any doubt about the honesty of a director, if they think that he is not a fit person to be appointed a trustee, then they will not appoint him to that office. It is not that he is bound to be appointed even though the debenture holders do not like him. He is simply made eligible to be appointed. There may be cases where an honest director will be liked by the debenture holders knowing that he knows all about the affairs of a company. I submit it should not be laid down that he should not be eligible at all. If it had been the position that he could claim as a matter of right to be a trustee, then I would have opposed that. Now, I oppose the amendment.

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

“ That in clause 40 of the Bill, after the proposed section 86E, the following new section be inserted ; and the subsequent sections be relettered accordingly :

‘ 86F. No director of a company which has issued debentures shall be appointed as or be eligible to act as trustee for the holders of debentures of the company ’.”

The motion was negatived.

Mr. S. Satyamurti : Sir, I beg to move :

“ 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 ’.”

Sir, I do not want to make a long speech, in support of this amendment. I repeat what I, a poor man who is not a director of any big companies, who has not got over-drafts or underdrafts, but still whom the voters of my Province have seen fit to send to this House to represent their position, and whom the law has allowed as a humble Member of this House to contribute his mite to the discussion, though coming from the benighted Madras Presidency.....

Sir Cowasji Jehangir : And very ably too.

Mr. S. Satyamurti : I merely state that I believe, like the orthodox old public man, that no man ought to place himself or be allowed to place himself in a position where his duty and interests are likely to come into conflict. There may be trade secrets where big millionaires can reconcile both their interests and their duties perpetually ; but to us, humbler people, poorer people, the old orthodox morality of public life still makes a perennial appeal, and we believe that no man, however perfect he may be, however many millions of money he may have—even though he comes from the Punjab—may still feel that his duties and interests may come into conflict. Therefore, I suggest, Mr. President, that we ought not to allow a director to 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. Why should he ? After all, a director is elected in a fiduciary capacity. I believe I am right in saying that even Members of the Government of India cannot trade, they cannot enter into contract with the Government of India under the Government of India Act. In the case of these excellent men, who govern the destinies of this country, it has been laid down by statute, that they shall not trade, that they shall not enter into any contract, and thus, it seems to me *a fortiori* that directors of companies, humbler men, ought not to be placed in a position where they will have contracts with their own companies.

The Honourable Sir Nripendra Sircar : Do not I enter into a contract when I agree to buy postage stamps of a quality to be delivered next week ?

Mr. S. Satyamurti : No, Sir.

The Honourable Sir Nripendra Sircar : I can buy two pice postage stamps and post a letter, but that is not what I mean.

Mr. Sri Prakasa : Your letter can be censored and stolen.

Mr. S. Satyamurti : My Honourable friend is too distinguished a lawyer for me to cross swords with him on a point of law, but it seems to me that when you buy a post card and when you post a letter, there is no contract except the general contract of the post office as public carriers of all letters. If that is the kind of contract which my Honourable friend wants to protect, I have no quarrel with him. Directors can buy postage stamps from the post office which the company may run—if they run a post office, I am referring to contracts where lakhs and lakhs are involved, where sums of tens of thousands and over are involved, where the lowest tender may not be accepted, where there may be various difficulties, and where the interests of shareholders may not be the only consideration. We want, Sir, that directors, in disposing of contracts, should keep only the shareholders' interests in the foreground, and not think of their own interests, where their interests come into conflict with those of the shareholders. For heaven's sake, do not twit me by saying that you people do not know anything, you have never been in charge of companies, you have no overdrafts and therefore you do not understand these things. I submit, Mr. President, that that kind of argument gets on my nerves. It seems to me that we must be specialists, before we can criticise the proposals of the other side. One can repeat this back. One does not want to enter into these personalities. We are trying to put forward our best arguments, in the interests of the shareholders, and I think, we, though humble, have got a dominant voice. The millionaires can afford to lose lakhs or millions, but we, poor men, cannot afford to lose even a few hundreds. Therefore, on behalf of the poor shareholders whose interests are affected by the way in which directors may manage or mismanage the affairs of a company, I plead with my Honourable friends not to confuse the issue by introducing personal and irrelevant factors, but to deal with it on the merits. I should like to know what is the argument against this wholesome provision that, in all public companies, men who manage the affairs of a company ought not to give contracts to themselves or to any companies of which they are directors. I, therefore, appeal to all sections of the House that they will consider my amendment seriously and carry it by a large majority, if not unanimously. (Applause.)

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

“ 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 Honourable Sir Nripendra Sircar : Sir, I agree with my Honourable friend, Mr. Satyamurti, that this is a very important matter.

Mr. Ram Narayan Singh (Chota Nagpur Division : Non-Muhamadan) : Hear, hear.

The Honourable Sir Nripendra Sircar : Sir, being encouraged by my Honourable friend, Mr. Ram Narayan Singh, I proceed to say that this is a matter which is worthy of very serious consideration, but if

I oppose very strongly this particular amendment, it is because I would request my Honourable friend not to press this but to think of a more reasonable amendment. I am not using the word in any offensive sense. What I mean is this. The amendment says, "no director shall be directly or indirectly concerned"; now the use of the expression "directly or indirectly" in this connection spreads the net so wide that we do not know where we are going to stop. May I give one illustration? For instance, a director of a company, say a coal company who removes a bag of coal or sells a sack of coal to another company of which he is not a director or a managing agent, but of which he is one out of 25,000 shareholders, even he will be hit by this provision, because he will be dealing indirectly. So what I ask my Honourable friend to consider is whether we could not think of a reasonable limitation which may be acceptable. Sir, on this question of duty and interest I agree. One should not put himself in a position where his duty would be in conflict with his interest, but it should not be pushed too far. If I may give another illustration, I mean no offence. In a Mitakshara family, there is the father and the son; the duty of the father is to maintain his son, but his interest is to get him killed and get his half share. Surely we must take a common-sense view and not push it too far.

Mr. M. Ananthasayanam Ayyangar : He will not get it under the law after committing murder.

The Honourable Sir Nripendra Sircar : I may assure my Honourable friend that Madras is not bad in the matter of murder cases, and it can be done without the father being discovered as the real culprit.

Now, Sir, as it stands, it will be simply impossible for the directors to function on the board if they are prohibited from being "directly or indirectly concerned or interested in any contract or arrangement entered into by or on behalf of the company". I was giving an extreme case simply to show the absurdity of the thing. As I said, a director of a coal company enters into a contract for selling five bags of coal to another coal company with which he is concerned as a shareholder. He will be hit by this. One can multiply instances but that is hardly necessary. I submit, Sir, that it is impossible to accept an amendment in this very wide form, using the words "directly or indirectly". I should have thought that my friends might have thought of some more reasonable amendment. There are a number of others but I shall take them one by one as they are reached. So far as this particular amendment is concerned, I strongly oppose it.

Mr. S. Satyamurti : Sir, may I ask one question? Will the Honourable Member kindly give some indication to the House, as to the kind of amendment he will be prepared to consider favourably?

The Honourable Sir Nripendra Sircar : It is very difficult to answer that question off-hand across the table. If all the parties who are interested in this question want to have an informal discussion, I shall be very glad to express my views. I do not want to finally commit myself to anything before proper consideration and before hearing what other people may have got to say, because I have my own views and other people may have their

[Sir Nripendra Sircar.]

own views. All that I can say is this ; I realise the importance of the thing and if it is possible something may be done. Again, my Honourable friend will say that is a bee in my bonnet ;—but retrospective business always frightens me, and it will help if I know the proper limitations ; possibly the parties themselves might suggest some limitations. I know that it is not impossible to come to some kind of arrangement, but I surely cannot answer it off-hand. There are very many amendments and if this matter is not disposed of today we can get the week-end for coming to some conclusion.

Mr. President (The Honourable Sir Abdur Rahim) : I think the discussion should go on now on this amendment.

Pandit Govind Ballabh Pant : Sir, there is an amendment in my name ; will it be taken up after this is disposed of ?

Mr. President (The Honourable Sir Abdur Rahim) : I cannot say that just now.

Pandit Govind Ballabh Pant : Of course, if this is carried, mine will be ruled out.

Mr. B. Das (Orissa Division : Non-Muhammadan) : Sir, I may suggest that the amendments of Pandit Govind Ballabh Pant and Mr. Bajoria are similar. Why not move them, so that we can support one or the other ?

The Honourable Sir Nripendra Sircar : I think it will be more convenient if you take one by one. Otherwise we will get mixed up with three or four amendments.

Mr. President (The Honourable Sir Abdur Rahim) : Honourable Members have got all the amendments before them and it is for them to select what they like.

Mr. T. Chapman-Mortimer : Sir, I strongly oppose this amendment put forward by Mr. Satyamurti. The amendment, as it now reads, is couched in such vague language that it would really mean that you would bring business in India to a stand-still. But with all due respect to my Honourable friend, Mr. Satyamurti's knowledge I submit that if he had the smallest knowledge of business he would never propose an amendment of the kind as he has now proposed. Take, for example, the word "arrangement". What does he mean by an arrangement ? If I were a director of a company and also director of a bank, I may make an arrangement for a overdraft from that bank. That is an arrangement, and I should immediately become liable under Mr. Satyamurti's proposed amendment. Then, Sir, take the words "directly or indirectly". What does he mean by that ? Those words, which we see so often used by people who want to stop every loophole for fraud, seem to me to be extremely dangerous in one respect and quite useless in another. In this connection, Sir, I would commend to this House the words of my Honourable friend, Mr. Sri Prakasa,—whose speech the other day I do not think received the attention that it deserved. I think he made the point, quite rightly, that you cannot legislate to make people honest. Now, Sir, if you cannot legislate to make people honest, no amount of vaguely

worded phrases put down on the Statute-book are going to prevent fraud of every sort and kind. As this amendment stands, therefore, it is not going to prevent dishonest persons from being "directly or indirectly" concerned in operations. For example, I may have a wife, my wife may have an aunt, that aunt may have a daughter, and she may have certain shares in a company of which I am a director.

Mr. S. Satyamurti : But what are the facts ? (Laughter.)

Mr. T. Chapman-Mortimer : The facts are that I have not got a wife. (Laughter.) But that does not detract from my argument, supposing I had a wife. (Laughter.) Or take the illustration, possibly using the name of my Honourable friend, Mr. Satyamurti, I hope not in vain,—suppose he had a wife. (Laughter.)

Mr. S. Satyamurti : But I have a wife. (Laughter.)

Mr. T. Chapman-Mortimer : To resume my argument, Sir, the words "directly or indirectly" would affect any one who was a large shareholder in some company. Take for example again the case of a business man who held a large block of share in a coal mine. He may be a director of a jute mill. The coal mine is not in his managing agency ; he is not on the board of directors ; he does not know anybody on the board of directors ; and yet he is indirectly concerned in any contract placed by his jute mill with that coal mine, even though that contract may be in the best interests of his own company. That is to say, they may have called, as every honest company would call, for tenders with regard to their coal supply. The lowest tender might come from the company of which he is not a director nor a large shareholder. He is immediately indirectly concerned. According to my Honourable friend, no director shall be "directly or indirectly concerned", etc. There is no qualifying clause. He does not even suggest, as some others suggest, that as long as he gets the consent of the company in general meeting or something of that kind, then it will be all right. Mr. Satyamurti, it seems to me, is a sort of Mussolini. He would just say with Alice in Wonderland, "Off with his head", the moment any one happened to be indirectly concerned, however innocently, in a contract placed by his company for possibly 20 tons of coal or some trivial thing like that. Sir, I strongly oppose this amendment.

Mr. M. Ananthasayanam Ayyangar : Sir, I am sorry that my Honourable friend had to refer to wives, aunts and daughters for the purpose of interpreting a usual phrase, "directly or indirectly". Without much of a preamble I will refer my Honourable friend to section 91C of the Act. My Honourable friend was horrified at the words "directly or indirectly". Here is section 91C :

"Where a company enters into a contract for the appointment of a manager of the company in which contract any director of the company is directly or indirectly concerned or interested", etc.

Shall we bring in aunts and daughters in this also ? Sir, there are Courts and they can find out indirect transactions also, all we are only legislators ; the arm of the law is long enough to catch any man even by borrowing underneath. The Court can find out whether the

[Mr. M. Ananthasayanam Ayyangar.]

aunt is the *benamidar* of the wife or the wife is the *benamidar* of the husband. There is the evidence : The properties or contracts might stand in the name of one : as a matter of fact these persons the directors would not put their own names : even without such an article or without such a prohibition, a director would ordinarily hesitate to disclose that he is interested in a contract because it would put others on the inquiry. A person who wants to make a profit at the expense of a company would only do it in the name of another person. My Honourable friend, the Leader of the House, knows too well that the law of *benami* transactions has been specialised in India : it does not find a place in other countries, and therefore it is only too common for persons to enter into *benami* transactions and nobody need therefore be struck dumb by the expression "directly or indirectly". As far as I am aware, if all loopholes have to be guarded, if all openings have to be closed against fraud, the only words that can be safely used are "directly or indirectly".

Then as regards the contract, I do not know if the purchase of postage stamp enters into a contract, my belief is that so far as this portion is concerned, it applies only to executed contracts....

Mr. M. A. Jinnah (Bombay City : Muhammadan Urban) : It applies to all contracts—any contract—not only an agency.

Mr. M. Ananthasayanam Ayyangar : The contracts to which it will be applicable according to the circumstances of each case, having regard to its setting. Sir, it will be absolutely in the interests of the company to avoid any kind of contract between a director on the one hand and the company on the other. They must be above board. Pandit Govind Ballabh Pant has given an amendment—No. 121—and Mr. Bajoria has given another—No. 122. I have myself given an amendment which is in the Supplementary List No. 5, and is as follows :

"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 (Amendment) Act, 1936.'

As it has been said that we might consider all these amendments together, if a reasonable attitude is taken by the Law Member, it should not be difficult to accept one or the other of these amendments.

Mr. President (The Honourable Sir Abdur Rahim) : There are so many amendments on the same point. I think it would suit the convenience of the House, if there is any chance or possibility of an agreement being arrived at, it will save the time of the House, if these amendments stand over. Is that agreeable to the House ?

Honourable Members : Yes.

Mr. President (The Honourable Sir Abdur Rahim) : I think it will save the time of the House a good deal. If there is a possibility of those who have given notice of different amendments coming to an understanding, I will let them stand over.

Pandit Govind Ballabh Pant : Sir, I move :

“ That in clause 40 of the Bill, for sub-section (2) of the proposed section 86F, the following be substituted :

(2) The directors of a public company or of a subsidiary company of a public company shall not, except with the consent of the company concerned in general meeting :

(a) sell or dispose of the undertaking of the company ;

(b) issue the unoffered capital of the company ;

(c) write off any debt due by a director ’.”

The Honourable Sir Nripendra Sircar : Loans have now been prohibited.....

Pandit Govind Ballabh Pant : Not by banks : that is the idea. The object of this section is very simple. There are certain matters which either go to the very root of the business of a company or in which the directors are so intimately interested that it would not be safe to leave the decision in these matters with the board of directors. With this object in view I am moving this amendment. It consists of three clauses ; the first one says that directors shall not dispose of the undertakings of a company. As Honourable Members.....

Sir H. P. Mody : Excuse my asking : how does it come under 86F ?

Pandit Govind Ballabh Pant : It is a new clause after that. I think I committed some mistake when sending it. My amendment is that after clause 40 of the Bill, after sub-section (2) of the proposed section 86-F, the following be inserted: etc., etc. It is not by way of substitution. Either I made some mistake in writing or the man copying it made a mistake.....

Sir H. P. Mody : If I may explain to my Honourable friend my objection : section 86F deals with the removal of directors—that is the marginal note.....

Pandit Govind Ballabh Pant : The last clause relating to directors is about their vacation of office : this comes just above that in order....

Sir H. P. Mody : It does not fit into 86F.

Pandit Govind Ballabh Pant : Sir, I think this amendment is on the whole a very simple one.....

Sir H. P. Mody : Sir, I rise to a point of order.....

Pandit Govind Ballabh Pant : There is no point of order now.

Sir H. P. Mody : Sir, 86F deals with the removal of directors : that is the marginal note. Now, the amendment moved by my friend, Pandit Govind Ballabh Pant, deals with certain disabilities which he seeks to impose upon directors, namely, that they cannot sell or dispose

[Sir H. P. Mody.]

of the undertaking of the company, that they cannot issue the unissued capital of the company and that they cannot write off any debt due by a director. Now, how does all that fit in with the amendment just moved by my friend.....

Mr. President (The Honourable Sir Abdur Rahim) : I understand what there is in the amendment, but what is the Honourable Member's objection ?

Sir H. P. Mody : Sir, my objection is this. My friend says that in clause 40 of the Bill for sub-section (2) of the proposed section 86F, the following be substituted....

Mr. President (The Honourable Sir Abdur Rahim) : He says it should be inserted.

Sir H. P. Mody : Very well, Sir, it is not substitution, but even if it is an addition, it is a totally different matter which my friend wishes to introduce by this amendment into section 86F, which deals only with the removal of Directors. This is not an amendment ; this is an addition of a new clause dealing with an absolutely new subject matter.

Pandit Govind Ballabh Pant : I think my friend, Sir Homi Mody, is under a misapprehension, for which I am myself partly responsible. The amendment relates to the powers of the Directors. If Honourable Members will be good enough to look at clause 40, they will see that it covers the subject of Directors completely, and the last clause 86G contains the grounds on which a Director will be required to vacate his office. Now, before reaching 86G, I want to insert a clause to the effect that the Directors will be under a liability in certain cases so that, if they commit a breach in that respect, then they might be removed and such penalty might be included in 86G. Therefore, I want to add at the end of 86F and before 86G....

Mr. President (The Honourable Sir Abdur Rahim) : Where does the Honourable Sir Homi Mody think this amendment should come in ? What is the proper place ?

Sir H. P. Mody : That is for my friend to decide. All I am pointing out is that 86F.....

Pandit Govind Ballabh Pant : It may be 86F|G or it may be 86X.....

Sir H. P. Mody : Will you please read your amendment now ?

Pandit Govind Ballabh Pant : My amendment is—

That in clause 40 of the Bill, after sub-section (2) of the proposed section 86F, the following be inserted,—and then comes the rest. Will this satisfy my friend now ?

Sir H. P. Mody : That is all right now.

Pandit Govind Ballabh Pant : Sir, I am glad that my friend, Sir Homi Mody, had an opportunity for letting his steam off, and hereafter I hope he will be more reasonable in dealing with the subject

matter of this amendment, so I will count upon his support. This amendment, Sir, is, according to me, more or less non-controversial. The directors of a company are appointed with a view to administer the affairs of the company and to carry out its work from day to day. You will be pleased to notice that the first item in the amendment which is entered here as sub-clause (a) relates to the sale or disposal of the undertaking of the company...

Mr. President (The Honourable Sir Abdur Rahim) : You said this will be clause 86FF ?

Pandit Govind Ballabh Pant : Yes, Sir.

Prof. N. G. Ranga : Sir, I rise to a point of order. Neither the Honourable the Law Member nor the Special Officer who is dealing with this Bill is present in his seat now....

Mr. G. H. Spence (Secretary, Legislative Department) : The Honourable the Leader of the House has gone out with the Honourable the Leader of the Opposition.

Mr. President (The Honourable Sir Abdur Rahim) : One of them at least ought to be here.

[At this stage, Mr. Susil Chandra Sen entered the Chamber.]

Pandit Govind Ballabh Pant : Now, Sir, this sub-clause (a) relates to the sale or disposal of the undertaking of a company. The directors, as I was submitting, are appointed to administer the affairs of the company and to carry on its management from day to day. They are certainly not appointed for the purpose of selling or disposing of the undertaking of the company. The sale or the disposal of the undertaking of a company may sometimes amount to the liquidation or winding up of the company. In every case it involves questions of very substantial and enormous value. So I suggest that when such occasions arise, the directors should obtain the sanction of the general body of the shareholders before transferring the whole or any part of the undertaking of the company. As Honourable Members may be aware, a clause has been introduced in the Act by the Bill whereby an entry can now be made in the memorandum enabling a company to sell or dispose of its undertaking, otherwise it was a doubtful point whether a company could in fact sell or dispose of its undertakings. So it is admittedly and evidently a very important function, and no director should be allowed to deal with a matter of this kind except with the consent of the company. I do not want to quote instances unnecessarily, for it is not pleasant to cite cases which are of a doubtful character and which go to discredit the integrity of our responsible and accredited men in business. I shall not recount any cases, as apart from any instances, nobody can dispute that the sale or undertaking of a company is a matter of such vital importance that it should not be done except with the consent of the company. Whenever such an occasion arises, it will be open to the company to authorise the directors to sell or dispose of the undertakings. The directors may do so after such authority has been obtained from the shareholders.

Then, the second thing I have suggested relates to the issue of the unoffered capital of the company. As Honourable Members are aware,

[Pandit Govind Ballabh Pant.]

the companies are entitled to fix any fabulous figure as their capital, but the actual capital that they issue is considerably less ; sometimes it is not even ten per cent. of the authorised capital. There is quite a good gap between the authorised capital and the issued capital. Now, suppose an occasion arises for issuing new capital. If there were no authorised capital, then the company would have to pass a special resolution in order to raise the limit of its capital. The issued capital is only the real capital with which the company was concerned when it started its undertaking. If later circumstances arose which made it necessary for the company to raise its capital say by 100 or 200 or 500 per cent., then it should not be open to the directors to do so, because it will react on the value of each share. It is likely to affect the dividends paid on each share held previously by the shareholders. There is also the danger that the directors may issue the unoffered capital and attach special rights to the shares then issued and allot such shares to themselves individually. There have been cases like this and they have even gone to the High Courts. I will however not refer to them at any length. As I said, it is not pleasant for me to describe instances of an unpalatable character. I see no reason why anybody should have any objection to a proposition of this type.

Sir Cowasji Jehangir : What is the wording of (b) ?

Pandit Govind Ballabh Pant : Instead of unissued I use the word unoffered, in order to avoid the likely confusion that may be caused by those cases where capital that had been issued had not been subscribed fully and part of it has yet to be subscribed. Suppose a company has an authorised capital of three lakhs and its issued capital is one lakh. It goes to allotment after shares to the tune of Rs. 50,000 only have been subscribed. Then there is a difference of Rs. 50,000 between the issued capital and the subscribed capital. I do not want in any way to restrain the directors so far as the issue of that Rs. 50,000 is concerned, but the difference between the three lakhs authorised capital and one lakh issued capital or the offered capital, Rs. 2 lakhs, if any part of it is to be offered later at any time to the public, then there should be a resolution of the company authorising the directors to offer this capital. The distinction between unoffered and unissued capital is this, there may be capital which is unsubscribed for and which has been issued, and there may be capital which has not been issued at all and which has not been offered to the public. It is with a view to make a distinction between these two cases that I have used the word "unoffered" for the more common expression "unissued". I think there will be no opposition from any quarter to this proposal. The third item that I suggest is that the directors should not write off any debt due by a director. As Honourable Members are aware, the directors will, under the scheme of the present Bill, not be allowed to borrow any money from the company except in the case of banking companies. But banking companies will be lending thousands, lakhs and may be, if they are possessed of them, even crores. So, in case any occasion arises for writing off any debt that has been advanced to a director, then such powers should not be exercised by the directors themselves but the company alone should be seized of such a power. I hope this proposal of mine will be accepted by all Parties in this House.

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

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

‘ 86FF. The directors of a public company or of a subsidiary company of a public company shall not, except with the consent of the company concerned in general meeting :

- (a) sell or dispose of the undertaking of the company ;
- (b) issue the unoffered capital of the company ;
- (c) write off any debt due by a director ’.”

Mr. T. Chapman-Mortimer : I oppose this amendment. My Honourable friend, Pandit Govind Ballabh Pant, has told the House that, in his opinion, if this amendment is not carried, all sorts of dishonest persons will be able to carry.

Pandit Govind Ballabh Pant : I did not say so.

Mr. T. Chapman-Mortimer : That is the implication of what he said. He suggests that if we do not restrict the right of the directors....

Mr. T. S. Avinashilingam Chettiar : Louder please.

Mr. T. Chapman-Mortimer : He suggests that if we do not restrict the right of the directors in carrying on the business of the company in respect of (a) to sell or dispose of the undertaking of the company, (b) to issue the unoffered capital of the company, (c) to write off any debt due by a director—if these restrictions are not imposed, the company will always be at the mercy of unscrupulous directors. I do deplore the attitude or the view that is taken sometimes in this House that every person who is in control of a company or, at all events, a great many of the persons who control companies are dishonest persons. I for one happen to be associated with men, and I have in the past associated with men, who I believe are certainly not dishonest, and the practical experience of these men is that they are unanimously opposed to the proposals put forward by my Honourable friend.

An Honourable Member : How do you say that.

Mr. T. Chapman-Mortimer : I will explain. Take, for example, my Honourable friend's first point. He suggests that the directors of a public company or of a subsidiary company of a public company shall not, except with the consent of the company concerned in general meeting, sell or dispose of the undertaking of the company. Now, Sir, if it should happen that a favourable chance arises for the directors to sell to another company, or it may happen that they have a suggestion before them to agree to some merger arrangement which amounts to the same thing as disposing of the undertaking of the company. In such circumstances, if my Honourable friend's amendment is carried....

Mr. T. S. Avinashilingam Chettiar : Louder please. We cannot hear.

Mr. T. Chapman-Mortimer : ...they will not be able to take any action at all until they have received the consent of the company concerned in general meeting. Now, I should like to make a few observations before Honourable Members in that regard. First of all, Honourable Members know that in the Bill now under consideration, very careful

[Mr. T. Chapman-Mortimer.]

provisions have been inserted, or in some cases, will be inserted, regarding notices of company meetings. You have to apprise the members of the exact nature of the business to be discussed in the form of a statement which will obviously have to be a true statement. Honourable Members will remember that we opposed that being left in the form in which it has been left, but unfortunately, we on these Benches were defeated on that point. Here is a case where straightaway you can prove how damaging it may be to the interests of the company. Suppose, Sir, that a company has been running for 20 or 30 years, it has been a very profitable company, it was manufacturing cotton goods. Suppose the time comes when the directors managing that company decide that it is in the best interests of their shareholders that they should sell their undertaking to a larger company which is more strongly situated to deal with unsettled economic conditions.

Now, this is a very common thing in business. Any one of my Honourable friends opposite can imagine what the situation would have been during these last ten years if on every occasion on which a weak company had to decide whether or not it is to be sold and if on each of these occasions it had to tell the whole world,—as it will have to do, if the statement is to be issued,—that they were considering the sale of the company and the disposal of the undertaking. I cannot understand how any one can imagine for a moment or argue for one moment that that will not be most damaging to that company. Take the case, as I have just mentioned, of a company that has been for 20 or 30 years a prosperous company. The mere fact that it had sent a notice to its members informing them that a meeting was to be held at which they were to decide whether or not the recommendations of the directors for the sale of the company was to take effect would immediately have a most damaging effect on the shares of that company. It would create uncertainty in the minds of every shareholder as to whether or not the shares were really worth what they thought they were. It has been represented on more than one occasion that the shareholder is a poor innocent creature. Personally I do not share that view, but, Sir, I do say this and I am perfectly certain that any reasonable man would admit the strength of the contention. Shareholders are composed of all sorts of people. They may be Government officials, they may be farmers, they may be planters, they may be lawyers and they may be doing hundred and one other things in life. It is not their business to understand accounts and company law. Therefore it is an extremely difficult thing for them to know and to decide whether or not a balance-sheet really means what experts know it does mean. It is still more difficult when, as in nine cases out of ten, they do not really read the balance-sheet. They only read the directors' report to find out whether or not they are going to get a dividend. If there is a dividend, well and good. If it is a good dividend, so much the better. After they have seen the balance-sheet and the profit and loss account, they go to the waste paper basket and then they confine themselves to a study of the daily papers and see whether their share stands at Rs. 20, Rs. 30 or Rs. 100, as the case may be.

The Honourable Sir Nripendra Sircar : May I put a question to my friend, if he will permit me? I have got an open mind on this question. Now that we have done away with the confirmatory meeting, for an extraordinary resolution you want only three weeks. Is there

any real serious objection in placing the matter before the shareholders. After all one has got to wait only three weeks and the directors will not make up their mind to call a meeting until and unless they have come to a kind of agreement that the property is going to be sold subject to the meeting of the shareholders. What is the practical difficulty ?

Mr. T. Chapman-Mortimer : That is what I have been trying to elaborate, apparently not with very much success. The point is this. If you have got to give notice of a meeting, I do not care whether it is a week's notice, three weeks' notice or three months' notice and if to that notice you have got to append a statement to say that the business of that meeting is to dispose of the undertaking or to consider whether the recommendation of the directors for disposal of that undertaking should be accepted, if all that appears in the statement, as it must surely, then you are going to reveal the position straight away.

Mr. M. A. Jinnah : May I interrupt the Honourable Member. I want to be enlightened upon this point. Do you object to the consent of the shareholders or do you object that their consent should be obtained previously to the agreement being concluded.

Mr. T. Chapman-Mortimer : That raises an old question which has been raised a hundred times in the House of Commons, namely, the responsibility of the Government or the executive to have power to take action in the interests of the country or the Board of Directors.

Sir Cowasji Jehangir : You had better think it over overnight.

Mr. T. Chapman-Mortimer : It is a very different thing to go to the shareholders and ask them to approve of what you propose to do, and to go to them to ratify the agreement. That, Sir, is one of the main objections to this amendment.

Mr. M. A. Jinnah : It does not say " previous consent ".

Mr. T. Chapman-Mortimer : The point is that it is the directors who must decide. If they don't have that power, then you are going to make it very difficult for company management to go on. It is one of the essential responsibilities of the directors to decide what is in the best interests of the company at that particular moment. No shareholder or few shareholders can possibly know what is in the mind of the directors. In order to know that, they will have to know about all sorts of contracts and so on. All these things take a great deal of time and they are beyond the understanding of the shareholder and if this amendment is approved, it would undoubtedly undermine the authority of the directors. Sir, I oppose the amendment.

STATEMENT OF BUSINESS.

The Honourable Sir Nripendra Sircar (Leader of the House) : Next week, Sir, the House will be asked to dispose of the remaining stages of the Cantonments Bill before proceeding with the Company Bill. The Cantonments Bill will, I hope, be disposed of before the House rises on Monday, and the consideration of the Company Bill will then be resumed and continued on Wednesday and Friday. Tuesday and Thursday, as Honourable Members are aware, are non-official days.

Mr. President (The Honourable Sir Abdur Rahim) : I have to inform the House that His Excellency the Governor General will address the Assembly and the Council of State together on Monday morning at 11 o'clock. I, therefore, adjourn the House till 2-30 P.M., on that day. I take it that it is the general desire of the House to dispense with questions on that day.

The Assembly then adjourned till Half Past Two of the Clock on Monday, the 21st September, 1936.