

22nd February 1940

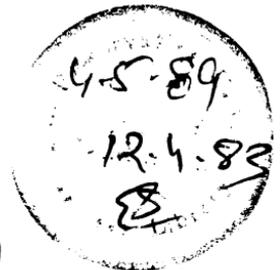
**THE**  
**LEGISLATIVE ASSEMBLY DEBATES**

**Official Report**

Volume I, 1940

*(6th February to 5th March, 1940)*

**ELEVENTH SESSION**  
**OF THE**  
**FIFTH LEGISLATIVE ASSEMBLY,**  
**1940**



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1940

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# Legislative Assembly.

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# LEGISLATIVE ASSEMBLY.

Thursday, 22nd February, 1940.

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

## STARRED QUESTIONS AND ANSWERS.

### (a) ORAL ANSWERS.

#### RECRUITMENT OF MUSLIMS AS PREVENTIVE OFFICERS IN THE CUSTOMS DEPARTMENT.

†118. \*Seth Haji Sir Abdoola Haroon: Will the Honourable the Finance Member be pleased to state:

- (a) the ratio or percentage that has been allotted to various communities for recruitment to the cadre of Preventive Officers in His Majesty's Customs Department;
- (b) the number of Muslims recruited during the last three years at the different major ports of Karachi, Bombay, Madras and Calcutta under reservation classified as "Indians";
- (c) whether it is a fact that only "Hindus" have been recruited so far under the classification "Indian"; if so, why;
- (d) whether it is a fact that recruitment reserved under the classification "Unreserved" has always been made from Anglo-Indians and never from Muslims; and
- (e) the reasons why Government have reserved only two per cent. for Muslims, when in other departments the ratio for all-India services fixed by Government for Muslims is 25 per cent. and population ratio in the provinces for lower grades?

**The Honourable Sir Jeremy Raisman:** (a) In a cycle of 18 vacancies available for direct recruitment the reservations are:

Nine for Anglo-Indians and Europeans domiciled in India,

Two for Muslims,

Four for Indians other than Anglo-Indians and Europeans domiciled in India, and

Three are unreserved.

(b) The number of Muslims directly recruited during the last three years at the ports is three at Calcutta, two at Karachi and one at Bombay. These Muslims were appointed in the vacancies reserved for them.

(c) No.

(d) No.

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†Answer to this question laid on the table, the questioner being absent.

(e) The reservation for Muslims is about 11 per cent. and not two per cent. For the reasons for this proportion of reservation I would refer the Honourable Member to paragraphs 2, 6, 8 (2) and 9 (3) of the Government of India, Home Department, Resolution No. F. 14/17-B./33-Establishments, dated the 4th July, 1934.

#### BUILDING APPLICATIONS IN CANTONMENTS.

†119. \*Sardar Sant Singh: (a) Will the Defence Secretary be pleased to state whether building applications under section 179 of the Cantonments Act for areas outside the bazar are sent to the Military Estates Officers of the circle?

(b) Is it a fact that the Military Estates Officers in their turn pass the applications to the Deputy Directors of Military Lands and Cantonments?

(c) Is it a fact that such building applications are not sanctioned for more than two months?

(d) What steps do Government propose to take to expedite the proposal of these building applications?

Mr. C. M. G. Ogilvie: (a) Yes.

(b) As a general rule a reference is made only where sanction of higher authority is required under the terms on which the site is held or where there is doubt as to whether the applicant has a right to build.

(c) Building applications are sanctioned within two months in the majority of cases. Where this has not occurred the delay was due to the applicant or Board concerned, except in two cases which have come to the notice of Government.

(d) Government have already issued the necessary instructions.

#### TROUBLE IN THE PESHAWAR CANTONMENT BOARD.

†120. \*Sardar Sant Singh: (a) Will the Defence Secretary be pleased to state whether it is a fact that in the Peshawar Cantonment Board there are five official members and four elected members?

(b) Is it a fact that the official members moved a vote of censure sometimes back against the elected Vice-President of the Board, for writing a letter to the Secretary of the Cantonment Board?

(c) Is it also a fact that the motion was carried by the five official members and one elected member and was opposed by the two remaining elected members?

(d) Has the attention of Government been drawn to the note of dissent submitted by the two elected members against this vote of censure?

(e) Did the two elected members bring the whole matter to the notice of Government and inform the Government that, unless the motion was withdrawn, they would not attend the meetings of the Board?

(f) What action did Government take in the matter?

(g) Is it a fact that on the 16th December the official President called a special meeting and by the votes of five official members recommended to Government the removal of the two elected members from the Board?

†Answer to this question laid on the table, the questioner being absent.

(h) Is it a fact that the elected members have not yet absented themselves for more than three consecutive months?

(i) What steps do Government propose to take in the matter?

(j) Is it a fact that both the members recommended for removal belong to Congress Party?

**Mr. G. M. G. Ogilvie:** (a) Yes.

(b) Two votes of censure were moved against the Vice-President. The first on the 29th April, 1939, against him and another member was proposed by the President "owing to their disorderly conduct in carrying on a violent quarrel at a meeting of the bazaar Committee which had to be adjourned in consequence". The second on the 30th August, 1939, was proposed by the City Magistrate for his improperly usurping the functions of the President contrary to the provisions of sections 22 and 23 of the Cantonments Act, 1924, and for his attitude towards the Executive Officer, culminating in the letter referred to, in spite of repeated warnings from the President.

(c) The first motion was carried by all the remaining members of the Board including the other two elected members, the second by the official and one elected member, the other two elected members dissenting.

(d) Yes.

(e) No. The matter was brought to the notice of Government by the Vice-President himself and one of the dissenting members. They informed Government as stated in the latter part of the question.

(f) Government called for a report from the General Officer Commanding-in-Chief, Northern Command.

(g) A special meeting of the Board was convened by the President at the request of all the elected members to consider a proposal by them that the votes of censure passed by the Board be withdrawn and expunged from the minutes. It was also to consider any explanations from the Vice-President and the member referred to in (e) above regarding their absence for more than three consecutive months from meetings of the Board and decide whether any action was called for under clause (b) of sub-section (i) of section 34 of the Cantonments Act, 1924, for their removal from the Board. The recommendation for the removal of these two members was passed by the votes of the official members. The two remaining elected members stayed away from the meeting.

(h) Yes.

(i) In view of the answer to (h) the recommendation of the Board has not been accepted.

(j) Yes.

#### INCLUSION OF CERTAIN AREAS WITHIN THE LIMITS OF THE ALLAHABAD CANTONMENT.

†121. \*Sardar Sant Singh: (a) With reference to question No. 361 of Mr. Mohan Lal Saksena, dated 22nd August, 1938, will the Defence Secretary be pleased to state what the Government of India have done with regard to the outlying areas known as Bairana, Bagara village, Gulla Bazar and Myre Gunj, which are included within the limits of Allahabad?

†Answer to this question laid on the table, the questioner being absent.

(b) Has the report been received from the General Officer Commanding-in-Chief, the Eastern Command, on the subject? If so, what steps have been taken to remove the areas from the cantonment limits?

**Mr. C. M. G. Ogilvie:** (a) and (b). Government have recently received the complete report from the General Officer Commanding-in-Chief, Eastern Command, and the matter is at present receiving their attention.

#### INCLUSION OF CERTAIN VILLAGES IN THE FATEHGARH CANTONMENT.

†122. \***Sardar Sant Singh:** (a) With reference to question No. 699 of Mr. Badri Dutt Pande, dated the 2nd September, 1936, will the Defence Secretary be pleased to state whether the Government in the Defence Department still require the villages of Sheesham Garh, Kashimbagh, Nangwah, and Colonel Gunj, in the cantonment of Fatehgarh in the United Provinces?

(b) Is it a fact that these villages are inhabited only by civilian residents, who would like to be separated from the cantonment area and to have their own system of local self Government under the United Provinces?

(c) What steps do Government propose to take in the matter?

**Mr. C. M. G. Ogilvie:** (a), (b) and (c). The excision of these villages from the Cantonment is still under consideration and it is hoped that a final decision will be reached shortly.

#### FUNCTIONS OF THE MILITARY ESTATES OFFICERS.

†123. \***Sardar Sant Singh:** (a) With reference to question No. 865 of Mr. Mohan Lal Saksena, dated the 22nd August, 1938, will the Defence Secretary be pleased to state whether the Military Estates Officers of the cantonments are also the Land Acquisition Officers for the area?

(b) If the answer to part (a) be in the negative, what are their duties with regard to Land Acquisition in cantonments?

**Mr. C. M. G. Ogilvie:** (a) No.

(b) The duties of the Military Estates Officers with regard to land acquisition are detailed in Part II of the Rules Complementary to the Cantonment Land Administration Rules, 1925, for the Acquisition, Custody, Relinquishment, etc. of Military Lands, a copy of which is in the Library of the House.

#### INDIANS IN THE ROYAL INDIAN NAVY.

†124. \***Sardar Sant Singh:** Will the Defence Secretary please state:

- (a) the present strength of the Royal Indian Navy;
- (b) the number of Indians and the position each occupies in the Royal Indian Navy; and
- (c) the number of Sikhs and the position each occupies therein?

**Mr. C. M. G. Ogilvie:** (a) and (b). It is not in the public interest to give answers to these parts of the question.

†Answer to this question laid on the table, the questioner being absent.

(c) Seven, six of whom are officers, of the Royal Indian Naval Reserve and Royal Indian Naval Volunteer Reserve, and one rating.

**LEGISLATION GIVING EFFECT TO THE RECOMMENDATIONS OF THE GOVERNOR OF THE RESERVE BANK re SMALL BANKS.**

†125. \*Dr. Sir Ziauddin Ahmad: (a) Will the Honourable the Finance Member please state whether the Governor of the Reserve Bank of India submitted to the Finance Department any document concerning small banks?

(b) Do Government propose to circulate the document among the Members of the Assembly?

(c) Do Government contemplate introducing a Bill to give effect to some or all the recommendations of the Governor of the Bank?

(d) If the answer to part (c) be in the affirmative, will the Bill be introduced in the Delhi Session?

**The Honourable Sir Jeremy Raisman:** (a) If the Honourable Member is referring to the tentative proposals of the Reserve Bank for an Indian Bank Act, which will apply to all banks, the reply is in the affirmative.

(b) No; but copies have been placed in the Library and any Honourable Member particularly interested can obtain a copy from my office.

(c) and (d). The proposals have been circulated for opinion and criticism within six months and when the replies received have been examined by the Reserve Bank, they will submit their final proposals to Government who will then consider the question of legislation.

**APPOINTMENT OF MESSRS. FERGUSON AND COMPANY AS THE MANAGERS OF THE ALLIANZ AND STUTTGARTER LIFE BANK.**

126. \*Bhai Parma Nand: (a) Will the Honourable the Finance Member please refer to the Press Note, dated the 22nd November, 1939, in which the appointment of Messrs. Ferguson and Company, Chartered Accountants, Bombay, as the Managers for British India, of the "Allianz and Stuttgarter Life Bank" was announced and state the criterion which determined this appointment?

(b) Will Government state if other parties also volunteered their services for the management of this Company?

(c) Why was it not considered desirable to hand over the management of this Company to an Insurance Office?

(d) Will Government disclose the remuneration that has been allowed to the present Managers?

(e) Is it a fact that the remuneration has been fixed at 15 per cent. of the premium collection, or Rs. 4,000 per month whichever be the greater?

(f) Does this stipulation include administration expenses or they are exclusive of the same?

†Answer to this question laid on the table, the questioner being absent.

**The Honourable Sir Jeremy Raisman:** With your permission, Sir, I will answer questions Nos. 126, 127 and 128 together.

The questions should have been addressed to the Honourable the Commerce Member.

**ADVISORY COMMITTEE FOR CONTROLLING THE ALLIANZ AND STUTTGARTER LIFE BANK.**

†127. \*Bhai Parma Nand: (a) Will the Honourable the Finance Member please refer to the Government Press Note announcing the personnel of the Advisory Committee which controls the management of "Allianz" through Messrs. Ferguson and Company, and state if he proposes to consider the nomination of a policyholder of the Company to this Board which consists of officials only?

(b) Have Government seen the circular letter, dated the 28rd December, 1939, which issued from the Head Office of the "Allianz" to its policy-holders?

(c) Is it a fact that this Circular was issued after it had been approved by the said Advisory Board?

**ECONOMY IN THE ADMINISTRATION AND STAFF OF THE ALLIANZ AND STUTTGARTER LIFE BANK.**

†128. \*Bhai Parma Nand: (a) Will the Honourable the Finance Member please state what steps Government have taken to effect economy in the administration of the "Allianz" Company?

(b) What will be the fate of the With-Profit policies of this Company?

(c) Is it a fact that all appointments to the staff of the Company have been made afresh the previous contracts having been considered as automatically cancelled by the outbreak of war?

(d) Is it a fact that the Provident Fund of the Company existing for the sole benefit of its employees stands dissolved?

(e) Is it a fact that a large number of Head Office employees of the Company submitted a formal application early in December, 1939, for the dissolution of the Provident Fund and prayed for early disbursement of the dues?

(f) Is it a fact that instead of declaring the Provident Fund as dissolved, further contributions have been made towards it for the benefit of the present staff?

(g) Are Government aware of extreme hardship to which the ex-employees of this Company have been put to on account of their dues against the Provident Fund not having been paid, although in most of the cases, they lost their jobs on the 30th November, 1939?

(h) Are Government prepared to consider that facilities are afforded to these ex-employees in seeking jobs elsewhere?

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†For answer to this question, see answer to question No. 126.

## THE RAILWAY BUDGET—GENERAL DISCUSSION.

**Mr. President** (The Honourable Sir Abdur Rāhīm) : The House will now proceed with the general discussion of the Railway Budget. The Chair has got to fix a time limit for speeches. There is only one day allotted for general discussion. But, at the same time a large number of Honourable Members who would have ordinarily taken part in the discussion are absent. The Chair, therefore, proposes to fix twenty minutes for each speech, unless Honourable Members desire it should be 15 minutes.

**Mr. Lalchand Navarai** (Sind : Non-Muhammadan Rural) : It should be 80 minutes.

**Mr. President** (The Honourable Sir Abdur Rāhīm) : The Chair does not think anything more than twenty minutes is necessary. As for the Honourable Member in charge of Railways, he will have three-quarters of an hour to reply to the debate, but if he wants more time, the Chair shall certainly be prepared to give it.

**Mr. Akhil Chandra Datta** (Chittagong and Rajshahi Divisions : Non-Muhammadan Rural) : Sir, I congratulate the Honourable Member for Communications on his surplus budget. I congratulate him all the more on another thing, namely, the proposed change in the administration of two railway companies by taking them over under State control—I believe one line this year and another line next year. I also congratulate him on the announcement made that locomotives will be manufactured in this country. We have been demanding this for some years past, year after year, but this was rejected as absolutely impracticable. It is a matter for congratulation that at last the Government have admitted this to be quite a business proposition. May I take advantage of this occasion and say this, that it is high time the Government should realise that we are not always in the wrong and that we are not always unreasonable and that all monopoly of wisdom and reasonableness is not always on the other side. As regards surplus, it has been the highest surplus for quite a decade. I am glad to say that the Honourable Sir Andrew Clow is a very reasonable man, he is the most reasonable man I have ever met. I had the pleasure of working with him intimately in connection with the Motor Vehicles Bill. I found that he was always amenable to conviction. I do not speak in terms of exaggeration. I speak what I feel. But I regret to say that on this particular occasion, I am afraid I do not find myself in a position to give the same tribute to him. Even without any increase in rates, he would have had a surplus of three crores. But this does not satisfy him. He is very ambitious, he wants more revenue, he wants more revenue for contribution to general revenues, he wants more revenue for contribution to the reserve fund. The obvious remedy to him is increase of rates and fares. This increase of rates and fares comes at the top of tightened and increased income-tax, super-tax and the other terrible thing that is coming soon, namely, excess profits tax. The general feeling among those who are competent to speak on this matter is that this increase of rates and fares will be detrimental to all interests, namely, industry, commerce, agriculture and to all classes of the vast population of this country.

[Mr. Akhil Chandra Datta.]

Subhas Chandra Bose

As regards the rate policy, on behalf of the Congress Nationalist Party, I have been moving cut motions for the past four or five successive years protesting against the rate policy of the Railway. My contention is that the policy should be such as to foster trade and commerce and industry of this country. All these years we have been asking for bread, but this year we have been supplied with stone in the shape of increase in rates and fares. The Honourable Member says that the revenue should be increased and the obvious remedy for him is to increase the rates and fares. Allow me to say, Sir, that this remedy does not become obvious, simply because he says it is an obvious remedy. Have you tried, have you considered all other possible remedies of increasing revenue? Have you considered the question of reducing the working expenses? One of the most obvious remedies is the reduction of the fat salaries of the top-heavy administration and the reduction of the fat salaried posts. Another of the most obvious remedies is Indianisation of railway services. Still another obvious remedy is the reduction of the redundant establishment. Why not cut down the contingent charges? Why not stop the lavish expenditure on the amenities to first class passengers in a country where 92 per cent. of the passenger revenue comes from the lower class travellers? Why not stop all the loopholes by which money leaks out from the railway? Have you given effect to the recommendations of the Pope Committee, of the Wedgwood Committee and of other committees who recommended economy and reduction of working expenses. Before all these steps are exhausted I say there is no moral justification for the increase of rates and fares in order to get more revenue. This question of increase of rates and fares, during war time, was discussed only the other day in the House of Commons. And there the Minister for Transport gave an assurance that the rates and fares would not be changed during war time. And he categorically laid down conditions which alone could justify an increase in rates and fares. One condition is the increase of wages of the staff. That does not apply here. Another condition is the increase of the prices of materials. That has not been urged here, and as a matter of fact, although the Honourable Member for Communications attempted a laboured justification for his increase he did not think it worth his while even to mention that as one of the grounds for this increase.

Coming, however, to the merits of this ground, the estimated increase in the cost of materials is only 92 lakhs. Is it seriously proposed to raise five crores and 25 lakhs by raising the rates and fares only to cover this sum of 92 lakhs? Then we must remember that savings have been effected in various directions, e.g., closing down of the power-house at Chola, increase of miscellaneous receipts: 17 lakhs, interest rates: 10 lakhs, etc. There are many other such items. Therefore, this ground also does not apply. The last ground given by the Minister for Transport in England is difficulties caused by the war. On that question the position here is quite the other way. Far from the war causing difficulties to the railways it gave them increased profits, and admittedly much of the surplus is due to war conditions. Therefore, my submission is that there is no justification, according to the British standard, for raising the rates and fares. Another very important condition laid down by the Transport Minister there was that any increase in rates and fares must be placed before Parliament and obtain its sanction. Will the Honourable Member accept the verdict of this House on this question?

Then, Sir, I want to examine this question in the light of the report of the Wedgwood Committee which considered this question. They say :

"There are three conditions under which such an increase must be justifiable; first, as an emergency measure when sudden and unexpected changes have imperilled the financial position and stability of the railways."

Far from their financial position being imperilled, the war has improved their position. The second ground is :

"To meet a general change of costs and price levels which are more or less permanent in character."

That has admittedly not happened here. The third ground is :

"To meet a temporary increase of costs in a period of general prosperity and high prices.....No upward movement of prices has taken place which could fairly be described as being of a general or permanent character." *That observation holds good today also.* "Nor can it be urged that present day conditions, when railway net revenues are rising, and the railways are once more earning the full interest on their capital, call for emergency measures."

Let us now examine the grounds given by the Honourable Member himself for these increases. His first ground is the contribution to general revenues. We must admire the frankness of the Honourable Member but the very frankness of his statement has revealed that it is not really a *bonafide* measure for the improvement of the railway finances but for the improvement of the general finances of the country. Unpaid contributions from the railway revenue to general revenue have accumulated for many years up to 35 crores. All these years the rates and fares were never raised in order to meet the obligations of the railways. The Honourable Member has himself enumerated the many factors which have made it impossible for the railways to pay this annual quota for over a decade. If Government could wait all these years it is difficult to appreciate why this drastic action is taken at the present time. Sir, this is not a railway budget but a supplementary general budget,—a war measure for raising taxation only.

The second ground given by the Honourable Member is that he wants to build up a reserve fund. He says :

"It is a melancholy fact that the reserve fund of this, the largest railway system under one ownership in the world, stands at 48 lakhs. This is less than a fifteen hundredth part of its capital at charge, and much less than 1 per cent. of its revenue."

I really do not know how to characterise this. If such a thing had happened in a private joint stock company it would be considered a great scandal. Why was not this reserve fund allowed to be put on a proper footing during all these years? The present proposal is to raise it from half a crores to 3½ crores, i.e., seven times, at one jump and in one year. This is hardly businesslike and it is proposed to do it not by economies or by efficient administration but at the cost of the consumers of railway services. You want to provide for your lean years but you forget that these consumers will have their lean years as well.

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member has two minutes more.

**Mr. Akhil Chandra Datta:** The third ground is that the enhancement is very insignificant compared with the increase in prices of some important commodities. That is very interesting. On the one hand it is said that it is insignificant when compared with the prices of some important commodities, on the other hand when dealing with the question of raising wages and salaries on account of the rise in prices the Honourable Member says that the apprehended "rise has not materialised and in fact 1940 has brought a distinct fall in the prices of important commodities". This is blowing hot and cold in the same breath. Therefore, I say, in the words of the *Statesman*, this is an unhappy argument to bolster up an altogether unsatisfactory case.

**An Honourable Member:** Who is this "statesman"?

**Mr. Akhil Chandra Datta:** The *Statesman* newspaper, not a Congress organ or a labour organ either. So my submission is that no case has been made out for this increase in rates and fares and I protest against the increase on behalf of the people.

May I in conclusion make a present of a small extract from the Wedgwood Committee's Report to the Honourable Member? That Report says at page 43 :

"\* \* \* the resources of additional taxation are almost non-existent.

Apart from this the railways are for the most part sparsely occupied and the traffic will only bear the lowest possible level of fares and rates. Similar conditions hardly exist in any other part of the world."

We object to this increase, specially in view of the proposed change in the Niemeyer's Award under which no portion of this will go to the provinces. Sir, on behalf of the people of this country I request the Honourable Member to reconsider this question and not to have the proposed increase.

**Mr. A. Aikman (Bengal: European):** Mr. President, the Railways and the Railway Board have in the past been the object of so much criticism that it would be surprising if on the present occasion the Honourable the Communications Member escaped the attention if not indeed the attacks of numerous critics. Before, therefore, I deal with the Budget speech, I should like to say a brief word on the Financial policy and the financial administration of the Railways as we have seen these developing during the last three or four years. In debates in this House in October, 1937, and again in the course of general discussion on the Railway Budgets in February, 1938, and February, 1939, the spokesmen of this Group commented upon the great improvement that had taken place in the general policy of the Railway Board, but more especially in its Financial policy. I feel that every impartial critic will admit that that improvement has not merely been maintained but has progressively increased. Even in normal times this would be a matter of satisfaction. Today, entering as we do upon an year of difficulty and uncertainty, I should like to pay tribute to the Railway financial administration and to express the confidence that we in this Group feel in it.

The Budget introduced by the Honourable the Communications Member is a War Budget and to criticise it, therefore, as though we were still living in peace-time, seems to us unreasonable and to show small

regard for facts. After the experience of the last great European War there has grown up an impression in many quarters that war is good for trade because it is conducive to the making of large and even excessively large profits. It is quite clear that the Honourable the Communications Member does not wholly share this view and he frankly admits that among the uncertainties that face him in the coming year is the question of whether traffic figures will in fact be maintained at the high levels of recent months. Coming events are said to cast their shadows before them and it cannot be denied that anyone who has tried to appraise the financial prospect of the coming year must have been confronted by ominous signs.

From the deductions that I have been able to make I am certain that Government have been wise to take this view, namely, that while they expect traffic to be brisk as a result of India's war efforts, they fully recognise that if they were to depend on increasing traffic alone for the larger contribution that the Railways must make to the Central Government during the coming financial year, they would almost certainly not obtain anything like the amount that is necessary. In this connection, Sir, I think it may help the public better to appreciate the necessity for the proposed increase in rates and fares, if, in reply to this debate, the Honourable the Communications Member or the Financial Commissioner for Railways would elaborate what precisely is involved by the expiry of the Moratorium under which the Railways have been working during the past few years. So far as we are concerned we have expressed our views on the Convention of 1924 before and I do not propose to detain the House by repeating our reasons for thinking that that Convention should at some future date be re-examined.

I feel, however, that there are many sections of the public that are today puzzled as to the necessity for the proposed increase in rates and fares in the face of what appears to be a sound financial position. Those of us who are familiar with the terms of the Moratorium under which the Railways have been working know very well that this apparent prosperity of the Railways is far from being what it seems and that there is urgent need for the building up of reserves so that when the next trade depression comes along—as it most assuredly will—the Railways may be able to draw upon these reserves both for their own purposes and for the purposes of securing the payment of the substantial contribution that the Railways have to make to Central Revenues. During the coming year the Budget provides, and we believe rightly provides, that the Railways in addition to making a contribution of approximately 4½ crores to Central Revenues should put aside 298 lakhs to reserve. We, in this Group, have in the past adopted the view that the only sound policy for the Indian Railways to adopt is to accumulate reserves during periods when trade is good and as I have said, we are, therefore, in full agreement with the Government of India in its proposal that out of the surplus estimated for 1940-41, 298 lakhs should be set aside for reserve. We have also noted with approval that in the matter of capital expenditure, the Government of India have not forgotten the lesson learnt as the result of the policy pursued between 1924-29. During those years 150 crores of capital expenditure was incurred much of which in our view should not have been incurred or in so far as it was justifiable expenditure it would have been better if it had been incurred in periods of declining trade rather than in periods of brisk trade when prices are high. We

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hope, therefore, that we are right in thinking that a very close watch indeed is being kept over capital expenditure and if the Honourable the Communications Member by reason of a prolonged war should find himself in the position of having made a profit, we hope that that profit will be set aside to reserve and not devoted to capital expenditure that may more advantageously be incurred in the period following the war when general trade is likely to be on the decline and prices in consequence low. If this policy can be carried out it will do much to prevent serious difficulties arising in the engineering and other heavy industries. It will also help the Railways to maintain their traffic returns in a period of declining trade when any serious curtailment of Railway expenditure would be likely merely to accentuate the very troubles that the Railways will at that time have to face. In the opinion of the Wedgwood Committee the goal to be aimed at should be to build up a depreciation fund of not less than 80 crores and a reserve fund of 50 crores and whether or not one expects these precise figures the view of my Group is that in general this policy is sound.

One particular item of capital expenditure however calls for comment at this stage. I refer to the decision of Government to acquire the South Bihar Railway, the Hardwar-Dehra line and the Bengal-Dooars system. This decision is in line with the accepted policy of Government and I need not say more than that it has our support.

I have referred earlier in my speech to the decided improvement that has been observed in Railway financial administration and control. But there are still considerable loopholes which if not blocked will lead to wasteful expenditure on capital account at a time when it is of the highest importance that waste of every kind should be cut down to a minimum. We have given notice of a cut motion to enable us to discuss this question more fully; so I shall not enlarge upon it today.

As it seems to us the large contribution expected from the Railways to General Revenues during the year 1940-41, will almost certainly be necessary if the General Budget is to be balanced. It is on this general ground that my Group support the proposal to increase rates and fares. In this connection the Honourable the Communications Member has told us that the proposed new rates will be very carefully watched and if it should transpire that these have adverse effects upon revenue reductions will be made. We are glad of this assurance. We are glad also that the increased rates will not be imposed upon food grains, fodder, manure, and railway and military traffic and we hope that the Railways will not find themselves forced by reason of any substantial rise in prices or for any other reason to withdraw the exemption of food-grains from the increased rates now to be imposed and that likewise, they will not be forced to impose higher rates on fodder-traffic or on manures. In the case of manures, we presume this includes all classes of artificial fertilisers and insecticides and perhaps the Honourable the Communications Member in his reply will confirm whether we are correct in this assumption. In the matter of the surcharge on coal, we find it difficult to understand how the Communications Member interprets an increase from 12½ per cent. to 20 per cent. in the cold weather months as giving a partial exemption to coal. Coal plays an important part in industrial costs, more especially in some classes of industries and though we fully understand the desire of

the Railway Board to encourage manufacturers to build up reasonable stocks in the slack season we are not optimistic that this can be done to any great extent, more especially in view of the fiery nature of many Indian coals. We anticipate in fact that while in principle it may be sound to discourage excessive coal traffic during cold weather months, in practice it will probably be found difficult for many manufacturers to lay in stocks of coal for more than six or seven weeks. No mention has been made by the Honourable Member as to the position of export coal which it is hoped will continue to be exempt from the proposed surcharge on Railway freights.

Industries far removed from coal producing areas will suffer considerable disadvantage by reason of the removal of the maximum surcharge. This concession has been enjoyed by up-country consumers for several years and we will be interested to learn from the Honourable Member his views as to the justification for its removal.

In connection with the increase of third class fares we cannot but speculate on the effect which the proposals of the Ticketless Travellers Bill might have had on this revenue had this proposed measure been allowed to become law—the figures of detections of persons travelling with the wrong ticket or without any ticket being so enormous. The decision of the Government of India to embark on the manufacture of locomotives on the scale suggested must mark an epoch in the activities of the Railway Board.

The spokesman of this Group, in 1937, expressed our opposition to this proposal on the facts then before us, but we do not forget that on an earlier occasion we pointed out the desirability of instituting an enquiry by competent technical officers into this important matter. Such an enquiry has now taken place and as a result the Government of India have decided to proceed at an early date with the manufacture of locomotives for broad gauge railways.

This is an important decision and it is hoped that it will meet with the success that it deserves. That success can be achieved only if the scheme is conducted on sound commercial lines if the various departments are manned by the best operative and directing staff available, and if those who are responsible for ensuring this success are unhampered by any of those considerations which in the past and even today tend to inefficiency.

Lastly, Sir, I should like to say a word on the very important passages in the Honourable the Communications Member's speech in which he dealt at length with the cost of living and Government's general attitude towards wages. As the Honourable Member has said, the present level of commodity prices does not justify any general increase in wages by way of special allowances or otherwise and if the Central and Provincial Governments are successful in their attempts to maintain a reasonable stability in the cost of living, we sincerely hope that no large additional expenditure on this account will become necessary. In this connection we notice that the Railway Board is in consultation with the All-India Railwaymen's Federation and that their general policy is to extend benefits in the direction of improved housing, regulation of hours and a further extension of Provident Fund privileges as circumstances permit. If, however, the Railways are subsequently forced by circumstances to make special allowances to meet a rise in cost of living we feel that these

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allowances should be granted in such a form as to make it clear that they are of a temporary and emergency character dependent upon the special circumstances of an enhanced cost of living due to war conditions. We hope also that regard will be paid to the varying conditions in different territorial areas. In other words care should be taken to see that emergency or war allowances to meet the cost of living should not be applied wholesale over the entire railway systems but adapted to meet the varying circumstances of different areas.

Sir, before I conclude I should like to express our admiration of the lucid exposition of the Honourable the Communications Member. It is a matter of regret to all of us that he should be faced with circumstances that will inevitably make it difficult for him to give effect to many improvements in the Railway administration that we know from his past record must be near to his heart—improvements, for instance, in the amenities provided for the lower paid grades of railway staff and amenities for the poorer classes of the public who use the Railways.

But if we regret that his great talents are not to be given an opportunity to deal with normal circumstances, it is equally a matter for congratulation that this important department of the Government of India should at this critical time be in such competent hands as those of the present Communications Member.

**Dr. Sir Ziauddin Ahmad** (United Provinces Southern Divisions: Muhammadan Rural): Sir, I should first like to record my protest against the decision of the Government of India in curtailing the time of the discussion on Railway Demands from four to two days. This decision is against the previous convention established in this House. The Government have got a safe majority in their pocket, and it is not desirable that they should prevent Members from expressing the grievances of the people in this manner, because this is the only opportunity provided to us to ventilate the public grievances.

Sir, I join with my friend, Mr. Aikman, in the observation he has made regarding the Honourable Member for Communications, but there are one or two points in which I differ from him. The first thing is about the rates and fares. He said that on account of the rise in prices it is not necessary to raise the wages of the lower paid staff, but at the same time he agreed that the rates and fares should be raised on account of this rise in prices.

**Mr. President** (The Honourable Sir Abdur Rahim): The Chair has to point out to the Honourable Member, as regards the complaint he has made, that the time allowed for the discussion of the demands for grants is fixed by the Governor General and not the Government of India.

**Dr. Sir Ziauddin Ahmad**: Then please substitute Governor General in place of the Government of India, and I withdraw the word protest.

**Mr. M. S. Anay** (Bihar: Non-Muhammadan): He cannot be criticised.

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member knows that. This is also set out in paragraph 3 of the Circular

which has been sent to the Honourable Member along with other Members. The Honourable Member had better go on with his speech now.

**Dr. Sir Ziauddin Ahmad:** I withdraw. The points which I would like to discuss today, if time permitted, are: the raising of rates and fares, the appropriation of 2.98 crores to the reserve fund, the depreciation fund, the Advisory Committee for Railways, the construction of locomotives and the report of Messrs. Humphries and Srinivasan, budgetary arrangements and capital expenditure, and lastly, an equitable adjustment of salaries. These are the points which I propose to discuss in my speech today.

Coming to the first point, namely, the question of raising rates and fares, I have two complaints. The first is that the Government of India revealed their intention of raising the rates and fares only overnight. I think they followed the example of the Finance Member who announces taxes without giving any warning,—on the last day of February. But they forgot that there is a great deal of difference between the two cases. In one case, namely, customs duties on commodities, there is room for speculation, but in the case of the raising of rates and fares there is no room for such speculation. Nobody can travel in advance and nobody can send goods in advance. Therefore, it was very desirable that this thing ought to have been thoroughly discussed in public, by the Chambers of Commerce, and elsewhere, before a decision was arrived at. My second complaint is that the reasons are not given at all for raising the rates and fares. There is a very general expression, as has been pointed out by my Honourable friend, that on account of the rise in the prices of raw materials it was necessary to raise these rates and fares. But the Railway Member gave us no figures as to why they should be raised. Is it rise in prices . . . . .

**The Honourable Sir Andrew Clow** (Member for Railways and Communications): That was not the reason I gave. In fact, Mr. Deputy President has just complained that I have not given that reason in my speech.

**Dr. Sir Ziauddin Ahmad:** Very well. Then my complaint is that he mentioned no reason at all, not even this. The proper course would have been for the Honourable Member to give us exactly the 'constant charges' and 'variable costs' and mention by how much it would be necessary to raise the rates in order to meet his requirements. We know very well that if the volume of traffic increases then the rate per maund always diminishes and it does not increase. Therefore, he ought to have given us exactly what is the increase in the volume of traffic which he expected in the year 1940-41, and how much actual expenditure under the 'variable charges' would diminish. My Honourable friend would have seen in the book by Wood and Stamp that if the charges on 100 maunds traffic be 100 rupees, then the charge for the transport of 80 maunds will not be Rs. 80 and the charges on 120 maunds will not be 120 but they will be 94 in one case and 106 in the other. The cost of transport per maund diminishes with increase in the volume of traffic. So, this thing ought to have been thoroughly investigated and calculated and I hope my Honourable friend will give the reasons in the course of his speech today.

[Dr. Sir Ziauddin Ahmad.]

Let me now give some arguments why this increase should not take place now. At page 4 of the Explanatory Memorandum is given the percentage of net traffic receipt to capital at charge for British Railways and for Indian Railways. For British railways it is 3.78, 3.07 and so on, that is, all of them are less than four per cent. In the current year for Indian railways he expects 4.2 and I think it is not desirable considering the general conditions of the country to raise this from 4.2 to 4.8 by increasing the rates and fares. At page 14 of the Chief Commissioner's speech it is said that:

"The net revenue for commercial lines only gives a net return of 5.2 per cent., which compares very favourably with the results of railways working in other countries of the world."

This looks very nice if there had been no increase in the rates and fares, but with the artificial rise of 12½ per cent, I think the increase is not very desirable.

My second argument is about the working or operating ratio. I have got before me the working or operating ratios of the railways in different countries of the world, and I find that the working ratio in India is the second lowest from the bottom, Japan only coming next. I shall just give the figures. In Germany the working ratio is 96.0—I have taken the figures for 1937-38 which are the latest figures available—on the Belgian railways it is 98.7, in the case of Swiss railways it is 68.40, in the case of the National Canadian Railways it is 91.12 and in the case of Indian railways it is given as 66.25. But, at this stage, I may mention one point, which is rather an important point. India has got two working ratios, one with depreciation and the other without depreciation which is really contrary to the practice of other countries, and both of them are to my mind fictitious. We should follow the example of other countries and have only one ratio. I have taken pains to find out a formula by means of which the true working ratio can be calculated. According to which I have calculated the true working ratio of the last 16 years. The true working ratio for India is only 59.2 per cent. Now, what is the object of finding the operating or working ratio? It is to test the efficiency of the working of the institution. The working ratio of 66 is supposed to be the correct ratio. If you lower it it means you are economising at the expense of the staff. If you raise it it means inefficiency. Therefore, we ought to aim at a working ratio of 66 per cent. and by raising the rates and fares you further reduce the working ratio by 2½ points and I think a diminution of the working ratio at the present moment is not very desirable. You rob users of Railways and you rob your own staff.

My third point is that any tax which you levy should be economic and justifiable and the entire amount imposed by taxes should be realised. If you levy a tax of two crores and the tax is not realised, then it is not an economic tax. It means that the law of diminishing returns has set in or in Railway phraseology 'you are charging what traffic cannot bear'. If my friend has increased the rates by 12½ per cent., then he ought to get 12½ per cent. net revenue increase, but we find that he is getting only 7.4 and if we allow the normal expansion in the current year due to war conditions, the increase will not be more than four per cent. By levying a tax of 12½ per cent. you are getting only four per cent.

My fourth point is that by this method, you increase what they call the 'station to station' rates and also the 'scheduled rates'. Therefore, the result will be that most of these 'class rates' will be changed into 'station to station', and 'scheduled' rates which will give rise to favouritism.

Now, I tried to find out what are the real arguments behind this and I could not find any reason at all. Then Hatif came to my rescue, while I was sleeping he whispered into my ears and gave me the procedure adopted in this case. This is what he said. Mr. X gave a dinner party at his house to which he invited some friends,—Alpha, Beta and Gamma. They were all talking after a good drink. One of the guests said the Commerce Member is coming up with this 12½ per cent. increase in prices and probably the Finance Member will also increase the income-tax by 12½ per cent. and why should we not share in the loot? Mr. X jumped upon the suggestion and it resulted in the speech of my Honourable friend. This proposal has come up without any previous discussion of any kind.

Now, Sir, I come to the next point. That is the appropriation to the depreciation fund. My friend, Mr. Aikman, referred to this moratorium but, at the same time, we cannot get over the Convention of 1924 which I think the Government are bound to observe. I shall deal with two clauses of this Convention. Clause 3 of this Convention says that:

"Any surplus remaining after this payment to general revenues shall be transferred to a railway reserve; provided that if the amount available for transfer to the railway reserve exceeds in any year three crores of rupees only two-thirds of the excess over three crores shall be transferred to the railway reserve and the remaining one-third shall accrue to general revenues."

Clause 2 clearly says this:

"subject to the condition that, if in any year railway revenues are insufficient to provide the percentage of one per cent on the capital at charge surplus profits in the next or subsequent years will not be deemed to have accrued for purposes of division until such deficiency has been made good."

That clearly shows that unless you fulfil your obligations to general revenues the surplus profit has not accrued and, therefore, it cannot be deposited in the reserve fund. This clearly shows that you have to pay back the arrears of revenue before the surplus has accrued or before it can be deposited in the reserve fund. Therefore, so long as the Honourable Member wishes to honour the Convention of 1924 it is constitutionally wrong to put any amount in the reserve fund. He ought to have paid 2.98 crores to the general revenues and relieved us from further taxes; and, after the obligations to the general revenues have been met, then and then alone the amount should be debited to the reserve fund and I request him either to modify this Resolution of 1924 by bringing in another Resolution, or repeal it altogether. In the absence of repeal or amendment, the Resolution of 1924 should be followed; but don't tear it off as some of the European countries are tearing off the political treaties.

Then, Sir, I have been pressing year after year this practice of setting aside a very large amount in the depreciation fund is against the practice of any other country and I think this thing has been devised in order to cheat the general revenue. The present system of building up a reserve of indefinite amount, under the name of depreciation fund, is unfair to the taxpayers, to the railway administration and railway employees. It is

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unfair to the taxpayers for this reason. According to clauses 2 and 3 of the Convention which I have read out, surplus can be credited to revenue after discharging the obligations of railways to general revenues. It is unfair to the railway administration and the employees as under the false name of depreciation we show an artificial deficit. The operating ratio is increased, which is a slur on the administration and results in retrenchment and cut in salaries. I shall just read to the House an extract from the speech which I made in this House two years ago and I shall go on pressing this point until the grievance is redressed. I said:

"Money spent in renewals and repairs is divided into three parts. One part is debited to the account of depreciation, one part under the account of the working expenses and one part is called capital expenditure and is met by fresh borrowing. Now, to allocate the portion of these three divisions, we require three highly paid accountants which the Railway Board provides for this work. May I ask whether such a big amount is kept in the Depreciation Fund anywhere outside India. If the Railway Board do not deposit four crores in this way, they will be able to pay four crores to the general revenues in payment of their obligations."

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member has only two minutes more.

**Dr. Sir Ziauddin Ahmad:** All I will say is that this is against the practice of every other country. I have got before me the amount spent in renewals and replacements from the year 1924-25 and I find that the average is only 8½ crores. It is the amount actually spent on renewals; then why not take only Rs. 8½ crores for replacements and renewals and keep the balance to meet the other obligations. The next point

12 Noon. I would like to take up is the report of the Railway Advisory Committee. As regards the Railway Advisory Committee, the Retrenchment Committee of 1931 definitely recommended that it should be an *ad hoc* committee, and then it pointed out that in five years the committee had tried twenty-three cases, that is, less than five each year, and the amount which they spent was about one and a half lakhs, and therefore the Retrenchment Committee recommended that it ought to be an *ad hoc* committee. The Wedgwood Committee also recommended that the Government of India should look into the matter. Now, the Railway Board supported this Committee in a memorandum on two grounds, which I reviewed. The first point is this. It stated that there are certain committees like the inter-State commerce Commissions in America, and the railway and canal traffic committees which are really of a permanent nature, but I think there are a good many people who understand the constitution and functions of both these bodies. The Memorandum forgot to say that the objects and functions of the Advisory Committees on Railways and of the inter-State commerce Commissions alluded to are entirely different. There is no analogy.

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member's time is exhausted.

**Mr. N. M. Joshi** (Nominated Non-Official): Mr. President, during the short time at my disposal I propose to content myself by making a few observations on the policy which the Government of India are following in their railway administration. Sir, it gives me great pleasure to find

that an old friend of mine is at present in charge of railway administration. It would have given me similar pleasure or even greater pleasure if I could agree with him in the policy which the Government of India are following on different matters connected with the railway administration.

I shall first deal with the policy of the Government of India in respect of labour matters. I must admit that the Honourable Member for Railways has shown his interest in this subject by devoting a little larger space in his speech to explain his policy than some of his predecessors had done. There are also indications that the Honourable Member means to make some progress in treating the employees of the Indian Railways better, but I feel that the policy which he is following or the Government of India are following under his advice is not bold and adequate. Secondly, Sir, I also find that the Honourable Member is a victim of a delusion created by frequent critics of the demand of the railway employees for bettering their conditions of life and work. All Honourable Members know that prices in India have gone up on account of war conditions.

**Sir Abdul Halim Ghuznavi** (Dacca cum Mymensingh: Muhammadan Rural): They have gone down.

**Mr. N. M. Joshi**: They are still up. Sir, the prices are up, they have not yet gone down to the normal.

**Sir Abdul Halim Ghuznavi**: They are going down.

**Mr. N. M. Joshi**: Sir, when my Honourable friend to my right speaks, he will deal with the subject as to how the prices have gone down. The prices have gone up and the Honourable Member for Railways does not deny that fact. Ordinarily, everybody would expect that under these circumstances the Government of India would agree to an increase of wages of the railway employees. Unfortunately, the Honourable Member does not give any hope of the wages of the railway employees being brought up to such a level as to adjust itself with the price level. Sir, in denying this justice to the railway employees the Honourable Member gives some arguments which, in my judgment, are not fair and I feel he has not given sufficient attention to this matter. The Honourable Member first states that the wages of railway employees are more or less rigid; they were not reduced when the prices had gone down. There is no doubt that the wages of some classes of railway employees were not reduced when the prices had gone down. But, it is equally true, and the Honourable Member will admit that lower scales of pay were introduced on Indian Railways for new entrants and at least to the extent to which the wages and salaries of the new entrants are concerned, even the argument that the wages are rigid does not hold good. Even as regards the old railway employees whose wages were not reduced when the prices had gone down, the real thing to be considered is whether the old rates of pay were just and fair. If the old rates of pay were not just and fair and were not enough to provide railway employees with a comfortable living, then there is every ground for increasing the wages when the prices of articles have gone up. It all depends upon whether the original rates of pay were just and fair. If they were not just and fair, then what the Government of India can do, when the prices have gone up, is at least

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to bring the wages up to the level of the rise of prices. I would, therefore, suggest to the Honourable Member that he should make a proper inquiry whether the wages of railway employees in India are sufficient to give them a comfortable life. Once we establish that fact, then it would be possible for the Honourable Member to say that he would make the wages and salaries rigid and that he will increase them as the financial circumstances and opportunities permit but that he will not allow ordinary rises in prices or decreases in prices to affect wages and salaries.

Sir, the Honourable Member gives another argument that if the conditions of life and work of the railway employees are improved beyond what they are today, the burden will fall upon the masses and I feel that he is right that the burden generally falls in India upon the masses. But, in the first place, if the Government require money for improving the conditions of railway employees, it is not necessary that that burden should fall upon the masses of people in this country if they would follow right taxation policy. But the Government of India follows a wrong taxation policy and throw the burden of the additional money required upon the masses instead of throwing the burden upon those who have broad shoulders and who are better able to bear the burden. If the Government of India follow a proper taxation policy, that burden need not fall upon the masses of people in this country. Moreover the Honourable Member, when he talks about the primary producers, sympathises with them for not having equally benefited by an adequate rise in prices, I think he has not given full thought as to who benefits by the rise in prices of grains and the primary products. You know, Sir, that in India the large mass of primary producers are first, people who own very small pieces of land and who by cultivating a small piece of land do not get sufficient means of livelihood for the whole year. It is an admitted fact that an Indian agriculturist can manage to live only for four or five months by his agricultural produce and the ordinary agriculturist has not surplus to sell. Secondly, the large mass of the tenantry in this country who form another large mass of primary producers does not get sufficient to eat for the whole year. They get some stock of grain but that is not enough for the whole year and they too have hardly anything to sell to the public in order that they should get the benefit of the rise in prices. Similarly, the agricultural wage-earner not only does not get any benefit in the rise of prices of food grains but he actually loses. I, therefore, feel that the Honourable Member is thoroughly mistaken if he feels that the large masses of people in this country get the benefit of the rise in prices. There are classes of people who do get the benefit of the rise in prices. The first in that class is the class of landlords, people who possess large pieces of land and who have got grains to sell after keeping grains for themselves. In the first place, it is that class of people who benefits by the rise in prices. The second class of people who benefit by the rise in prices is the middlemen,—people engaged in commerce and trade in this country. But the Honourable Member for the Railways is utterly mistaken if he feels that the rise in prices of the primary products, especially rise in prices of grains, will benefit the vast masses of people in this country. If, therefore, the conditions of the railway employees are improved and if the burden falls upon the masses of people in

this country, it is due to the wrong taxation policy which is followed by the Government of India, and if there are any people who will gain by the rise in prices, it is the landlords and the middlemen. Therefore, it is wrong to state that if the conditions of the railway employees are improved, the burden of improvement must necessarily fall upon the masses of people in this country. I shall be the last man to ask this House to do anything, even to better the condition of the railway employees, at the cost of the masses of people in this country who are poorer than even the industrial workers. The Government of India are following a wrong taxation policy and that is at the root of the unfairness or injustice done to the masses of people in this country.

The Honourable Member in charge of Railways has proposed certain improvements in the conditions of the railway employees. For the last two or three years I have been pressing the Government of India to undertake one very essential reform and to remove one of the greatest injustices in their railway administration, by providing provident fund for the low paid railway employees. I am glad that the Honourable Member for Railways admits now that the reform is necessary and I am also glad that he is willing to undertake that reform to some extent. He does not state clearly what he is going to do but he states that he has provided a sum of money—I think 12 lakhs—to be spent on certain improvements in the conditions of life and work of the railway employees. What money he proposes to give to the institution of a provident fund for the low paid railway employees, he does not state. He only says that the total amount of money required for this purpose is 72 lakhs. Although the Government of India, in my judgment, could spare 72 lakhs, even out of this budget, for instituting a provident fund for the lower paid employees, still I must thank the Honourable Member for Railways for introducing the system of provident fund for the lower employees even by instalments or by stages.

Then, Sir, the Honourable Member also proposes to spend some amount of money in order to apply the Hours of Employment Act to certain Railways to which the Act was not applied so far. I must also congratulate the Honourable Member for having done this reform. This reform was long delayed and it was a blot on the Government of India that they should have ratified a Convention and delayed taking action on that Convention for so many years. Well, Sir, the Government of India propose to devote 12 lakhs for introducing certain reforms in the life and work of the railway employees. The Government of India state that they propose to consult the All-India Railwaymen's Federation as to how to spend the 12th lakhs. I think the Government of India seem to have adopted a very clever device in making the different sections of the railway employees fight amongst themselves. Well, Sir, the railway employees want a very large amount of money. The Government of India propose to set apart only 12 lakhs and then they propose to consult the Railwaymen's Federation and ask them whether they would like to have the provident fund concession first or whether they would like to have the Hours of Work reform first or whether they would like to have some war bonus.

**The Honourable Sir Andrew Olow:** Perhaps I might just make an explanation. This 12 lakhs has nothing to do with the Hours of Work. There is a separate provision for that.

**Mr. N. M. Joshi:** I am very sorry for that slight mistake. The mistake is slight because even if we omit the Hours of Work reform the reforms which the Government of India propose to effect out of 12 lakhs are large and many and there is no doubt in my mind that it will not be easy for the All-India Railwaymen's Federation to decide whether the provident fund should come first or whether the war allowances should come first.

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member has two minutes more.

**Mr. N. M. Joshi:** I shall not detain the House longer than two minutes. I submit it was not right on the part of the Honourable Member to place that burden upon the all-India Railwaymen's Federation. What the Honourable Member could have done is to set apart a larger sum of money. If the Honourable Member will examine some of the financial reforms which he proposes to make he will find that if he had delayed these reforms he could have found enough money for the provident fund and for other reforms. For instance, the Honourable Member proposes to set apart a large reserve fund. I am not against reserve fund being built up. It is a sort of equalisation of dividend and wages fund. It is necessary, but in judging these matters we have to see which reform is very urgent. I feel that the removal of injustice of the provident fund and the question of giving war bonus to the railway employees must certainly get priority in this claim. Reserve fund may be necessary, but it is not as necessary or as urgent a reform as those which I have stated. I would, therefore, suggest to the Honourable Member that he should not take up matters which are not urgent such as reserve fund and thus delay reforms. Moreover, the Honourable Member knows very well that he cannot spend the depreciation fund which he is accumulating. On the other hand you also know that the depreciation fund is so large that there are raids on the same. If the Government of India cannot spend the amount which they have set apart for the depreciation fund, how can any one prevent raids? If the Government of India go on hoarding money, which they know they cannot spend, these raids on the fund cannot be avoided. But if the Government spend money on labour welfare instead of accumulating unnecessarily a large depreciation fund, there will be no fear of raids. There are many similar things in the financial policy of the Government of India which I can point out. If the Government of India would delay these reforms—I am prepared to admit that they are reforms—the Government of India will have enough money to improve the conditions of life and working of the railway employees. I hope the Honourable Member for Railways who in my view has no doubt a genuine sympathy for the working classes will follow a bold policy and not follow a policy of going very slow, so slow that there will be no appreciation for the reforms which he may make.

**Dr. P. N. Banerjee** (Calcutta Suburbs: Non-Muhammadan Urban): Sir, the speech of the Honourable Member for Railways is a reminder that we are living in an age of inconsistencies. The Railway Member is inconsistent with himself, and the arguments advanced by him and by Sir Guthrie Russell are a bundle of inconsistencies. The Honourable Sir Andrew Clow, so far as I know, is a good man, but the first budget presented by him is a very bad one. It is so bad that it has already evoked protests from every part of the country.

**An Honourable Member:** No fault of his.

**Dr. P. N. Banerjee:** I will examine whether it is his fault or the fault of the Government of India. It is not probably his fault, but he voices the Government of India's views.

This budget seeks to increase the burden of individuals as well as the community as a whole. The increase in railway rates will very adversely affect all travellers on railways and as railway travelling has become now-a-days a matter of real necessity, this increase in rates will be keenly felt by all classes of people. It may be said that exemption has been made in the case of third-class passengers travelling distances of 50 miles and less. But that concession has not been made in a spirit of generosity. Whenever the Government in this country wish to tax people, they trot out high principles. The other day the Honourable the Finance Member, while speaking on the Excess Profits Duty Bill, said that his Bill was based on social justice. Now, my Honourable friend, Sir Andrew Clow, seeks to make out that the increase in fares is coupled with a concession in favour of the poorer classes. But that is not so. He merely wants to safeguard the interests of the railways as against bus traffic. But whether he will succeed or not is doubtful. The Honourable the Railway Member also exempts agricultural products like food, fodder, and so forth. But this also is not being done in the interest of the agriculturists who are poor, but this is in the interest perhaps of Britain and France which require raw materials of this country.

My own view is that this increase in rates and freights will very adversely affect the industry of the country. For nearly one decade Indian industry passed through a period of unprecedented depression and it has been only during the last two or three years that it has been recovering slowly and gradually. Now, to put such a huge burden on industry is extremely undesirable. The Honourable Sir Guthrie Russell, speaking in the other House, said that the burden on industry would be very small. He said:

"The enhancement in most cases is insignificant, especially when compared with the increase that has already occurred in the price of nearly every commodity."

The words "nearly every commodity" were in the original draft and they have now been changed into "some important commodities". However, what is the argument? The argument is this: the prices of commodities have already increased and if we increase the prices to a further extent, no harm will be done. I hope the Government know the old proverb, "the last straw breaks the camel's back"; for a Government to trot out such arguments is the height of absurdity. That industry in India will be adversely affected to a great extent is clear from the opinions we have received from various Chambers of Commerce and industrialists. Sir, I hold in my hand a telegram from the President of the Bengal Industries Association which runs thus:

"The proposed enhancement of railway freights will seriously jeopardise the position of industries. In face of fair profits of railways this year, such enhancement is most unjustifiable. Manufacturers will have to pay increased rates twice in transporting raw materials and finished goods."

Then, Sir, there is the question of what will happen to those who made contracts when the railway rates were not enhanced. What will

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happen to those contracts when the rates are enhanced. It is urged in this telegram:

"If Government are not prepared to reconsider the question provision should at least be made for granting proportionate increased prices to manufacturers in case of Government contracts and the right of cancellation in case of private contracts."

This is quite a just and fair demand, but I do not think it will be complied with. It is clear, therefore, that the proposed addition in rates and fares will impose a heavy burden on industry, and as an economist I feel it my duty to record my emphatic protest against the proposal.

Now, Sir, what is the justification for this increase? The justification is given on page 9 of the Honourable Member's speech:

"If railways fail to take advantage of times when the demand for their services is brisk, the inevitable result is that when the demand falls off, they will be unable to meet their obligations to the taxpayer. That is precisely what happened in the years following 1926, the important consequence being that in 1931-33, when the need of the taxpayer was greatest, the railways were quite unable to fulfil their obligations to him and had indeed, at a time of depression in industry, to enhance their rates."

So it comes to this, that the rates and freights must be increased, be it a period of depression or be it a period of recovery. My Honourable friend seeks to justify it on the ground that, in future, when depression comes it will not be necessary to enhance the rates. But the future Railway Member,—I do not think another depression will come in the time of Sir Andrew Clow,—will be able to find out another plea for enhancing the rates once more. So the attitude of the Government of India is, "Heads, I win; tails, you lose". In any case they must have their demand.

If Government had been really sincere in safeguarding the interests of the taxpayers they would have waited for a further recovery in the industrial and commercial position of the country. In the normal course of time they would have been able to contribute to the general revenues of the country to the fullest extent and to lay by a considerable sum year by year for the Reserve Fund. I may in this connection point out that Government would not have had to wait long. In 1938-39 the surplus was 137 lakhs; in 1939-40 it is 361 lakhs.

**The Honourable Sir Andrew Clow:** No, that is the estimated figure and that includes, of course, part of the enhanced rates.

**Dr. P. N. Banerjea:** Yes, to the extent of 30 lakhs. I will deduct that and say that in 1939-40 the surplus will be 331 lakhs, and that includes seven months of war activity. If we take twelve months of war activity what will happen? There is no reason to suppose that the war will come to an end soon; it is very likely that it will continue during the whole of the ensuing year. Therefore, we may, on a modest calculation and in the proportion that has been taken by the Honourable Member, estimate 300 lakhs as the increase in the coming year,—so that we will have something like a surplus of about 631 lakhs. And, when we have that surplus, we shall be able to pay the contribution to the general

revenues to the fullest extent, namely, about 4½ crores, and will be able to set aside for the Reserve Fund a sum which will be slightly below two crores of rupees. This will be the correct estimate. I am afraid the estimate made by the Honourable the Communications Member is an underestimate. I do not wish to ascribe any motives, but I must emphasise the fact that his estimate is an underestimate.

This brings me to the method of replenishing the Reserve Fund and making a contribution to the general revenues of the country. Sir, I am not in favour of altering the Convention which was arrived at in 1924. The railways should be able to make a regular contribution to the general revenues of the country and they ought also to be able to create a substantial Reserve Fund. But what is the best way of replenishing the Reserve Fund? It is not by means of fresh taxation but by taking advantage of renewed commercial and industrial activity. In the normal course the Government will be able to replenish the Reserve Fund and put it in a sound position. The Honourable Member says in the concluding paragraph of his speech:

"No great business should be obliged to live a hand-to-mouth existence and the only sound policy is to endeavour during the good years to put something aside for the bad ones."

I entirely agree, but how should you put aside something in good years for the bad ones? Not by means of fresh taxation but by economising your resources. That is the proper way to deal with the finances of a country. If the finances of the railways are in a bad condition, what are the reasons? The main reason is that the administrative charges as well as the capital expenses are very high in the Railway Department. A few years ago, huge palatial buildings were built for the Cawnpore and Lucknow railway stations, which surely could have been avoided. Then, Sir, in ordinary revenue expenditure also there is a great deal of waste, and although we often hear of a watchful eye being kept in expenditure that has in reality never been done. Expenditure can be reduced in various directions and, particularly, in respect of the top-heavy administration. The higher services are very highly paid,—I may say too highly paid,—and the number of officers in these higher ranks is far too large. Economy can be obtained by reducing the number of posts and by replacing non-Indians by Indians.

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member has two minutes more.

**Dr. P. N. Banerjee**: I will finish in two minutes. During the last fifteen years there has been some advance towards the Indianisation of the higher grades of services in the Railway Department, but this policy has not gone far enough. Even at the present moment nearly one-half of the gazetted services are manned by non-Indians. In spite of the protests of this Assembly and the public, this has gone on, and the time has come when this policy should be changed. What the country demands is complete Indianisation of the railway services at an early date.

There is one good feature in the budget and that is the decision with regard to the building of locomotives for the broad-gauge lines. If it had stood by itself the Honourable the Railway Member would have been

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flooded with congratulations. As it is, taken with the taxation proposals the meed of praise is not so great. Personally, I thank the Honourable Member for this decision.

Before concluding I should like to say that the new taxation proposals will create a good deal of discontent, and as there is already considerable unrest in the country, it is not desirable to add to it. I would, therefore, ask the Government to pause and seriously consider the likely effect of their proposals and then finally decide.

**Lieut.-Colonel Sir Henry Gidney** (Nominated Non-Official): Sir, I desire wholeheartedly to associate myself with previous speakers who offered their sincere congratulations to the Communications Member on his speech. Sir, I have been a Member of this Honourable House since its inception and I have listened to a good many railway speeches, but I can assure the Honourable Member that I have not yet listened to a speech so lucid, so dignified, so sympathetic and so full of the human touch, particularly towards the railway employees. This is the bouquet which I desire to present to the Honourable the Communications Member, but I wish this bouquet consisted of roses only. There are, however, a few thorns in it and if I do pointedly refer to these thorns I hope they will prick the Honourable Member badly and that he will accept them as constructive criticism, not in the position of a capitalist, as is the leader of my group, but as coming from one who is closely associated with labour for many many years and who knows the burdens under which they are, today, groaning.

If I were to sum up this budget, I should call it an effort on the part of the Honourable the Communications Member and of the Government of "making hay while the sun shines". The Honourable Member admits that the surplus he has presented to this House is due entirely to war conditions and that the war will continue for some time: and, yet, he finds it necessary to increase rates of freights and fares for passengers. It was only the other day that this House dealt with and is now considering the Excess Profits Tax Bill, meant to deal with those business concerns which made large profits out of the war. But, strange to relate here we have the largest business concern in India,—the railway administration,—taking advantage, if I may use that word reservedly, of a war situation, not with a desire to balance the budget, not with the desire to relieve the public, not with the desire to assist the poor labourer or the underpaid Railway employees but mainly with a desire to increase the revenues of the railways and to augment the reserve fund and to make more profits. With all respect to the Communications Member I feel this is not an opportune moment to have embarked on this policy. The Honourable Member admits that the passenger traffic is going down even now.

Sir, I am no expert in rates and fares and I have no desire to vie with experts who have advised him, or to advise the Honourable Member, but, it does strike me as being an extraordinary piece of logic, when passenger traffic is going down, that Government should increase the fares of those passengers. It is a well-known economic axiom that salaries

and wages seldom rise in proportion to price levels. I submit, with all respect, that this increase will adversely affect traffic during the war owing to the increase in the prices of commodities. The Government of India admits that the railways have been making a good profit, indeed an enviable profit as compared with other foreign railways—dividends of 3-6 to now over 4 per cent. Furthermore he knows that we have the war fillip to increase these profits and, so, I would ask him to be content with that. Why does he desire to increase the freight and passenger rates? To use his own words, it is to satisfy or to correct "the melancholy state of the reserve fund", which he said stands today at the insignificant amount of 48 lakhs. Surely, this condition has not been realised only today. It has existed for years. But it seems to me the Government has waited for the opportunity of the present war to better their railway finances by contributing towards the reserve fund 3½ crores and more, or 700 per cent. more. The Chief Commissioner for Railways in another place alleged that the contemplated increase was insignificant when compared with the increased prices of commodities. Viewed from any angle of vision, I opine a statement like that is not creditable to any government servant. If Government is prepared to increase rates and fares during prosperous years, all I can say is that it is a piece of sanguinary profiteering. I do not wish it to be understood that I am against any freights or rates increase. These are necessary at times. I am merely voicing my objection to the spirit which I feel pervaded the Honourable Member's speech in trying to retrieve the railway financial position—in other words, as I said before, of "making hay while the sun shines". I shall not repeat what the Honourable the Deputy President said in his speech with reference to the Transport Minister in the House of Commons in taking over the control of the British railways—he said Government would not increase railway fares and if it did it would have to justify it to the House. I should like the Honourable Member to take a leaf out of that book and apply it to his desire to increase passenger rates. I submit, Sir, with all respect, that this imposition of taxation is in spirit contrary to the object of the Excess Profits Tax Bill which Government has introduced into this House, and I am sorely tempted to add that this Honourable House should seriously consider why the Excess Profits Tax Bill should not be applied to the surplus earnings of the Railway Department which has been made as war profits. I am glad to know, however, that foodstuffs, grains and fodder are to be exempted. As to the exemption of the 50-mile radius from the increased fare for passenger traffic, I do not think there is much in it. Indeed I would call it an attempt to "throw a sprat to catch a mackerel". It is an effort to show the Honourable Member's concern for workmen who make short journeys and others. As a matter of fact, I am inclined to look upon it as a serious attempt made to vie with the severe competition Railways are today experiencing from bus traffic.

I am glad, Sir, and I congratulate the Honourable Member on the human touch he has shown, and which has characterised his career in the Government of India which I have watched from its infancy as it were up to now,—I am glad he has shown a certain measure of concern to a demand which has been dinned into the ears of the Railway Department for years past and to which they have, so far, turned a deaf ear,—I refer to the Provident Fund. The Honourable Member has been pleased to

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satisfy not in entirety the demands made by railway employees for this relief; he has proposed to follow a piecemeal policy, for which small mercy I thank him. I should, however, like to know what he exactly intends to do with the 12 lakhs allotted for this purpose. He said he would discuss it with the All-India Railwaymen's Federation. Sir, I have something to say about this Federation which may displease certain Members in this House. Sir, I stand in this House as one who is very much interested in railway matters, because most of my people are so employed, and I say here whatever may be the status and organisation of that Federation in the eyes of the Railway Member it cannot by any stretch of imagination be said to represent the views of members of my community or of the Railways as a whole—nor can its decisions be said fully to represent the views of all employees in the Railways. The Railwaymen's Federation consists of a caucus composed almost entirely of a certain community . . . . .

**Mr. N. M. Joshi:** No, no.

**Lieut.-Colonel Sir Henry Gidney:** My friend, Mr. Joshi, may say "No". But I repeat it is a political caucus. That Federation is not recognised by many Unions who look upon it as a political body used by extreme politicians to further their ends. The Muslim Association is not in it. The All-India National Railway Union are not in it. The Anglo-Indian, Domiciled European Association refuses to join it—and therefore it cannot be considered as the representative voice of all railway men in India. I submit that in all such conferences between the Railway Board and Railway Unions, as I pointed to the Honourable the Railway Member's predecessor, the Honourable Member in charge of Railways should call a conference of all those communities who are engaged on railways and so get their individual and collective opinion. It is then and then only will he be able to get the real voice of the railway employees. Theoretically the Honourable Member may be right in saying that the cost of living has not gone up, but let me assure him, coming as I do from the capital town of Calcutta, that the cost of commodities has certainly gone up, in spite of punitive measures adopted by Local Governments, and the staff as a whole are finding it difficult to make both ends meet . . . . .

**The Honourable Sir Andrew Clow:** I did not say that the cost of living had not gone up.

**Lieut.-Colonel Sir Henry Gidney:** The Honourable Member said that the cost of commodities has gone up but I repeat the cost of living has gone up. I may be wrong, but I do say that the cost of living has certainly gone up. I find, Sir, that prices in Calcutta have gone up by leaps and bounds and the lower paid employee is finding it very difficult to live. Sir, I know, from personal experience, how seriously the cost of living has affected the railway employees on the new lowered scales of pay—starvation wages.

The Honourable Member, Sir, has been kind enough again to show further evidence of the human touch, and that is the possibility, should circumstances demand it, of giving a 10 per cent. allowance to those employees on daily rates and to inferior servants who I am sure are very

grateful to him for this promised consideration, and for which he richly deserves the thanks of this Honourable House. But I submit it is distinctly unfair for him to ignore the facts of the situation and to close his eyes to the realities which face him. While I agree that the inferior servants deserve an increase of salary, I contend that such relief should be given to all employees on railways, because increase in the prices of commodities affects every one in an equal measure. In this connection might I ask if Government is seriously desirous of lowering the cost of expenditure of the Government of India, why do they not consider the question of lowering or forfeiting for the duration of the war the concessions granted to officials, etc., by the Lee Commission and so save for the exchequer about one crore of rupees? Why allow the subordinates to suffer? Why not accept them as beneficiaries to your surplus, for, it was they who largely helped you make this big profit which enabled you to more than balance your Budget? The Honourable Member also says that the average remuneration of the staff has risen, but speaking as a Member of the Anglo-Indian community whom I represent here, may I tell him without fear of contradiction that there is an average decrease of 25 per cent. and over in their emoluments today as compared with 1929. I repeat, the "average" increase to which the Honourable Member has referred has risen but this is attributable to the increases granted in the salaries of the inferior staff during the years subsequent to 1929, when such increase was considered very necessary. This average does not, therefore, present the real position of the reductions effected in the salaries of categories of staff whom I represent. I regret that the Honourable Member's speech suggests that service conditions on Railways are better than private employment, as far as emoluments are concerned and, therefore, he assumes that it is unnecessary to make any improvements. Let me disabuse the Honourable Member's mind. Many firms in Calcutta today have enhanced the wages of their employees, owing to the increase in the cost of commodities. Government were not slow in bringing forward the proposal for a 10 per cent cut during the depression period in 1931, but when today the Railways are distinctly making a profit, an enormous profit unprecedented within the last decade or two, I opine that the Honourable the Railway Member should have voluntarily come forward and offered an increase of wages at least to those who are on the new scales of pay. The Honourable Member has admitted that the cost of staff per train mile has been falling for some years and is now no higher than it was in 1922. Again, Sir, as a representative of a small labouring class that has played a great part in the Railways I cannot congratulate him on having worked towards this object. If anything, this is on the contrary sufficient reason for the grant of a special allowance to the staff during the period of the war, at least to those who are on the revised scales of pay to enable them to meet the enhanced cost of living.

The most pleasing feature in the Honourable the Railway Member's speech, and which is another instance of his desire to satisfy the demands of this House, is the prospect of manufacturing locomotives in this country. Sir, I believe I was the first in this Honourable House to raise this question and every year since then the House has been impressing upon Government the desirability of undertaking the manufacture of locomotives in this country, but, in the past, whenever this question was raised, we have been told that it was an uneconomical problem and that the demand made by the Indian Railways for locomotives did not justify

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the manufacture of locomotives in this country. I am, therefore, glad it has fallen to the lot of the present Honourable Member to promise this demand and I hope that undue delay will be avoided in putting it into effect.

Sir, I have recently had occasion to examine certain aspects of railway administration, and rightly or wrongly, I feel I must give expression to my findings on the matter. If I am wrong I shall stand corrected. If I am right, I hope the Honourable Member will pay due attention to it. Sir, it appears to me that on the State-managed Railways there has been a large increase in the recruitment of the number of railway officials as well as certain classes of subordinates, while the figures for Company-managed railways have been comparatively lower. I am aware that three or four of the State-managed railways are perhaps the largest in India. I am also aware that the total mileage of the State-managed railways is certainly more than that of the Company-managed railways. This may be one of the reasons for the increase in the number of railway officials on the State-managed railways, but in my opinion it is also due to some of these State railways being uneconomically run, and on which it spends quite a lot of money unnecessarily. Another factor is the loss incurred on the strategic railways, e.g., the North Western Railway. Leaving these considerations aside for the moment, may I instance and support my complaint by stating that, whereas on the four State-managed Railways between the years 1935 and 1938 the average recruitment of subordinates was 4,000 per annum while, on the seven Company-managed railways, it was just over 2,000 per annum. Referring to officials on State railways during the same period, 60 officials have been appointed including the lower gazetted service, whereas on the Company-managed Railways 49 officers were recruited, including the promoted officers. Sir, I submit to the Railway Board that this matter should engage their very careful attention, and I further submit it is likely that the position is one which has been largely due to undue political pressure being brought to bear on the administration of the Railways in recent times and no administration can be efficiently run on such lines. In fact, it sacrifices its "safety first" policy to political consideration and I strongly condemn this.

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member has two minutes more.

**Lieut.-Colonel Sir Henry Gidney:** I would, therefore, ask the Honourable Member in charge not to adopt the policy of cutting his nose to spite his face. I know, many in this House will think that I am condemning myself in making this statement, but let me make it clear here and now that as far as the Anglo-Indian community is concerned, there has been no increase in employment in railways. Indeed the employment figures of the Anglo-Indian community have gone down considerably, ever since the introduction of reservation in 1934. Indeed, Anglo-Indian figures have gone down steadily ever since the system of reservation was commenced in 1934. Before that year, Anglo-Indian subordinates were 11 per cent. and over but since 1934 it has steadily reduced till, today it is below the prescribed 8 per cent and in the last Railway returns is between 8 and 7 per cent. And so, Sir, I do not plead guilty to that as far as my community is concerned.

There are many matters which relate to the disabilities of the staff, *viz.*, railway passes, direct recruitment into grades, rules regulating grant of allowances—particularly Sunday allowances, refusal to confirm employees with 15 years' temporary service, *e.g.*, drivers, the bridge engineering department at Manmad, G. I. P. Railway, etc., but I would just refer to one or two points before I sit down. It seems to be the habit of the present Government today and of the railways in particular and their agencies and those to whom they delegate their power, to interpret the rules that have been issued by the Railway Board in multitudinous ways, with consequent loss to the employees who have to submit to this in silence. There are rules, for instance, with regard to communal recruitment, there are other matters also, where the rules are administered in one way by one railway and by another railway in another way, in fact in some railways the Divisions interpret rules as they choose to do. In olden times when rules were made they were interpreted in one light and there was no attempt on behalf of any railway or of the Railway Board or any one else to take advantage or so interpret parts of the rule to the benefit of Government and to the financial loss of the employee. I would present this matter for the serious consideration of the Honourable Member. I shall refer to the other disabilities when the time comes for the demands for grants, but I shall conclude by making an appeal to the Honourable Member to be so good as seriously to consider the granting of a ten per cent. war time allowance to the subordinate staff of all Indian railways, the same as private employers are granting. And, Sir, before I resume my seat, may I ask the Government to take a lesson from that great speech given by Sir Samuel Hoare which was broadcast last night on "Matters of Moment". The British Government have decided on measures which if applied in India would lead to the benefit and contentment of the Railway staff—indeed of India. This is what he said:

"The British Government have made profiteering illegal and so enabled people to get food at moderate prices. They have not raised the fares of the passengers. The British Government have declared a war on inflation, that is, stopped any uncontrolled rise in food and commodity prices, and have held down the prices of basic articles of food and so created an 'iron ration' within everybody's reach and home."

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member's time is up.

**Lieut.-Colonel Sir Henry Gidney**: Sir. I have done and with those remarks I resume my seat.

**Sir Abdul Halim Ghuznavi**: With the Congressmen not being here even to bark, the non-Congressmen's lot is that of one forsaken, and on the top of that the Honourable the Finance Member has taken fourteen of our Members to the Excess Profits Tax Select Committee. So, Sir, I have just to address an empty House on a most important matter such as the Railway Budget. I will put down all the points that I want to discuss in brief, and then I shall deal with each point later on separately so far as time will permit. My first point is that there has been a unanimous protest from all Indian Chambers of Commerce against the increase of freights and fares. They have pointed out that there is no

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justification whatever for what the Honourable the Communications Member has done. On the other hand, the speech he delivered here as well as the speech delivered by the Honourable the Chief Commissioner for Railways in the other House shows that there should be no increase at all in either of them. The next point is the question of building locomotives in India. The third point is the shortage of wagons; the fourth is the Mody Committee; the fifth is the paucity of Muslims in railway services and specially in the officer grades. This question of paucity of Muslims in the railway services was mooted by me in 1929. I have waited for ten years. (Interruption.) I want nothing more and nothing less; I want only my just share. I put it to my Honourable friend, Bhai Parma Nand, I do not want one decimal more than I am entitled to get. The next point that I want to deal with relates to two railways, the East Indian Railway and the Eastern Bengal Railway. Then I shall deal with the catering arrangements on the railways. There is a shortage of engines in the E. I. Ry., and we are now travelling with B., B. & C. I. engines from Howrah to Delhi. The E. I. Ry. has got no engines to bring us here or take us back to Calcutta. That is the position.

Let me take the first point. The Indian Chambers of Commerce are unanimous in saying that there is no justification for an increase in rates and fares, particularly, increase by a flat rate of 12½ per cent. and the increase of the surcharge on coal from 12½ per cent. to 15 per cent. up to 31st October and thereafter to 20 per cent. The increase by a flat rate on all commodities is against the fundamental principle of railway rating and would react adversely on the prices of commodities carried over long distances. What is the idea in imposing a flat rate of increase? The point is that the gentlemen who are concerned with the railways do not want to work. They want to earn their salaries by attending offices from 10-30 to 4-30, but they find it a little difficult task to ask and ascertain from each railway what are the commodities which can bear this increase so that they may impose this burden on those commodities only. But no, they would not do it, as it requires working, they would spare themselves this labour. Therefore, they put on a flat rate from A. to Z.

**Mr. M. S. Aney:** An idler's job!

**Sir Abdul Halim Ghuznavi:** It has been the principle on all the railways that whenever an increase or decrease is contemplated each particular commodity is taken into account, but I do not know why this was not done in this instance. Straightaway a flat rate has been imposed. Now, Sir, I will give you an instance as to why they are so idle. They had not even two minutes time to spare as it were. Take for instance jute. At its present price it can bear a little increase but they have not worked it out. If you read Sir Guthrie Russell's speech in the Upper House, you will see that they say that they cannot do it just now. They have left out the source where they can make a little money. The excuse is that the jute season is over. It may have been over so far as last year is concerned but not this year. The cultivators have not sent the jute to Calcutta yet, as they expect higher and higher price and the Railways cannot touch them. They did not care to differentiate jute and tea. Then what have

they done with coal? They are increasing the surcharge from 12½ per cent. to 15 per cent. and thereafter to 20 per cent. when the full season commences. They say "we buy all the coal in the off season. Why cannot the businessmen do it and get advantage of this rebate". Now, where is the businessman who can find money to do all this and where is the place to store the coal for one year ahead. After all coal prices have not gone up. They cannot stand even 12½ per cent. increase. On the other hand, they have gone down. Nobody wants coal. They want petrol and not coal. Then, Sir, what was the position in 1931-32? The rates and fares were increased because the Railways were not in a position to balance the budget. There was further increase in 1936 and this is the third increase. It is a day-light robbery and loot. The Excess Profits Tax is a sword of Damocles hanging over our head and now another sword is this increase of freights and fares. They say "Give us more freight, more fare and you can go to hell with your industries. We shall have our money all the same. This is the time for us to build our reserve". They want our blood-money to build their reserve!

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member has only six minutes more.

**Sir Abdul Halim Ghuznavi**: I shall finish within five minutes. Do they know, Sir, how their rates and fares compare with those of other countries? I say, they do not. The Honourable the Communications Member has said that for ten years they have been able to make 3.6 per cent. of profit which the Railways in other countries have not been able to do. Their shareholders would have been glad to get a dividend of 3 per cent. even. The Honourable the Communications Member further stated that they had been making a profit of 4 per cent. for the last 3 years. What then is the justification for this increase in rates and fares? They say "But we have not touched your foodstuffs and the fodder lest we should be blamed that we have raised their prices". The idea of letting alone the foodstuffs and fodder was not with a view to help the poor. The foodstuff is required by His Majesty's Government, and as they have to pay they want to keep down the price. Then, Sir, two speeches were made, one in this House and the other in the Upper House. They contain arguments which contradict each other and therefore they have no grounds to stand upon. I say that increase of revenue should not be made by increase of fares and freights. If you want more revenue, reduce your top-heavy administration and establishment. Look at the amount you pay and other companies pay for their headmen. How much do they spend? Whenever you want money, you raise it by increased taxation. The Honourable the Communications Member said that there shall not be increase of fares up to one rupee, that is to say, up to a distance of 50 miles. But this is not for the benefit of the third class passengers that they are shedding crocodile tears. It is to meet lorry competition. I can tell the Honourable Member one thing. I know with the empty benches here he will carry this increase without any opposition, but believe me when I say he will find in three months' time that his revenue will go down. It is bound to go down for this simple reason that people will boycott railways. Sir, I have finished.

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

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

**Mr. B. M. Staig** (Financial Commissioner, Railways): Sir, in the course of this morning's debate one or two Honourable Members referred to the Convention of 1924 and to the moratorium and a wish was expressed that I should explain the position in regard to them. As Honourable Members of this House are well aware, the relations of railway revenues to central revenues are regulated by the Convention of 1924, which is still in force.

**Mr. Muhammad Azhar Ali** (Lucknow and Fyzabad Divisions: Muhammadan Rural): Sir, there is no quorum.

(The Bell was then rung.)

**Mr. Deputy President** (Mr. Akhil Chandra Datta): There is a quorum now.

**Mr. B. M. Staig**: Sir, as I was explaining in response to the request made this morning that I should make clear the present position in regard to the Convention of 1924 and the moratorium; the Convention of 1924 is still in force. Its details are well-known to Honourable Members of the House and are reproduced each year as an Appendix to our Administration Report.

**An Honourable Member**: A little louder, please.

**Mr. B. M. Staig**: I need not, therefore, enter into these details. The main obligation they impose upon railway revenues is to pay a one per cent. contribution to the Centre each year on the capital at charge. For the first five years of the Convention up to the end of the year 1928-29, the Railways were able to discharge that liability in full from their surpluses and at the same time they were able, under the terms of the Convention, to accumulate a reserve of about Rs. 18 crores. Thereafter, the surplus was not adequate to meet the contribution in full and the railway reserve fund was drawn upon, first, to meet deficiencies in contributions, and later, to meet deficits in working also. From the year 1930-31 the Railways began to realize a deficit; not only did they fail to make the contribution but they failed to meet the interest charges fully. To enable these deficits to be met, loans were made from the Depreciation Fund. This situation continued up till the end of 1935-36. In the meantime, of course, the contributions to central revenues remained unpaid. At the end of 1938-39 the position was that these liabilities to the Depreciation Fund and the arrears of contribution to central revenues amounted respectively to Rs. 30½ crores and Rs. 35½ crores. As Honourable Members are aware, the Railways were relieved by Resolutions of this House, the first passed in October, 1937 and the second in August, 1939, from repaying these liabilities for the present. The first relief was given up to the 31st March, 1940, and the extension of the original moratorium gives relief from these liabilities up to the end of March, 1942. I need not enter into the reasons for these moratoria in detail; they were fully explained to the House (and accepted by them) by the Honourable the Finance Member in placing the Resolutions before the House. Had they not been approved, then the contributions to the central revenues from the Railways would have been precluded because the first

claim against a railway surplus, in the absence of a moratorium, is the debt to the Depreciation Fund. The fact that the past history of the Railways has been such as to create the liabilities to which I have been referring, Sir, I feel we must all recognize, a solemn warning for the future, and is an indication that any justifiable opportunity should be taken of strengthening our Railway Reserve. One Honourable Member raised the point that what we propose next year to put into the Railway Reserve should more appropriately have been paid to central revenues. Actually, our payment to central revenues next year includes our estimated shortfall in contribution—ninety lakhs this year. Of that liability, we are not relieved, because the relief given by the existing moratorium applies only to debts ending with the period 31st March, 1939. We must, therefore, pay to central revenues, next year, Rs. 90 lakhs in respect of the present year, but we avail ourselves of the relief given by the moratorium in regard to the previous years.

**Mian Ghulam Kadir Muhammad Shahban** (Sind Jagirdars and Zamindars: Landholders): Sir, let me congratulate the Honourable the Railway Member upon his being able to present a surplus Budget. I feel that people would have been more loud in congratulating my Honourable friend had he avoided the extra taxation by way of an increase in goods freights by 12½ per cent, and in passenger fares by 6½ per cent.

It may be, as was observed by the Chief Commissioner of Railways in the other House, that the increase would not be much, as according to him the increase in freights would be:

- On general merchandise, nine pies per maund,
- on salt and sugar, eight pies per maund,
- on fruits and vegetables, two pies per maund, and
- on petrol four pies per gallon.

Since this year is closing with a surplus of about 8·67 crores, and the year 1940-41 would have closed with about the same surplus without extra taxation, it would have been much better if no increase in freights and fares had been ordered; especially so, when the Excess Profits would also be taxed, and that would yield something like fifteen to eighteen crores of rupees.

However, there is a consolation that food grains would not be taxed with the increase in freights. As regards passenger fares, there would be no increase if the fare was below rupee one. That means a third-class passenger travelling fifty miles would not be required to pay anything more than what he pays at present.

If it was desired to increase fares for third-class passengers also, the Honourable Member should have made a beginning with providing some amenities for these passengers. Then, there is the question of over-crowding. The Railway Act provides no relief in this direction, though it makes it an offence for a railway servant to compel a passenger to enter a compartment which is already full to the carrying capacity marked in the compartment.

The carrying capacity for Indian troops is only two-thirds of what has been fixed for the public. For instance, a third class bogie marked to carry 100 passengers carries only 66 Indian troops and 88 European soldiers. In a hot country like India, the carrying capacity of the third

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class carriages should be reviewed and brought in line with Indian troops or a little higher—say 80 for a third class bogie now marked for 100 passengers; and the railway staff should take special pains to see that the passengers are evenly distributed. When there is likely to be rush on a particular train, important stations should be free to attach extra third class carriages, without waiting for orders from the headquarters of the Division office.

Every year the non-official Members press for the manufacture of broad gauge locomotives in India and the Indian people were told that it was not possible to build these locomotives in India. Where there is a will there is a way. My Honourable friend, the Railway Member, when he took office, appointed a Committee to investigate the possibility of manufacturing locomotives in India. The report of the Committee is in the hands of the Members. It shows that locomotives can be built in India at a cheaper cost. I congratulate the Railway Member in making this possible on which point the non-official side of the House was greatly agitated year after year.

I have to observe with regret that there is yet no hope of construction of the Sind-Bombay Railway. The history of this project is most amusing. The idea of having a direct broad gauge railway between Sind and Bombay was mooted a little before 1880. The first survey was made in 1879 and it was then considered by the P. W. D. in charge of Railways in India that this connection would not be a financial success. In 1900 a fresh survey was made. Again, it is said to have been found that the connection would not pay. In 1905 a different route *via* Hyderabad (Sind)-Badin Viramgam was decided upon. Since then, several surveys have been made in 1909, 1920, 1923, 1926, 1927, and 1930. At one time it was estimated that the project would be a commercial success yielding 5·3 per cent., but generally it has been maintained that the project would not be a success.

Like the locomotives manufacture in India, the Sind-Bombay project would be a success if the Honourable the Railway Member started this construction. The Indian Merchants Chamber from Karachi has already supplied figures of construction of this connection. Their expert officer has given elaborate figures and it would appear that the project is justified.

Unfortunately, the policy in recent years has been for the Railway Board to obtain guarantee from the Provincial Governments in regard to the possible return on the project. No Provincial Government can give the Board guarantee on this project, as it passes through Indian States. Therefore, the project should be considered on its merits and it appears that it would pay well. Let the Railway Board make a beginning and I am sure that it will be a grand success.

The Honourable Member is to be congratulated for the solicitude displayed for the railway labour, especially in the inferior service. The provision of the provident fund benefits to some of them would be greatly appreciated. The extension of the Hours of Employment Regulations to the remaining railways is also a move in the right direction and was long overdue, as these two International Labour Organization Conventions had been passed in 1919 and 1922.

But there is no relief in one direction, namely, removal of bar on Rs. 60 amongst the clerical staff. Most of the railway employees in clerical branches are blocked on Rs. 60 and they cannot rise over this limit for want of higher grade vacancies. There has been a constant demand from the employees on the North Western Railway that grades I and II for clerical staff be amalgamated so that the employees could go up to Rs. 90 by annual increments. The Honourable Member in September last said that the matter was under consideration, but I find no provision to alleviate the hardship of this class of employees. A beginning should also have been made in this direction.

There is another important point and it is about recruitment to the various services on the Indian railways. It is a very important problem so far as Muslims are concerned. Since the Government of India (Home Department) Resolution dated 4th July, 1934, was issued, there has been no appreciable increase in the recruitment of Muslims on Railways.

The services may be divided into three categories:

- (i) Gazetted,
- (ii) Senior subordinates,
- (iii) Lower subordinate services.

The figures for gazetted services show that in 1925, the ratio of Indian element in superior railway services was as follows:

State Railways . . . . .	29.40 per cent.
Company lines . . . . .	17.74 per cent.

This rose to the following figures in 1938-39, as per the Railway Board's report recently placed in the hands of the Honourable Members:

On State Railways . . . . .	55 per cent.
On Company lines . . . . .	49 per cent.

The Muslim recruitment has been:

	1925.	1939.
On State Railways . . . . .	3.47	7.13
On Company lines . . . . .	1.12	6.89

With regard to the senior subordinates, the increase of Muslim recruits shows the following results which indicates that at this rate the figure of 25 per cent. for Muslims will not be reached even in a century.

	1925.	1939.
State-managed Railways . . . . .	3.74	7.43
Company lines . . . . .	1.82	3.30

The figures for the staff in subordinate services on Railways are not easily available.

It is, however, gratifying to note that the Government have appointed an officer (Mr. Frank DeSouza) to investigate into the question of Muslim recruitment in railway services and it is hoped that his report will remove the inequalities of present paucity of Muslims in the railway services.

With regard to the recruitment on the North Western Railway, my observations show that there is no greater improvement. I represent Sind which is a predominantly Muslim province, having 72 per cent. of

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Muslim population. And on this basis, it is entitled to 72 per cent. of posts in railway services. But as the North Western Railway passes through six provinces, the ratio for Muslims on the North Western Railway as a whole has been fixed at 60 per cent. I find that Sindhi Muslims are not at all employed on the North Western Railway. I propose to give Honourable Members some figures of Sindhi Muslims employed on the North Western Railway.

There are 1,101 Station Masters on the North Western Railway of which only two are Sindhi Muslims. Of the 1,492 Assistant Station Masters, there are only two Sindhi Muslim Assistants. Out of 1,076 Signallers there are only five Sindhi Muslims. Out of 778 train clerks, the ratio of Sindhi Muslims is only two. Out of 1,107 Guards, there are seven Sindhi Muslims. Out of 119 Yard foremen there are only three Sindhi Muslims. Out of 40 Traffic Inspectors, there is no Sindhi Muslim.

There is no representation of Sindhi Muslims among Correspondence clerks, Goods clerks, Booking clerks, Invoice typists, Inspectors of Accounts, Permanent Way Inspectors and their Assistants, Inspectors of works and their Assistants, Mistries, Assistant and Sub-Assistant Surgeons, Dispensers, Trains examiners and various other categories. This is not because Sindhi Muslims are not available, but they are not being taken up—that is the real fact. Sindhi Muslim Matriculates of Bombay University are employed as cleaners in inferior service on a pittance of Rs. 15 per month at Kotri. All their efforts to get jobs in subordinate services at Rs. 30 have not succeeded because the headquarters of the North Western Railway are at Lahore.

Under the circumstances I would advocate recruitment to railway services on regional basis. Each division forming a recruiting centre. I find in the terms of reference to Mr. DeSouza that there is a talk of distribution among categories and areas. I would lay greater stress on this point that the recruitment on regional basis must be introduced on the railway and recruitment need not necessarily be centralised at Lahore even for Rs. 30 jobs.

The principle of regional employment is not new. It is observed in all provinces in the Central Government services; in the Posts and Telegraphs Department, the rules are that a person having domicile in the province can only be recruited to the subordinate services in that department. Even in the Punjab, the Revenue Member, the other day, made a statement that posts in the revenue department would be distributed on civilian basis. Full details of the scheme had appeared in the *Civil and Military Gazette* of Lahore on the 3rd February. With these words, I resume my seat.

**Mr. Muhammad Azhar Ali:** Sir, this House and the Upper House heard the other day the speeches from the Railway Member and the Chief Commissioner for Railways on the Railway Budget for 1940-41. I also join in the congratulatory speeches which have been delivered on the floor of the House to the Honourable the Railway Member for the reason that he comes from my own province. That is a special reason why I congratulate him for the position he occupies in the Government of India. Sir, I have great respect for his lucid and well delivered speech. But, Sir, as the Persian saying goes, whoever enters the salt mines becomes salt himself. So is the case with the Government of India officials. Whoever enters the groove of the Government of India service adopts

the same policy which the Government adopts. I cannot blame Honourable Members for that. The speech which was delivered the other day shows a deep laid diabolical scheme on the part of the Government of India. The public was horrified as to what more things will come. We do not know what to expect from the Honourable the Finance Member. It may be a bolt from the blue. So far we have heard of things which will leave a scar on the mind of the public for nearly a century. From all sides India is being crushed, high and low. Capitalists, industrialists, commercial people and every one has been affected and now comes the turn of the poor agriculturists and the cultivators. These schemes are designed to hoodwink the Indian Legislature of 1940. Humphreys and Srinivasans are brought into the picture to throw dust in the eyes of the public. It is said that this report will bring relief to the Indian people. In what way will it bring relief? The relief will be that the locomotives will be manufactured in India. All right. It is a boon for which India was crying for more than twenty years and now the boon has come after all. We welcome it. But may I ask whether the fate of this report will not be the same as that of other reports which have been placed before this House? I do not know whether this report will remain in the archives of the Government of India or whether it will be given effect to. There is a significant passage in the speech of the Honourable Member for Railways where he says "when they are convinced that the recommendation of the railway committee is a sound project, then the railway administration will consider it". Sir, this is a very deceptive and dangerous thing. It is not at all convincing whether the report will be attended to at all. The other day we heard that a black cat crossed the way of Mahatma Gandhi while he was going to the Viceroy's House and we all know the result of his talks with the Viceroy. That inauspicious accident will affect the whole course of India's progress, as in the same way, what do we find in the financial policy of the Government? We find that capitalists, industrialists, the poor cultivators, all alike are burdened with some sort of surcharge or other this year. As I said this report may or may not be considered at all. For the past twenty years we cried hoarse and clamoured for locomotive construction in India. The Government did not care for our requests. But now as their own tin-gods have produced a report they might follow it. Thus, Sir, the war fever has come to India to strangle her by taxation even before any country declares war against India and these people camouflage by means of show of surplus budgets, by means of purchases of more machinery to construct locomotives in India and also for building up reserves at the sacrifice of the interests of the masses of India. So we find mention about the purchase of small company-owned lines too, but they do not have the courage to buy up the B. N. W. R. and the R. K. R. which is constantly urged by the non-official Members. These two railways are paying fat dividends and if they are purchased these huge profits would come to the coffers of Government. They are purchasing small concerns but not these two paying railways. They should even borrow money, if necessary, and acquire them.

3 P.M.

Sir, in 1931-32 the railway freights were substantially increased and they have remained unaltered. In 1936, they were further increased on some specific commodities, and now with small exceptions the rate on everything has been increased. The Honourable Member expects prosperity for the railways in future owing to the war. But we somehow

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want the war to end, and if it does come to an end what will become of these expected profits and earnings? It is budgeting on a very doubtful item. The Honourable Member says that food-grains and fodder are exempted; but I do not know what will happen to sugar cane. It is well known that sugar cane cultivators carry the cane from their fields to the nearest station and it is transported by rail to the factory station. But if the freight on this item is increased I am sure the result will be that the cane will be carried by lorries or bullock carts from the fields to the factories and Government will suffer loss. On the one hand you pass the Motor Vehicles Act and on the other hand you bring in this budget. You, of course, want to get money but you really stifle the Indian industrialist and the cultivator by charging more from him and they will take to bullock carts. The producer does not travel more than 50 miles by rail. It will, of course, benefit the railway contractor only for the purpose of the war and nothing else. If that is the object you should say so plainly. I am sure these schemes that you have in mind will adversely affect the exportable commodities of foreign countries in competition with other exporting foreign countries as well. It must be realised that if these commodities on which you either grant exemption or raise the freight come from outside also with a lesser price paid, thus the price of these commodities in India will be higher. Therefore, these exportable commodities should be considered by the railway authorities. It will increase the price of sugar, cement, etc., as foreign companies will dump them into India at lower prices. We shall be forced to pay a higher price for things produced in this country and indigenous producers will also suffer because imported things will become cheap. In short this "national trading concern of railways", as the Government calls it, has come forward this year to put more money into the reserve fund, how? by enhancing its charges to the public rather than by reducing the high salaries of its highly paid servants and stopping the exodus to the hills. Our Leader of the House, the other day, in his great solicitude for cutting the daily allowances of Members of the Legislature, could not think of suggesting to Members of the Government themselves that they should effect some reductions in their pay. The Lee loot also still subsists.

**Mr. Lalchand Navalrai:** And their saloons!

**Mr. Muhammad Azhar Ali:** You are right—and in their saloons also. The increases recently made in the Railway Department are still there and no decrease has been suggested there. Why should India be taxed, why should the masses have to bear these huge salaries and to pay for these big-saloons? Why should they not be cut off rather than inconvenience the people?

**Mr. Deputy President** (Mr. Akhil Chandra Datta): The Honourable Member has got two minutes more.

**Mr. Muhammad Azhar Ali:** It is said that manure also may be taxed. I do not know. Manure is not, I think, exported by the railways for purposes of cultivation and the interest of the cultivator will not be affected by that. These are only theories, not practical propositions. You sit here and propound theories which perhaps you do not know yourselves and they affect the masses profoundly. You are here only to hoodwink

us. We will not allow ourselves to be hoodwinked. We are bound to expose you and we will do so whether you like it or not. This building up of the reserve fund is against all principles of business. Why did not the Government last year do anything, when its income was more than 81 crores—in fact for a number of years . . . .

**The Honourable Sir Andrew Olow:** I am sorry to interrupt the Honourable Member, but did he say that we made 81 crores last year?

**Mr. Muhammad Azhar Ali:** In the year 1939-40. . . . .

**The Honourable Sir Andrew Olow:** A surplus of 81 crores?

**Mr. Muhammad Azhar Ali:** No; an income of 81 crores. I say this emergency surcharge is a dangerous device and it may become permanent. The Government's estimate of the comparative prosperity of the railways is due to the war only—from September last till now and it was due to the export of necessities of war, movements of troops, etc. Otherwise the imports were falling. You are taking a very optimistic view of the future income from railways and the view is indeed tragic from the point of view of India's poverty.

**Mr. Lalchand Navalrai:** Sir, my reading of the budget is both rosy and gloomy. The question therefore arises whether we should congratulate the Honourable the Railway Member or not. We find he has taken up the question of locomotive manufacture in India and also the purchase of the Company-managed Railways and I sincerely congratulate him on these two points. The country has been crying all along that Indian industries should be supported and encouraged and we now find a committee appointed on this question of locomotive manufacture and the Honourable Member himself is favourably inclined towards it; and it is, therefore, necessary that we should come forward to support him in seeing that he implements these proposals in his own time. The Honourable Member has worked in several departments of the Government of India and I can say without flattery that though he is lean in body he has a very strong brain and great capability in working all the departments he has managed; and in addition he treats every one who goes to see him as a gentleman, and he has a genial nature. I shall not say anything more about him except to say that we expect many amenities for the public and the staff of the railways in his time.

Coming to the gloomy side of the picture, even there I will not blame him much because I think, in this matter of increasing the rates and fares, which many persons and commercial associations in the country regard as very hard, he has merely caught the contagion from the Honourable the Finance Member. The Finance Member felt why he should not make hay while the sun shone and that excess profits tax be levied; and as the Honourable the Railway Member sits by his side, he also felt: "Why should I not do the same thing in the railways?" But he has given no reasons at all for this, no reasons for this increase in rates and fares.

Now, Sir, the point we have to consider is whether there is any justification for any increase in the present rates and fares charged by the Railways. So far as I can see, there is no ground whatever advanced

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by the Government in justification of their proposal to increase these rates and fares. Evidently, the Honourable Member in charge of Railways has taken the leaf out of the book of his Colleague, the Finance Member, but that is no justification whatever. Of course, if there was a deficit Budget, then one could have understood the necessity for increasing the rates and fares to make it up, but that is not the case here as the budget figures he has presented for the past few months show a surplus of 213 lakhs, and on the basis of that the Honourable Member expects another surplus of 361 lakhs for the coming months. Therefore, there can be no justification for raising the rates and fares, unless he says that he wants to build up the reserves, which is another matter. So far as the depreciation fund is concerned, that also does not require the action which is now proposed to be taken by increasing the rates and fares which will result in displeasing the travelling public and inviting trouble from the railway workers. In former years there might have been some justification for increasing the rates and fares because the Railways were not making a profit, but now they are making a profit, and in the face of that I do not understand why they should increase these rates and fares and put the travelling public into so much loss.

Sir, these rates and fares have been increased from time to time—there has been practically no stability in this matter. In 1931-32 the rates were increased, and the reason advanced for their action was that the Railways required additional finances and the budget had to be balanced. But that reason does not exist now. Again what happened in 1936? The Railway Department quietly increased the rates on some of the specific commodities. Now again they have proposed to increase the rates and fares, but this will have a very bad effect on trade and commerce. One of the immediate effects of this will be that there will be increasing competition from motor traffic. Wherever there are good roads, motor traffic will be carried on on longer distances, say from Calcutta to Delhi. Of course, the Government will say they will control it, but how long can the Government control the motor traffic by their rules and regulations. If they do so, then there will be trouble like strikes and the like which are already giving cause for anxiety to the Railways. Of course, it has been said here that there will be no raising of the fares over a 50-mile radius, but this will not help anybody at all, because very few travel over such short distances. The majority of the people travel over distances longer than 50 miles, and, therefore, the so-called concession will not help the travelling public to any appreciable extent. If the Railway Board adhere to their present proposal to increase the rates and fares, the competition by the motor buses will certainly increase, and the Government will get nothing by increasing their fares, and, therefore, I submit it is a most unwise policy to increase the rates and fares at the present moment.

With regard to the question of purchasing the Railways, I am glad the Honourable Member is pursuing a wise policy, but this policy should not be confined only to two Railways. There is a complaint from this side that the Government should purchase the Bengal and North Western Railway also.

While I am on this subject, I may express our thanks to the Honourable the Railway Member for giving us two Railways in Sind, but I may tell him something about the Bombay-Gujarat Railway, although reference

was made to it by my friend, Mr. Shahban. The quarrel over this Railway is in respect of the estimates prepared by two different parties. The estimates prepared by the Buyers and Shippers Chamber, Karachi, and others are very much less than those made by the Railway Department itself. The Karachi Buyers and Shippers Chamber had sent a deputation to wait on Sir Thomas Stewart in connection with the construction of this Railway, and he asked for figures of construction. The Chamber appointed an expert, and his estimate is that it will cost four crores and 18 lakhs and that the return on the investment will be more than 5.3 per cent. That is certainly a very sound proposition, and I hope it will be accepted by the Railway Board. I am only afraid that this scheme may be turned down in the interests of shipping concerns. It is not right to do so. The Honourable Member should see that he goes ahead with the scheme without any special regard for the interests of shipping concern, because there is no reason whatever why their interests should have primary consideration in preference to the interests of the Railways and the people of the country. If the Sind-Gujerat railway is built, it will bring a 5.4 per cent. return as facts and figures have been sent to the Honourable Member by the aforesaid Chamber. I hope that the Honourable Member will now favourably consider the question.

With regard to the question of the services in Sind, my Honourable friend, Mr. Shahban, referred to the Sind section. So far as the Sind section is concerned, there is no regular or reasonable system on the basis of which the services are recruited. In Sind, the Muslims as well as the Hindus are suffering, I mean the Sindhis, because other people are imported from outside and we both suffer. I do not endorse my friend, Mr. Shahban's point, that Muslims should be given more appointments and not the Hindus, but I say that both of them are suffering in Sind, and I ask why should not a certain procedure be laid down. Let it be either on the territorial basis. There are seven sections including Sind Division and why not have your recruitment on the territorial basis? Or, it should be on the basis of population of each division, and if this is not possible, then it should be on the economic basis. I won't say anything more on this point but I shall deal with it at the time of the cut motion. As regards war allowance, the prices have gone up and it cannot be said that they have not gone up. The Honourable the Railway Member has not given anything to the employees in his budget as war allowance. He says that the prices have not gone up sufficiently high and that if the prices go up he would be prepared to examine the advisability of giving the war allowance or something like that. It shows some sympathy but the Honourable Member should give at least to those poor workers in the Moghalpura and other workshops some war allowance. Now, no allowance is being given to them and they are not able to live from hand to mouth. Then, coming to the question of the welfare of the services, Rs. 12 lakhs have been allotted.

**Mr. Deputy President (Mr. Akhil Chandra Datta):** The Honourable Member has got one minute.

**Mr. Lalchand Navsrai:** I will close with one remark about the speech of my Honourable friend, Colonel Sir Henry Gidney. It is said that 12 lakhs have been allotted for Provident Fund and that the Federation will be consulted as regards best disposal. I think it is the right move. But

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my Honourable friend, Colonel Sir Henry Gidney, says that that is not the right way of doing it. I ask, which association has he got, which institute of his own has he got that should be consulted for the disposal of this sum. If he has any, why should it not have been affiliated to the Federation? Let them join together and let the whole allotment be considered together, but he has no right to say that it should not be consulted with the Federation, which is the biggest union of workers and has been recognised and is having meetings with the Railway Board. My Honourable friend may fly over to England and say, "My Anglo-Indian friends should be given more pay" and he may succeed, but it is a long distance that he has to travel. As a matter of fact he has succeeded there at least in one case. I find that Anglo-Indian staff on railways get Rs. 55 whereas those of others communities get only Rs. 30 a month.

**Mr. Deputy President** (Mr. Akhil Chandra Datta): The Honourable Member's time is up.

**Mr. Lalchand Navalrai:** I have done, Sir. The point I was making was that there ought to be fairness. These are the points which the Honourable sympathetic Member of Railways should seriously consider.

**Mr. Nabi Baksh Ilahi Baksh Bhutto** (Sind: Muhammadan Rural): Sir, after ten years we had a rosy picture of the Railway Board. I congratulate the Honourable Member for the same. After discharging all the obligations, the Railway Member has set aside 2.98 crores for appropriation to Reserve Fund. The Reserve Fund has been entirely depleted during the period of depression. I am not sure whether he can constitutionally deposit money in the depreciation fund before discharging the general revenue.

The Honourable Member has not given any reason for raising the goods traffic rate about 12½ per cent. and passengers rate about four per cent. Such increase at the present time is neither just nor desirable.

I would like to be convinced by the Honourable Member for Railways that such abnormal increase in the goods traffic will not effect the cotton crops in Sind and Punjab. The matter has not been fully discussed and the Chambers were not given any opportunity to express their opinion.

I pointed out last year that the efficiency of the administration is suffering on account of stopping the direct recruitment in the upper subordinate grade. In reply to supplementary questions put by Dr. Sir Ziauddin Ahmad, the Honourable Member said that he has now permitted direct recruitment to the extent of twenty per cent. in all the ranks of the upper subordinate grade. The percentage is rather low and I would press, following the analogy of the recommendations of the Lee Commission, that the percentage of direct recruitment should be raised to 50 per cent. in all grades.

I read a notification in the Government Gazette with great satisfaction that the Honourable Member has deputed an experienced officer, Mr. D'Souza, to inquire into the working of the Resolution of 1934. I was rather surprised to find that work of this committee is restricted to mathematical calculation. Surely, you do not require a highly paid officer to do the calculation work. A second grade clerk in the office of the Railway Board would be competent for this work.

The Muslim Members have repeatedly pressed on the floor of the House that justice is not done to Muslim employees in matters of promotion and punishment. The question of promotion and punishment goes together and the cases of both the categories should be considered by Mr. D'Souza.

Some of my colleagues are invited to send few cases but I am surprised to find that these cases should be restricted to the grievances about promotions and not their grievance about punishment. Punishment is a wider word which includes stopping of promotion and I hope that Honourable the Railway Member would slightly widen the terms of reference and permit Mr. D'Souza to include other grievances or the Mussalmans will have no confidence in this enquiry.

In this connection I would like to draw through you, Sir, the attention of Mr. D'Souza, the investigation officer, to see whether the adverse remarks against the Muslims employees are entered in the Service Book just at the time of their promotion. Sir, it is the practice not only in the Railway Board but in other departments of the Government of India that the entries in the Service Book against the Muslim employees are made just at the time when their promotion becomes due; particularly at the time when they are getting into higher grade. I take this opportunity to impress on all the officers in the Railway Department and other departments of the Government of India that they should carefully scrutinize the dates of entry of unfavourable remarks of all the Mussalmans who are debarred from their just and well-earned promotion.

I am sorry that on account of personal engagements, I could not come to Delhi and move my Resolution myself about catering arrangements, but I am glad the Honourable the Railway Member has given an assurance to look into the matter and consult the Advisory Committee again. I am confident that all the members of the Advisory Committee will consider the uniform demand of the people on the following points:

- (1) The contract should be given as far as possible to local contractors and in no case monopoly should be permitted.
- (2) The Railway should not make any profit from the restaurants, shops and the vendors; they should only charge the nominal license fee.
- (3) The rate should not be higher than the market rates prevalent in the town.
- (4) Sub-contract should not be permitted and the person who takes the contract should personally supervise the business.

**Sir H. P. Mody** (Bombay Millowners' Association: Indian Commerce): Mr. Deputy President, I rarely speak on the Railway Budget and it is rather a pity that when I have to speak it is by way of criticism of the budget presented by my Honourable friend, Sir Andrew Clow. It seems to me that the Government of India are not much troubled by the humanitarian principle of tempering the wind to the shorn lamb. Judging from what has been happening, it would appear as if they want to gather not only the wool but parts of the poor lamb's anatomy as well. They are rather clever about the way in which they come to us. They come to us one after the other after what they regard as decent intervals. First comes my Honourable friend, the Finance Member, wanting to slaughter-

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industrialists on the plea of securing social justice. Then comes the Railway Member adding on fresh burdens on the plea that he must build up his reserves in prosperous times, and next week the Finance Member will take the stage again, carrying further the bleeding process under specious guises. One thing is common to them all. They all come to us with a very agonised expression. Well, Sir, their agony is no consolation to trade and industry in this country.

**The Honourable Sir Jeremy Raisman (Finance Member):** It hurts me more than you.

**Sir H. P. Mody:** I do derive a malicious satisfaction that it hurts the Finance Member more than me, but if he likes to be bled, I do not quite see why I, who am hale and hearty, should also be laid low.

So far as the Railway Budget is concerned, a novel doctrine has been enunciated by my Honourable friend, "We must tax you in bad times because we must fill up the gap. We must tax you in good times because we must build up reserves". In other words, whether the times are good or bad, there must be increased taxation. I want to know what is to happen to the industrialisation of this country to which everybody seems to be paying lip service, particularly from the Treasury Benches. Is this country to be allowed to be on the way to the full exploitation of its resources within a measurable distance of time or not? It seems to me that the policy of Government is being directed, not consciously it may be, towards the strangulation of the trade and commerce of this country. It is all very well to point to western standards of taxation and labour legislation, but it is forgotten that we are far behind any of the countries of the West so far as the progress of our industries is concerned. India may be the 8th industrial country in the world, but judged by western standards, the industrial production per head of the population is ridiculously small. We also know how miserably low the national income and the national wealth are. At a time when industries are called upon to bear so many heavy burdens, to impose upon them a further burden in the shape of increased rates and fares shows that the Government of India are thinking only in terms of revenue, and not thinking at all in terms of the general welfare of the country. Let it not be forgotten that industries are labouring under a great many handicaps even at this time when they are supposed to be rolling in prosperity. They are suffering from a shortage of many essential articles; they have to contend against demands for increased wages, and they have to pay much higher prices for the raw materials they use. I could have understood the Railway Member coming forward at a time which was normal and asking for an increase in rates and fares, but when industries are suffering from so many handicaps, to impose fresh burdens upon them, may be budget-making, but is certainly not statesmanship. In the name of commercial and industrial interests, which I think I can claim to represent, I must protest against the way in which continual burdens are being imposed upon the trade and industry of this country.

**Khan Bahadur Shakh Fazl-i-Haq Piracha (North-West Punjab: Muhammadan):** Sir, I take this opportunity to say a few words about the Muslim quota in Railway services, for which we have been clamouring so much for the last many years to no favourable results.

On seeing the latest publication of the Report of the Railway Board, on Indian Railways for the year 1988-89, it will be found that so far as the representation of services is concerned the interest of the Muslims continues to be utterly disregarded as before. On page 101 of this Report, it will be observed that the number of Muslim employees on the 31st of March, 1989, is shown to be 1,54,887 out of the total number of 7,00,666, which is a percentage of 22.1. In 1980, the proportion of the Muslims was 22.6 per cent. In the last decade, therefore, the results of the so called special protection given to Muslims by the Railway Board is a reduction of .5 per cent.

If today 8,500 non-Muslim employees were replaced by Muslims my community would just get what they had in 1980. To give to my community the 25 per cent. quota fixed by the Government of India, it will be necessary to replace 21,330 non-Muslims by Muslims. Sir, during the year 1988-89, the total number of employees increased by 8,600. If Muslims had got one-fourth share of these the number of Muslims would have increased by 2,150. But the actual increase in the number of Muslim employees during the year 1988-89 was 1,250 which is a shortage of 900. Instead of making good the past deficiency of Muslims, for which we have been crying every year, a further reduction has been made in the proportion of Muslims in the year under report.

Sir, this leaves no doubt in our mind that the Government are not at all serious about the orders they have issued, merely to throw dust in our eyes. We have been accustomed to believe that the orders of the Government of India are really the orders of the Government of India and that the subordinate authorities dare not disobey them. Anybody found disobeying the orders of the Government is punished but I think officers disobeying the orders of the Government, regarding the representation of the Muslims, get a pat on the back. If that were not so, such flagrant breaches of the orders would not be repeated from year to year with impunity. Now, I would draw the attention of the House to page 105 of the Railway Board's report. It shows that during 1988-89, 48 officers were appointed to the lower gazetted services. Out of these only two were Muslims which is four per cent. of the total. Again, on page 106 we find that 19 officers were promoted to superior establishment on Company-managed Railways out of which only one was a Muslim. Yet again, page 107 of the report shows that the total number of Muslim officers on State-managed Railways on the 31st March, 1988, was 71, on 31st March, 1989, their number was reduced to 70, although the total number of officers was increased during the year from 971 to 982. The percentage of Muslim officers to the total fell during the year from 7.3 per cent. to 7.1 per cent. Sir, if this is the result of the special protection given to Muslims, we do not want it; we were much better off without the reservations. I know that the Honourable the Railway Member will perform some juggler's tricks with his figures, and will try to throw some more dust in our eyes, but I ask, why is the present proportion of Muslims only six or seven per cent., both among gazetted officers and upper subordinates? Sir, for asking for our due share in the services, we are branded as communalists, but does not the Congress ask for Indianisation, clearly meaning thereby the appointment of the members of the community whom the Congress represents? Sir the use of the word "Indian" cannot deceive anybody. I know that generally our demands for adequate representation in the public services are not

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liked by the Government, and that the Honourable the Railway Member, with all his seeming earnestness, would tell us to wait patiently for many years to come, when none of us here will be present to witness the utter failure of the half-hearted measures. We see every year that these measures are failing to produce any effective results; they have produced rather negative results.

I hope the Honourable the Railway Member well knows the part that has always been played by the Muslim community in the protection of the Empire and of this country and the sacrifices made by them. I would like to ask if the Muslims are only meant to make sacrifices and to lay down their lives for the country and the Empire and not to ask for their due share in the public services? How long will the Government help the non-Muslims to hold their monopoly of all the lucrative jobs, and how long will the members of my community be kept down,—to be beckoned only when the sacrifice of their lives is demanded? Sir, I would warn the Government that the Muslims do feel such treatment of the Government very much and they are out to break this monopoly of the non-Muslims. We demand a one-third share in the Railway services in all its grades. Sir, it is a matter of very grave concern to us, and we cannot have any rest until we have secured our proper share. The Muslims, in being denied their proper share in the Railways services, are every year denied a sum of rupees eight crores in the form of the salaries alone, that unemployed Muslim youths would have been able to get if they were employed. Sir, the total amount of money paid to the Railway employees in the form of salaries, according to the recent Railway Report, to officers of the officers' rank is three crores per annum. We have only seven per cent. Muslims in the officers' cadre and mostly in the lowest grade. Similarly, we have twenty-two per cent. share in the gazetted cadre, but here again the Muslims are in the lowest grade. For example, their share in the senior subordinate's grades on Rs. 250 is as low as six per cent. Assuming that Muslims get half the average salary in each cadre, we get less than three and three-fourths of crores, as against twelve crores, on the one-third basis,—which would count to the loss of the Muslim community by eight crores every year! Add to it the loss suffered by Muslims on account of their being denied a proper share in the Railway contracts. Sir, the condition of the Muslim representation in other Departments of the Government is no better, and the community is, therefore, suffering a colossal loss every year merely on account of the policy of drift adopted by Government. I would, therefore, earnestly request the Government and at present the Honourable the Railway Member to give a serious consideration to this demand of the Muslims and thus to remove an old-standing grievance of the community.

**Mr. M. S. Aney:** Sir, I only want to make a few observations on the speech of my Honourable friend, the Member for Communications, and the Budget that has been presented by him to this House. Sir, he has received congratulations from all parts of the House; it is indeed a rare good fortune to be able to present a very hopeful and surplus Budget. But, at the same time, it is a tragedy that, being in a position to present a surplus, he has also to come before this House with proposals for higher taxation—the raising of rates and freights at the same time. Sir, this part of his Budget proposals has naturally aroused a good deal of criticism and I have no hesitation in saying that I have never seen a weaker case

made out for taxation than the one which is presented to us by the Honourable Member for Communications. Sir, it is admitted by him that even if these higher rates had not been introduced this year, still he would have a surplus and that there would be no need for him to raise rates and freights to make both ends meet and that he could still have a fairly good surplus to lay by. Then, what is the necessity of imposing these higher rates and freights? The reasons which he gives are these. He thinks that these are days of prosperity and, therefore, in these days of prosperity you must try to build up your reserves and to make more money for the same, so that they may stand in good stead when days of adversity recur. That is, in short, the logic which he has made use of in justification of the imposition of higher rates and freights. Well, our own experience is this. It is not for the first time that we are hearing of building up reserves. Reserves were built up and reserves have been swallowed up also. It is a story that is well-known to this House. So, when we come up against days of adversity, we do not know whether there will be any reserves for them to fall back upon. They might be spent for anything else and then the case for taxation will arise simply on the ground that there is an emergency and we have to meet that emergency by taxation to balance the budget. Therefore, without throwing any suspicion about the *bona fides* of the Honourable Member, I am not prepared to accept that as a very good ground, or as a very convincing argument either, in justification of these higher rates and freights. So far, I was under the expectation, when the Budget was going to be presented, that at least in this year's Budget we should see that a strenuous, conscious and deliberate effort would be made by the Government to accelerate the progress of industrialisation in this country, and that some symptoms of this effort towards acceleration of industrialisation on the part of Government would be visible somewhere in the Budget that would be presented . . . . .

**Sir H. P. Mody:** It is acceleration in the direction of the tail!

**Mr. M. S. Aney:** I quite agree. And I have been sorely disappointed in that. All my attempts to get information not only in this House but elsewhere from Mr. Staig and others have not succeeded in getting me any convincing proof that any effort is being made in that direction.

I know, Sir, that a war is always a bad thing and an undesired calamity no doubt, but if that calamity occurs, it is necessary for a country like India to make the most of that so as to improve the position of her industrial helplessness and to make a rapid progress towards its industrialisation: and as Railways are one of the biggest Departments which require a large number of stores, they should in such times try to be as self-supporting and self-sufficient as possible in times to come. Therefore, I was trying to find out whether there was more money invested in workshops for the sake of improving their capacity for turning out and manufacturing those articles which are not available at present and which we have to import from outside. Secondly, I wanted to find out whether there was any other indication in the budget of the help to Indian industries given by the Railways; because, after all, the Railways are a big means of communication and all industries more or less depend upon the help that Railways can give to them in the matter of taking their finished goods and getting their raw materials from one place to another. So, the question of freight is also one in which the Railways can really help the progress of industrialisation by adjusting the freights properly in sympathetic response to

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the demand made by the Indian industries. I do not find anything of the kind done at all. On the other hand, what I find is that unbearable burdens are being imposed. Therefore, that is one thing on which I feel the present budget to be a very disappointing one.

Turning to the question of the rise in fares, it is somewhat surprising to see that the Railway Member thinks it proper to raise the fares by means of one anna in one rupee. By way of information, I would like to ask something in this connection. What the Honourable Member said in his speech was that there will be an addition of one anna in one rupee fare and we have been told that this means that a passenger who is to travel only 50 miles or less will not be taxed, but those who travel more than 50 miles will be taxed.

**The Honourable Sir Andrew Gow:** That is only true of the third class passengers.

**Mr. M. S. Aney:** I admit that. But now-a-days on account of motor competition and so many other things, rates are very often so fixed that one rupee may not mean exactly 50 miles of travelling but it may mean even more. In that case, are you going to put one anna in addition to his fare or not? I would like to know whether the standard is 50 miles travelling or one rupee that you actually recover from him. On this point there is not sufficient clarification in the speech and elsewhere also I do not find much. So, I hope that point will be cleared by the Honourable Member in his reply. My objection to this enhanced fare is this. Although we have just begun to see better day and there is improvement and the depression has ended, still the number of average miles travelled by the third class passenger now is less than what it was even last year. I shall read the relevant portion from the Explanatory Memorandum on page 6. It runs thus :

"There was an increase in the number of passengers of approximately six and a half millions but a decrease in the total passenger miles of approximately 9.88 per cent due to the average lead of passenger journeys having fallen from 35.4 miles in 1937-38 to 34.3 miles in 1938-39. There was a decrease of 40 lakhs under passenger earnings, or 1.40 per cent."

The case is like this. Here is a clear proof that notwithstanding a little improvement in the economic conditions of the people in general, the general travelling capacity of the ordinary third class passenger has not increased but has on the other hand decreased. The mileage that he has travelled this year is less than the mileage that he travelled last year. In this state of decreasing capacity for travelling, we are imposing a tax which amounts to a burden on the fare which he was required to pay before. Secondly, it is also clear that your earnings from the passenger traffic are decreasing. Can it be said in such circumstances that you are imposing a tax which the traffic can bear? I do not understand what the phrase "the traffic can bear" means. I am afraid that this tax, instead of bringing more money, may inflict a loss. Even if it brings more money, you are ostensibly recovering it from those who are not in a position to give that money. That is what, to my mind, will be the net result of the new taxation which the Honourable Member wants to impose on the people in regard to the railway fares. This taxation proposal makes this budget considerably more difficult of acceptance by this side of the House.

There is also another point. When the Excess Profits Tax Bill was introduced by the Honourable the Finance Member, the principle that he wanted to enunciate was that this is a war period and those who are making profits out of the war should contribute to the war expenditure and so on. Therefore, he thought that as the big industrialists and big capitalists are making profits, it was justifiable to introduce that measure. The Bill is still under consideration but I am sure it will be passed by this House with more or less modifications either to the taste or distaste of my Honourable friend, Sir Homi Mody. I take it like that. The principle of that Bill is that the war expenditure was to be primarily borne by those who are making war profits. Now, I want to know whether my Honourable friend is of opinion that this third class passenger and the ordinary man whose goods are to be carried by the railways here and there are also persons who are expected to be making huge war profits? Do they belong to that class or are these people going to be called upon to pay more because the Government want more money for the sake of the war? I find that the increased rates are going to bring in something like 5½ crores. So, it is not merely a question of building up the reserve: it is also a question of making more money. There will be some eight crores by way of surplus, out of which something will go to the reserve and something to the general revenues. So, this more money is being brought to the general revenues in order to augment the resources at the disposal of the Honourable the Finance Member. That is all due to the fact that more money is required. Why more money is required? Simply to meet the increased expenditure due to war. Therefore, in a way, the Railway Department is trying to secure a contribution from the ordinary people towards the war expenditure. At least from this point of view, the test by which the Honourable the Finance Member wanted to justify his measure will not at all be applicable to the present case. It is a direct attempt to squeeze as much as possible even from those poor people who are out of sheer necessity being driven to the railway stations for the sake of travelling in order to make their contribution to the expenditure which has been increased on account of war conditions. To my mind, this budget means nothing less than this.

There is another point which I may also bring to your notice. There has been a very important change made to which reference is made by the Honourable Member for Communications and I myself being a party to it fully approve of it. The change is in the method in which the minimum for Capital expenditure was being hitherto fixed. Formerly, every item of expenditure above Rs. 2,000 was generally credited to the capital. Now, that limit has been raised to Rs. 10,000. This is evidently done with a view to stop the over-capitalisation as far as possible. I think it is a step in the right direction. In connection with that, I believe it would be necessary for the Railway Member to be more cautious in seeing that even within this limit of Rs. 10,000 it is not unduly taken advantage of by the Railway administrations, and efforts should be made to insist on the adoption of this principle by the Company railways also. Our ordinary expenses have on account of this change increased by 30 lakhs. The burden of 30 lakhs has been shifted from the capital expenditure to the general expenditure on this side . . . . .

**Mr. N. M. Joshi:** This reform can wait.

**Mr. M. S. Aney:** The Government could have waited. It may be that they introduced it this year to spend more money out of general revenues. But I think this was one of the reforms which was long overdue. I find the Honourable Member is well-meaning. But while he wishes well, he finds himself everywhere helpless. In his speech he has tried to assure us that he is very anxious to see that unnecessary burden is not imposed upon Indian industries. He is also anxious to see that unnecessary excuse is not made by the ordinary people for raising the price of foodstuffs and so on. In the exceptions he has tried to make, these are the anxieties which he has expressed as governing him in making those exceptions. I very much doubt whether the exception he has made will really enure to the benefit of the people concerned.

There is another point. So far as expenditure in the case of railway is concerned, the point which he has brought out prominently is this. He has drawn the attention of this House to the difficulty of giving the requisite number of wagons to coal dealers at a certain season when there is a great demand for them. He himself has suggested several times before that they should be in a position to spread over the demand for the supply of wagons during slack months also. Now, this year, he has tried to screw it up by making some difference in the burdens which they will have to bear now. What he is now suggesting is "that in respect of goods, there will be an enhancement of two annas in the rupee or 12½ per cent. on most commodities with effect from 1st March next. But from this rise we propose to make complete exceptions in the case of food grains, fodder, manures and railway and military traffic". In the case of coal the surcharge will be 15 per cent. and from 1st November next the surcharge will be raised to 20 per cent. I very much doubt whether this preferential enhancement in itself will be sufficient to enable these persons to make the demand beforehand, as expected; but, on the other hand, I feel that it will mean a good deal of hardship to them, for in order to put up their orders beforehand and in order to be able to purchase the coal at that time, they shall have to pay interest for over three months or even more on sums borrowed for that purpose. They will have to pay interest on the money which they have locked up in coal for several months in order to take advantage of the lower percentage of surcharge. This may practically negative the advantage of lower rate of surcharge to a great extent. That is a point which is for the businessmen to see. I do not know whether the scheme proposed by the Honourable Member will really enable the businessmen to make an earlier demand at a time when they will be able to supply the wagons. On the other hand I suggest that they should be able to get an adequate supply of wagons at the time they require them. This raises the question of supply of wagons at a time when the coal industry needs it. It is no use telling them that instead of making a demand at a particular time they should try to make their demand beforehand and make less pressure in the season. The demand will be coming in the season and, therefore, the railway should somehow or other make such arrangements with regard to its wagon stock and manipulate it in such a way that in the season the trade shall be in a position to get what it wants. Mere differences in the surcharges would not help the businessmen to make proper arrangements.

Now that my time is up, I wish to conclude by saying only this. The Honourable the Railway Member has no doubt prepared his budget meaning well, but his proposals are not likely to help the progress of industry and they are on the other hand likely to tell heavily on ordinary class passengers on account of the increased fares.

**The Honourable Sir Andrew Clow:** Sir, I am grateful to the House for the reception of the budget and the kindly remarks that several Honourable Members have made about me. I recognise from the start that the proposals that I put before the House could hardly be expected to be popular ones, and in the circumstances I am the more deeply grateful for the appreciation which Honourable Members have paid to our good faith and to our anxiety to find a way that will cause as little hardship as possible. It is true that in some of the bouquets, there were a few brickbats concealed, but that I think was only to be expected and I shall try to repel just a few of them.

My Honourable friend, the Deputy President, began by urging that they, on that side of the House, were not always on the wrong and not always unreasonable. I freely admit it. I have never claimed for myself or for those for whom I speak any monopoly of wisdom or any freedom from errors. But when he and others went on to say that many years ago they had urged the building of locomotives in this country and other people also had urged the same many years ago and that, therefore, we were wrong in rejecting that demand, I must submit there is a fallacy in that argument. It is like a man who is going across ploughed fields and while he is in the middle a man tells him "why don't you take a motor car and cross the fields". The man refuses to listen to his advice and then goes a little further and reaches better ground where the experts tell him he should take a motor car. The other man there tells him "I told you so several miles back. You should have taken a car then". Actually, I believe this delay in adopting the suggestion of building of locomotives has been all to the benefit of India. During the last seventeen years, India has ordered her locomotives abroad. Our demand for locomotives has been extraordinarily limited owing to various causes and of course, after the last War we found Europe with a big surplus of engineering capacity. I am quite sure that we got our locomotives during that period much cheaper than we could possibly have got then in India. If we had attempted to build locomotives on the scale for which we had a demand, it would have been an extraordinarily costly proceeding. Now, I hope, conditions have changed. If our examination which will be speedy is satisfactory, we should be able to embark with a far better period of demand than that which we have had for the last 17 years when we have bought abroad.

Then my Honourable friend referred to the Wedgwood Committee and quoted certain observations on raising rates. I think I could probably extract a little support for my policy even from the paragraph he quoted. But I would only suggest to him that the Wedgwood Committee were not contemplating a situation which we are now facing. He also suggested, I think, following a popular newspaper, that I was doing something terribly dreadful in trying to increase the reserves seven times. I submit that the arithmetic does not carry one very far. If instead of 48 lakhs

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in the reserve there had happened to be one rupee, I should have been accused of trying to increase it 80 million times. I do not know how that 48 lakhs came to be left. It is a small sum; but I repeat that the reserve we are trying to get and may not get is a small sum compared both with our income and with our capital. I do not propose to go into the subject of capital expenditure in spite of the invitation given by Mr. Aikman and some others. My Honourable friend, the Financial Commissioner, has already dealt with the position as regards the moratorium; and my reason for not dealing with the subject at the moment is that we are promised a debate next week when there is a Resolution on the subject of capital expenditure. I have no doubt that the matter can be discussed then with a saving of time to us at the present moment.

Mr. Aikman asked me about artificial manures and insecticides. I understand that artificial manures will enjoy the exemption that we are giving to other manures and that weed-killers at least will also be exempted. There are other insecticides which are not necessarily used in agriculture and I cannot promise exemption for them. He also asked me whether we were removing the rebates on export coal. My answer is, not at the moment; but, obviously, the situation has changed since those rebates were given, and we are examining the question to find how far the continuation of the rebates is justified. He also asked me to deal with the question of removing the maximum on the coal surcharge. I would remind him that that maximum was put on in 1935. It was put on at a time when the coal industry were in such desperate straits that they were proposing to restrict production; and from that measure, a measure which, as I believe, would have injured industry throughout the whole country and the coal industry in the end, they were mercifully saved by the Government of India. And, at that time, we gave them certain concessions, one, a reduction of the surcharge from 15 per cent. to 12½, and the other, the imposition of the maximum. These are the concessions we are now withdrawing. They were put on when, I think, first-class coal was down to very nearly half its present price.

Then, Sir Ziauddin treated us to one of his dreams. I was not very sure throughout his speech which part of it was in dream and which part was in reality. When he said that I had not given any reasons for raising the rates I am quite sure he must have been dreaming through that part of my speech. He also referred to the appropriation we are making to the reserve of 2·98 crores. I sincerely wish it was an appropriation. The actual fact is that it is only a surplus that we hope to get. It is far from being an appropriation. The process I think was described by Sir Henry Gidney as making hay while the sun shone; but I was not quite clear when the gallant Colonel expected hay-making to be done.

Then, Sir Ziauddin went on and made a grievance of the fact that the results this year should result in a decrease in our operating ratio,—a very strange grievance indeed! He seemed to think there was some mathematical figure of operating ratio and that if you went below it or above it there was something wrong with your economy. That was,—as far as I could grasp it,—his argument. Well obviously, by spending in a somewhat extravagant fashion the extra revenue I am trying to get I could get my operating ratio to the exact figure Sir Ziauddin wants but I do not think that will be regarded by any one as sound finance. He went

on to taxation and propounded a very novel theory which I am sorry my Honourable colleague, the Finance Member, was not here to appreciate. So far as I could gather it was that as soon as a tax ceased to give the proportionate yield that the first instalment had given, it was an unsound tax. I think he was confused between that and what are called diminishing returns. Obviously, if the gross yield from a tax or even the net yield actually diminishes, the tax is unsound; but the mere fact that the second instalment of a tax is likely to yield a little less than the one before is no argument against it. Actually, of course, we must expect a slight fall in our traffic for every increase in the rates that we make, and we have made a certain amount of allowance for that.

Then my old friend, Mr. Joshi, made his usual eloquent plea for those workers to whom he has given his life's work; and he pleaded that the first duty of the railways was to give the workmen a comfortable life. Well I should like to do that. I do not know what his definition is of a comfortable life; but if I were asked to put down a figure in this country at which a man could live, educate his family and enjoy the better things of life and not merely the poorer things, it would be a very high figure indeed compared with the average wage that a man now receives in this country. But I would suggest that you cannot, in a business like this, proceed on the basis of first setting down a standard of livelihood that you regard as comfortable and then, irrespective of the position of anybody else in the country, giving that to the workers with whom you are concerned. I have always maintained that Government should be a good employer and I have done what I can to help them in that way. But I do not think it is really sound that Government should set an artificially high standard for its employees, a standard of living very substantially above that which the same amount of skill and energy yields in other walks of life. He said we could meet the 72 lakhs for the provident fund from this year's surplus. True, we could. But when I am making provident fund concessions I have to remember that these are charges on the railway budget for 30 years to come. And in seizing a little of the profits due to the temporary causes of the war, for this purpose, I am not sure that I do not go a little further than might strictly be justified. If it were merely a concession to be given this year, and if I had no liabilities in the future, I would agree that the 12 lakhs set aside is a meagre sum. But I have to remember that a provident fund, whether we give it 12 lakhs or anything else, is a charge that has to go on and on. He asked me to say how much of it we are giving to the provident fund. As I said in my speech, that will depend on other claims, and that is, surprisingly enough, one of the matters which he objected to our discussing with the Federation. My Honourable friend, Sir Henry Gidney, also objected, but for somewhat different reasons. And I was glad of Mr. Lalchand Navalrai's support. For although the Federation does not embrace within its ranks by any means all the workers on the railways it is the biggest organisation we have to deal with, and I believe its advice would be valuable. It is not my intention to throw upon them, as Mr. Joshi suggested, an unpopular decision; the decision, obviously, must be ours, but we value their advice and the advice of all who speak for labour in matters of this kind.

Then, Dr. Banerjee reminded me that taxation created discontent and he talked of huge burdens.—a phrase in which his Honourable Leader, Mr. Aney, echoed him. I know that, it creates discontent, and I may

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have something to say later on the subject of taxation. But when he went on to arithmetic I was completely unable to follow him. Calculating, apparently, on the surplus we have been making in the last few months he estimated that if we did not raise the rates at all we would get 631 lakhs in the coming year. How he reached that figure I am unable to say. I can only suppose that he took our earnings in the very few weeks immediately following the war and asked me to believe that those earnings, despite the burdens from which Sir Homi Mody is groaning, would be continued without intermission throughout the coming year. Perhaps he was echoing the letter which I received this morning from the Federation of Indian Chambers of Commerce in which they say:

"The Railway Member admits that in view of the prospects of an enormous increase in the goods traffic, the railways can look forward to a prosperous period during the duration of the war."

I need not remind the House that I said nothing of the kind. Then they go on to build up on that argument and say: "It is reasonable to assume that existing rates and fares would yield larger revenue" and so on. But I find that in the very next page they say that the decision of Government to impose this additional burden is based on an unduly optimistic view of the present situation. If we have taken an optimistic view of the present situation, I wonder what they would say of the view taken by Professor Banerjee.

Sir Henry Gidney, I think, said that we ought to be subjected to the Excess Profits Tax. I submit that we have been subjected to that duty and more; for many years we have not been allowed to keep any of our profits and even this year, if my estimate is accurate, my Honourable colleague will get much the bigger share of our profits. He said that traffic in passengers was going down, and there he was echoed by Mr. Aney, who was, unfortunately, confused regarding the years in the financial statement. The years for which he was giving the comparison were last year and the year preceding that. This year our traffic is going up, not as rapidly as I would have liked: but at the present moment we are getting more than we were getting last year; and though we will be down on the whole year, we hope that the move will be slightly upward.

Then, he gave me a rose in his bouquet which I certainly did not deserve and suggested that I was about to give a ten per cent. rise to the daily-rated labour. I am afraid that is not my position if he will read my speech again. He alluded as a good example to certain employers in Calcutta who had given a ten per cent. increase. I wonder how many of them got reductions in the earlier years and how the earnings that the workmen are now receiving compare with those they were getting, let us say, in 1928-29. We also gave a ten per cent. increase when we restored the ten per cent. cut that we imposed in times of financial stress. In fact, so far as that kind of increase is concerned, I may say that we anticipated employers throughout the country. I am afraid I was not able to follow his argument about the comparative numbers of recruitment on State and Company-managed Railways. I did not know whether he was accusing State Railways of recruiting too many or Company Railways of recruiting too few . . . . .

**Lieut.-Colonel Sir Henry Gidney:** The former.

**The Honourable Sir Andrew Olow:** If that is so, I suggest that the State Railways cover a much larger area and employ a much larger number of men on their staff as compared with the Company-managed Railways, and though I was not able to check the figures, they did not seem to me to be disproportionate.

Sir Abdul Halim Ghuznavi dealt, as I expected, with coal and said: "You could not order coal for a year ahead". No one supposed you could. At least I did not. All we hope to do by this little differential rate is to try and encourage people to order coal a little earlier instead of, as they frequently do, a little late. I recognise that all manufacturers cannot, but those that can do it will be doing a service both to themselves and to the country. As a proof that is possible, I may say that so far as we can, we have been doing it ourselves and trying to build up our stocks at a time when the demand for wagons is slack. I was sorry he made the suggestion that, in exempting food grains I was thinking of purchases by His Majesty's Government. I can assure him honestly that the idea never crossed my mind, and that the reasons for our exempting food grains are precisely the reasons that I gave in my budget speech . . . .

**Mr. M. S. Aney:** May I ask whether in fact His Majesty's Government are buying foodstuffs also from India for themselves and their allies?

**The Honourable Sir Andrew Olow:** I made telephonic inquiries from the Director General of Supplies and so far as I know he has placed no contracts for food grains for them: that is all I can say.

Then, we had a series of speeches from Honourable Members from Sind,—Mr. Shabhan, Mr. Lalchand Navarai and Mr. Bhutto, all of whom were eloquent in urging the claims of their province to various concessions. I wish I could give them a little hope as regards the Sind-Bombay Railway, but I am afraid I cannot. My estimate of the figures is very different from that prepared by the Buyers and Shippers Chamber, and I think, if the Honourable Member will cast his mind over experience in the past, he will find that if we have erred at all in estimates of railway revenue from new lines, we have erred on the optimistic side in the past. Then, they all pleaded the claims of Sindhis. I was rather alarmed at the prospect of adding to the difficulties which communal recruitment gives us, the difficulties of recruitment by provinces or even by divisions. I am, however, loath to believe, in view of the eloquence and capacity displayed in this House, that Sindhis are at a disadvantage when it comes to competition with people from other provinces . . . .

**Mr. Lalchand Navarai:** The system is bad there.

**The Honourable Sir Andrew Olow:** I am not responsible for the system of education there, but I am quite sure that it will be remedied as time goes on. I think it was Mr. Navarai who repeated the suggestion that I gave no reasons for increasing the rates. The reasons are simply that we cannot pay our dues without raising the rates, and in the second place, we want to do a little to make good times pay for bad ones: There is very little more to be said. He referred, as Sir Abdul Halim Ghuznavi did, to the increase of rates in 1936: I think he said it was done quietly.

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I am not sure what is the difference between doing it quietly and doing it noisily, but the increase at the time was mentioned in the Explanatory Memorandum for the year and it was on a very few items. Actually, the trend of rates in the last few years owing to the grant of special concessions has on the whole been downwards.

Then there came that 'shorn lamb',—Sir Homi Mody. I have known him for many years and this is the first time I have been led to think of him as a lamb. His speech did not sound at all lamb-like to me. Echoing Professor Banerjee he complained that when times were bad we put up the rates because they were bad, and when they were good we put up the rates because they were good. There is this substance in his complaint that in 1931-32 when bad times came we had to put up the rates. I admit that. This was partly because in 1928-29 when times were good and the railways could have put more by than they did, they gave concessions and it was these concessions which cost about three crores a year, that had largely to be withdrawn in 1931 . . . .

**Sir H. P. Mody:** Is it not a fact that when it suits the Government they claim that theirs is a wonderfully managed system and that no other railway system in the world compares with it in the way of what it earns on its capital, and when it suits them they sing to a different tune and say that a return of four per cent. is not good enough after providing for full depreciation?

**The Honourable Sir Andrew Clow:** I wonder if the Honourable Member is always satisfied with that.

**Sir H. P. Mody:** Public services are different.

**The Honourable Sir Andrew Clow:** The Honourable Member claimed,—and I think in view of the energy and industry he has put in during the last few years his claim is justified—to be representative of commerce and industry in this country. Few men have done more than he, but I wonder if he was speaking for commerce and industry when he was urging me to have no reserves and to live from hand to mouth. I wonder if he follows that principle in his own business. I am quite sure that if my friend, Sir Homi Mody, was standing in my place, he would approve of the policy that I am following . . . .

**Sir H. P. Mody:** For some years I have been living on my own fat!

**The Honourable Sir Andrew Clow:** It is a case of the fatted lamb.

I do not propose to deal with my friend, Mr. Piracha's speech, because it is a subject which, I understand, is coming up,—I mean Muslim representation,—in the course of the demands for grants and will be more adequately discussed when we get to that. But I would like, before I finish, to say something about the question of taxation.

The main attack on the Railway Budget both inside and outside the House has been on the ground that the enhancement of the rates is improper because it is taxation. Let us look into the charge a little more

carefully. I admit that the effect of enhancing the rates must normally be to add a little to the prices of the articles. Does that constitute taxation or does it not? If it does, what are we to say about the much more substantial enhancements that have taken place in prices of commodities? My friend, Mr. Azhar Ali, suggested, that the enhancement of prices resulting from these rates would be "stifling to trade" and would be so tremendous that it may even affect our competitive position abroad. What is the effect of enhancements that have taken place in the last few months in commodities? So far as the purchaser is concerned, surely the effect is the same, whatever the increase of price is due to.

Let us look a little at the figures. I am going to begin with cotton, because that is particularly a vocal trade: at least, I won't say that of production, but of merchanting. I have had, for example, from the East India Cotton Association an eloquent plea expressing anxiety as to the position of the cotton grower. Now, in this month of February, I am told the price of M. G. F. G. Broach cotton,—I take it as the standard,—for April-May delivery in Bombay was Rs. 268 a candy. A year ago it was Rs. 152 per candy,—an enhancement of Rs. 116. The average increase we propose to put on cotton works out at less than one rupee a candy. Jute has risen, as the House knows, to extraordinary heights, and even now it is nearly Rs. 40 a bale over the price for a 500 lb. bale a year ago. We expect to get an increase of  $2\frac{1}{4}$  annas a bale. Take sugar, which is a commodity in which my friends from the United Provinces are interested. Taking a standard variety of Cawnpore, the prices have risen within the year by Rs. 1-9-0 a maund, and we expect the average increased freight to be about nine pies. Take oil seeds, and among the oil seeds, I will take groundnuts as a typical example, though it has not risen proportionately as much as other seeds. The price per candy of machine—decorticated nuts in Madras, I understand, has risen within the year just over Rs. 5. Our average increase in rate is about six annas. I do not want to go through the whole list, but I will take the commodity in which my friend, Sir Homi Mody, is interested,—steel products. Galvanised sheets at Calcutta have risen,—my friend will correct me if I am wrong,—by Rs. 8-8-0 a cwt. and mild steel joists have risen by Rs. 2. Our average increased freight amounts to just over an anna per cwt. I could go on multiplying examples indefinitely and burden the House, but I don't think I need do it because it is only general. The fact is that in the great bulk of commodities, there have been substantial increases, and only in the case of some of the heaviest commodities can the increased freight be regarded as even appreciable compared with the rise in prices which has already occurred in other ways. Is that taxation or is it not? If it is taxation, it is curious that it has not come in for far severer condemnation than our taxation has received, and if it is not taxation, in what do the increases we are imposing differ from it? I admit they do differ—and I will come to that later. Of course it may be said that our increases will, in some cases, not come from the consumer; in some cases, it will come from the middlemen; in some cases it will come from the supplier. If the protests I have received are any guide, it is the middlemen who have to pay in a number of cases. But suppose the incidence does fall in a few cases on the suppliers, whether they are primary producers or manufacturers or middlemen, in most cases they have already jointly received increases far exceeding

[Sir Andrew Clow.]

anything that we are asking for. And, surely, that is the relevance of the comparison on which so much scorn has been poured between the rise in prices and the rise for which we are asking.

Now, let me come to the real difference, the big difference, between our enhancements and the enhancements of prices which have occurred in other ways. I suggest to the House that the receipts out of our enhancements are going to the benefit of the community generally, whereas the receipts from the others go to benefit private or sectional interests. That, I suggest, is the big difference. Of our estimated receipts, Rs. 5½ crores go direct to general revenues to relieve the taxpayer precisely to that extent. I am not going to reveal any general budget secrets; but my Honourable colleague, the Finance Member, will not object to my saying that if he could not get this contribution, he would be obliged to make it good by other means, and when these other means are chosen, there will be no doubt at all that they will constitute taxation. I have not the slightest doubt that if the Finance Member were unable to get this 5½ crores, the proposals he would be compelled to substitute would raise a chorus of condemnation besides which the criticisms of the Railway Budget would sound almost like applause.

But, it has been asked, what about the surplus after meeting that obligation? That surplus, as the House knows, is estimated at nearly three crores. Now, on that I would like to say two things. In the first place, as I said in my opening speech, it involves a far larger element of speculation than any Railway Budget in recent years. We might conceivably get quite a lot more than we have estimated. We might much more easily get a great deal less. I am not a betting man, but if I were I would take a bet that we are more likely to get less than we have estimated rather than more, because, while our revenue can move in either direction fairly freely, our expenditure is not likely to fall very far short of what we have estimated and it might be considerably higher. Now, clearly at a time when fluctuations are big, and there may be bigger fluctuations ahead, it is surely unreasonable, knowing that I have got to pay this money to the general budget, for me to fix my estimate so that, if it is exactly correct, I pay that sum and no more. In other words, I leave the Finance Member uncertain as to whether he is to get any money or not. I think the House will agree that there ought to be a margin over that, and the only question is what the margin should be.

**Dr. Sir Ziauddin Ahmad:** Why did you not observe clauses 2 and 3 of the Convention of 1924 and pay the obligation to the general revenue before depositing any sum in the reserve?

**The Honourable Sir Andrew Clow:** I think my Honourable friend, Mr. Staig, dealt with that point in his earlier speech, but I have not noticed any great enthusiasm in the House for paying more to the general taxpayer than I am obliged to pay. The convention provides that after having paid that contribution the remainder up to a certain amount goes to the revenue reserve fund. I was asked, it is true, why we have not built up this reserve in past years. In past years, before we could have got anything into the reserve we would have had to make up the contribution to the general revenues, and that would have involved a bigger increase

in freights in past years than we propose this year. I would reiterate the point that you cannot work a great organisation like this on a hand to mouth existence and I am quite sure that in serious moments Sir Homi Mody would not make that demand. If you are going to fail entirely to take any advantage of more prosperous times, what is going to be the result? As Mr. Aikman has said, a depression is inevitable sooner or later, and the surplus for which we have budgeted if we get it—I have indicated I would be very glad to see it—if we get it, it will do something to prevent enhancements of rates, it will do something to prevent reductions in facilities, it will do something to prevent cuts in wages. I do not say that it will provide an adequate security,—what is three crores among so many, and who can foresee what kind of depression is going to face us after the war? But I do say that it will provide some insurance and that a time will come when the House will be glad to have it and when the country will feel grateful to the House that endorsed the policy that provided it.

The Assembly then adjourned till Eleven of the Clock on Friday, the 23rd February, 1940.