

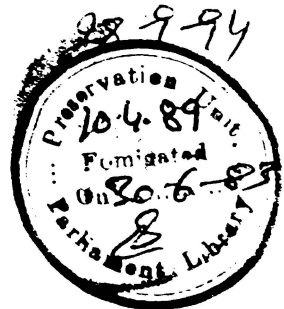
2nd April, 1934

THE
LEGISLATIVE ASSEMBLY DEBATES
(Official Report)

Volume IV, 1934

(2nd April to 14th April, 1934)

SEVENTH SESSION
OF THE
FOURTH LEGISLATIVE ASSEMBLY,
1934



NEW DELHI
GOVERNMENT OF INDIA PRESS
1934

Legislative Assembly.

President:

THE HONOURABLE SIR SHANMUKHAM CHETTY, K.C.I.E.

Deputy President:

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

Panel of Chairmen:

SIR ABDUR RAHIM, K.C.S.I., KT., M.L.A.

MR. K. C. NEOGY, M.L.A.

SIR LESLIE HUDSON, KT., M.L.A.

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

Secretary:

MIAN MUHAMMAD RAFI, BAR.-AT-LAW.

Assistant of the Secretary:

RAI BAHADUR D. DUTT.

Marshal:

CAPTAIN HAJI SARDAR NUR AHMAD KHAN, M.C., I.O.M., I.A.

Committee on Public Petitions:

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

MR. K. C. NEOGY, M.L.A.

SIR HARI SINGH GOUR, KT., M.L.A.

MR. T. R. PHOOKUN, M.L.A.

MR. MUHAMMAD YAMIN KHAN, C.I.E., M.L.A.

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LEGISLATIVE ASSEMBLY,

Monday, 2nd April, 1934.

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

MEMBERS SWORN.

Mr. Bertrand James Glancy, C.S.I., C.I.E., M.L.A. (Political Secretary); and

Mr. Gavarpet Krishnaswami Seshadri Sarma, M.L.A. (Government of India: Nominated Official):

STATEMENTS LAID ON THE TABLE.

The Honourable Sir Harry Haig (Home Member): Sir, I lay on the table a statement giving the information promised in reply to Sardar Sant Singh's starred question No. 299 on the 26th February, 1934.

RECRUITMENT OF SIKHS IN THE GOVERNMENT OF INDIA SECRETARIAT.

*299. (b) One Sikh Assistant is employed in a temporary capacity in the Department of Industries and Labour. There are no Sikh Assistants in the other Departments mentioned by the Honourable Member. No proportions have been laid down for the recruitment of particular communities.

(c) The information asked for is contained in the following statement:

Department.	Temporary appointments.	Officiating appointments.	Permanent appointments.
Army	Nd	During the last 5 years two second division clerks, one of whom was a Sikh, officiated as assistant on various occasions.	Nd.
Legislative	1	Nd	6 (4 filled by promotion).
Commerce	11	12	15* *This figure includes 3 officiating and 8 temporary appointments in preceding columns which were subsequently made permanent.
Industries and Labour (excluding P. W. Branch).	1†	11	5

† Held by a Sikh.

(d) The Honourable Member's attention is invited to the replies given in this House to Sirdar Harbans Singh Brar's question No. 1133, on the 25th March, 1931, and to parts (e) and (f) of his question No. 443 on the 22nd February, 1932. Government pay due regard to the claims of minority communities including Sikhs whenever appointments are made in any Department by direct recruitment to the Assistant's grade.

The Honourable Sir Joseph Bhole (Member for Commerce and Railways): Sir, I lay on the table the information promised in reply to starred question No. 337 asked by Maulvi Sayyid Murtuza Saheb Bahadur on the 3rd March, 1934.

GRIEVANCES OF DECK PASSENGERS ON BRITISH INDIA STEAM NAVIGATION COMPANY'S VESSELS PLYING BETWEEN BOMBAY AND DURBAN.

*337. (b) No urinal is provided for deck passengers, but there is ample latrine accommodation on the steamships "Tairea" and "Takliwa", which is required to be provided under the law.

(c) No. Three fresh water taps are provided on each of the above-mentioned ships for passengers using the upper deck.

(d) The Government of India understand that when the vessels call at certain intermediate ports the upper deck awnings are furled for working cargo, but that shelter from the weather is available for such of the deck passengers as remain on board.

(e) The "Tairea" and the "Takliwa" are visited by an officer of the Mercantile Marine Department every time they call at Bombay.

(f) Government are considering whether conditions could be further improved in some of the directions referred to in the question.

The Honourable Sir Frank Noyce (Member for Industries and Labour): Sir, I lay on the table the information promised in reply to Mr. D. K. Lahiri Chaudhury's starred question No. 280 in the Legislative Assembly on the 26th February, 1934.

PAYMENT MADE TO CERTAIN NAVIGATION COMPANIES FOR CARRIAGE OF MAILS BETWEEN CERTAIN PORTS.

*280. (a) (i) The total amount of sea transit charges credited to the British Post Office in respect of parcels sent from India by the Steamers of the Peninsular and Oriental Steam Navigation Company during the year 1932-33 was £9,118-8-2.

Mr. G. S. Bajpai (Secretary, Department of Education, Health and Lands): Sir, I lay on the table the information promised in reply to supplementary questions to starred question No. 1310, asked by Mr. M. Maswood Ahmad, on the 7th December, 1933, and the information promised with reference to the replies to questions Nos. 494, 495, 496, and to Nos. 533 and 534 asked by the same Member.

EXPORT DUTY ON RICE.

*1310. An account of the research schemes designed to increase the efficiency of rice production in India is contained in Appendices XV and V to the proceedings of the meetings of the Advisory Board of the Imperial Council of Agricultural Research, held in June, 1930, and January, 1931, respectively, which are available in the

library of the Legislature. Annual progress reports on the work done on these schemes are also being printed in the proceedings of the meetings of the Advisory Board held in August, 1933 and February, 1934. Copies will be placed in the library of the Legislature as soon as they are available.

2. The question as to the factors which have contributed to the displacement of Indian rice in foreign markets has been examined in the annual reports on the work of the Indian Trade Commissioners in England and Germany during 1930-31 and 1931-32. They are available in the library of the Legislature. It may be noted that there has been a remarkable increase in the amount of Indian rice exported to the United Kingdom from 42,635 tons in 1931 to 2,74,902 tons in 1933.

**PROVISION OF CHAIRS IN THE OFFICE OF THE PROTECTOR OF PILGRIMS,
BOMBAY.**

*494. (a) No.

(b) Does not arise.

LATE OPENING OF THE DOOR OF THE PILGRIM SHIP "JEHANGIR".

*495. Presumably the reference is to the door of the shed leading to the wharf. If so, the answer is in the negative.

ALLEGED BEATING OF HAJ PILGRIMS BY A EUROPEAN AT BOMBAY.

*496. Enquiries have been made and it has been found that the allegation is false.

DECK PASSENGERS ON THE PILGRIM SHIP "JEHANGIR".

*533. 385 deck passengers.

LATRINES IN THE PILGRIM SHIP "JEHANGIR".

*534. 4 latrines with 39 seats.

Mr. G. R. F. Tottenham (Army Secretary): Sir, I lay on the table the information promised in reply to unstarred question No. 328 asked by Mr. Jog on the 14th December, 1933, the information promised in reply to unstarred question No. 67, asked by Khan Bahadur Haji Wajihuddin, on the 19th February, 1934, the information promised in reply to parts (b), (e) and (f) of unstarred question No. 78, asked by Khan Bahadur Haji Wajihuddin, on the 19th February, 1934, and also the information promised in reply to unstarred question No. 179, asked by Mr. S. G. Jog, on the 10th March, 1934.

**GRANT OF DISABILITY PENSION TO CERTAIN PERSONS INVALIDED DURING THE
GREAT WAR.**

328. (a) Yes.

(b) Because the certificate which was given some 11 years after the death occurred, was based on the presumption that the man died of the disability on account of which he was invalided from Mesopotamia. There is no evidence to support this presumption. In fact the evidence available goes to show that the man was invalided to India from Basra on the 22nd September, 1916, suffering from Scurvy, while he

was admitted to hospital in India on the 13th January, 1919, for Pneumonia, i.e., 27 months after his return from field service.

(c), (d) and (e). There is no principle of the kind referred to. Each case is decided on its merits,

(f) No.

(g) *1st part*.—The decision had nothing to do with the fact that the disease happened to be Pneumonia. It was based on the grounds explained in the answer to part (b).

2nd part.—Yes.

(h) It is not a fact that no death from Pneumonia has been held to be attributable to military service.

DEMOLITION OF ALLEGED ENCROACHMENTS OR UNAUTHORISED CONSTRUCTIONS BY THE EXECUTIVE OFFICER, AMBALA CANTONMENT BOARD.

67. (a) The answer is in the affirmative.

(b) Only in emergent cases.

(c) There has been no disregard of the law or of the instructions issued by the Northern Command.

NOTICES SERVED UNDER CERTAIN SECTIONS OF THE CANTONMENTS ACT BY THE EXECUTIVE OFFICERS.

73. (b) The answer is in the negative. The Ambala Cantonment Board passed a resolution authorising the Executive Officer to demolish all encroachments. This resolution was obviously not in accordance with the provisions of the Cantonments Act and it was vetoed by the General Officer Commanding-in-Chief, Northern Command.

(c) and (f). Section 25 of the Cantonments Act is intended to be used in emergent cases and Government have no reason to believe that it has been used incorrectly. They do not propose to take any action in the matter.

DISABILITY PENSION TO MILITARY EMPLOYEES INVALIDED DURING THE GREAT WAR.

179. (a) No instructions have been issued to the Pension Controller to act in the manner stated, nor have Government any reason to believe that he is acting in that manner on his own initiative. In the particular case referred to in part (a) of the Honourable Member's question, No. 327 dated the 14th December, 1933, Government have already discharged the onus resting on them under recommendation No. XII by bringing the man before a medical board and proving that he is physically sound and suffering from no disability whatsoever. A discharge on "medical grounds" as recorded in discharge certificates would not necessarily imply or prove that the cause of discharge was a disability contracted on and or attributable to field service.

(b) The Honourable Member is apparently referring to the category of cases where medical boards, held to adjudicate on claims to pension, have found the individuals concerned to be suffering from no disability whatever. If a man is suffering from no disability, no disability pension is admissible, and the question of making any adverse presumption does not arise.

(c) In the absence of any evidence whatever, not necessarily from Government records only, obviously recommendation No. XIII cannot apply. Government must protect themselves against exploitation and cannot grant a pension for the mere asking. From the cases so far dealt with by them they are satisfied that reasonable evidence can usually be produced in cases held to be *bona fide* ones.

Mr. P. R. Rau (Financial Commissioner, Railways): Sir, I lay on the table the information promised in reply to starred question No. 161, asked by Dr. Ziauddin Ahmad, on the 19th February, 1934, and also the information promised in reply to starred questions Nos. 402 and 404, asked by Lala Rameshwar Prasad Bagla, on the 7th March, 1934.

CIRCULAR ABOUT THE SICK REPORT OF THE TRAVELLING TICKET EXAMINERS.

*161. (a) A copy of the circular referred to has been forwarded to the Railway Board by the Agent, East Indian Railway, who reports that the intention of the circular was to warn staff to report sick immediately they are taken ill and not to wait till they were warned for duty.

(b) No.

(c) The circular was issued on the responsibility and over the signature of the Assistant Superintendent, Staff.

WORKING OF STAFF IN THE CRACKED HEAD OFFICE BUILDING AT JAMALPUR.

*402. The reply to the first part of the Question is in the affirmative, but the Agent of the East Indian Railway has reported that the building has been used only after it had been thoroughly examined by responsible officers of the Engineering Department and reported on as being quite safe. I am informed that no earthquake tremors have been noticed at Jamalpur for a considerable time.

WATER CONNECTIONS AND LIGHTS GIVEN TO THE TEMPORARY COLONIES OF WORKERS AT JAMALPUR.

*404. The reply to the first part of the Question is in the affirmative, and the second part does not therefore arise.

ELECTION OF THE STANDING COMMITTEE ON EMIGRATION.

Mr. G. S. Bajpai (Secretary, Department of Education, Health and Lands): Sir, I beg to move:

"That this Assembly do proceed to elect in such manner, as the Honourable the President may direct, eight non-official Members to sit on the Standing Committee on Emigration."

Mr. President (The Honourable Sir Shanmukham Chetty): Motion moved:

"That this Assembly do proceed to elect in such manner, as the Honourable the President may direct, eight non-official Members to sit on the Standing Committee on Emigration."

The motion was adopted.

Mr. President (The Honourable Sir Shanmukham Chetty): I may inform Honourable Members that for the purpose of election of members to the Standing Committee on Emigration, the Assembly Office will be

[Mr. President.]

open to receive nominations upto 12 Noon on Saturday, the 7th April, and that the election, if necessary, will, as usual, be held in the Secretary's Room on Tuesday, the 10th April, 1934. The election will be conducted in accordance with the principle of proportional representation by means of the single transferable vote.

THE INDIAN TARIFF (TEXTILE PROTECTION) AMENDMENT BILL.

PRESENTATION OF THE REPORT OF THE SELECT COMMITTEE.

The Honourable Sir Joseph Bhore (Member for Commerce and Railways): Sir, I beg to present the report of the Select Committee on the Bill further to amend the Indian Tariff Act, 1894, for certain purposes.

THE SUGAR (EXCISE DUTY) BILL.

Mr. President (The Honourable Sir Shanmukham Chetty): The House will now resume consideration of the motion* moved by the Honourable Sir George Schuster on the 29th March, 1934, and the amendment† moved thereon by Mr. M. Maswood Ahmad.

Lala Hari Raj Swarup (United Provinces: Landholders): Sir, I stand here to oppose the Bill, the consideration of which has been moved by the Honourable Sir George Schuster. Sir George Schuster, in his speech in making his motion for reference to Select Committee, referred to the propaganda carried on in the press and on the platform against the proposed excise duty. In the course of his speech, he also said that his desire to fight had been immensely increased by the propaganda that was carried on. He also referred to the large number of telegrams received by him as well as to the representations submitted to him by the industry. So far as the representations from the industry are concerned, I do not find that there is anything in them to excite his desire to fight, and, before doing so, he should know against what he is fighting. He is fighting against an industry which was granted protection by this House only two years ago. The industry has hardly had time to organise itself, and Sir George Schuster has shown his desire to fight against this infant industry.

*"That the Bill to provide for the imposition and collection of an excise duty on sugar be referred to a Select Committee consisting of Diwan Bahadur A. Ramaswami Mudaliar, Mr. S. C. Mitra, Mr. Muhammad Azhar Ali, Seth Haji Abdoola Haroon, Lala Hari Raj Swarup, Mr. Jagan Nath Aggarwal, Mr. Bhupat Singh, Lala Rameshwar Prasad Bagla, Mr. R. S. Sarma, Mr. A. Das, Bhai Parma Nand, Mr. C. S. Ranga Iyer, Mr. F. E. James, Mr. G. Morgan, Nawab Major Malik Talib Mehdi Khan, Sirdar Nihal Singh, Major Nawab Ahmad Nawaz Khan, Mr. G. S. Bajpai, Mr. G. S. Hardy, and the Mover, with instructions to report within seven days, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

†"That the Bill be circulated for the purpose of eliciting opinion thereon by the 1st of August, 1934."

Sir, in the course of his speech he cleverly avoided making any reference to the Resolutions unanimously passed by practically all the Provincial Legislative Councils. These Resolutions, Sir, cannot be said to have been invoked by any party feeling or by any persons interested in the manufacture of sugar. These Councils, Sir, as you know, consist of representatives of growers, of consumers, of landlords, tenants, industry and commerce, and these Councils have unanimously passed Resolutions condemning this excise duty as opposed to the interests of the grower, the consumer and the producer. I thought that at least these Resolutions of the Provincial Councils would teach some moderation to my Honourable friend, Sir George Schuster, because he delivered to us such a strong sermon on the ethics of moderation on Thursday last. Is it any immoderation on our part to come to this House and say that we only want what was promised to us by this House? We do not want anything more, and I will refer to this in a later part of my speech. It is, Sir, rather immoderation on the part of Sir George Schuster as he desires to fight against an infant industry.

Sir George Schuster delivered two speeches on this measure, one while introducing the Budget and the other while making the motion for reference of the Bill to Select Committee. If one goes carefully through his speeches, one hardly finds any facts and figures to show that sugar manufacturers are making the so-called 100 per cent, 200 per cent or 400 per cent profit. He based his arguments merely on hearsay evidence of persons like Mr. Mody, who may be an expert on textiles, who may be an expert on diversion of trade from Bombay to Kathiawar, but who certainly cannot be an expert on sugar. Sir, when Mr. Mody told Sir George Schuster that his share of the Belapur Sugar Factory at one time fetched only two rupees and that it now stands at Rs. 186, Mr. Mody should also have told him in the same breath that the Belapur Sugar Factory was established about 16 or 17 years ago with a capital of about 40 lakhs. For the first 10 or 12 years, the Company did not pay a single pie of dividend to the shareholders, with the result that half of its capital had to be written off, and no wonder that the value of the shares went down to Rs. 2. For the first 12 years, the shareholders did not get any dividend, and it was only during the last five or six years that they got a dividend of 15, 20 or 30 per cent, with the result that the value of a share now stands at Rs. 186. Sir George Schuster was clever enough to select only a few other cases like the Cawnpore, Champaran and Samastipur Factories. He chose the pick of the industry. These factories are old factories established about 10 or 12 years ago. My Honourable friend here reminds me that the Cawnpore factory was established 25 years ago. But I challenge Sir George Schuster to tell me the name of a single factory even from the list of old factories which has made 100 per cent. profits. Sir, when old factories cannot make more than 25 per cent profits, how it is possible for new factories to earn even ten per cent promised to them?

The Honourable Sir George Schuster (Finance Member): I never suggested for a moment that any factory had made 200 or 100 per cent profit. I talked about 300 per cent appreciation in the value of the shares.

Lala Hari Raj Swarup: Sir, when he talks of appreciation in shares, Sir George also asks us to be content to allow the value of shares to fall to 100 per cent or so. But how can this depreciation in the value of shares be brought about unless these factories begin to run at a loss? As a

[Lala Hari Raj Swarup.]

matter of fact some factories are already experiencing depreciation in the value of shares. In a night the value has come down from 330 to 250, and instances can be multiplied. The real test for finding out whether the industry is making 30 or 50 or 100 per cent profit is not to quote the shares from the share market or to quote hearsay evidence which are always misleading, but to tell this House how much it costs to produce a maund of sugar and how much we recover in price for a maund of sugar. I will now, with your permission, Sir, proceed to inform this House how much it costs us to produce a maund of sugar. The Tariff Board, in paragraph 64 of its report, compares the price of sugar that should prevail in the beginning of the protective period and in the end. At the end, they say that the cost of production, excluding the price of cane, should be Rs. 2-7-6 per maund. In this Rs. 2-7-6 per maund, they have not included anything for depreciation or interest on working capital or profit which they calculate to be reasonable at ten per cent, and, on account of these three heads, they put down Rs. 1-11-8 per maund. Their estimate of the cost of production is further corroborated by a statement of the Sugar Technologist to the Government of India in his monograph on the "Open Pan System and White Sugar Industry", in which he says that the cost of manufacture is about Rs. 2-9-0. To this Rs. 2-9-0 we have to add the cost of cane which, on the average, is six annas a maund, and 12 maunds of cane make one maund of sugar, that is, Rs. 4-8-0. Therefore, Rs. 4-8-0 plus Rs. 2-9-0 comes to Rs. 7-1-0. What is the price of sugar that we are realising at this time? The prices in India are governed by the prices prevailing in the central tract, that is, the Gorakhpur district. In the Gorakhpur district, the price of sugar is on the average Rs. 7-12-0 per maund. My friends can naturally put the question, could you not transfer the difference to the consumer? It is not possible for us to do so. The price of sugar ex-factory is controlled by the price that we are able to realise in distant markets like Madras, Bombay and Karachi, and it is necessary for us to do so in order to clear our stocks, because we are producing almost all our requirements. In Madras, Bombay and Karachi, the price today of Java sugar is in the neighbourhood of Rs. 10-2-0 per maund. Out of this Rs. 10-2-0 per maund, a freight of Rs. 1-8-0 on an average has to be deducted, and six to eight annas per maund goes on account of the difference in quality. Therefore, the maximum price that you can realise for No. 1 sugar is eight rupees per maund. If to this we add the price of No. 2 sugar, the average barely comes to about Rs. 7-12-0 per maund. What is the result? The cost of production is about seven rupees, and the price that we are able to realise is Rs. 7-12-0. We are thus left only with 12 annas to one rupee per maund to cover profit, depreciation and interest charges.

An Honourable Member: What about income-tax?

Lala Hari Raj Swarup: Income-tax is at the top of that. This is the present position. What will be the position when this excise duty of Rs. 1-5-0 per maund is imposed? It means that, instead of a credit account, we shall have a debit account.

Sir George Schuster, in his speech on Thursday, said that he was not committing any breach of faith. The industry as a whole feels that the Government have committed a breach of faith and are asking the House to side with it in committing that breach of faith.

Mr. N. M. Joshi (Nominated Non-Official): How is it a breach of faith?

Lala Hari Raj Swarup: Firstly, the breach of faith consists in the fact that you are not going to allow us even to realise what was promised to us by the Tariff Board and by this Honourable House when you passed the Sugar Protection Bill. As I have told you just now, if this excise duty is levied, we will not make any profit, nothing to say of provision for depreciation and interest charges. The Tariff Board, as I have told you, Sir, in paragraph 64 of its report, says that Rs. 1-11-8 per maund must be left free to the sugar manufacturer to cover depreciation, interest charges and profit of 10 per cent. Secondly, this Bill creates new circumstances which were never contemplated in the Sugar Industry (Protection) Act, that is, it creates circumstances which will increase internal competition and it will not allow us to realise the prices that were supposed by the Tariff Board we could realise. I know that when I make a reference to this question, I am entering a thorny field, that is, that this Bill creates a distinction between the small producer and the large producer. It is good that Sir George Schuster has promised to go carefully into this question in the Select Committee. I will only make one point in this connection, and it is this. It is not the desire of the industry or of the big factory owner to kill the small manufacturer. But what I ask is this that you should not create conditions which will wipe out the big factory out of existence, because, if you do so, you will not only waste 20 crores of rupees invested in this industry, but you will also not make your country self-sufficient at any time. Sir, Sir George Schuster's defence in this connection is that he gave a warning last year. Sir, that warning was too late, the factories that are working now have been ordered before that warning.

Sir George Schuster, in his speech on Thursday, said that, in spite of so much burden to the country, what is it that the consumer is getting. Sir, this duty of Rs. 7-4-0 per cwt. was imposed in 1931 only for a purely revenue purpose. It was increased to Rs. 9-1-0 per cwt. in 1931,—that too for revenue purposes. At that time, the consumer had to pay Rs. 11 per maund of sugar landed in the port. What would have been the condition today? Had not this Protection Bill been passed, the consumer would have been getting sugar at the same price at which he used to get in 1931, and had the Protection Bill not been passed, Sir George Schuster would not have any compunction for the consumer and he would have in his anxiety to find money gone on increasing the import duties on sugar, with the result that the consumer would have suffered still further. I will give some figures from the book of Mr. M. P. Gandhi, who has written a wonderful book on sugar, in order to show what benefits have accrued to the consumers under the protectionist scheme. My figures are based on an average consumption of 600,000 tons of sugar per year. Java sugar sells at present at Rs. 10-2-0 per maund, that is, had we been using all the Java sugar, we would have had to pay today Rs. 18,02,25,000. According to the Tariff Board's recommendation, sugar would have sold today at Rs. 8-13-1 per maund, that is, we should have paid Rs. 15,90,46,875 per year, and what is it actually that the consumer pays today. He pays at the rate of Rs. 7-12-0 per maund which comes to about Rs. 14,17,50,000. It is clear that the industry today is supplying India with sugar at Rs. 3,84,75,000 below the present Java price and at Rs. 1,72,96,000 below the average price recommended by the Tariff Board.

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Mr. President, Sir George Schuster further said, how long is this country going to bear such burdens in order to foster these industries? I will remind my Honourable friend that India is still behind many other countries which are taking whatever steps they can in order to make themselves self-sufficient in their needs of sugar. Mr. M. P. Gandhi, in his admirable book on Indian Sugar, Past, Present and Future, gives in Table No. 3 the duties that are in force in the various countries of the world at the present time. In Germany, the duty is Rs. 15-15-0 per cwt. In France, it is Rs. 14-4-0 per cwt., and, in the United Kingdom, it is Rs. 7-12-4 per cwt., and, in Australia, there is a complete embargo. In this connection, it is noteworthy to see that in Great Britain, in addition to this import duty of 7-4-0 per cwt., the Government of England has given bounty to the tune of 37½ million pounds to be given to the industry during the course of ten years. In the case of India, Sir George Schuster is sorry to have lost ten crores

The Honourable Sir George Schuster: Per annum.

Lala Hari Raj Swarup: Yes. Other countries have also imposed tariff duties and lose large amounts every year.

Now, he says in his speech, that the greater part goes, of course, to pay for the lesser efficiency of production in India as compared with Java and the balance goes in profits to those who have invested in the sugar companies. This is a highly unjust charge against the industry. He should know that, out of this 10 crores, more than 6½ crores goes to the grower, and I hope that my friend, Sir George Schuster, is not unaware of the fact that, had this Protection Bill not been passed and so many factories had not been put up, the agrarian trouble in the U. P. would have assumed such a dangerous stage that it would have been difficult to control it. Out of the remaining three crores and a half, a considerable part goes to the labourers, the railway and the Posts and Telegraphs, and much less than ten per cent promised by the Tariff Board is left to the industries concerned. He has made this charge of inefficiency which I cannot allow to go unchallenged. In this connection, I will refer only to the figures and the conclusions arrived at by the experts of my friend, Sir George Schuster, because, our own figures may be taken as misleading. In his review of the sugar industry of India published in the *Trade Journal* of 2nd November, 1933, Mr. Srivastava, in Table No. 13, says this; but, before I read it, I should like to inform the House as to how you should judge the efficiency of a sugar factory. The main test is, how much sugar you are able to recover out of cane. On that depends the efficiency of the sugar factory. In India, in 1923-24, the efficiency was 7.45 per cent of cane. In 1924-25, it was 7.79, in 1925-26, it was 8.43, in 1926-27, it was 8.47, and so on; it went on increasing, when, in 1932-33, it went up to 8.66. As against this, the recovery of Java was 11.44 in 1923-24 and 11.92 in 1931-32. My Honourable friend, the Finance Member, will probably in his concluding speech say: "Well, you are still three per cent down that of Java"—but the difference consists in two facts; one, that the sucrose in our cane is about 2½ per cent lower than in Java, and in places where the sucrose in cane is the same as in Java, we are behind Java only by half per cent, as in Bombay. In places like Bihar and Orissa and United Provinces, where the available sugar in cane is hardly 11 to 12 per cent as against 14 to 15 per cent in Java, it is necessary

that the recovery in sugar should be lower by two or three per cent. Secondly, in this short space of two years, you cannot expect us to get that experience and trained labour as is available in Java. Sugar-making, Sir, is a highly technical industry and it should be rather to our credit that we have maintained this efficiency or rather increased the efficiency in spite of these difficulties. Mr. Srivastava also acknowledges this fact:

"When expansion is rapid, conditions are generally unstable and efficiency suffers and this is what has taken place to a certain extent in the present instance. But it is a matter for some satisfaction to those concerned with the technical aspects of the present development that even in the first year of their operation the new plants have shown results which on the average are not inferior to those of factories established for several years."

Sir, there is also another charge made against this industry to which my friend, Mr. Maswood Ahmad, also referred the other day; that is, the price of cane paid by these factories. Sir, as I have said in an earlier part of my speech, we are paying on an average six annas a maund for cane; and this was the price that was calculated by the Tariff Board to be payable to the grower when sugar could sell at Rs. 7-12-0 per maund. Sir, though we are not realising anything for mollasses, we have not allowed the price of cane to go below six annas per maund. Sir, there is a further proof that we are paying a reasonable price in the fact that in areas where there are factories operating within a radius of four or five miles, we do not find a single *gur* factory working,—that is, the growers do not convert their cane into *gur*; and why do not they do that? Because they find it profitable to sell their cane to the factories. Sir, the price of six annas paid to the grower is four times more than what he can make out by converting it into *gur*. In this connection, I would like to quote from the proceedings of the Sugar Conference held at Simla on the 10th, 11th and 12th July, 1933. The Honourable Mr. A. H. Lloyd, interrupting Mr. H. C. Prior, put the following question to him:

"I should like to ask one question. Will the Revenue Secretary from Bihar and Orissa kindly say from his experience in his own Province if he is prepared to bear out the statement made by a very recent speaker that sugar-cane sold in the factories fetches three times the price that it gets where there are no factories "

Mr. Prior replied :

"Conditions in Bihar vary between North Bihar and South Bihar. In North Bihar, a very great majority of the cane is sold to white sugar factories. In South Bihar, a very small amount of cane is sold to white sugar factories. The average price of *gur* made from the cane in South Bihar was Rs. two a maund and that I think represents about 1½ annas per maund of cane."

Just compare this with the six annas that the factories are paying.

The Honourable Sir George Schuster, in his Budget speech, mentioning one of the reasons for bringing in this excise duty, said that "we also want to protect the interests of the grower". Sir, I do not understand how he is going to protect the interests of the grower by this Excise Duty Bill. I can understand that the fixing of a minimum price for cane under a separate Bill might give some advantage to the grower, but the Sugar Excise Duty Bill is definitely opposed to the interests of the grower. Sir, it will affect him in three ways. By the imposition of the excise, our crushing season will be shortened, because the margin to which we work will be narrowed down by one rupee, with the result that we shall start later and close earlier; that is, as for instance, in Meerut we start at present in the beginning of November and go on to the first week of April. The result of this

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will be that we shall not be able to commence till about the middle of December, and we will have to close earlier. Sir, during this time the grower will suffer and he will perforce have to convert his cane into *gur*, the price of which will be further reduced. Secondly, this Bill seeks to impose a duty on those factories also which make sugar from *gur*, that is, factories which refine *gur*; and, therefore, with this duty, these factories will close down, with the result that the demand for *gur* will be reduced, and it will bring about a further depression in the price of *gur*. Thirdly, though a minimum price for cane is going to be fixed, I understand that it is not going to be an arbitrary fixation of price; it is bound to have some relation to the cost of production of white sugar in the factories, and that, with this one rupee a maund of excise, the cost of production will be increased by one rupee. Part of this excise is bound to be transferred to the grower and in that he will get a lesser price for his cane. Mr. President, from all this you will be able to see that this Bill is against the interests of the grower, the consumer and the producer, and so I will request this House not to allow this Bill even to go to the Select Committee. But if this House does not feel convinced and is of opinion that this Bill should be referred to the Select Committee, then, Mr. President, there are various points which will have to be very carefully considered in the Select Committee. The points for consideration are whether the duration of the Act should be permanent or for a year; whether the duty should apply only to large factories or to small factories as well; whether the duty should apply to all kinds of sugar as proposed or only to cane sugar factories and *gur* refineries being exempted; whether the duty should apply to stocks produced before the 1st of April, but issued later as now proposed, or they should be exempted; whether the factories started this year and the last year which had no time to consolidate their position should be exempted; whether the provisions regarding factories established in the States are correct or require re-modelling on the lines of provisions contained in the Matches (Excise Duty) Bill; whether the penal provisions should be re-modelled and whether the rate of duty is excessive and, if so, should the same be reduced to half or to a quarter; and, last, but not least, whether the import duty, as at present, is sufficient or should be increased, and, if so, to what amount?

Mr. President, I will not dwell at length upon all these points, but I will only refer to one point. I will ask my Honourable friend, Sir George Schuster, to tell me how he has calculated his figure of 1.47 lakhs that he wants from this industry and how much production he has calculated to arrive at this figure? Making backward calculation, the total produce on which he has calculated this duty of 1.47 lakhs, is 560 thousand tons, but I have authorities from which I shall show you just now who say that the produce of sugar from factories, which are proposed to be brought under the Bill, will be 910 thousand tons, that is to say, a little less than double the quantity that he has taken into consideration. Again, referring to the Sugar Technologist to the Imperial Council of Agricultural Research, Mr. Brivasatava, in his review, published in the *Trade Journal* of 2nd November, 1933, said that the average working days in a factory in the whole of India for 1932-33 were 138 per factory and their average extraction of sugar was 8.6 per 100 maunds of cane. Their average crushing capacity was 440 tons per day. In the book of Mr. Gandhi, the number of factories has been calculated at 145 this year and there might be six or seven factories next

year. If we divide and multiply these figures, we find that only from cane sugar the quantity will be about 734 thousand tons or even more. If to this we add one-fourth of the sugar as refined in the refineries, the total will come to about 910 thousand tons. If, by an amendment of this Bill, some of the small sugar factories are also included, another 260 thousand tons will be included in this duty, and the duty can safely be reduced to one-quarter, leaving, at the same time, Rs. 1,47 lakhs to my friend, Sir George Schuster.

Sir, there has been so much talk about excessive profits. I have the authority of the sugar manufacturers to state in this House that if the Government and this House feel that we are still making very excessive profits, then give us only that which was promised to us by the Tariff Board and this House, and take away the rest in any form you like, but do not increase our cost of production, thereby making us close our doors. Tax profits by all means, but do not for a moment tax mass production.

Mr. G. Morgan (Bengal: European): Mr. President. I oppose the amendment for the reason that I cannot see that any beneficial result could be obtained from the circulation of this Bill. The Honourable the Finance Member has already told us what he remarked last year in warning the sugar industry as to what was likely to happen.

Now, the Honourable the Finance Member has made three points of charges made against him, (1) breach of faith, (2) hardships caused to shareholders, and (3) that the duty was a fatal blow to the infant industry. Now, Sir, the breach of faith, as far as my information goes, is not the imposition of an excise duty as such, but the breach of faith complained of is that the *khandsari* sugar is exempt from the excise, and, further, that, on the figures of the present day position, the duty of Rs. 1-5-0 is excessive. My Honourable friend, Mr. Hari Raj Swarup, has already given you all the figures in that connection. We make the difference by which sugar excise will work out at Rs. 0-15-4 per maund. We reckon that the difference of the excise duty should be between seven and eight annas per maund, so that the Honourable the Finance Member may rest assured that the breach of faith does not refer to the mere fact of his having brought forward a Bill for the imposition of excise. It is the details of the Bill that do not bring out, in our opinion, the full benefit of the protection which the Honourable the Finance Member considers the industry is entitled to.

Now, Sir, with regard to the hardships to shareholders. I do not know exactly how the shareholders have been putting it to him in the multifarious telegrams that he has received and on what grounds they have put it, but the way in which the Honourable the Finance Member put it to the House is rather misleading. Now, Sir, with regard to that wonderful transaction of Belapur shares, I think more details should have been given as to the position of that Company, before that statement was made on the floor of the House. I have the position of the Company here before me, and up to 1930 there were no dividends declared at all. In 1931, it was six per cent, and, in 1932, it was 12 per cent, but the capital was written down, that is, the 100 rupees shares were written down to Rs. 50, so that half the capital was completely wiped out, and now it is certainly in a good position as it stands at present. That is to say, the shareholders have lost half their money, so that, if they get a dividend of 20 per cent on their shares, this actually amounts to only 10 per cent on the original capital. That company was registered in 1919. Now, Sir, with regard to the other factories which the Honourable the Finance Member quoted, Ryam and Samastipur, Ryam

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was registered in 1913 and Samastipur in 1919. I have got figures which go back to 1923 and Ryam paid ten per cent in 1924 and nothing more at all till 1930, and then it paid 20 per cent. But I would draw your attention to the fact that the capital of the Company, although it has approximately 655 tons crushing capacity, is only 7½ lakhs, the average capital for a factory of that description is between 18 and 20 lakhs. so that, there, again, the shareholders get the benefit of the small capital.

The Honourable Sir George Schuster: My Honourable friend is missing the point of my argument. My argument was simply based on the enormous improvement which had occurred in the value of the shares since the policy of protection was introduced and also the fact that, since the excise duty policy was proposed, those shares have not fallen precipitately in value. These are my arguments.

Mr. G. Morgan: We know that it is so. I know all the shares had been going up and down. I will explain that a little later when I come to it. I understood from what the Honourable the Finance Member said, that they wanted to stop this sort of speculation, but I submit that this sort of speculation is not stopped by putting an excise duty or a duty of any description on the industries. That is not the method by which it should be stopped. In other countries, they are trying to stop this excessive, and most unfortunate gambling we may call it, by such things as the Securities Act and the suggested new Stock Exchange rules in America. With regard to what the Honourable Member said, when he interrupted me just now, namely, that the values of the shares rose, I have prepared a note and I find that the values rose as a result of protection in anticipation of higher dividends. The dividends did not improve very appreciably, though these Companies made larger profits—I am referring to the other group, not the Belapur Company. When the warning of last year came, all the share values went down and again fell when the results of the year, ended June, 1933, were lower than was anticipated. Then, there was a fear of the removal of the surcharge and that made the people nervous again, and, on the top of that, there was the earthquake which made people wonder whether they were going to get any dividends at all. But when the fear of the removal of the surcharge was removed, the imposition of the excise duty counterbalanced that and the shares remained more or less at the same figure.

With regard to the third point that the duty was a fatal blow to the infant industry, that is perhaps rather strongly worded by whoever put it up before the Honourable the Finance Member. But we hold that the excise duty, as proposed to be imposed under the Bill, is higher than it should be and the details of the Bill make it such that the infant industry, that is the sugar factory producers, will certainly be hit. I do not say it will be a fatal blow, because some factories will certainly be able to carry on, but it will be an unfortunate blow.

Then, with regard to the amount of excise duty which the Honourable the Finance Member expects to get amounting to one crore and forty-seven lakhs. In his Budget speech, the Honourable Member was budgetting for, I think I am right in saying, two crores of import duty for 1934-35. I would now suggest to the Honourable the Finance Member that he might with safety double that amount. I do not see any reason for such a change, it is not safe to prophesy, but I think it is almost a safe thing to

say that the imports for 1934-35 will not be less to any extent than the imports of 1933-34 which were 247 thousand tons. I have made calculations which show that it is more than likely we shall get about 225,000 tons in 1934-35. The Honourable the Finance Member has reckoned it at 110,000 tons. In that case, the duty would be double, that is to say, we should get from the import duty four crores instead of the budgetted amount of two crores. Then, again, the Honourable the Finance Member may say: "It is all very well talking like that, but can you guarantee it?" If you guarantee that I will be able to get four crores,

The Honourable Sir George Schuster: I should not accept the Honourable Member's guarantee.

Mr. G. Morgan: I should get two signatures under the Reserve Bank Bill, I do not think any one will take a single signature nowadays. But, with the imposition of the excise duty, whatever it may be, I see no reason why the imports of this year, 1934-35, should be any less than the imports of last year, merely because the figures show a greater production in India. I do not say that that is actually going to happen and I feel inclined to suggest to the Honourable the Finance Member that he takes his figures of 110,000 tons and two crores as being on the low side which perhaps is a safe thing to do from a financial point of view.

Coming to the question of *khandsari*, everybody has in his hand books, pamphlets and papers showing the production of *khandsari*, the quantity of sugar got from cane, and so on, but there is a misapprehension about the *khandsari* production. The sugar which the *khandsari* makes is from *rab* and there may be some isolated instances in which a *khandsari* producer works right through from the cane to the sugar, but that is not universal. The *khandsari* buys the *rab* and manufactures it into sugar, mostly nowadays by centrifugal methods and if the *khandsari* is exempt and a duty of Rs. 1-5-0 per cwt. is imposed on the factories, there is not the slightest doubt that the *khandsari* will be a great menace to the factories as far as the possibility of making a profit on their working is concerned. The *khandsari*, as this House has noticed from the Honourable Member's speech, uses practically at present the same amount of cane as the factories, that is, about five million tons. The two together use roughly about ten million tons out of a crop of 48½ million tons.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): May I ask the Honourable Member a question?
12 Noon. What is the percentage of sugar juice which a *khandsari* draws, and what is the percentage that the factory draws?

Mr. G. Morgan: The *khandsari* draws about 50 per cent sugar out of the *rab*.

Seth Haji Abdoola Haroon (Sind: Muhammadan Rural): And the *khandsaris* do not crush the cane, they purchase *rab* from the cultivator.

Mr. G. Morgan: That is what I said. The agriculturist crushes the cane in certain primitive methods and makes *gur* and *rab*. *Gur* is a more refined process than *rab*, and it is eaten in India. *Rab* is a lower grade and is sold to people who make sugar by the *khandsari* process.

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Now, Sir, taking 600,000 tons as the production of the sugar factories, we reckon that the *khandsari* manufacturer at the present moment produces 300,000 tons, which is a third of the total production of sugar, *vis.*, 900,000 tons, as my Honourable friend, Mr. Swarup, mentioned. And the producer of *khandsari* sugar is not an agriculturist as such. He is a producer of sugar, but, of course, he has to get his raw material from the agriculturist. Now, as I have said, freedom from excise will certainly make the *khandsari* producer a menace to the sugar factories; and if Honourable Members will refer to the proceedings of the 6th meeting of the Sugar Committee held at Coimbatore in November, they will see that the question of these units for *khandsari* production was discussed in item 13 of the proceedings and everything possible is being done to increase the use of these small units and centrifugals. Mr. R. D. Agarwala has published a book recently and I wish, Sir, with your permission, to make a short quotation from his work:

"The introduction of cheap electricity and the use of power-driven machinery will further increase the number of *rab*-making and *khandsari* sugar factories in the rural area."

If there is no objection to the increase of *rab* making, there is none to *khandsari* making sugar if the actual sugar producer is also made to pay his share of the excise duty. If he produces sugar 90 per cent, then he ought to pay just the same as the factories. Some of the papers which have come into our hands say that *gur*, *rab* and *palmyra* should be exempted. *Rab*, of course, we know is used by the *khandsari*, and I want to bring the *khandsari* into this. *Gur* is used by the sugar refineries, and, therefore, wherever it is used in that particular way, that factory cannot escape if it makes sugar from *gur*. In the same way, if the sugar factories in Madras buy *palmyra* juice and make it into sugar, those factories must pay excise just the same as everybody else using raw material. Most people have got into their minds that this Bill is only a sugar-cane Bill, and, therefore, anything that is not sugar-cane does not come into it. But really it is a sugar Bill and any one producing sugar with 90 per cent sucrose should have to pay the excise duty.

Now, Sir, I should like to turn for a minute to the remarks made by the Honourable the Finance Member in his Budget speech with regard to the seven lakhs of rupees:

"As a fund to be distributed amongst the Provinces where white sugar is produced, for the purpose of assisting the organisation and operation of co-operative societies amongst the cane growers so as to help them in securing fair prices or for other purposes to that end."

I should like to put forward a suggestion for a better method of spending money of that description. My Honourable friend, Lala Hari Raj Swarup, gave certain figures as regards the production of cane in this country and the sugar contents. We know that here in India the agriculturist under present conditions grows from 250 to 350 maunds of cane per acre against 1,500 to 1,700 in Java. Also sucrose in India is lower than in Java. The raw material in Java costs the factory manager Rs. 141 per hundred maunds, whereas, in India, it would cost between Rs. 375 and 400. Now, what is wanted is a better production of cane with a higher sugar content. And money would be better spent for those ends than for merely organising and distributing money with the idea of getting a higher price

for an inferior article. We can never hope to compete with Java, nor can we expect selling prices on a paying basis to give a return of anything like ten per cent to the factory unless the agricultural end is decidedly improved. In the Sugar Conference, held in Simla, great stress was laid on that point by the Honourable Dr. Gokul Chand Narang who made a long speech on the subject and pointed out that, unless something was done on those lines, there was very little hope for a change for the better in the position of the sugar industry. It is quite an economic proposition that if you treble your crop and you halve the price, still the grower is better off.

Now, Sir, I should like to refer again to one thing in connection with the earthquake in Bihar. The Finance Member stated that everything would be done to help those factories which had been severely damaged and whose work had been held up by the earthquake and during the period. That is one of the points which will have to be thoroughly discussed in the Select Committee as to factories that had no opportunity of getting their sugar away and were helpless owing to want of wagons and one thing or another, as to whether they will be treated in a lenient manner so far as the excise duty is concerned.

Then, Sir, there is one other point. The Honourable the Finance Member said that there was very little danger of this industry being transferred to the Indian States. We have apprehensions that you cannot wipe that danger out in a sentence. There is no doubt that there is every danger, provided the sugar industry in British India is not being able to pay its way and make a profit, some decent profit even up to ten per cent. There is a danger that there will be a transfer of the industry to Indian States.

Then, with regard to the cost and the return to factories, we have the position of molasses before us. It is practically now taken as unsaleable—some places may get an anna or two for it, others get nothing, and we hear of its being dumped into rivers or on sides of railway tracks and all sorts of things. Anyhow, it is a thing which now costs most factories something to get rid of. A proposal has been made that the making of molasses into power alcohol should be investigated, and I would ask the Honourable the Finance Member to inform this House whether any particular stage has been reached with regard to the investigations on that point. There are certainly many points on which the Select Committee will have to go very carefully into the clauses of the Bill. In clause 2, in the definition of factory, it would not, of course, cover the people whom we are anxious to bring in, and I notice that, in an Act which was put forward by the United Provinces before the Sugar Committee, their definition of factory was “any premises wherein or within the precincts of which there is carried on the manufacture of sugar from cane, *jaggery* or any other raw material and working by the vacuum pan process or any processes connected with such manufacture.” Another very important thing is this: although I and some of my friends on the Committee, when discussing the sugar excise, were very anxious to bring forward questions of zoning, etc., and details connected with zoning and the licensing of factories, it was also discussed at the Sugar Conference, no one could come to any decision. At the same time, it is interesting to note that both in the United Provinces and Mysore, there is a clause in their Bills for the licensing of factories, and that is very applicable to the position of factories

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springing up like mushrooms without any control. But I think there is confusion of thought running through all the papers connected with this Bill, and that is the talk about the production of sugar in India being almost equal to the consumption, or will be next year. In the proceedings of the Sugar Conference, it was brought out very clearly that although the United Provinces and Bihar might have got more or less to the limits of their producing capacity or what should be the limit, other Provinces had not, and the Madras representatives were very strong on that point, their argument being perfectly logical: they said "If we can grow good cane, why should we not do so" and in fact figures were given by a member of that conference which showed that they were very nearly on a basis of competing with Java at the present moment and hope to be able to do so with a small reduction in costs in the near future

Sir Cowasji Jehangir (Bombay City: Non-Muhammadian Urban): Who said that?

Mr. G. Morgan: The Madras representative. I refer you to these proceedings. The point is that although the United Provinces and Bihar may be able to produce up to what we call the limit of consumption in this country, the limit of consumption is taken from the import figures of Java sugar which went up to a million tons some years ago. But the difficulty comes in that if you are going to pin yourself down to that, you are going to have no sugar industry except in the United Provinces and Bihar. Madras, I take it, would not stand for that for a minute. They hold, and rightly hold, that they could grow more sugar-cane and very good sugar-cane and give cheaper sugar; and unless you are going to transport Bihar and the United Provinces sugar down to Madras practically free of cost, which I am perfectly certain the Railway Board would not do, then it seems impossible to expect Madras to agree to the suggestion that we have reached the limit of production being equal to consumption. These are figures, but not the practical position. Therefore, I do not put up any opposition to this Bill going to Select Committee, but there are so many things to be considered and so many practical points to be discussed that I hope the members of the Select Committee will go very very carefully into the whole situation. I support the motion for Select Committee.

Bhai Parma Nand (Ambala Division: Non-Muhammadian): Sir, before I deal with the other aspects of the Bill before us, I wish to take up some of the points which have been raised in the speech of the Honourable the Finance Member the other day. To begin with, he has deprecated the campaign that has been started by the manufacturers, openly mentioning the Basti Sugar Mill. His view is that this agitation is unreasonable and unjustified. I venture to submit that the Honourable the Finance Member would change his view if he would simply place himself in the position of the manufacturers of the Basti Mills. The Basti Sugar Mill has been in existence for several years, and, therefore, does not owe anything, either its existence or its progress, to the protection duty that has been granted by the Government. It was working for several years and was making quite decent profits. The Basti Sugar Mill, after this protection, has not had any increase in its produce, nor any reduction in its expenditure. On the contrary, this protection has multiplied the number of factories, and their number now comes to over 100, and all these are acting

as rival factories to those which existed before, and naturally no commercial concern would like that it should have so many rivals to compete with them in the line.

With regard to the increase in the price of shares, Mr. Mody might have observed one instance of some inefficient company or concern, but I can assure Sir George Schuster that the Basti Sugar Mill was making decent profits and the value of its share was very high even before this protection was granted. There is no doubt that this protection has brought in a certain amount of speculation in the share value of these sugar mills, and I think those, who purchased the shares during the time of speculation, will have to suffer a great deal on account of the imposition of the excise duty. Sir George Schuster said in an ironical way that the value of these shares increased by 100 per cent or 200 per cent, but I would submit to him, as I have already said, it was largely due to speculation; but, in this period of one and a half year, during which this protection policy has been in operation, it cannot possibly be said that these factories have been able to make such high profits as my Honourable friend imagines. Even supposing that some of these mills made some profits for a year, I think the Government should harbour no kind of ill feeling or prejudice against these factories. Take the case of Java. The Finance Member himself informed us that Indian factories were manufacturing sugar at three times the cost of Java sugar. From this it will be quite obvious that the profits of the Java manufacturers for the last two or three generations, when they were exporting their sugar to India and we were importing it, had been enormous; but, Sir, in spite of that fact, we know that the Government of Java had borne no prejudiced feeling against their factories. On the other hand, the Java Government supported the sugar industry and helped them in different ways, and it is really surprising that, during the one and a half year that our sugar factories have been in existence, the Government have already become so nervous as to think that the factories are making too high profits and that they should be deprived of this advantage. Herein we find the difference between a National Government and a foreign Government, and this fact pains us the most. I may inform Sir George Schuster that the Basti Sugar Mill even at its best could not make more than two rupees profit per maund of sugar produced by them, and, taking this excise duty of Re. 1-0-0 per maund, more than half the profits would be taken away by the Government. As I have already said, the Basti Sugar Mill was in existence long before this protection was granted, and it does not owe its existence either to the favour of the Government or of Sir George Schuster. I do not see what right either the Government or Sir George Schuster has to impose on that factory such a heavy duty and take away more than half the profits.

Sir, there is only one more point to which I should like to refer and that was mentioned by Mr. Maswood Ahmad. He complained that the factory owners had been treating the labourers and the cane growers very badly during the last one or two seasons that these factories have been at work. According to me, the question is not whether these factory owners have been treating the labourers and the growers badly, but the question is whether these labourers and the cane growers have gained any advantage from the existence of these factories and whether they are better off or worse off than before. My information is that these labourers, who were working in these factories, and the cane growers also who were

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supplying sugar cane to the factories, get two or three times more income in their respective spheres, that is to say, the labourers get two or three times more wages than before, and the cane growers get two or three times more price for their cane now than before.

Now, I shall come to my main subject. Sir, when the Greeks came over to this country for the first time, they were struck with two outstanding facts in India. They remarked with considerable surprise that India was a land of marvels for two things, because it produced a plant the juice of which yielded honey and it produced another plant, the fruit of which yielded wool. The Greeks derived their idea of sweetness from honey. After that, till the Portuguese came to this country and discovered a new direct sea route to India, we find that sugar was very sparingly used in Europe; sugar was bought on prescriptions given by the doctors from the drug stores. After the Portuguese came to India, they and the Dutch, who followed them, took away sugar-cane from India to other parts of the globe. Talking etymologically also, we know it as a fact that the words in almost all languages for sugar correspond to the Sanskrit word "sharkar". This is the original Sanskrit word for sugar and the word "sucrose", saccharine, and others are all derived from the word "sharkar." This clearly shows that sugar and cotton were the two oldest and original industries of India. What has happened to these industries after the advent of Europeans to this country is a subject of the economic history of India, and I do not wish to deal with that aspect of the question here.

Sir, I was one of those who gave their full support to the Ottawa Agreement. I think those people, who disagreed and who were still opposed to the Ottawa Agreement, were sincere in their views and in their opposition, but I consider that their judgment in this case was wrong. I did not support the Ottawa Agreement simply believing that the British Government had changed their angle of vision so far as their trade relations with India were concerned, but my idea was that, after a very long time in the history of England, the circumstances of the world had so radically changed that England had decided to adopt the policy of protection in the matter of trade for themselves, and, consequently, their interests had become quite identical with the interests of India on economic questions. My view, therefore, was, as had been all along, that it was only a policy of protection that could save India from this exploitation that was being carried on by other countries here. But I have to confess, Sir, that this excise duty that is now proposed by the Finance Member has come as a surprise upon me. I think it was some months before the Ottawa Agreement was even heard of that Sir George Rainy very willingly introduced and carried through a Bill for the protection of sugar industry in India. That created an impression on me as well as on many of us here, that the Indian Government were really anxious to protect not only sugar, but also all such industries in which British and Indian interests did not come into conflict with each other. This protective duty has no doubt given a great stimulus to the development of sugar industry in this country. During a period of only 1½ years in which this duty has been put in operation, the sugar factories have increased from a small number to well over 100. This is a fact over which any national Government would have congratulated itself, but it is a pity that the case with the

Government of India is just the reverse. Our Government, instead of being overjoyed at the fact that they have done a signal service to the country, seem to be determined to kill their son, the industry to which they have given birth. The stories, which we heard about the cutting of thumbs of expert weavers who were working in the factories of the East India Company, simply because they left the Company's service, so that they might not get jobs and teach their skill to others, were going to be regarded as mere fables, but to our great regret we are reminded again of those tales.

It is an admitted fact that the Government have lost a great deal in their customs revenue, but when they were going to impose this protective duty, I think they should have been quite cognisant of the fact that this heavy protective duty would stop altogether the import of foreign sugar and would reduce the customs revenue so far as this line was concerned, although the development of this industry in the country would surely have increased the wealth and income of this country, and that could have been a source of fresh revenues to the Government in the long run. But, quite apart from that fact, Sir, the British Government, taking the place of a national Government in India, must also know that they could not protect the industries in this country without making sacrifices in that behalf. Don't we see the case of Japan before our very eyes? What are the Japanese Government doing? They are giving concessions in railways, in steamer freights, they are giving subsidies to their industries, so that they could provide employment for all the unemployed in their country and also to bring in wealth from other countries. Not only Japan, but I could well remember the days before the War when Germany decided upon producing sugar from beetroot. By making experiments, they developed that industry, and our markets were flooded with beetroot sugar from Germany. How could that be? The German Government had subsidised that industry and guaranteed full profits to the manufacturers. Another thing: In the Punjab Legislative Council, it was said that at present the English Government were spending 37½ million pounds on the encouragement of the sugar industry in England. These facts bring us to the conclusion that if any Government want to develop the industries of their country, they cannot do so without making some sacrifice on behalf of the industry. They must provide for their revenues from other sources till such time as the industry is in a position to compete with others and bring revenue to the Government. No doubt, the Government have to carry on the administration, and in our case, a very costly, administration, but besides this, there is another duty which every Government have got. I think our Government also should attend to that duty, that is, to increase the wealth and prosperity of the country. In our ancient books, the rule for taxation was that the ruler ought, in taxing the people, to act like the sun, which means that, just as the sun by its rays draws the water from the sea and from the earth, and, again, soon after converts the vapour into clouds and pours it down as rain to fertilise the very earth from which it has drawn, so also there should be taxation, but the object of that taxation ought to be to increase the wealth and prosperity of the country. When Java was making 100 million pounds every year for the last two or three generations, nobody minded it. I would ask Sir George Schuster or the Government of India, when Java was taking away hundreds of millions from India every year and the

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wealth of this country was being drained away, what did they do to protect the Indian wealth from being drained away? And how did the Java Government feel as regards their own manufacturers? And now, so soon after we have been able to persuade the Government to protect this industry, we find that the Government of India have decided to go just in the opposite direction and impose a heavy duty so as to make up for their losses even before the industry has got a start. This is acting like a man who wanted to kill the goose that lay golden eggs for him.

I submit that this House should not get startled at the report of one or two or a few factories making huge profits. It may be that one or two factories have made profits, but that cannot lead us to conclude that every factory is doing so well. There are some factories which have made profits, but there are others that have not had even enough to meet their expenses. Sir, one swallow does not make the summer. And we have also to remember the fact that many shareholders, because of this speculation, as I said before, have bought their shares at a very high premium and have had to mortgage their property for them. If there is any fall in the profits or in the value of the shares, naturally it would hit them very hard. Talking from their point of view, I think they would take the protection duty as a mere trap, by which the investors were induced to fall in it.

Then, there is another important fact to which I would like to draw the attention of the Honourable the Finance Member. Although I do not know the exact figures, but, roughly speaking, we know that before the protection duty was granted, there were about 30 or 32 factories which were working in India, and some of these factories were making very good profits. These factories have, practically speaking, derived no benefit from this protection duty at all. Their produce cannot be increased because of this protection duty, nor can their expenses be reduced. But these factories shall have to pay one rupee per maund of the produce in the shape of excise duty. I do not understand that as these factories are under no obligation to our Government for their protection, what right this Government have got to tax so heavily the produce of these factories that had been working already before the protection period. Then, Sir, in September, 1932, sprang up certain factories. Naturally, we should remember that it is not quite an easy job to import all the machinery from Europe and to set up that machinery and also to provide for the supply of the sugar-cane that is required for the working of a factory. There were very few who had enough money at their disposal to start their work and make some profits last year. Their number was not more than 25 or 30. Since then, another 57 factories have been started and the number of factories has grown up to over 100. Now, these factories, which were started only during this season, had also to import machinery and make provisions for the sugar-cane. These factories cannot make a profit. In any case, it is a very doubtful question. The law of taxation ought to be that you ought to tax those factories which are likely to make some profit and not those which are very advantageously situated. If you are going to tax all those factories that are working with a very low margin of profit, the natural result will be that those factories that are not making anything shall have to close.

and this excise duty measure will kill a large number of the newly started factories. That would be a rude shock to them, the greatest discouragement to this industry that has been started on account of this protection duty granted by the Government.

Again, my friend, Mr. Hari Raj Swarup, has already referred to the refineries. Many of the factories, that were working before the protection duty came in, were simply refineries. They did not crush cane, but purchased *gur* or *jaggery* and refined it into white sugar. I want to put before this Honourable House that these refineries cannot work at all under this excise duty. I will mention some figures to show how these refineries were working. They had to buy *gur* at the rate of four rupees per maund. Let us take that two maunds of *gur* would cost them eight rupees. Then they had to refine it, and, out of that, they could produce 50 to 60 per cent refined sugar.

Seth Haji Abdoola Haroon: They could produce only 45 per cent.

Bhai Parma Nand: My information was 50 to 60 per cent., but my Honourable friend informs me that they could produce only 45 per cent. However, if we take the average as 50 per cent., they got only one maund. Now, in order to get this one maund of sugar, they had to pay eight rupees for two maunds of *gur* and one rupee as the excise duty. That means, the cost of one maund of sugar will come to nine rupees. The average market price today for this one maund of sugar is nine rupees. That being the case, where from will they pay their labourers? Besides, they have to pay to those men who supervise the work. They have to pay interest on the capital, and they have also to make some allowance for the depreciation and the wear and tear of the machinery. What can they make under this duty and how can this duty be levied on these refineries? It only comes to this that all the refineries, which have been working even before the protection, having derived no benefit from this protection, must close down on account of this excise duty. I think this is a most unjust thing that is being done to an infant industry, and I hope the Honourable the Finance Member will take this point into consideration.

Then, Sir, I want to refer to another question which is not quite relevant to the subject. I want to refer to the fixing of the price of the sugar-cane. I am at a loss to understand how the price of sugar-cane can be fixed and how it can serve any useful purpose at all. If today you fix the price of sugar-cane, then, later on, you will have to fix the price of wheat, rice and cotton and other things. How is it not possible to fix the price of these commodities? Besides, the establishment which the Government will have to maintain for this purpose will prove another heavy item of expenditure on the sugar-cane growers and also on the manufacturers. Sir, the sugar-cane is not only to be used by the factories which are being run by power-driven machines, but also by those other people who make *rab* and *gur* and *khandsari*. The question is, whether the price of the sugar-cane will be fixed for the use of all or only for the factories. I am informed, that only seven per cent. of the sugar-cane is being used by the factories at present. Even if we make a very liberal allowance, it is not more than 20 per cent sugar-cane that is being used by these factories. What will happen to the remaining 80 per cent? Are Government going to fix the price of all the sugar-cane or only of the 20 per cent sugar-cane that is to be used by the factories? If they cannot fix the price of all the sugar-cane, then, naturally, it is the most

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uneconomic and unheard of thing to fix the price of one part of the sugar-cane that is being used by the factories and let the 80 per cent go its own way and fetch any price that the sugar-cane grower can get. Then, again, there are sugar-cane growers situated at distances from and close to factories. Naturally, the sugar-cane growers that are very close to the factories can very easily bring in their sugar-cane to these factories, while those at a distance cannot conveniently do so. You give them the same price, and then they would have to undergo a loss to bring in their sugar-cane to that place; thus you cannot fix one price for one sugar-cane and another price for another sugar-cane. It is an unheard of thing, this fixing of the price of raw commodities without any consideration as to how they are being used by the people. On the whole, this policy of fixing the price is nothing but a mere trick to divide the interests of the sugar-cane growers from those of the manufacturers. I do not think this can serve any useful purpose to either of the parties.

Much has been said in this House with regard to the solicitude of the Government for the interests of the agriculturist. We have heard so much talk about the poverty and the miseries of the poor agriculturist that I think it would not be out of place if I also dared express my views on this subject. Every one of us who gets up begins to talk about the agriculturist and pleads for a remedy which will somehow or other raise the prices, so that the condition of the poor agriculturist would thereby be better off than at present. I do not at all understand that by artificial means the prices of any commodity can be raised. There is always the law of supply and demand, and, when you increase the supply of any commodity, it is impossible for you to create an artificial demand and raise the price of that commodity. If the supply is more, the demand would naturally be less and the price would go down. It is impossible to check it from going down by any kind of artificial law. I may here remind my agriculturist friends that during the years of the Great War and some three or four years after, we know how well-off the agriculturists were. As far as I remember, from my own experience, the agriculturists from the villages came to the cities of Lahore and Amritsar to buy gold, and, Sir, they did not buy gold by ounces, but they always wanted to buy gold by pounds. The money-lenders were there, the same conditions were there, but still they had enough money to buy gold. Why? Because their products, that is, wheat and cotton were in demand and were bringing them high prices. They got a good price, and, therefore, they had enough money on their hands to deal with. It is the Government that want to raise more produce from land; the Government have got irrigation works throughout the country which are being more and more extended. The irrigated areas are producing more and more of wheat or cotton in larger and larger quantities than perhaps are needed by the people. Naturally, the prices of those commodities must fall; you cannot check it. I want to warn my friends of the Punjab with regard to the Sukkur Barrage scheme. When the land of Sindh is brought under irrigation by the Sukkur Barrage scheme, when that scheme is in working order, the cotton and wheat will be produced in such large quantities that it would be impossible for the agriculturist in the Punjab even to sell their commodities and get even the present low price. Let them carefully note that. So this is not the way. When we talk of raising the prices by artificial means, we are not correct. The only way, by which we can do a real

service to the cultivator of the soil, is that we should utilise this land for other purposes besides the common needs of growing wheat or cotton from it, and, Sir, for this purpose this sugar-cane is another great commodity which can be produced on this land, this industry will divert the agriculturist to ways whereby he can make a living by other means than the old-trodden ways of producing rice, wheat or cotton. Instead of trying to divide the interests of the agriculturist and the manufacturer, we should look to this most important fact that the greater the number of sugar factories, the greater would be the advantage to the agriculturist who would be in a position to cultivate sugar-cane and use his land for producing this new and valuable commodity.

We do sometimes see these sugar-cane growers complaining, because the manufacturers are said to treat them badly; but we must not forget the other side of the question. There was a time during the last 40 years or so when Java had been producing so much sugar-cane and so much sugar that they were taking away from us every year fifteen crores of rupees. Well, how could the sugar-cane growers of India then derive any benefit from this import of Java sugar? Further, it is said that our sugar has not become cheap. Of course, for two or three years, till this industry develops, we might have to buy sugar at the same rate, though I am told that sugar, since the protection, has become cheaper by Rs. 2-8-0 a maund. We are getting cheap sugar, and, at the same time, we are providing for large numbers of sugar-cane growing people and also for about 150,000 workmen, besides the dividends to those people who have invested their capital. These factories give employment to a large number of educated M.A.'s and B.A.'s who are working as sugar chemists and earning Rs. 500 to Rs. 1,000 a month. Therefore, it is the duty of every one of us to help this industry and encourage it by every means possible. The prime duty of the Government is to take steps to increase the wealth and prosperity of the country and thus to encourage this as well as other industries. The greater the wealth of the country grows, the more income will the Government ultimately derive as revenue.

Here I may be permitted to make one remark about the position of money-lenders. We have heard so much talk that money-lenders are at the root of the misery of the agricultural classes. This theory of prejudice against the money-lenders was started in the Punjab 35 or 36 years ago. First of all was passed the Land Alienation Act. That Act has been in existence for the last 36 years, and we still have the same complaint that the miseries of the agriculturist are continuing. In this connection, I may add that Mr. Darling, I.C.S., who is an authority on this subject, has written a book, "Peasant Proprietors in the Punjab", and he has told us that one result of the Land Alienation Act has been that although the money-lenders cannot buy land, the big zamindars are purchasing the land of the poor zamindars, just like the big fish swallows the smaller fish. (Laughter.) That is the verdict of a man who is one of the greatest supporters of the agriculturist class on this point. As I mentioned above, there were agriculturists at the time of the Great War, and there were the money-lenders, but there was no misery of the agriculturist at that time.

Then, again, a few years ago, we had another law in the Punjab, called the Money-Lenders Act, the object was to discourage the money-lenders. The zamindars supported it and wanted that there should be no dealing with the money-lenders. A few years

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have just gone, the same cry goes on, and we have got another Bill before the Punjab Legislative Council. I want to point out that these laws are not the true remedy for the situation. I may also state that these agriculturists in the Punjab are defined like the caste system, by birth and not by occupation. I have the privilege to belong to the scheduled agricultural tribe. So I cannot be said to be prejudiced against them in any way. But what I want to point out is this that the real remedy is that no country in the world, and especially India at the present day, can live on agriculture alone. Agriculture could suffice when the population of India was not very large, but as the population of India is growing every year, agriculture alone is not sufficient to meet the needs of this growing population of India. Therefore, we shall have to turn to the development of industries in this country. Sugar industry is one instance. In spite of the people being somewhat diffident, they have invested so many crores in this industry, and this industry deserves to be encouraged and allowed some-time to develop during the next three or four or five years. After this, the Government shall be welcome to levy any duty and make it a source of revenue in various ways. No doubt the agriculturists and the cultivators of the cane will also be willing to part with some of their earning to the Government. My point is that the Government are taking a very wrong step in this direction when they want, by means of an excise duty, to kill this industry which they have helped to start only one and a half years ago.

There is one more point to which I want to refer, and that is in reference to what my Honourable friend, Dr. Ziauddin, said in one of his speeches. He has made it a point to attack the sugar manufacturers whenever he gets an opportunity to do so. He said in his speech that the question of the excise duty was not a question that concerned the manufacturers. It was a question between the Government and the consumers. I would like to ask the Doctor what is the interest of the consumers? Does he think that the interest of the consumer demands that no industry should be developed in this country and that they should get everything cheap? If the consumers really want things cheap, they have plenty of opportunity to buy the Japanese articles and German made articles and not to care for the Indian industries at all. Does my friend understand what will be the consequences of this step? Why are we so anxious and try to stop the dumping of Japanese goods, and, on the other hand, why are the Japanese giving subsidies and bounties to their own industry? I think they are either fools or we are fools.

An Honourable Member: Both are.

Bhai Parma Nand: Are we? I do not know. My point is simply this. In this case, if you look to cheapness alone, then you should encourage the industries of Japan and Germany and never give a chance to your own country to develop your own industries. But if you care for your industries, the chance must come some day, and, whenever that chance comes, you must be prepared to make a little bit of sacrifice till the time when the nascent industries grow up. You cannot expect a child to compete with a trained wrestler. Japan, Germany and Java are like trained wrestlers. You cannot expect your industry, which is in an infant stage, to compete with well established foreign industries. You must suffer for a little while in order to do real and ultimate good to the consumers as well as to the country as a whole. That is my view. My

friend, Dr. Ziauddin, ought to know when he talks of the interest of consumers that the price of sugar too has gone down by Rs. 2-8-0 a maund. As long as Java holds the field, you cannot reduce it; but when you get your own manufacturers, by economic pressure or even by the help of legislation, you can have the price reduced to its proper level. It might come about that the consumers of this country might get sugar, say, at five rupees or six rupees per maund, instead of nine rupees per maund as it is today. At that time, your industry will have grown up sufficiently to be able to fight outsiders. What is the position now? I know it for a fact that Java is now ready with three million tons of sugar, and, as soon as you levy this excise duty and increase the cost of production, Java would flood the market with their sugar and sell below the cost of production, and if the factories of this country do not make any profit and run at a loss, the manufacturers shall have to close their factories. You have to look to the ultimate effects on the industry and not towards the immediate benefit.

Before I sit down, I want to mention another point. I put a short notice question to the Honourable the Finance Member; the question was, what would happen to the sugar, manufactured before the 1st April, but kept in the premises of the factory if the duty according to the Bill was to be levied by the 1st of April. Formerly they had plenty of time to dispose of their sugar, but in this case they have no time at their disposal. They have to keep their sugar and that sugar would be liable to excise duty if kept after 1st April, because, the railways are not giving facilities to dispose of their sugar. I put the question how could it be right for the Finance Member to tax that sugar which was manufactured before the 1st of April? The Honourable the Finance Member did not accept it as a short notice question, but he replied to it in the ordinary course, and, so far as I could see from that reply, the question was as it stood before and there was practically no answer. After that, I have received certain telegrams in which it was said that certain factories had stopped working before the 1st of April and their sugar was still lying in the premises of their factories. In case, they have stopped work before the 1st of April, the Government have no right to tax the sugar at all.

Dr. Ziauddin Ahmad: What are those factories?

Bhai Parma Nand: There is one at Deoband, one at Jhugli. They have said that they have stopped working. There are the telegrams that I have got. There may be others also, you will know if you make inquiries. Therefore, I submit that if the Government are going to make this Bill into law, the Honourable the Finance Member will be kind enough to look into this point that I have tried to explain. On the whole, I would oppose this Bill. I think it is premature. The Government should wait for three or four years and then come with this excise duty.

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

The Assembly re-assembled after Lunch at a Quarter Past Two of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

Mr. A. Das (Benares and Gorakhpur Divisions: Non-Muhammadan Rural): Sir, it was one of the proudest days for our country when at least

[Mr. A. Das.]

in one line one could say that this country has become self-supporting. One was expecting that this would continue, and not only that India would produce enough sugar for consumption in our own country, but we may be in a position to export it outside also. In this, not only is the country benefited, but the Government have had a considerable share in the shape of income-tax, super-tax and ten per cent duty on machinery. Out of 18 or 19 crores invested in over 100 factories in India, at least 13 crores was spent towards the machinery, and Government, I submit, have made at least one and a half crores over it. Now, when it appeared that there was no more chance of machineries being imported or the sugar mills being multiplied as the demand and the supply were nearly equal, this Bill has come as a bolt to these factories that are in the course of construction. When this excise duty is levied, it would have the effect of considerably reducing the profits of some companies and ruining almost all the distillery companies about which I am reliably informed that their margin of net profit is only one rupee per maund of sugar from *gur*, and if you impose a duty of nearly one rupee per maund, then they will have to close down. These new factories which are proposed to be started this year have to think twice whether it would be profitable for them to start the factories. As to the increase in the production of sugar, I would invite the attention of this House, since this duty was imposed, to a passage at pages (iii) and (iv) of Appendix I of "The Indian Sugar Industry" by Mr. Gandhi published in March, 1934, which runs as follows:

"Since the grant of protection to the industry, the increase in the number of sugar factories has been very satisfactory inasmuch as over 100 sugar factories of about 600 tons cane-crushing capacity have been established within a year and a half of the date of the grant of protection. It is true that the quantum of protection recommended by the Tariff Board was Rs. 7-4-0 and that Rs. 1-13-0 is only a surcharge imposed purely for revenue reasons and not with a view to add to the protection accorded to the sugar industry, though the surcharge has had, according to the Government of India, necessarily that effect. While the industry may not ordinarily be able to protest against the suggestion of abolition of this surcharge which is purely a revenue measure, the present position of the industry, as will be shown presently, makes it absolutely imperative that the surcharge should continue, if the industry in which over 15 crores of rupees are invested only during the last two years, is not come to grief."

The author further says:

"As the Government are aware, the production of sugar in the country increased from 487,000 tons in 1931-32 to about 700,000 tons in 1932-33 and it is expected that during the year, 1933-34, the total production will be not less than 11 lakh tons, of which the production from factories alone would come to over 775,000 tons, the balance being production from indigenous methods. The import of sugar has gone down from 5,16,000 tons in 1931-32 to 4,01,000 tons in 1932 and only 1,62,000 tons during the seven months ended October, 1933."

This is all due to the giving of protection to the industry that so many factories have been established. The next point that I want to submit is this. It is very important to know what would be the effect of the imposition of this duty on sugar. My submission is that the factories, as at present constituted, do not make a profit of more than one and a half per cent on their present outturn, and, by the levy of this excise duty, the profits will be reduced still further and they may come down to one-half per cent. My Honourable friend, Lala Hari Raj Swarup, has already made an offer that if my Honourable friend, Dr. Ziauddin, could give the necessary security, he could take charge of all the factories in India or at least in my part of the country, the U. P., and give only a

profit of ten per cent to the millowners. What is the position as regards the recommendation of the Tariff Board about this sugar? The Tariff Board estimated that there would be a progressive decrease in the cost of production of sugar in India, and, in order to establish the factories successfully in India, they recommended a higher import duty for the first seven years, that is, Rs. 7-4-0 per cwt. and Rs. 6-4-0 for the next eight years and the total amount of duty has been even higher, with the surcharge it is Rs. 9-1-0, and, including the revenue surcharge of 25 per cent, the Tariff Board estimated the best price for selling sugar to be Rs. 9-5-0 per maund. The Tariff Board had recommended Rs. 9-5-0 during the first five years after the grant of protection, and Rs. 7-12-0 per maund at the end of the protective period of 15 years. This took account of Re. 0-10-8 as the realisation of the price of molasses during the first few years and Re. 0-6-9 at the end of the period. If we take the then price of molasses as the basic figure, the price of sugar on the calculation of the Tariff Board could be Rs. 10-5-0 at present and Rs. 8-3-2 at the end of 15 years. The Indian sugar has been selling at a very much lower price than the price calculated by the Tariff Board although, and there has been no return from molasses. This has been due to the internal competition which has been brought into play as a result of the establishment of a large number of factories. This is a very important point which I want to develop a little further. Whereas the Tariff Board, with this protective duty, recommended a selling price which it thought would be fair, namely, Rs. 9-5-9, and only Rs. 7 and odd at the end of the period, at the present price it is only Rs. 7-12-0 average if you take the average of the first and second class sugar. Again, Sir, I will give you a further account of this cost of production, and I am speaking subject to correction, because it will be for the Honourable the Finance Member to correct me if I am wrong. These are the recommendations of the Tariff Board report on page 69, paragraph 64. It will give you the fair price at the commencement of the period of protection, at the end of the protective period, and I am giving the actual figures in February, 1934:

	At commence- ment of protective period.	At end of protective period.	Actual as at February, 1934.
	Rs. a. p.	Rs. a. p.	Rs. a. p.
Fair price of sugar	9 5 9	7 12 5	7 12 0
Of which, cost of cane	5 8 10	4 0 0	4 0 0
	3 12 11	3 12 5	3 12 0
Add back value of molasses	0 10 8	0 6 9	Nil
Balance to represent manufacturing cost, overhead charges and ten per cent profit on capital invested.	4 7 7	4 3 2	3 12 0

[Mr. A. Das.]

The figures shown in the last column represent the average market value ex-factory of Indian factory sugar in February, 1934, and the average cost of cane per maund of sugar at 0-6-0 delivered, with extraction at nine per cent.

The above table illustrates that notwithstanding the apparently high protective duty, the return to the factory to cover cost of production, overhead charges and profit is less by Re. 0-7-2 than that visualised by the Tariff Board at the end of the protective period, without taking into account the proposed excise duty of Re. 0-15-4·5 per maund. That is to say, that, whereas the Tariff Board considered that at the end of the period of protection, factories should, after paying for their cane, have Rs. 4-3-2 per maund for sugar to cover manufacturing cost (Rs. 2-7-6) overhead charges (0-10-0) and profit (Rs. 1-1-8), they now only have Rs. 3-12-0, and, if they have to bear the whole of the excise duty of Rs. 0-15-4·5, this may be reduced to Rs. 2-12-7·5 or barely sufficient to cover manufacturing costs, with no margin for overhead charges or profit.

I am giving you these figures, and I should like them to be checked. Of course, if the Bill goes into Select Committee, these points will be gone into, but at present we are concerned with whether the Bill should go to Select Committee or not. If these facts are correct, I submit that, whereas the Tariff Board recommended that there should be, after deducting the price of cane, a margin of Rs. 4-7-0 left over, it now hardly comes to Rs. 2-7-6.

The result of this excise duty will be that, the profit would be reduced considerably, below ten per cent on an investment of 10 or 12 lakhs which is not fair. It will kill all the *gur* refineries, and they will have to close down. Then, if these factories do not utilise the whole of the cane or if the *gur* refineries close down, I think that will be a loss to the cultivator, because it is well known that, at this time of the year, sugar-cane, although the price to the cultivator is not even fair, is the only crop which pays and which pays much more than any other staple crop like wheat or gram or any other thing. But, in spite of that, I fully sympathise with what the Honourable the Finance Member has said at the time of his Budget speech. He said:

"Lastly, from the point of view of the general tax-paying public of India, who are neither sugar manufacturers nor cane-growers, we feel that it is fair that some steps should be taken to preserve revenue from this source. This case of sugar is an illustration of the great cost of protection to the country, and it is essential that the country should realise that if the development of local industries is to be obtained at this cost, then the public services of the country cannot be maintained unless other methods of indirect taxation to replace such loss of customs revenue are adopted."

That is quite true. That proposition which has been laid down by the Honourable the Finance Member I fully sympathise with. But the question is, how this revenue is to be made up? There are two or three suggestions which I should like to make in this connection. My first suggestion is that it may be possible that the *khandsari* industry may be included in this. Secondly, that, in order to enable Indian sugar to reach the furthest markets in India and Burma, the specific protective duty of Rs. 7-4-0 per cwt. should be increased to Rs. 7-12-0 per cwt. simultaneously with the imposition of the excise and during the continuance of the surcharge. Thirdly, that the duty should not be imposed before the 1st November. Fourthly, that the duty should apply only to sugar actually

produced on or after the 1st April, 1934, and be payable when issued from factories. As my friend, Bhai Parma Nand, said, it is not known why the 1st April has been fixed for taking account of all the sugar in the factories unless it be for the reason that the financial year commences from the 1st April. But I submit that as we are already late in the season and it is not possible to get this Bill actually passed by this Assembly before the middle of April, there would not be much loss of revenue if this proposition is left over till the Session at Simla. Then, the public would also be able to see and find out what are the other alternatives that can be put forward as to how this duty should be imposed, so that there may be no loss to Government, and also it may not seriously affect the various factories. Then, again, if this Bill comes into operation either in this form or in a modified form from the 1st November, then all the present difficulties about the non-supply of wagons, about forward sales and about those persons who have already disposed of their sugar will be obviated.

Then, also, I want to bring to the notice of the House that so far as the various Provincial Governments are concerned, like the United Provinces, Punjab and Bihar, all of them have discussed this in their Legislative Councils and have passed Resolutions to the effect that this duty is not in the interest either of the sugar grower or of the sugar manufacturer. At this moment what I submit is that I support the motion of my friend, Mr. Maswood Ahmad, for circulation of this Bill and eliciting opinion and that it should be considered at the July Session. But if that fails, I desire that these points should be considered by the Select Committee and sufficient time should be given to the Committee, so that all these points may be threshed out, and they should also take the help of one or two technical men who know all the ins and outs of the sugar industry.

Dr. Ziauddin Ahmad: Sir, I spent the major portion of the night in reading the pamphlets and books, etc., that have been piled in connection with this particular industry, and it has reminded me of the saying of Lord Crewe that you can have a propaganda on something, but you cannot have a propaganda on nothing. But here I find that the propaganda has been carried on on nothing. The theory of Lord Crewe that you must have something to carry on a propaganda falls to the ground, when I find that there is really no ground whatsoever for carrying on a propaganda in this particular case.

I have also been reading the Resolutions passed by the Local Councils both in my Province and the neighbouring Province of the Punjab, where a threat was given that if Members of the Assembly did not vote in favour of this industry, they will find it very hard in the next election. If that sort of thing is to be taken into consideration for each industry, then I think we better resign and not come to the Assembly to carry on our public duty. We are not here to represent certain interests only; we have really come here to give our opinion in the best interests of the people of the country as a whole, and not in the interests of a few persons who may be specially interested in one industry or another. We have been accused right and left in all these pamphlets that we have not carried out our obligations about protection. To my mind, it is an unjust accusation, and I will draw the attention of my Honourable friend, Mr. A. Das, who comes from the same constituency as I do and who knows the conditions of the sugar factories there, to certain recommendations of the Tariff Board. Before doing so, I would like to deal with one or two points mentioned by my friend, Bhai Parma Nand: he said that had there been a national Government and not

[Dr. Ziauddin Ahmad.]

a foreign Government, they could not have brought forward this proposal. I am sure that had there been a national Government, then this special surcharge of 25 per cent would not have existed in sugar. My friend would be right, if he substituted the capitalist Government in place of the national Government and the Government of the people in place of the Foreign Government. No Government except a Capitalist Government would support Bhai Parma Nand. My friend also laid down a very important principle for my distinguished friend, Sir Joseph Bhore, to follow: he said, prices could not be regulated by manipulation: they could only be settled by the law of supply and demand. If we accept this principle, then all the tariff measures that we have passed would be out of place, and there would have been no necessity for them. However, this is a side issue.

I come again to the main issue. I maintain that whatever the Legislature promised as protection to this particular industry, we stand by it; we have absolutely no desire to withdraw an inch of the protection promised to this particular industry. We promised protection recommended by the Tariff Board:

"(27) We propose that for the first seven years the duty should be fixed at Rs. 7-4-0 per cwt., and for the remaining period at Rs. 6-4-0 per cwt. The total protection thus granted would be approximately the same as would result from the imposition of a duty of Rs. 6-9-3 for the whole period of protection."

We stand by this, and there is absolutely no proposal on the part of any person to go against the recommendations of the Tariff Board. They say further:

"(29) We recommend that should the present international negotiations for stabilisation of prices fail or should market prices in Calcutta in the future fall below four rupees without duty, a further duty of eight annas per cwt. should immediately be imposed."

Here also we respect this particular recommendation. At present the prices are less than four rupees a maund, and, therefore, this additional duty of eight annas is given to them. Therefore, we respect all the recommendations, and we stand by them. But though we respect our obligations which we imposed on ourselves, I say that the manufacturers are not carrying out the obligations which were imposed on them by the recommendations of the Tariff Board:

"We consider that the scale for cane payment recommended by the Indian Sugar Committee, namely, a sliding scale based on price for cane equal to half the price of sugar manufactured from it subject to a minimum of six annas per maund is generally suitable. But in the first year of protection we consider that this should be increased by one anna per maund."

So the price to be paid to the growers of sugar-cane is to be worked on a formula price of sugar-cane, $\frac{S \times P}{200}$ which I shall discuss later. I will ask Mr. Das whether the sugar-cane growers are being paid seven annas in his constituency as recommended by the Tariff Board.

Mr. A. Das: They are being paid five or six annas.

Mr. Muhammad Yamin Khan (Agra Division: Muhammadan Rural): Four annas and six pies in many places.

Seth Haji Abdoola Haroon: May I inform Dr. Ziauddin that the price of sugar has been said by the Tariff Board to be nine rupees, whereas the price is Rs. 7-12-0. Have you considered that point?

Dr. Ziauddin Ahmad: I said that in the first place the Tariff Board recommendations gave what is popularly known as an *ad valorem* or specific duty whichever will be the highest. The Tariff Board recommended a formula $\frac{S \times P}{200}$ or seven annas, whichever is the highest. The price of sugar will change the value in the formula, but it will not change seven annas.

Mr. A. Das: It was not compulsory in the United Provinces: only the suggestion is there.

Dr. Ziauddin Ahmad: One thing is that the Tariff Board recommended the minimum price to be fixed for the sugar-cane and the minimum was seven annas: my Honourable friend himself admitted that in his constituency on paper it was five annas, but if you make local inquiry, you will find that five annas was never paid

Lala Hari Raj Swarup: I challenge the statement "that five annas is never paid". We have paid up to nine annas this season in the Meerut Division.

Mr. M. Maswood Ahmad (Patna and Chota Nagpur *cum* Orissa: Muhammadan): What about Bihar?

An Honourable Member: They are being paid at this rate also there.

Mr. M. Maswood Ahmad: They have been paid at the rate of four to five annas only.

Dr. Ziauddin Ahmad: Whatever that may be, the recommendations of the Tariff Board have not been carried out: my information is that it is about $3\frac{1}{2}$ annas

Mr. A. Das: And what about *gur* manufacturers? They pay only two annas.

Dr. Ziauddin Ahmad: My point holds good: the recommendation of the Tariff Board has not been carried out. Further, they recommended a regular inquiry by the Government in para. 40 of their summary. They say:

"If our scheme of protection is accepted, we consider that legislation should be introduced making it compulsory for sugar factories to submit such returns or information as may be called for by the Governor General in Council or any officer authorised by him in this behalf."

Now, do they send these accounts year after year? That would have enabled the public to judge whether they are really making enormous profits or not. They have not carried out this particular obligation.

Seth Haji Abdoola Haroon: Did anybody ask for a balance sheet?

Dr. Ziauddin Ahmad: This is really in the Bill against which you are carrying on propaganda. This is really the first attempt of the Government to carry out this obligation which you have ignored for the last two years, and the very moment they present a Bill to regulate these two conditions, a whole propaganda has been carried on against them. As far as we are concerned, I say we are carrying out our obligations. As far as the manufacturers are concerned, they are not carrying out their obligations

Bhai Parma Nand: Did you inform them of this principle? Did you give them notice, and they did not follow it?

Dr. Ziauddin Ahmad: There is the Tariff Board Report: ignorance of law is no excuse and every Member must know the Tariff Board's recommendations.

Mr. S. C. Sen (Bengal National Chamber of Commerce: Indian Commerce): Is that the law?

Dr. Ziauddin Ahmad: Well, let me go ahead. (Laughter.) In 1931, the Honourable the Finance Member, on account of revenue embarrassment, brought forward a kind of omnibus Resolution, raising, for revenue purposes, the duty by 25 per cent. We from this side of the House objected that it was not right. Each commodity should have been examined separately and the revenue should have been increased in each case on merits. But the embarrassment was very great, and, without carefully going into the whole question, this Resolution was accepted and we put on 25 per cent surcharge on every commodity. This 25 per cent surcharge was not put on in the interests of the manufacturer; it was not really given as an additional protection to them; it was only put on for revenue purposes thinking that this surcharge would bring in more revenue

Lala Hari Raj Swarup: Did not Government suggest then

Dr. Ziauddin Ahmad: I am coming to it.

Mr. President (The Honourable Sir Shanmukham Chetty): All this time will be counted against the Doctor.

Dr. Ziauddin Ahmad: All right, Sir. As I say, this surcharge was put on for revenue purposes, and it was really a great mistake, and the Government, having now realised that mistake, want to rectify it. Therefore, the whole question is not whether the sugar industry should or should not get the promised protection,—whatever protection was promised to it is being given. Whatever surcharge was put, was merely for revenue purposes, but it has not increased the revenue, and so Government want to rectify their mistake now, and the whole propaganda that is carried on is to compel us that the mistake should not be rectified. What the manufacturers want is not protection,—we don't deny them the protection that was promised,—but what they really want is that the mistake which we committed in 1931 should not be rectified. This is the whole substance of the propaganda about sugar duty. The simple proposition is this. By reason of the 25 per cent duty, it was raised from Rs. 7-4-0 to Rs. 9-1-0. Now, we say we rectify the mistake and we give them Rs. 7-4-0 as promised *plus* eight annas which was promised on account of the fact that the Java sugar was selling at less than four rupees per maund, and thus they get Rs. 7-12-0. Therefore, the question is this, whether the import duty should be reduced from Rs. 9-1-0 to Rs. 7-12-0, or a uniform additional duty of Rs. 1-5-0 on all classes should be levied. This is really not a question between the Finance Member and the manufacturers. The manufacturers have got the protection they were promised, namely, Rs. 7-12-0, but now the Finance Member comes forward and says that for revenue purposes he wants more money, and

that he wants to collect it from the sugar industry. In the Assembly, we may say, do not collect the money from sugar, you can collect it from some other commodity, reduce the import duty from Rs. 9-1-0 to Rs. 7-12-0 and finish the matter. If we adopt that line of argument, then we will have to suggest some other commodity from which he can get some money. If, however, we cannot suggest any particular commodity on which to impose a revenue duty, then we will have to agree with the Government and impose a duty of Rs. 1-5-0 uniformly on all sugar, whether imported from outside or manufactured in India, and that is really a question between the consumer and the Government, and not between the Government and the manufacturer, because if you put Rs. 1-5-0 additional duty on imported sugar and also an excise duty on the sugar made in this country, then the price level will naturally go up, and the burden will fall entirely on the consumers. Therefore, if they reduce the price from Rs. 9-1-0 to Rs. 7-12-0 and do not put on an excise duty, the sugar will be cheaper and the consumer will be benefited, while the Government will lose. If we put on a uniform duty, the Government will gain and the manufacturers will be just in the same position as they are now. Therefore, this really is not a question between the Government and the manufacturers, and the latter are carrying on a propaganda on nothing and against the theory of Lord Crewe.

Now, Sir, much has been said about high profits, and so on. I would like to ask the representatives of manufacturers on the floor of the House whether they are willing to take only ten per cent on the capital at charge, and to surrender to public funds whatever more they get. There are so many capitalists present here, and I ask them whether they are willing to accept this

Lala Hari Raj Swarup: What is the meaning of capital at charge?

Dr. Ziauddin Ahmad: Take ten per cent. on the capital at charge and whatever more you will get you will have to surrender to public funds. Are you willing?

Lala Hari Raj Swarup: Yes, we agree.

Dr. Ziauddin Ahmad: I take it that our friends interested in the sugar industry agree to take only ten per cent profits, and whatever balance remains out of the profits would be given over to public funds, and, therefore, we can take it that the additional profits these people will make can be regarded as public money

Several Honourable Members: They won't show any profits.

Dr. Ziauddin Ahmad: Now, I shall ask a further question. They are now the custodian of public funds. They must try and work the business more vigorously, and if they fail in their duty and work the business in a leisurely fashion, there should be a penal clause. Will you accept the penal clause?

Lala Hari Raj Swarup: We shall agree to the proposal if the Government will take over our concerns, and run them as State concerns.

Dr. Ziauddin Ahmad: Now, Sir, we have heard a good deal on the floor of the House that the price of sugar has gone down by two rupees. The price may have gone down in the books and papers of the manufacturers, but, as far as we consumers are concerned, we find that we are paying in 1934 just the same price as we paid in 1933 or 1932, and, as far as we are concerned, we do not find there is any fall in the price.

An Honourable Member: Sometimes we have to pay three pice more.

Dr. Ziauddin Ahmad: The manufacturers may show a decline in price of sugar in their books, but we the consumers have to pay the same price as we paid during the last two years.

Now, Sir, there are one or two points to which I should like to invite the attention of the House. A sugar manufacturer, in his individual capacity, may not attend to them, but the Sugar Association should pay some attention to them. First, about the use of the molasses. They have said repeatedly in each pamphlet which is now before me that the molasses have got absolutely no value, that they actually have to spend some money in removing it from the factories to some convenient distance. Sir, I have got a book written by Mr. Gandhi who is a great advocate of manufacturers, and he himself has suggested that molasses should be utilised. He suggests that they should be utilised for making some kind of alcohol, and that molasses form the cheapest raw material for making alcohol for industrial purposes. Mr. Gandhi in his book discusses various legislative measures that have been adopted by various countries in order to regulate the mixture of petrol and alcohol for burning purposes. This is what he says:

"No attempt has been made by these manufacturers and manufacturing associations to do something in this direction and utilise their molasses for the manufacture of alcohol. They are only interested in their profits."

Had they done this particular thing, then probably the margin of their profits would have increased. The advantage of an organised industry is that the bye-products are utilised, but in this case they have failed in their duty and they have done practically nothing to make use of.

Bhai Parma Nand: Who have failed in their duty. The Government or the manufacturers?

Dr. Ziauddin Ahmad: I am talking about the manufacturers.

Bhai Parma Nand: Government ought to give them licence to start distilleries.

Dr. Ziauddin Ahmad: The next complaint I have to make is about the use of bagasse. The bagasses can be put in this country for manufacturing inferior grades of paper and in the manufacture of packing papers and fibre boards. These are the two special articles in which these bagasses can be utilised, and I find that we import something like 100 crores worth of this paper from outside. This could be manufactured by means of the bagasse which is really left out after taking the juice from the cane is squeezed out. It is rather unfortunate that they are using the old fashioned methods and using the bagasse as

fuel and thus wasting the wealth of the country. I have got also some calculations. It is said that $1\frac{1}{2}$ tons of these bagasses give the same heat as a ton of coal. This really means that the value of one maund of bagasse is five annas. One maund of bagasse gives the same heat as coal worth five annas. That means, whatever is left out after the juice has been taken out, is equivalent to five annas per maund. Then, may I ask, is not the sugar-cane juice more expensive than the bagasse which is left out? Certainly sugar-cane juice is more expensive, and hence the value of sugar-cane must be more than five annas.

Seth Haji Abdoolah Haroon: The manufacturers are using these bagasses as fuel in their own factories; they are not selling them.

Dr. Ziauddin Ahmad: As my Honourable friend has drawn attention to it, let me read from the same book which advocates what my Honourable friend says. At page 130, it says:

"In the International Sugar Journal for the month of August, 1929, Mr. E. L. Squires observes 'Apparently bagasse is a very high priced fuel and it might be better to burn the sugar'."

It is a great misuse of the bagasse to use it as fuel. It is an expensive article which can be utilised for the manufacture of paper and other articles.

Mr. B. Das (Orissa Division: Non-Muhammadan): Will you please read the next sentence?

Dr. Ziauddin Ahmad: That I leave to you.

The point I want to make out is this. When bagasse is worth five annas a maund, sugar-cane with the juice in it must certainly be worth more, at least seven annas,—as recommended by the Tariff Board—and this is the price which the sugar manufacturers have never paid to the sugar-cane growers. These manufacturers have done everything for their own personal gain and for their personal profit, and nothing for the benefit of the sugar-cane growers. We have given a donation of eight crores to these manufacturers. The income from sugar was Rs. 10.68 crores in 1930-31, and by the surcharge the income has been reduced to about Rs. two crores and five lakhs, which is the Budget for 1934-35. This really means that we have given a donation of eight crores every year. This is a very big contribution from the tax-payer to the manufacturers of sugar. We want to continue this thing, but what we want is that they should rectify their mistakes.

Before I sit down, let me summarise by position. We on this side 3 P.M. of the House stand by the recommendations of the Tariff Board. We do not want to move an inch from their recommendations, but we also want that their other recommendations should be made obligatory on the manufacturers also. Whatever conditions the Tariff Board have imposed on the manufacturers must be literally followed. We have discussed the Fiscal Commission's recommendations on the point, and I do not want to repeat them now. But, I say that, whenever protection is given, there should be a regular supervision, there must be a periodical checking of accounts, to see that the protection is utilised for the benefit of the people and not for the benefit of the capitalists. With these words, I support the motion for reference of the Bill to a Select Committee.

Diwan Bahadur A. Ramaswami Mudaliar (Madras City: Non-Muhammadan Urban): I have a difficult duty to discharge, because, following the discussion on this Bill, I have not quite made up my mind as to what extent I should support the Government's proposals. A great deal of prejudice has been introduced in the consideration of this question by certain facts and by certain allegations. Let me assume, at the very outset, that there are some factories which produce white sugar, which have abused the privileges that we conferred on them, which are making enormous profits out of proportion to what they might reasonably expect. Let me assume also,—because I have not got the data to deny it—that Honourable Members who have said that the cane grower is not getting an economic price for his cane in some at least of these factories, are also correct. But having assumed both these propositions, I still venture to think that a great deal has to be said in favour of the industry as a whole and that, in the prejudice that has been accumulated owing to the undoubted facts with reference to some of these factories, the position of the industry in all parts of India has not been carefully considered. My main point would be, as I develop my arguments, that, while it may be true that in the United Provinces in particular, certain factories have made large profits and have not been fair to the consumers or to the cane-growers, it cannot be established as a proposition beyond dispute indeed it cannot be established at all, even with all the information that is at the disposal of the Honourable the Finance Member, that in other Provinces either extravagant profits have been made or the agriculturist has been penalised.

Mr. Muhammad Yamin Khan: What has been paid in Madras?

Diwan Bahadur A. Ramaswami Mudaliar: I will come to the various Provinces and show to the House that you would be jeopardising the future of the industry in those Provinces if you take as a model the conduct—I won't say of all the factories in the United provinces, but of some of the factories. Let me also state that what has been whispered in the lobbies in this House as to the position of the factories nearest the seat of the Government of India,—whispers that have gone round of extravagant and fabulous profits that have been made by some of these factories—have gravely prejudiced,—I shall not go so far as to say have unduly deflected—the mind of the Honourable the Finance Member. My Honourable friend suggested that this industry has got protection beyond what it needs, that under this protection it has been able to make excessive profits and that the time has come when an excise duty would be fair to the consumer, fair to the general tax-payer and that the industry should, therefore, be made to pay the excise duty. I am one of those who feel that where an industry has been allowed to grow under the shadow of a high tariff wall, if and when the industry has established itself beyond all reasonable chances of its being shaken or unduly disturbed, that at that time an excise duty is a fair proposition and no industry can complain if such excise duty is levied. The question, therefore, before this House is this, taking the industry as a whole, has the time come when either the Government or we on this side of the House can say that the industry is well and truly established, that there is no fear of any adverse winds blowing and making that industry totter either as a whole or in any parts of this country to any serious extent, and if that proposition is not proved, then I venture to suggest that the excise duty, while not bad in itself, is, to say the least, a bit premature.

My Honourable friend, the Finance Member, referred to the high tariff wall. May I remind this House and may I remind my Honourable friend, the Finance Member, that it was not part of the case of the industry that that high tariff wall should be levied, that it was not their case that Rs. 9-1-0 should be the protective duty on a hundred-weight of imported sugar, that it was levied by him as a revenue duty and that the question of protection for this industry was discussed and decided on by this House after the levy of this Rs. 9-1-0 duty. My Honourable friend, the other day, issued a challenge to all and sundry in this House and outside this House to show a single item in his carefully planned out customs duties where it can be said that the duty has been levied at such high rates that the law of diminishing returns has begun to operate. He said that he had made very careful investigation and calculation before this high tariff duty or customs duty or surcharge had been levied. This is a classic example, if I might say so, where the Honourable Member seeking to levy a revenue duty, obviously trying to augment his resources, has gone very wide of the mark, has overshoot the mark, if I may say so, and, instead of augmenting his revenue, has considerably diminished his revenue, but it is unfair to suggest that this is the fault of the industry. It is unfair to suggest that they asked for a protective duty of Rs. 9-1-0. It is the Government's own fault, as my friend, Dr. Ziauddin, has said. I read somewhere that in the old classical days there were a set of people who were called Hyperboreans. They believed, that, while at the place where they stood in the northern latitude, they had cold blasts of wind blowing on them with uncomfortable severity, if they could only move further north and go on moving northwards, they would come to a region where they would have hot winds and delightful atmosphere. My Honourable friend had cold blasts of financial wind blowing on him when he had the rate of customs duty of 1931, and he levied a surcharge of 25 per cent thinking that he would enter a region of warm winds, where revenues will be plentiful and the exchequer will be full. Who is to blame if the ordinary laws began to operate and this duty has been responsible for a big drop in the customs revenue that he hoped to obtain.

Then, Sir, a great deal has been said about prices. I say, again, that I keep an open mind about the extent to which excise duty can be levied on this industry and an open mind as regards the extent of profits that have been made by particular concerns, but I venture still to think that the extent of prices that prevail in the country are an indication of whether some at least of these concerns make an inordinate profit or whether they are making just the necessary profit to keep their business going. Let me quote an extract, not from a propagandist for whom my friend, Dr. Ziauddin, has suddenly found an aversion. I know the days when propaganda was welcomed by all of us with reference to the Reserve Bank Bill, but let me take not the message of a propagandist, but the considered views of a Government expert. Now, Sir, there is a distinction which even my friend, Dr. Ziauddin, will recognise between a protective duty of Rs. 7-12-0, and a protective duty of Rs. 9-1-0 *minus* an excise duty of Rs. 1-5-0. The fallacy to which this House has been asked to commit itself is this, that the difference is exactly the same, that these things work out on an arithmetical basis, that it is a simple question of addition and subtraction—Rs. 9-1-0 high tariff duty on one side *minus* Rs. 1-5-0 excise duty gives a protection of Rs. 7-12-0. Therefore, *quod erat demonstrandum* an

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excise duty of Rs. 1-5-0 is no more detrimental to the trade than the lowering of the tariff duty to Rs. 7-12-0. Surely my Honourable friend, the Finance Member, does not think that these two propositions are indetical, that what you take away with the right hand from the industry in the way of excise duty can ever be made up by a high level of protective duty. Any man with commercial and business aptitude will tell you that there is a wide difference between these two propositions and that the results of these two processes are not identical, but let me go a step further. The Rs. 9-1-0 tariff duty may be effective if the price which the internal commodity gets is exactly the same price as that at which the imported article sells in the open market; but what are the facts? My Honourable friend has got through the Director of Commercial Intelligence all the facts and figures at his disposal. I hope he will place them before the Select Committee, but I am given to understand from those, who are in a position to know these things, from an authoritative Government spokesman, that there is no parity between the price of internal sugar and the price of the imported Java sugar. If that is so, the whole superstructure of my Honourable friend, this house of cards that he has so elaborately built up, falls to the ground. Let me quote what Mr. Srivastava, the Technologist in Sugar and a Government expert, has to say on the subject in June, 1933. Says Mr. Srivastava:

"In the case of sugar made in India, which has lost its parity with Java sugar during the last year, there is every prospect of a sharp decline in prices when the four dozen new factories under construction this year commence manufacturing during the next season. The experience of the season which is just finished shows that most of the new factories were obliged to sell sugar at any price for want of warehouse accommodation and also in order to raise funds for paying instalments of the price of machinery and for completing the building. If, as appears likely, this is repeated next season also, the price of sugar is certain to decline. Moreover, as production comes closer to consumption, sugar will have to be transported to distant markets, the high freight charges to which will result in a lower ex-factory price level."

This is a statement not of one who is interested in making high profits, but of an absolutely impartial gentleman who has taken a whole survey of this sugar industry and who has tried to come to a conclusion barely on the merits of the case. He tells us that the parity between Java sugar and the internal sugar has been left long behind, and, if that is so, then I ask, again,—what is the use of putting the equation before this House—Rs. 9-1-0, minus Rs. 1-5-0, is equal to Rs. 7-12-0. Arithmetically yes, but commercially no, and the Honourable the Finance Member knows that that is a fact. Now, Sir, since that time prices have still further fallen down, and, at the present moment, those who are in a position to know the facts say again that there is a fall of two rupees per maund between the internally produced sugar and the imported Java sugar. Now, if that is so, I ask, again,—how is the Honourable the Finance Member justified in treating this excise duty as a mere adjustment to bring down the profits to the level which the Tariff Board required when it suggested a tariff duty of Rs. 7-12-0.

Sir, a great deal has been said about the price paid for sugar-cane. We are going to have a discussion on the Bill which, I believe, my friend, Mr. Bajpai, is introducing regarding the fixation of the price of sugar-cane. I am at one with those who think that the agriculturist should have his fair and due share. In fact, if you have read the report of the Tariff Board, you will realise that this industry is sought to be protected as much at least in

the interests of agriculture, nay, more, in the interests of the agriculturists than even in the interests of the factory owners, the makers of sugar out of sugar-cane. Therefore, I am at one with anybody who will suggest that a fair price should be given to the actual cultivator. How my friend, Mr. Bajpai, is going to do it, whether his Bill will accomplish that purpose or fall far short of what is necessary, whether it could be improved by amendments in this House, we shall discuss a little later when we take up the consideration of that question. But I want again to tell my Honourable friend, through the unimpeachable testimony of his own official witnesses, that it is a most unfair proposition to suggest that the cane growers have always and in every Province suffered. I can say, without fear of contradiction, backed up by the authority of my Government and of those who are in a position to know the facts, that, so far as Madras is concerned, no sugar-cane cultivator is in a position to complain of unfair prices.

Raja Bahadur G. Krishnamachariar (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): I deny that proposition.

Diwan Bahadur A. Ramaswami Mudaliar: Does my Honourable friend send his sugar-cane to the factories?

Raja Bahadur G. Krishnamachariar: No, Sir, I am a poor grower, and I am not a factory owner. That is the whole trouble.

Diwan Bahadur A. Ramaswami Mudaliar: My Honourable friend has not followed the speech of my Honourable friend. The question is, whether the factory owner is paying a fair price to the cane grower or not. If my Honourable friend grows cane at places where there are no factories established, if he can only send it to the *gur* manufacturer, then my Honourable friend is certainly in that unhappy position, and, therefore, I ask my Honourable friend to support me; let him see that new factories are established in Madras; let him see that the new factories have got a bare chance of living, let him see that these factories are not killed before they are born, let them not suffer from infanticide before they have even come out of the womb.

Now, Sir, I was suggesting that it is not a fact that in every Province the cane grower has not got that price which he is expected to get. Let me quote the evidence of a gentleman from Bihar and Orissa. If the United Provinces is growing a large amount of sugar-cane and using a large amount of sugar-cane, Bihar and Orissa is at least second only to the United Provinces. And what does Mr. Prior say—the gentleman who is the Revenue Secretary of the Government of Bihar and Orissa? At a Conference the other day at Simla—and I wish that the proceedings of that Conference had been studied more carefully by Members of this House before they made such violent attacks on the industry as a whole—Mr. Prior said:

“As far as my Government is concerned”

—and that is the responsible Government of Bihar and Orissa—

“as far as my Government have been able to obtain information, the factories in Bihar this year intended to pay to the cultivator on the average five and a half annas per maund of cane. It is admitted, however, that they did not succeed in doing so on all occasions. If that five and a half annas which the factories on the average intended to pay had actually been paid to the cultivators, my Government are of opinion that the distribution would have been fair. But they realize that this money was not paid and the reasons why it was not paid are partly because there was inaccurate weighing on the weigh-bridge and partly because a large number of

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factories buy their cane from contractors. The factory manager can only ensure, as long as he continues to buy cane through contractors, that the money is paid to the contractors. He cannot ensure that the actual cultivator gets the benefit of that and that is where the difficulty comes in in fixing prices for sugar-cane. He cannot ensure what that contractor pays to the ryot; and my Government are afraid that in the last year the contractors did take a disproportionately large share out of the profits that accrued in the sugar industry."

Therefore, what is the good of blaming the factory owner all the time? What is the good of telling me that he is crushing the poor sugar-cane grower? As I said, I am perfectly willing that some satisfactory method should be found whereby the sugar-cane grower must have his proper protection and get that fair price which he is entitled to get.

Mr. B. Das: How many instances are there in which the contractors are related to the managing agents of these sugar factories in Bihar?

An Honourable Member: All of them.

Diwan Bahadur A. Ramaswami Mudaliar: Well, the simple remedy for that is to license your contractors, to see to it that only licensed contractors supply these materials to the factories, and not to blame the factories for purchasing sugar-cane at low parity prices. Here is a responsible officer of the Government of Bihar and Orissa who specifically exculpates the factory owners in that Province. If my friend, Mr. B. Das, thinks that the factory owners in his Province are so hopelessly abandoned that they do not pay fair prices, that they have their own relations as contractors, and that the managing agents thus make profits from both sides, then all I can say is—amalgamated as the two Provinces of Bihar and Orissa are, they are bad enough, and I do not know what they will be when they are separated. (Laughter.) At any rate, it would be a good idea if the Legislatures and the Governments, at least with some outside help, put forward a sensible legislation on such subjects, and in Bihar and Orissa in particular. (Hear, hear.)

Mr. B. Das: May I remind my Honourable friend that that was the recommendation of the Select Committee on the Sugar Protection Bill, but the predecessor of the Honourable the Commerce Member and the Government did not accept our suggestion.

Diwan Bahadur A. Ramaswami Mudaliar: Now, Sir, I thought there was some cynicism imported into this debate at the idea that the country should be going in for this high protective tariff merely for the luxury of having an article completely manufactured within its own borders, the idea some have about the sentimental pleasure which the consumer has in having this high tariff duty and in getting the manufacturers such huge profits. Sir, the world is ruled by sentiment after all, and as my friend, Mr. Hari Raj Swarup, has pointed out, the United Kingdom, which is supposed to be non-sentimental, has a high tariff duty and in addition to that has spent Rs. 35 crores during the last ten years in order to build up a sugar industry when, from its colonies, it could import all the sugar it requires at very low prices.

Mr. G. S. Hardy (Government of India: Nominated Official): They had also an excise duty, Sir.

Diwan Bahadur A. Ramaswami Mudaliar: I am coming to that excise duty. They had their excise duty when they had developed their industry for a number of years—not a couple of years—not when the industry had not had time to take root, not when new companies had not been formed, not when the machinery was on the high seas and had not yet arrived—not at that time at any rate. Sir, if a sentimental pleasure is to be derived from these things, if Mr. Baldwin is one of those who are given to sentimental pleasure and for that can give up thirty five crores of rupees, if Mr. Neville Chamberlain is one of those gentlemen who, for the sake of sentimental pleasure, would have all these burdens on the general tax-payer and the consumer, I prefer to be among those who partake of that sentimental pleasure and would willingly have in this country an industry thrive and flourish which will be a matter of pride to this country and of satisfaction to all those consumers and producers. Is this House to be animated in this legislation by such wide national sympathies, or is it to take refuge in mere dry political aphorisms which are repeated from day to day. I am sorry that there is an idea that when there is some difference of opinion regarding protection, that difference of opinion ought to be welcomed, encouraged and exploited, the differences between those who are for protection and those who are for free trade. Sir, I do not know whether, at this time, there is a single country which believes in the old worn-out principles of Cobden with regard to free trade. I thought that notion of free trade was dead as Queen Aune and that no country in the world today would resort to those free trade principles, and India in particular, with her desire to develop her industries, cannot afford to indulge indiscriminately in such principles. But what are the facts with reference to this particular industry? Who are the consumers of this white sugar and who are those who pay for this protection? I see that my Honourable friend, Mr. Yamin Khan, is taking down notes. I hope to hear from him an enlightened argument. My Honourable friend has spoken very often of rural interests and urban interests, of the poor agriculturists and of the capitalists in the city? Will my Honourable friend please tell me who are the consumers who are being taxed in this case, and who are the people that are going to be benefited, provided, of course, that the sugar-cane cultivator gets his fair price for the sugar-cane that he supplies? Let me tell this House what the Tariff Board has pointed out on this subject. Let me give them an idea of the sort of people who are benefited by this industry and the sort of people who are hardened by this industry by this high tariff duty and by the development of this industry. The Bihar and Orissa Government—I am sorry I have to refer to the Government of my Honourable friend, Mr. B. Das, once more—in a statement of the Tariff Board on the subject state as follows on page 91.

“On the whole, it appears that there is a good deal of evidence that *gur* prices are not at all closely linked with sugar prices, and that the burden of the sugar duty is borne mainly by the more well-to-do section of the urban population.”

Sir, as is well known, there are two kinds of sugar manufacturers in this country. The *gur* sugar, which is consumed in villages, is not affected by this Bill and is not seriously in competition with the white sugar, or rather the reverse is the case, namely, the white sugar is not closely in competition with *gur*. That is the finding of the Tariff Board and that is the experience of the people. It is consumed mainly in cities. It is consumed by those classes who have developed a taste for the cup that cheers, but not inebriates, and it is that kind

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of people that will have to pay the higher duty or the higher taxes owing to these tariff and excise duties. But let us see what the Tariff Board itself says on the subject:

"We believe we are justified in assuming, therefore, that the agriculturists, who are the poorest as well as the largest class in India, will incur very little, if any, additional expenditure as a result of the protective duty on sugar. On the other hand (*I hope my Honourable friends will pay attention to this*), the gain which will accrue to the agriculture from the extension of white sugar factories, the exclusion of foreign sugar and the prevention of the manufacture of imitation or adulterated *gur* should far outweigh any disadvantage resulting from an increase in the price of imported sugar above the prevailing low level. The duty will, we believe, be borne in the main by the urban population, but even here the incidence of taxation will be higher per head in the case of the well-to-do and middle classes."

Then follows a very significant passage to which my Honourable friends have not paid due attention:

"It may also be pointed out that hitherto on balance the burden imposed by the adoption of a system of protection has been borne by the agriculturist for the benefit of the urban industrial population."

I wish my Honourable friend, Mr. Mody, was here to give his attention to these words:

"It is the first occasion on which proposals for protection will be of direct advantage to the rural classes, both agriculturists and labourers, and there is, therefore, perhaps a rough justice about the proposals which should appeal to the unbiased observer. . . In the towns, the incidence of the duty per head will be higher in the case of the richer and middle class consumers who are best able to bear it, while it is not unreasonable to expect that the urban population who have mainly benefited from the adoption of a policy of protection, should in turn be prepared to bear some burden for the benefit of the agricultural classes."

Here is an industry, if ever there was an industry, where the incidence of taxation is on the middle classes and the well-to-do people and the benefit goes to the agriculturist and the labourer. Is that an industry on which rough hands can be laid before it has found its feet? Hands can be laid which will only have one effect, the effect of crushing it before it is born. I may be told that I am making an extravagant statement. I hope they are extravagant statements. None will be better pleased than myself if it is shown to me in the Select Committee that these statements are extravagant and that there is no danger of the infant industry dying. But I am now speaking particularly for those mills and for those factories which have come into existence in the course of this year and which will come into existence in the course of the next year. If this industry is asked to pay Rs. 1-5-0 per cwt. even before they have started to capture a market from the well established older industries which have made their profits according to the Honourable the Finance Member, which have built up their reserves and which have got back their capital, then, I ask, what will be the fate of these new factories in Bengal, in the United Provinces and in Bihar and Orissa and in the Punjab, and lastly, in Madras? There are some in Bengal. My Honourable friends have been talking about the position of Bengal. But they do not realise, as some of us have realised, that from investigations with reference to every industry the Province of Bengal shows the blackest record as compared with any other Province. No industry has been encouraged in Bengal. When my Honourable friend, Sir Joseph Bore, makes the motion for the consideration of the Select Committee's report on the Textile and the Sericulture

Bills, perhaps my friend, Mr. Neogy, will be in a better position to tell the House what exactly the Government of Bengal have done with reference to these industries. It is the same black, sad story with reference to every other matter connected with the industrial development of the Province.

Mr. K. C. Neogy (Dacca Division: Non-Muhammadan Rural): It has the specialised industry of law and order!

Diwan Bahadur A. Ramaswami Mudaliar: My Honourable friend, Mr. Neogy, has taken the words out of my mouth. Now, Sir, fortunately or unfortunately for the Province of Bengal, the Government have at last turned their attention to the question of sugar-cane production and the construction of sugar factories in Bengal. Four factories are going to be established in the course of this year and the next year. Let me read from a pamphlet—again an official publication of the Government of Bengal.

Mr. Muhammad Yamin Khan: What is the date of the pamphlet?

Diwan Bahadur A. Ramaswami Mudaliar: This was probably written in 1929. It says:

“There are about 12 sugar factories in the United Provinces, 11 in Bihar and Orissa, six in Madras and two in Bombay; but there is not a single factory in Bengal.”

This is as true today as it was then. Of course, the figures with reference to the United Provinces have gone up much higher. I need not be a resident of Meerut to find that out:

“The possibilities of starting sugar factories in this Province have been fully discussed by the Tariff Board in their report to the Government of India on the sugar industry (*therefore it must be about 1931 or 1932*), and the annual Reports of the Bengal Agricultural Department show that there are several places where the surplus of cane remaining after fully meeting the demand for *gur* can feed a number of factories in Bengal. Moreover, the ryots of Bengal have been faced with a serious crisis, owing to a considerable fall in the price of their agricultural produce, and Government are advising them to restrict the area under jute and utilise the land for sugar-cane cultivation wherever possible. So the establishment of a factory industry for the manufacture of sugar direct from cane will lead the ryots to produce sugar-cane as a good and profitable substitute for jute.”

In accordance with that recommendation of the Government of Bengal and on the promise made by this House that it will foster and develop the industry and not merely maintain an industry which is already on its feet and whose factories have already been established, these poor people of Bengal have come forward to risk their capital in these concerns. I do not know whether they are the widows or the children. I leave that for the investigation of the Finance Department. But I know that some people have come forward to put up the capital and float these four factories. The same is the case in Madras where four or five new factories have been started. Madras is the place where sugar-cane can best be cultivated and Madras will soon be in a position to find herself on her feet.

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) vacated the Chair which was then occupied by Mr. Deputy President (Mr. Abdul Matin Chaudhury).]

The other day, my Honourable friend, Mr. Jagan Nath Aggarwal, twitted the Madrasees and said that there was only a “one way traffic.” Sir, we admit with regret that there is a one way traffic, but that traffic

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is only for poor accountants and clerks getting only Rs. 30 or Rs. 40 or Rs. 50, a mere pittance, and perhaps occasionally a Budget Officer or a Finance Officer, and that is all. The total value of the salaries earned by these gentlemen, who come on the one way traffic, and the value derived by these men from the one way traffic is infinitesimal if you take into consideration the other way traffic to Madras of all the commercial people from the Punjab and Marwar and Bombay. My Honourable friend over there (Mr. Pandya) is a glorious instance in point that we have actually returned to this Legislature a non-Madrasi Commercial representative and that shows the extent of catholicity which we, Madrasis, have in regard to these matters. We have no such provincial jealousies, we are perfectly willing to have the Punjabi, the Guzerati, the Marwari and the Bombayite, and, in fact, they are all thriving in my Province. We welcome them and we give them all the assistance that we can, and we want them to go there and exploit the industrial resources of the Province. You have a commercial head, and by all means let them go to Madras and exploit it. If we can do some other work, which you cannot possibly do, why grudge us our opportunities? That is only, Mr. Deputy President, by the way.

As I said, Madras, Bengal and Bombay have been importing machinery and my Honourable friend, the Finance Member, was very angry when the charge was made that there was some sort of breach of faith on the part of Government. Now, put yourself in the attitude of these new companies that have been just floated, and I know a number of them have been floated within the last three or four months. Put yourself in the attitude of these companies, look at the machinery that they have imported from your country, the United Kingdom in particular. In 1932-33, they got machinery worth 91 lakhs and in October, 1933-34 (six months) 1,66 lakhs. In 1932-33, the total amount of machinery purchased was one crore and fifty-three lakhs and in 1933-34, up to the end of October, the total amount of machinery was 2,77 lakhs, paying ten per cent duty to the Honourable the Finance Member by way of customs tariff. Put yourself in their place. Do not think of the Delhi mills, do not think of the Cawnpore mills, but put yourself in the place of these men who, with the greatest difficulty, have been able to attract capital in Madras who have been just able to start these mills and the machinery is on the high seas and some of them are being constructed and put into erection, and you now come forward and say, here is an excise duty of Rs. 1-5-0 which you are bound to pay from the very day when a single spark ensues from the furnace of your factory. Ask yourself whether they are altogether ungracious and totally unjust when there is some whisper of breach of faith in some distant nook and corner of my Province.

Sardar Sant Singh (West Punjab: Sikh): Then how does the Honourable Member reconcile his views of sending this Bill to the Select Committee?

Diwan Bahadur A. Ramaswami Mudaliar: I have not yet fully explained my views, and, when my Honourable friend has heard those views, he will probably think that I am not after all so inconsistent as all that.

Now, let me come to some particular aspects of the case. My Honourable friend says, why not reject this Bill instead of sending it to the

Select Committee? That brings me to the point at issue. The present financial proposals of the Government of India are the most curious proposals that man has had the opportunity of studying during all these 2,500 years of his creation. (Loud Laughter.) I remember on a famous occasion, when I had time at my disposal, I attended one of the great performances of Bertram's Circus. The Ring Master was in the ring, the grand finale was on, the last scene was to be staged. The lion, the tiger, the bear, the wild cat and the lamb were all asked to sit at a common table and partake of the dinner. The tiger ate it, the lion looked at it, the bear merely licked its paws, the wild cat was purring and the lamb was shivering, and when the scene closed, there were thunderous roars of applause. But the Ring Master was not satisfied and so he came forward and said "That is not the grand finale that I had in mind. I expected the Bengal tiger to leap at the throat of the Punjab lion, I expected the Bombay bear to hug closely the wild cat of Assam, and I expected the lamb of Madras to be swallowed either by the lion or by the tiger, and I would have then cracked my whip and the thong would have resounded and I would then have shown my power. That would have been the grand finale." When I heard my Honourable friend, the Finance Member, making reference to the fact the other day that when a particular Budget demand, which gave one crore and forty-seven lakhs to Bengal, some lakhs to Bihar and Orissa, and about 12 lakhs to Assam, was moved, there was no discussion, when I heard my Honourable friend, the Finance Member, deploring the fact that there was no discussion on that particular demand, that he was disappointed that Honourable Members here did not attack each other and they did not come up to his expectations and discuss this grant, Mr. Deputy President, I thought of the Ring Master and of his resounding thong and I at least was glad that the Madras lamb shivered and kept quiet instead of trying to do anything that deserved the thong of the Ring Master. In these circumstances, in the Bills that we are going to discuss, we shall have the thong, and, in fact, my Honourable friend, the Finance Member, has given a light crack already. What did he say in introducing this measure? That the financial proposals stand all together and if one piece is disturbed, down topples the whole structure. Paraphrased, translated and put in other language, it means "Beware Bengal, beware of the 50 per cent jute duty, touch the excise duty on sugar and woe unto you, touch the excise duty on matches. Assam will be deprived of what she gets, touch any of these proposals, then Bihar and Orissa will quake more than ever it did under the earthquake." (Laughter.) That is the fact that makes it difficult for some Members to give a straight vote on this Bill. I know the House, I know the Parties and how they are arrayed, I know that every Group is divided and it cannot but be divided. These financial proposals, Mr. Deputy President, set a premium on revision in the Parties, they have set a premium on the want of cohesion and unanimity in the various Parties, and, therefore, if my Honourable friend, Sardar Sant Singh, wants to know my attitude, I say I cannot ignore these facts. So far as these new factories are concerned at any rate, this excise duty is certainly not an equitable duty, and I will try my level best to see in the Select Committee whatever I can get out of it for these new factories which have come into existence. I was telling the House how these new factories have come into existence, and I wish to know from my Honourable friend,

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the Finance Member, whether he does not consider it a fair proposition that factories, which have not had at least 12 months existence, should be exempted for the first year from the payment of this excise duty. I hope to press for that position in the Select Committee when the Bill comes before the Select Committee.

An Honourable Member: Only for this year or even later on when new factories come into existence.

Diwan Bahadur A. Ramaswami Mudaliar: Any factory that comes into existence must have one year's full working time before the excise duty is levied on its production, so that it may have a favourable chance and it might try to find itself on its own legs if possible. Another point, I should like to state which particularly concerns my Province. There are factories in Madras which make sugar out of what is called the *palmyra* juice. The *palmyra* is a wild growth in my Province and there are millions of trees, and nature has lavishly bestowed them on us. Today the juice is extracted by the poorest labourers who climb the trees day in and day out, tap the juice, boil it, and, after treating them, bring them to the factories, and a sort of crude white sugar is made out of it. Do I understand that this will also come under the provisions of this Bill? I think it is most unfair that these factories which make *palmyra* sugar should also come under this Bill. I think an assurance is needed from the Finance Member.

Mr. B. Das: That does not come under the Bill.

Diwan Bahadur A. Ramaswami Mudaliar: I want an assurance not from my Honourable friend, Mr. Das, I should like to have an assurance from the Finance Member.

I do not want to go into the details of this Bill. But there are only two considerations which I should like still to advert to. Many Honourable Members have already referred to the fact that, so far as the Indian States are concerned, the provisions that are made there are not sufficient to safeguard the interests of British India. We know that British Indian capital and British Indian industries are already handicapped by your extraordinary income-tax rates and super-tax rates and by all those other taxes which are collected in British India and many of which are non-existent in the Indian States. But I am not on that point. My Honourable friend says that the States will come to an agreement about this proposal and agree to levy an excise duty. Has my Honourable friend any means of ascertaining that the excise duty levied by these States is identical with the excise duty that is levied in British India and that these duties are going to be really collected? Is there any idea of an inspectorate which will examine this question? We all know the position with reference to customs tariff and we all know that the Government of India find themselves in a hopeless position to enforce the laws or agreements which they have come to with reference to the States.

Only one more point, and I have done. I remember in the course of my speech on the Budget suggesting that the proposals of the Honourable the Finance Member had queered the pitch of the Federation. The Honourable the Finance Member contradicted that statement. He said that he had done nothing of that sort, that he had not queered the pitch of the Federation. I want to establish to the satisfaction of this House that

it is a fact. These excise duties were intended to be collected after the Federation was launched and an excise duty on sugar was one of those that were specifically contemplated at the time of the discussion. What has my Honourable friend done now? He said that the excise duties will be levied in British India, they will also be levied in the States, but the benefit of that excise duty will go to the States. Now, does any Honourable Member think that once a State or a Province gets a vested interest in revenue, it will ever be possible for that State or Province to give up that vested interest and divest itself of that source of revenue which it once has got? What has the Finance Member done with reference to the match excise duties? Burma levied that excise duty with the permission of the Government of India a couple of years ago. They are collecting 18 lakhs of rupees, and my Honourable friend sees the justice of earmarking that 18 lakhs of revenue collected to Burma, so that she may not lose the revenue to which she has already laid a claim and which she is enjoying at the present moment. If, therefore, this excise duty is now collected by the Indian States, no Indian State will be a party to making it a Federal duty later on, if and when, and, if at all, a Federation comes into existence. I, therefore, venture to think that apart from all other defects which this Bill shows, the idea of an excise duty in the States collected on behalf of the States makes it distinctly improbable that Federal revenues will have those sources which at one time they thought of having.

Sir, I shall conclude only on this one note. I have no connection with any sugar industry. I have no interest of any kind in any sugar industry. I have no sympathy with the profiteers who are making enormous profits. I do have some little sympathy for those new concerns which are just starting under the shadow of the protection which this House guaranteed; and I want to see fair treatment given to those new companies. If, in the Select Committee, this Bill can be so amended that those new factories shall continue to exist without the threat of ruination, not merely by the levy of excise duty, but by internal competition of a grossly unfair kind, then, I think, even this Bill would in that transmuted form be less unacceptable to this House than it is now.

Raja Bahadur G. Krishnamachariar: Sir, my Honourable friend, the Diwan Bahadur, with that storm of eloquence and stately periods, of which he is a master, has completely smashed me. I do not know anything about what I am talking, nor upon the subject which he was talking. I plead guilty, and I hope I shall not be one of those persons who, having read the numerous literature that he has left open before us over which he has burnt his midnight oil, reading the thing through and through, got by heart certain paragraphs, I hope I shall not be in the position of a person who having done all that can still only say on the floor of this House, "I have not yet made up my mind; I am perplexed as to what to say." Sir, I hope I shall not be in that position, and if I am not, I shall be perfectly satisfied with my ignorance. And, ignorance of what? My Honourable friend said that in Madras sugar-cane growers have not been treated properly. I am glad to know,—because I was going to put him the question whether he had anything to do with any sugar producing factory in Madras,—that he has not. May I very respectfully and very humbly, though I do not command that flow of language with which you can cover any amount of abuses, may I very respectfully and in all humility ask him how many cases of sugar-cane growers he has met with, whether he is one of them and whether he

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in the majority of cases obtained a fair value from the factory owners? That, Sir, is the only ground upon which you can make a statement and not by those numerous experts and the mass of proceedings in the Committee, because I will tell you a little story about this.

There was a *guru* and he had about 10 or 12 disciples who were very recalcitrant. He found always that his behests and commands were disobeyed and so what he did was that one day he commanded his disciples to bring a piece of paper each and write all the duties that the disciple should discharge towards his master. Then he gave them time to get them by heart, which they did. Now, you know that Brahmins go very early in the morning to have a bath either in the tank or in the river. And so they were going one day. Unfortunately overnight there was a heavy downpour of rain and the *guru* and his disciples were going to the river while it was still dark. There was a pool of water somewhere and the *guru* tripped and fell down. He shouted to his disciples to pull him out, but they said, "No, wait a minute". They pulled out their instructions and they wanted to know whether they were bound to pull out their *guru* when he fell in a pit. It was not there. So they said: "We are very sorry, but you gave us these lessons, and this thing is not there. If you can come out yourself, so much the better. We are not bound to do it, and, therefore, we have not transgressed the *guru's* instructions." That, Sir, is the result of these gentlemen's reports. Each of them has got an axe to grind, and if they have not got any axe to grind, he belongs to that community to which my Honourable friend said I have the honour to belong,—they do not know what they are saying.

Sir, talking of experts, technological and otherwise, perhaps my Honourable friend is not aware that there is a report somewhere in the archives of that sugar technological expert that he has already given it as his opinion that there is over-production of sugar in India, and that, therefore, fresh factories should not be allowed to start. But he may settle that matter between the Finance Member and himself. But I believe, and I have reasons to believe, though I have not seen that report, that this is a confidential and a very strong report sent by one of these technological experts, I do not know who he is. Sir, as I said, I admit my ignorance, and, in spite of that, if I support the principle of this Bill, I do not know whether the Rs. 1-5-0 is like the laws of the Medes and Persians and could not be altered. So, whether the Finance Member, after recalculating all those figures that my Honourable friend, Lala Hari Raj Swarup, placed before him, would be able to diminish or increase, or whatever it is, that is a matter I do not understand. The Honourable the Finance Member says he wants money. He has done so; others say, if you take less money, you will still have that money. So you make up the account with the Select Committee, and I am not concerned with that. But what I am really concerned with is, so far as the principle of this Bill is concerned, I am quite at one and I was on the point that I was not doing it out of spite or envy or malice. I am myself going to be in this trouble. If the negotiations that I am on are ended, I hope at this time next year to start on my own hook a very big sugar factory in Hyderabad with my own sugarcane lands to the extent of six thousand acres.

Mr. N. M. Joshi: And add to the over-production.

Raja Bahadur G. Krishnamachariar: That is just it, and I tell you it is in connection with that proposal of mine I was told that there was this trouble that we are having over-production. The same report was sent to Mysore. The Mysore people snapped their fingers at this gentleman's report. They said, you do what you like, we are going to start our factory; and the rest of the negotiations are in progress.

I think I know a little bit of sugar-cane growing, and, so far as the States against whom there has been such declamation, I believe the Honourable the Finance Member will bear me out when I say that he has already received a report from one of the Indian States that they are quite willing to come up to their level on the question of match industry—I do not know whether the communication has yet reached the Finance Department, but a friend of mine in Hyderabad told me that within 24 hours they had agreed to the proposals of the Government of India and the reply had gone. I do not know anything about sugar: perhaps he was afraid to say something about it as I was myself interested in it. However, so far as the States are concerned, I believe the idea of the Honourable the Finance Member is that the production of sugar in the Indian States will not in any way handicap the production of sugar in British India and that they were trying to enter into an agreement with these States, so that the price may be the same all over; and, if they did not agree, steps would be taken when their sugar crosses the frontier to impose a duty upon that sugar in order to bring it to a price at the same level as in British India. That possibly is the idea and upon that I do not know that there was such a great necessity to declaim upon what the States would or would not do after having heard what Mr. Mody had to say about the Viramgam line and all that sort of thing. The reason why I say that I will support the principle of this Bill is not that I am very jealous or envious or malicious about the 400 per cent that these gentlemen were supposed to make as profits, because I do not know anything about it—the Honourable the Finance Member said it was 400 per cent or something about that, and there is a hue and cry raised in all the newspapers; and in all this propaganda to which my friend, Dr. Ziauddin Ahnada, referred, they say there is no such thing as 400 per cent, and there was an offer today on the floor of the House that the Government might take up the whole concern and pay them ten per cent. What a grand thing it would be if the Government, instead of going to the sugar factories, would come to us, the land owners, and take away all our land and give us the profit that they themselves, according to Lord Curzon's resolution, said that we were making, and we shall be perfectly happy. The Honourable the Finance Member and all the other Members of the Executive Government would get so much of land instead of their cash income, and then, in six months time, these gentlemen will realise what the trouble is and they will say "You are perfectly right; you take away your lands; we do not want them." That will be the position that these gentlemen will be reduced to; and what my friend, Dr. Ziauddin, said as a matter of challenge really does not amount to anything very serious: these gentlemen will say "Now we shall have the ten per cent out of the pocket of the Government". It is all absolutely beside the point.

We have also been told that the price of sugar has gone down by two 4 p.w. rupees per maund, which I work out at about $\frac{1}{4}$ ths of an anna per seer. But I know it for a fact, and I challenge anybody to make an inquiry, so far as Deccan and Madras is concerned, what we have been

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paying the same price, whether before protection or after, and I say that not one pice has been lowered in our price

Seth Haji Abdoola Haroon Because you have to pay railway freight on it to Madras.

Raja Bahadur G. Krishnamachariar: I know the reason, but I am talking of the fact. What I am concerned with is that these gentlemen in Upper India started factories which came into existence like mushrooms, made these huge profits, and now cannot get rid of their extra stock, and, consequently, they have got to find a market locally, and as the local market can only consume a certain proportion and as their stock will grow from bad to worse if they are kept, they have got to get any price, and, therefore, they come and tell this House that the value has gone down by two rupees. Who benefits by it?

Seth Haji Abdoola Haroon: The railways.

Raja Bahadur G. Krishnamachariar: Very well. The fact of the matter is, these gentlemen have got their profits in their pockets, and, for the rest of it, they are quite happy if they gave it to the railway; but what about me? It is my money that is paid: it is I from whom the money would have to be got if this Rs. 1-5-0 is not going to be levied from these gentlemen. Whatever may be the cause, I am stating the fact, and it cannot be challenged that the price of sugar, even if it had gone down by two rupees as claimed by these gentlemen, has not benefited us in any way. Why should I then sympathise with these gentlemen? Is it because they are deprived of the chance of making more money than they are actually doing? Come to me. See what I, an agriculturist, am making after doing the work all the year from morning till evening in my field, regardless of rain and heat, snow and sleet. Measure my profits; take twice that measure and be satisfied. Why do you want to have a cross cut to become rich as quickly as possible? Do not do that. We were told that this Bill is very wrong in principle, because it taxed production, that is to say, because the sugar was produced. I never studied political economy or public finance or any of those things, and if I make any mistake, I want the House to pardon me; but I believe that in agriculture, production and production alone is taxed. The Government, taking Lord Curzon's minute, said that they were entitled to 50 per cent of the net produce. If taxing production is inadvisable, then I agree at once, and I ask for relief regarding the agriculturist; then the Government would be hard put to it to find out money to carry on their administration. You can only tax when a man produces: you cannot tax a man who is lying idle on his sofa day in and day out: he does not produce anything, and, therefore, he does not pay any tax. You go to the fields and till the soil and produce grain, and, directly the grain is in your hands, the Government come and say "Give me my share of the produce." Consequently, it is a great fallacy to say that this Bill is a tax on production and that you cannot tax production. Production is the only thing that is taxed in these matters, and even that argument does not appeal to me. I, therefore, submit that harring whatever changes may be made regarding the interests of the Government, I am entirely in favour of the principle of this Bill which I heartily support.

There are only two matters on which I would like to submit to this House a few observations: the first is about this *khandsari* sugar. My friend, Mr. Maswood Ahmad, has said a great deal about it, and we in the Madras Presidency do not understand what this *khandsari* means, and no term is being used which would convey to us an idea exactly of the process

An Honourable Member: It is a cottage industry.

Raja Bahadur G. Krishnamachariar: That is why I am troubled about it. What we do in Southern India is this: my friend, Mr. Bajpai, has been telling me that we are overproducing rice; that our trouble does not lie in our not being able to produce or in our not being able to find a local market, but that we have got more than the local market can consume, and our price is not in demand elsewhere. The remedy is to change our crops as far as you possibly can. Now, long before the Government of India woke up to this position, the landholders and cultivators arrived, both in Tanjore and Trichinopoly which at one time carried the credit of being the granary of South India, we had to change our crop and we have taken to sugar-cane. Of course, we cannot afford to experiment very largely on sugar-cane upon the principle that we should not put too many eggs into the same basket. Therefore, what we do is this. According to our resources, we grow 10, 15, 20 or 50 acres, and, within a radius of, say, two or three miles from a centre, all the cane that is grown in the locality is brought to a spot where there is a sort of wheel which crushes the cane, and juice is taken out. The juice is then boiled and made into *gur*. I do not know at what stage this *khandsari* comes into existence, but if the idea of the Bill is that our process, which begins from the crushing and manufacturing into *gur* without any mechanical power, that our process which is undertaken only by man power or bullock power, should be touched, then I strongly oppose it

An Honourable Member: No, it does not.

Raja Bahadur G. Krishnamachariar: I hope it will be made clear, but I gathered from what my friend, Mr. Morgan, said that any of the raw products from which sugar or *gur* is made should be brought within the purview of this Bill

Mr. G. Morgan: May I interrupt my Honourable friend? I did not say that at all. I did not say that *gur*, *rab* and *palmyra* should be taxed. It was the people who bought these things as raw material and produced sugar who should be taxed. *Gur* does not come into it.

Raja Bahadur G. Krishnamachariar: We manufacture sugar ourselves. I myself manufacture *gur*. I cultivate about 50 acres of land every year in rotation and I first make *gur* and then convert it into brown sugar . . .

Dr. Ziauddin Ahmad: It is called *khand*.

Raja Bahadur G. Krishnamachariar: There is no motor power involved in the manufacture of such things. The poor villagers adopt the boiling process, and produce brown sugar from *gur*.

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Now, if this thing will not come within the purview of this Bill, I shall have no quarrel with it at all, because, it is a cottage industry, it is an industry which the agriculturist is perforce driven to undertake, because, so far as the southern districts of the Madras Presidency are concerned, the regular crop of paddy has no ready market in these days.

Then, the next point is about *palmyra jaggery*. I believe this *palmyra jaggery* is converted into sugar, but it is not done on a very large scale. I do not know if the House is aware of the fact that *palmyra jaggery* has from time immemorial been prepared, not for using it as sugar, but for using it in the Ayurvedic system of medicine. It is sometimes made into candy and sometimes into *gur*, and, in both cases, they are used mostly for medical purposes. I believe quite recently they have started a factory to manufacture sugar out of *palmyra jaggery*. The sugar made from the *palmyra jaggery* is more brownish in colour than the ordinary sugar that we make out of *gur*. I hope this Bill will not rope in the poor people who make sugar out of *palmyra jaggery*. I am also in a way interested in it. I have got about 5,000 *palmyra trees*, and the man who leases them makes the *gur* and is able to find a local market for it. That is one of our cottage industries, and I hope this Bill will not bring within its purview this small cottage industry. Except for these two things, I consider that the principle embodied in this Bill is very good, and I strongly support this reference to Select Committee.

There is only one observation I wish to make about the procedure that is followed in the House, and it is this. A large number of Members have been selected to serve on the Select Committee, and I have always observed that those who go to the Select Committee are the longest in their arguments, and, after a certain time, the President says: "Oh, 85 Members have spoken, and I am not going to allow any more discussion, as the matter has already been discussed sufficiently". I state, as a matter of fact, that we, who do not go into the Select Committee, I respectfully submit, as a matter of principle, should lay down what points shall be considered by the Select Committee, and if these gentlemen who have not even made up their minds as to what to do and what not to do, but take up most of our time, on the floor of the House, some of us poor fellows do not get sufficient time to develop our arguments or to say what we have got to say, I submit that this is a matter which requires the attention of the Honourable the President, so that, as a matter of convention, the thing may be settled, that is to say, those who go to the Select Committee should not speak at least at the early stage of the Bill. That is all that I have got to say now.

Mr. Muhammad Yamin Khan: Sir, I strongly support the observation just made by my Honourable friend, the Raja Bahadur, that Members who go to the Select Committee should not make long speeches on the floor of the House

An Honourable Member: Why not?

Mr. Muhammad Yamin Khan: If they have anything to say, they can do so in the Select Committee. For whose benefit are they expressing their views here? It is for their own benefit. When a motion is made for reference to Select Committee, it is intended that the Members who-

go to the Select Committee should derive some benefit from the views of those Honourable Members who will not go to the Select Committee, but if they also make a speech here, I do not know for whose benefit they will be expressing their views, because in the Select Committees the Members who are selected will have greater opportunities to express their views. So I think a convention should be established in this House by which those Honourable Members who will go to the Select Committee should not speak in the first stage when a motion is made for reference to Select Committee, except to the extent of saying whether they agree to the motion being referred to Select Committee or not. Beyond this they should not

Mr. C. S. Ranga Iyer (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): May I suggest to the Honourable Member from Meerut whether it is not to the point for members of the Select Committee to speak out their views, so that this House may see that they are fit enough to work in the Select Committee

Mr. Deputy President (Mr. Abdul Matin Chaudhury): Order, order. Instead of giving directions to the Chair, it will be better for the Honourable Member to proceed with his speech.

Mr. C. S. Ranga Iyer: I was making a suggestion. Probably the Chair did not follow the Honourable Member from Meerut. As I interrupted him and he gave way, I asked him whether it was not fit and proper for members of the Select Committee to place before the House their qualifications by speechification to sit in the Select Committee

Mr. Muhammad Yamin Khan: My friend's observations are always of good humour. He wants to test the ability of the Members who go to a Select Committee. I have no quarrel with him if that is his object.

Well, Sir, I shall not take the time of the House in referring to statistics which were prepared in 1929, as was done by my friend, Mr. Mudaliar, nor do I want to go into the prices of different articles as was done by Dr. Ziauddin Ahmad. Here I am a practical man, and I represent only two sides, one as a consumer and the other as a representative of the cane-grower. So far as I am concerned, I don't want to be too hard on the producer either. I don't agree with what Dr. Ziauddin Ahmad or Mr. Mudaliar said that the protective duty was levied by the Government simply for the sake of revenue. I think a great demand was made for this, as far as I remember, by my friend, Mr. Abdoola Haroon, because he was mostly interested in the sugar industry, and he made out a case that there should be a protective duty

Seth Haji Abdoola Haroon: I think my friend, Mr. Yamin Khan, is making a mistake. I spoke when the Sugar (Protection) Bill came up in 1932, but the sugar duty was levied as a protection duty before 1932. Till September, 1931, all these duties of Rs. 9-1-0 were levied by the Finance Member, while the Sugar (Protection) Bill came out only in 1932.

Mr. Muhammad Yamin Khan: I am referring to the Protection Bill. I say that when this duty came in, it was welcomed by my Honourable friend, and he said in support of this that it would help the sugar industry of India. I say that it was not merely for the purpose of getting more

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revenue, but the idea at that time was that this duty would help the growth of sugar industry in this country and would help the people in competing with foreign sugar and would give an impetus to those engaged in the growing of sugar-cane. It is the duty of the Government to see that the prices of cane are fixed and that people who control the poor growers of cane do not exploit them. For this purpose, I remember the United Provinces Government issued—it cannot be called an order, but it was a kind of suggestion—that seven annas per maund was a reasonable rate to pay to the cane grower. My Honourable friend said that nine annas have been paid in the Meerut Division. What a wonderful statement he has made!

Lala Hari Raj Swarup: Do you deny this statement?

Mr. Muhammad Yamin Khan: Absolutely.

Lala Hari Raj Swarup: You are incorrect.

Mr. Muhammad Yamin Khan: Can he tell me in what month, for how many days, and in what factory? Was it Mansurpur?

Lala Hari Raj Swarup: Yes. It was Mansurpur and Daraula.

Mr. Muhammad Yamin Khan: I can prove that at Mansurpur, in spite of the Government's order, only four annas and six pies were paid. I have received lots of complaints from people living there.

Lala Hari Raj Swarup: I challenge my Honourable friend. It was never paid in Mansurpur.

Mr. Muhammad Yamin Khan: I can prove by evidence of thousands of cultivators that only four annas and six pies were paid. Can my Honourable friend deny this that all the factory owners in the Meerut district, which have sprung up to something like eight or nine in one year's time, have combined together and passed a resolution that nobody should pay more than six annas for the cane? The man takes the cane from five or six miles in a bullock cart, and when he reaches the factory, they say, it is worthless and they are not going to purchase it. The man cannot take it back to his village, and, moreover, the area has been divided between the different factories, so that there should be no competition between one factory and another, and the factory owners have agreed among themselves that they will purchase only from the areas allotted to them and from nowhere else, so that the poor man cannot take his cane to any other factory, because nobody else will purchase it. It is an open secret that the Daraula factory, which was put up only two or three years ago, has paid back its capital. If there is protection, is it in the interests of the people who invest their capital or in the interests of the cane grower and the consumer?

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

If these people had been generous to the cane grower, and, at the same time, making profits for themselves, nobody would have any grievance, I would not grumble at it. I say that the industries of India must be

helped, but it does not mean paying 50 per cent profit at the cost of the consumer and at the cost of the cane grower. That is asking too much from the country; that is taking too much advantage of the patriotism of the people. I went to England last year and returned within six months, and, within that period, I found that at distances of five or six miles sugar factories had been put up—I saw four factories rising during this short time on the Ghaziabad-Meerut Road.

Sir Cowasji Jehangir: Are they working now?

Mr. Muhammad Yamin Khan: Yes, they are all working. Some factories have worked for five or three or two months, and if they have not got back the whole of their capital, they must have got back at least 30 per cent, because they are not paying proper price for the cane. My Honourable friend, Mr. Mudaliar, says that we must give one year's advantage to the factory owner to build up the factory. What does he mean by one year? Does he mean from April to the end of August also to be included? Factory owners who have started in October have already made tremendous amounts of money by the 31st March. They have got nothing to do on the 1st April except, probably, crushing a little bit of cane which is remaining there. No cultivator can afford to keep cane in his field after the 31st March, because he must have the field clean for the next year's crop. The time for crushing cane is from about the 15th of October or the 1st of November to the 31st of March. They have this year already made it. I have no grievance if a reasonable price for cane is given. The factory owners must be allowed 15 per cent as margin for profit, and if the industry cannot go on, if nobody is willing to invest his money with a return of 15 per cent profit, then I think it is useless to try to have any factories in India. 15 per cent is quite sufficient,—if they can have 15 per cent dividend or net profit on their capital.

Sir Cowasji Jehangir: 15 per cent dividend?

Mr. Muhammad Yamin Khan: If the Honourable Member only knew, he would jump up and invest all his money tomorrow in the United Provinces. They are getting 50 per cent. If the Honourable Member knew that, he would have invested all his crores in the United Provinces.

Seth Haji Abdoola Haroon: Can the Honourable Member give any instance of a factory which gave 50 per cent dividend this year?

Mr. Muhammad Yamin Khan: If not this year, last year. The Daraula factory has paid back the whole of the capital in two years. With nine lakhs of capital, they made six lakhs in one year.

Seth Haji Abdoola Haroon: If it made six lakhs, can the Honourable Member say how much it paid as income-tax?

Mr. Muhammad Yamin Khan: That is why they have this device of purchasing through the contractors. Some body asked, why they purchased through the contractors. This is how they hoodwink the Income-tax Officers,—because the profit is scattered among so many different people. One book is kept separate for real accounts, and another is kept for inspection by the Income-tax Officer

Seth Haji Abdoola Haroon: When the Honourable Member says 50 per cent, does he realise that they have got to pay charges for manufacture, for fuel, for labour, etc. Or did he mean 50 per cent net profit?

Mr. Muhammad Yamin Khan: I am just coming to that. It is 50 per cent net profit, because I know for a fact that, excluding cost of the machinery, the cost of production,—the price of sugar came only to five rupees and a few annas and they sold sugar at Rs. 11 a maund. This was the selling price. It comes to cent per cent profit. If you take the incidental charges, the depreciation value of the machinery, and so on, into account, it comes to 50 per cent profit.

Sir Cowasji Jehangir: What is the gross profit?

Mr. Muhammad Yamin Khan: The cost of making sugar came to five rupees and a few annas only, but they sold the same thing for Rs. 11.

Mr. A. Das: Last year the prices were never Rs. 11.

Mr. Muhammad Yamin Khan: But they have been selling at this price for the last three years. Some factories have paid their capital. They have got no grievance. If my friend wants to contest my statement, let him produce the accounts before Dr. Ziauddin Ahmad, though they may hoodwink him more easily than they can hoodwink the Income-tax Officer. I am ready to say this that they get 50 per cent profit. They have got no reason to complain. They should not get the whole of it. A portion of that must go to the consumer or to the cane grower, and, if this cannot be done, let it go to the public funds. I do not want to crush this industry. I would rather use the sugar made in India than the sugar imported from Java. I would like to encourage it myself. When you complain about the poor man's salt, why not about the poor man's sugar? The poor man uses more sugar than salt.

Bhai Parma Nand: May I ask if you advocate nationalisation of industry as well as nationalisation of land?

Mr. N. M. Joshi: I do.

Mr. Muhammad Yamin Khan: I am prepared to sell my land to Government at half the price that it would have fetched in 1926. I am ready to sell the whole land today and let the Government distribute it to anybody.

Sir Cowasji Jehangir: If there are more Joshis about, you will have to give it away for nothing.

Mr. Muhammad Yamin Khan: I wish more Joshis could come and take away my land, and then I shall take away the money of other people. If somebody robs me, I shall not sit quiet. I shall go and loot the houses of others.

The Honourable Sir Brojendra Mitter (Leader of the House): Then the whole thing will be going to Mr. Joshi?

Mr. Muhammad Yamin Khan: I am not one of those who will sit quiet. I do not want to disclose the secrets that have been told to me in confidence by people who approached me with the request that I should become a director of certain companies, but I may tell this that even the factories which have been put up this year are making as much as 35 per cent net profit now.

An Honourable Member: Quite wrong.

Mr. Muhammad Yamin Khan: By going through the figures which I have got, I can tell you that that is a fact.

Seth Haji Abdoola Haroon: If he knows very well that they are making 35 per cent profit, I can arrange for his getting some contracts. He can allow 15 or 20 per cent and take the rest and make a little money.

Mr. Muhammad Yamin Khan: I am not in that line, and I do not know anything about the factories my friend is talking of.

When my friend, Mr. Mudaliar, was speaking, he said that his Province was not such that it was not paying properly to the cane grower. I asked him the question as to what Madras was paying. I got no answer. He said that the Madras cane grower had no complaint. But he had no figures to give me. He could not tell me whether the cane grower there was getting near about five annas six pies or not. He did not answer. Mr. Mudaliar does not know anything about it. He comes up and advocates his cause with great ability and eloquence and force, but he knows nothing about what he is talking. He simply gets up and says that his Province has got no complaint. He quoted what Bihar was paying

Rao Bahadur B. L. Patil (Bombay Southern Division: Non-Muhammadan Rural): The cost of production, according to the Tariff Board, was estimated at Rs. 1-12-0 per maund. So it must be a little more than that. This is to be found in the book written by Mr. Gandhi.

Mr. Muhammad Yamin Khan: In what year was this?

An Honourable Member: It has been written just now.

Mr. Muhammad Yamin Khan: I cannot accept what my friend has said. I am glad to note that he fills the gap which was left by Mr. Mudaliar.

Raja Bahadur G. Krishnamachariar: It is only the cost of production that he is quoting.

Rao Bahadur B. L. Patil: It must, therefore, be something more than that.

Raja Bahadur G. Krishnamachariar: "Must" is another matter.

Mr. Muhammad Yamin Khan: The question is what exactly they are getting. Is my Honourable friend talking about the Bombay Presidency?

Rao Bahadur B. L. Patil: It is Madras.

Mr. Muhammad Yamin Khan: My Honourable friend's answer does not satisfy me as to what they are paying to the cultivator. I want Mr. Mudaliar to tell me that.

Maulvi Sayyid Murtaza Sahib Bahadur (South Madras: Muhammadan): We pay more than any other Province?

Mr. Muhammad Yamin Khan: I do not know what is meant by "more". It has been said that Bihar and Orissa pays five annas six pies on an average. This word "average" is a very good word. Mr. Hari Raj Swarup said they paid up to nine annas. They might have paid this to a single individual, and that cannot be quoted as an instance. Five annas six pies average means that some people must have been paid six annas, some five and some people less than five annas also, and five annas for a maund of sugar-cane is not a reasonable price.

Seth Haji Abdoola Haroon: May I ask one question of the Honourable Member? He belongs to Meerut. Can he tell me, if the people there are making *gur* from the sugar-cane, at what price they are getting the cane, when they are making the *gur*?

Mr. Muhammad Yamin Khan: My Honourable friend knows that very well. He has been in the sugar business for a long time, and he knows as much as I know (*An Honourable Member*: "More.") that *gur* is not produced by the people who purchase the cane crop. *Gur* is always produced by the man who grows the cane himself. The man, who has got land, say, up to 100 bighas only, runs one *kauloo*—a crushing machine that is worked by the same bullocks that the man has and which are meant for his other cultivation purposes, and he gets juice out of that which does not come out thoroughly, and this man makes *gur* himself. Now, he is at the mercy of the people who sell in the market. The cane is never purchased by him. Therefore, I cannot give my Honourable friend a reply.

Seth Haji Abdoola Haroon: I know they are making *gur*. I know very well that these cultivators are manufacturing *gur* themselves. But if they are crushing their own cane and making *gur*, you know the price of *gur* in the Meerut market, and you know also how many maunds of cane are crushed in order to get one maund of *gur*. And from that, it can be imagined what price

Mr. President (The Honourable Sir Shanmukham Chetty): Order, order.

Mr. Muhammad Yamin Khan: It is for the Honourable Member to calculate it. The poor man must sell his *gur* at any price that he can get. Only those people make *gur* who have got no other means of selling their produce, and if they make *gur*, they must sell it at once; otherwise, if it is produced at a time when the harvest is over and the revenue collector is there, he cannot leave him ten days and he is at the mercy of whatever prices rule in the market. *Gur*, which is often sold at two rupees or three rupees a maund, has, after two months, been sold for eight rupees a maund. People who have purchased *gur* at two rupees or three rupees a maund have made a tremendous amount of profits—cent per cent often. But, sometimes, if there is a shower, then the entire quantity becomes useless. The question of *gur* is very delicate: and if the *bania* in the market by purchasing and storing his *gur* sometimes makes cent per cent profit, he stands to lose sixty per cent or so by one shower of rain at Christmas time. Probably the man is bringing his *gur* from his village to the marketing place and the whole gets melted on the way. There are three parties—the consumer, the producer and the grower of cane, and who is getting the best advantage?

An Honourable Member: The contractor.

Mr. Muhammad Yamin Khan: Is the consumer getting it? No. We had expected that the sugar factories, instead of getting fifty per cent or thirty per cent, would be content with twenty per cent, and that they must reduce the prices. I find that my friend, Raja Bahadur Krishnamachariar, said that he was not getting even one pice less. I think I am paying just about the same price. I do not purchase from the manufacturer, I purchase it from the retail dealer, and the middleman always gets it. The middleman does not leave much difference. That has always been the basis of my support with regard to the salt tax, because I know that it is the middleman, and not the consumer, who gets the advantage. If all this is threshed out in the Select Committee, so that all reasonable profit is left to the factory owners, I will not grudge it; but if they want to exploit the cane grower and the consumer, then, I, as a representative of both, must protest against it.

Then, I want that the industry must prosper for two reasons, because I want the people of India to have more employment, and I want that India's money does not lie idle, but is properly utilised, so that a lot of people may be employed. The second reason is that if more factories come into being, then more sugar-cane will be purchased, and if more sugar-cane is purchased at reasonable prices, then the price of the land will not fall down as it has fallen down recently,—and I want to keep up the price level of the land. As a representative of the zamindar, it is my interest also to see that the price of land does not go down and the people do not financially suffer. They have got their capital fixed up in their factories and they would not like it to be reduced to fifty per cent. Similarly, I do not like my capital to be reduced to fifty per cent. On the contrary, I would much rather like to see the price of land restored to the previous level, and that can only be attained if the prices rise. This cannot happen if the factories that have been growing take to a great deal of exploitation of the cane growers. All these matters will be dealt with in the Select Committee, and, therefore, I support the motion for reference of the Bill to a Select Committee. But I must not be misunderstood: I am in no way against the factory owners, I want to leave them a fair margin.

Seth Haji Abdoola Haroon: Sir, before I now rise to speak on the subject, I have heard my Honourable friends, Dr. Ziauddin Ahmad, Raja Bahadur Krishnamachariar and Mr. Muhammad Yamin Khan. All these three Honourable gentlemen are supporting the motion for reference of the Bill to a Select Committee. Of course they have their own opinions and they have their rights to say whatever they like, but I find that they are not against the industry itself, nor do they want that sugar should not be manufactured in India, but they have some idea that the sugar manufactures are making huge profits; and, besides that, they have complained that they are not getting proper cane prices for the cane grower. All these things they have understood chiefly from the Treasury Benches and especially from the speech of the Honourable the Finance Member.

Dr. Ziauddin Ahmad: I was never here at the time.

Seth Haji Abdoola Haroon: Well, you must have read that speech; and I know that the Honourable the Finance Member has been creating in this House some such impression and he brought forward some view

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backed by facts and figures before the House that, according to his information, at any rate from my friend, Mr. Mody,—and he said in his speech also a few words, and I am quoting here from a newspaper cutting. This is what the Honourable the Finance Member said :

“The point I want to make is that the public of India have made a tremendous sacrifice to see this policy of making India self-supporting. It does not lie in the mouth of the manufacturers to come and say that it is unjust and unfair if you reduce our 400 per cent profit to 300 per cent profit.”

These are the words of the Honourable the Finance Member. If a responsible Honourable Member uses these words in the House, I think I can say that there are many Honourable Members who do not know much about this industry, nor the trade itself.

The Honourable Sir George Schuster: I have already explained to the House, and the context in which I used that sentence makes it perfectly clear that I was referring to the capital appreciation of the shares. I was dealing with the argument that we have been approached as people who were doing injustice to people who bought shares at very high prices.

Seth Haji Abdoola Haroon: Thank you very much for saying this much about the shares. But my friend, Mr. Yamin Khan, understood it the other way.

Mr. Muhammad Yamin Khan: I did not say that the price of the shares has gone down by 50 per cent.

Seth Haji Abdoola Haroon: You said that the manufacturers made a profit of 50 per cent.

Mr. Muhammad Yamin Khan: Yes, I did say that.

Seth Haji Abdoola Haroon: Sir, I am very glad that by and by everything is being cleared up, and, when we go in the Select Committee, many things will be cleared up to the Honourable the Finance Member and other Members. My friend, Dr. Ziauddin Ahmad, Mr. Yamin Khan and the Raja Bahadur, said that they were paying the same prices. From this you can find, Sir, how ignorant they are of the market and the price of the sugar. Of Course, they are Honourable Members, and the suppliers know that they are Honourable Members. If they knew something about the trade, things would have been different. I know that my friend, Dr. Ziauddin Ahmad, is an economist and a mathematician, and my friend, Mr. Yamin Khan, is a zamindar and a Barrister. But I will beg their pardon when I say that they do not know much about the market. They do not care about these small things, and, therefore, they are being charged at a high price.

Dr. Ziauddin Ahmad: May I say that when I found that I could not get sugar here at more than $3\frac{1}{4}$ seers for a rupee, I had to send for it from the factory at Gorakhpur in which I am interested.

Seth Haji Abdoola Haroon: I think the Honourable the Finance Member did not deny that the sugar market has gone down within the last two years by three rupees a maund. When Government gave the protection, the market went down by three rupees a maund. The market went down in Cawnpore and in Calcutta, and my friends say that they are still paying the same price.

Mr. Muhammad Yamin Khan: May I ask the Honourable Member whether the market has gone down, because the factory owners reduced the price or they were forced to sell at the reduced price?

Seth Haji Abdoola Haroon: I may inform my Honourable friend that we, the businessmen, are always guided by supply and demand. When we find that the supply of sugar in Meerut is more than its requirements, we try to send it to the Amritsar bazaar and sell it there. And when we find that the same is the case with Amritsar, we send it to Karachi, and so on. But we were charging you before the import price in Karachi and today we are charging you the price which we have to pay Karachi *plus* the freight from Karachi to Meerut which comes to about Rs. 1-8-0. Therefore, we have to reduce our prices. We cannot charge you the same price as we are charging at Karachi, because we have no organisation of sugar selling agencies.

Mr. Muhammad Yamin Khan: My Honourable friend has probably misunderstood me. They are making the profit in Meerut and the United Provinces to the extent that they are losing in Karachi.

Seth Haji Abdoola Haroon: No, Sir. Again, you have misunderstood me. We have to sell our sugar, because the production is so large that the United Provinces or the Punjab are unable to consume it. We have to send it to the ports of Karachi, Bombay and Madras. I have sent the manufactured sugar to the Madras City, and still my friend, the Raja Bahadur, says that he is not getting it cheap. But how can he get it cheap? I have to pay freight from my factory to Madras which comes to Rs. 1-8-0 and I have to sell it in Madras at a price which is about two annas less than that of Java imported price. This is our difficulty.

Sir Cowasji Jehangir: Notwithstanding all that, what profits are you making?

Seth Haji Abdoola Haroon: I am coming to that. I am ready to produce my accounts before any authority.

Mr. Amar Nath Dutt (Burdwan Division: Non-Muhammadan Rural): Which account you mean, whether the real one or the one which is prepared for the return of income-tax?

Seth Haji Abdoola Haroon: I have started the sugar factory only this year. Sir, everybody is entitled to his own opinion, and I have my opinion. Although the Honourable the Finance Member said much about the consumers giving this large protection to the sugar industry, my friend, Diwan Bahadur Ramaswami Mudaliar, has already said on the floor of the House that this duty was not levied for the protection of the sugar, but that it was levied before the Protection Bill was itself passed. Of course, we have got a sort of guarantee now that for the next seven or 15 years this duty will remain. But, as a businessman, I have always been of the opinion that the present financial position of the Government is such that they will not be able to reduce any duty. They are increasing the duty day by day, and they will continue to do so unless and until they try to reduce their own expenditure.

Sir, the other day, my Honourable friend, Dr. Ziauddin Ahmad, brought some figures before the House. He said that till then the Government had increased the taxes by 46 crores, but the position was the same as it was

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in 1930, and, after increasing the taxes by another 33 crores in 1934, we find the position is the same. So is the case with income-tax. After increasing the rate by 13 or 14 crores, we find the revenue from income-tax has gone down by $1\frac{1}{2}$ crores. I know that all the duties that are levied are not going to be reduced. It is not true with regard to sugar only, but also with regard to other articles. Upon all the articles the Government have been levying a customs duty. Can you point out any article on which Government have reduced the duty or reduced the surcharge? Instead of reducing the surcharge, the Government are enhancing the excise duty. What is the meaning of all this? The meaning is that Government want money. I understood it properly. But, then, why are the Government saying at the same time that they gave us so much protection, and the public and the tax-payer cannot afford it? Why should they say that the public are grumbling at the protection?

An Honourable Member: The protection is there, it has not been reduced.

Seth Haji Abdoola Haroon: Yes, the protection is already there. Can you show me one article where protection is not there? Besides that, if you look to the present position of the sugar industry when it started, when it commenced, and how long that industry has been established, you will find that, on account of the high revenue duty, people have started sugar mills. I have got here the figures which the sugar technologist has collected. You will see that in 1930-31, there was no Sugar (Protection) Bill and there were then 21 mills and they went up to 29 on account of the high revenue duty. In 1930-31, the mills went up from 29 to 32, and in 1932-33, the number went up still further to 57. Your Bill was passed in March, whereas the factories have already been erected by many people and they commenced work already without the Sugar (Protection) Bill. When protection came in, many people started sugar factories, with the result that their number went up to 134. Six new factories will be erected within the next year, so that the total will be 140. If you look at the figures, you will find how these people, who have erected 134 factories, have helped the various Government Departments. These factories have given employment to a vast number of labourers, the railways, the Posts and Telegraphs, and several other Departments have benefited enormously. (Hear, hear.) The other day, my Honourable friend, Sir Joseph Bhore, brought forward a Budget with $2\frac{1}{2}$ crores more income than last year. I submit that, out of this extra sum of $2\frac{1}{2}$ crores, at least $1\frac{1}{2}$ crores would have been paid by the sugar factories in the shape of railway freight for the machineries they brought from outside India. Sir, a sugar factory with a crushing capacity of 400 tons has to erect a machinery worth $6\frac{1}{2}$ or $7\frac{1}{2}$ lakhs, and another seven lakhs we have to spend on the erection of buildings, materials, railway freight, and so on. I can give you my own instance. When I brought my sugar machinery imported to Calcutta and brought the same to my place, I had to pay a railway freight of Rs. 73,000. Whereas, my place is only 350 miles from Calcutta, there are many other sugar factories which are more than 700 or 800 miles from the ports.

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member can resume his speech tomorrow morning.

The Assembly then adjourned till Eleven of the Clock on Tuesday, the 3rd April, 1934.