

COUNCIL OF STATE DEBATES

THURSDAY, 28th FEBRUARY, 1946
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OFFICIAL REPORT



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THE
COUNCIL OF STATE DEBATES

**OFFICIAL REPORT OF THE NINETEENTH SESSION OF THE FOURTH
COUNCIL OF STATE**

VOLUME V—1946

COUNCIL OF STATE

Thursday, 28th February, 1946

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

QUESTIONS AND ANSWERS

DETENTION OF RANA BIRPAL SINGH OF BHAJJI STATE.

91. **THE HON. RAJA YUVERAJ DUTTA SINGH** : Is it a fact that Rana Birpal Singh of Bhajji State (Simla Hills) is under detention under Bengal State Prisoners Regulation III of 1918, and is confined in Lahore Mental Hospital ? For what offence has he been detained ; since when and what opportunity has been given to him to meet the charges ?

THE HON. MR. A. E. PORTER : Yes ; the ex-Rana of Bhajji has been detained since September 1940 for reasons of State, being reasons connected with the discharge of the functions of the Crown in its relations with Indian States. He can make any representation he likes to Government, and he has also had the opportunity of appearing personally and representing his case before the Lahore High Court and the Federal Court.

THE HON. MR. N. K. DAS : May I ask if Government have satisfied themselves that the ex-Rana of Bhajji is really mentally deranged ?

THE HON. MR. A. E. PORTER : Yes, Sir.

THE HON. PANDIT HIRDAY NATH KUNZRU : How long has he been in detention ?

THE HON. MR. A. E. PORTER : Since about June, 1940.

DETENTION OF STEFAN POLAK.

92. **THE HON. RAJA YUVERAJ DUTTA SINGH** : (a) Is it a fact that one Stefan Polak, a Czech, who is said to have fought on the Republican side in the Spanish Civil War fled to India in 1941 from the Balkans and is kept in detention in an internment camp at Dehra Dun ?

(b) Will Government make a statement relating to his activities, and the circumstances of his detention, as well as the period for which he is likely to be detained ?

(e) Is it a fact that the Czechoslovak authorities have been endeavouring to secure his release ever since ?

THE HON. MR. A. E. PORTER : (a) Yes.

(b) Stephen Polak came to India in 1941 from the Balkans with a forged Canadian passport and under a false name. Subsequently further circumstances came to light which raised suspicions of pro-enemy activities on his part. It was, therefore, decided to intern him. Now that hostilities are over, he will be repatriated but it is not proposed to release him in India pending his repatriation.

(c) There has been correspondence with the Czechoslovak Consul who addressed Government on the subject in December 1943 and subsequently in July 1945.

DESTITUTE INDIAN LABOURERS IN MALACCA.

93. **THE HON. RAJA YUVERAJ DUTTA SINGH :** (a) Are Government aware that about 15,000 destitute Indian labourers in Malacca are undernourished and urgently need clothing and food ?

(b) Is there any representative of India in Malacca ?

(c) Will Government state what they have done to relieve the sufferings of the Indians there ?

THE HON. DR. N. B. KHARE : (a), (b) and (c). Government of India's information is that there are approximately 4,000 Indians in all in Malacca. Malacca is a part of Malaya and there is a representative of the Government of India in Malaya. A small proportion of the Indians in Malacca are said to be destitutes and these are now in relief camps run by the British Military Administration. The regional welfare committee also issues cash relief, clothing and rations. The Government of India's newly appointed Welfare Officer has been asked to cover this area to supplement these relief measures.

TRIAL OF I. N. A. PERSONNEL

94. **THE HON. RAJA YUVERAJ DUTTA SINGH :** Will Government state what approximately will be the cost of all the Court Martial trials of I.N.A. personnel held and contemplated to be held in India, indicating separately the salaries of the personnel of the Courts, the fees of the prosecuting lawyers, and other expenses ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : Up to the end of last month the expenditure on counsel and stenographers was approximately 70,000 rupees. For the rest, the members of the Courts-Martial and most of the witnesses are military persons and almost all use Service transport which carries other people as well. The extra cost of the trials on account of the witnesses is therefore small ; to work out actuarially the proportionate cost would involve an expenditure of time and labour which would be incommensurate with the value of the results.

SHOOTING OF I. N. A. PERSONNEL.

95. **THE HON. RAJA YUVERAJ DUTTA SINGH :** (a) Is it a fact that on or about the 25th September last at about 10 P.M. five members of the I. N. A. were shot dead and nine others wounded under orders of the commandant in the detention Camp at Nilgunj, 20 miles from Calcutta ? Will Government make a full statement on the subject detailing the circumstances of the occurrence, the reasons for firing, the names and Provinces to which those killed and wounded belonged, and the steps taken in that connection ?

(b) Was any enquiry made ; if so, by whom ? Will a copy of the enquiry report be laid on the table ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : (a) Five civilian internees were killed and nine wounded, at the Nilganj Camp on the 25th September last. The trouble arose when a cage of prisoners refused to obey orders, shouted insults and abuse and finally became menacing. As regards the names of those killed and wounded, I lay a statement on the table.

(b) The incident was the subject of a court of enquiry which found that the officer concerned was responsible for the use of more than the minimum of force that was necessary. This officer was subsequently tried by court martial and has been convicted and sentenced to five years rigorous imprisonment. The proceedings of the court of enquiry cannot be published.

List of persons killed and injured in the Nilganj P. O. W. Camp.

Those dead :—

<i>Names.</i>	<i>Province.</i>
1. K. Garuppiah	Madras.
2. Karnail Singh	Punjab.
3. D. Muniappan	Madras.
4. A. Thaugaraju	Madras.
5. P. Mohd. Qasim	Madras.

Those injured :—

1. Minniang	Burma.
2. P. Suppayya.	Madras.
3. Veerapan	Madras.
4. Govinda Pillai	Madras.
5. A. Uttarapathi	Madras.
6. Murlidhar	Sind.

Those slightly hurt :—

1. Automy Sami.
2. Tiru Khanna Terat.
3. P. K. Nair.

REPORT OF BRIGADIER AMES ON BOAT-BUILDING OPERATIONS.

96. THE HON. MR. SURPUT SINGH : Will Government state :

(a) Whether an investigation on behalf of the Government of India was undertaken by Brigadier Ames into the boat-building operations of the Bengal Government ?

(b) Whether that investigation is now complete ?

(c) The main findings of that enquiry ?

(d) If the enquiry is not yet complete when is it expected to be completed ?

(e) Whether they will publish a full report of the investigation when completed ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : (a) to (e). At the request of the Government of Bengal, I placed at their disposal the services of Brigadier Ames for a period of one month in March 1945. The Bengal Government wanted someone to advise them on their project of building boats for carrying supplies for the civilian population. I understand that at the end of the month, Brig. Ames submitted a report to the Provincial Government. This report is of course not the concern of the Government of India.

ISHURDI-PABNA-SADHUGANJ RAILWAY PROJECT.

97. THE HON. RAI BAHADUR SATYENDRA KUMAR DAS : Will Government state whether they have decided to take up the Ishurdi-Pabna-Sadhuganj Railway Project in the post-war scheme in view of the various representations received from various local bodies, viz., Pabna Passengers Association, Government Storing Agent, Pabna Civil Supply Syndicate, Pabna District Board and Pabna Municipality ?

THE HON. SIR ARTHUR GRIFFIN : No, Sir. This project is not in the post-war scheme of construction.

ALLOWANCES TO RELEASED SECURITY PRISONERS.

98. THE HON. RAI BAHADUR SATYENDRA KUMAR DAS : (a) Are Government aware of the fact that most of the recently released security and State prisoners are going through economic crisis since their release due to their disconnection with their source of income due to their long detention ?

(b) Is it a fact that the Government of Bengal on previous occasions sanctioned for all the prisoners detained under Bengal Ordinance an allowance up to six months after their release ?

(c) Are Government aware that the Bengal Government has not sanctioned this time any such allowance to the security and State prisoners who made requests for it ?

(d) If so, do they propose to direct all the Provincial Governments to sanction to all the security and State prisoners an allowance for six months after the date of their release so that they may by this time seek out their source of income ?

THE HON. MR. A. E. PORTER : (a) No.

(b) It is correct that in 1937 the Bengal Government sanctioned allowances for six months on compassionate grounds in some cases of persons released from detention.

(c) Yes.

(d) No.

WITHDRAWAL OF CONTROL OVER ISSUE OF CAPITAL.

99. THE HON. MR. G. S. MOTILAL : When do Government propose to withdraw control over issue of capital ?

THE HON. SIR CYRIL JONES : The question of the future of this control is under consideration.

THE HON. MR. N. K. DAS : What is the present exemption limit in respect of capital issues ? Is it Rs. 5 lakhs or more or less ?

THE HON. SIR CYRIL JONES : The exemption limit is Rs. 5 lakhs, Sir.

ISSUE OF IMPORT LICENCES.

100. THE HON. MR. G. S. MOTILAL : What are the principles governing the issue of import licenses for new industrial establishments ?

THE HON. MR. Y. N. SUKTHANKAR : I presume that the Hon. Member refers to capital equipment. The grant of import licences for such equipment depends on such factors as the source of supply, danger of over-expansion and the location of the proposed factory.

2. Where a plan is complete, as in the case of cement, or very nearly complete as in the case of cotton textiles, production targets are fixed for different regions and individual schemes approved within these targets. In such cases, import licences are granted only to those whose schemes have been approved. Where plans have not yet reached an advanced stage, import licences are freely given subject only to currency considerations except where the schemes would obviously be contrary to the country's economic interests, for example, where it is proposed to establish a factory in an area in which there is already an excessive concentration of industry.

3. Subject to the general principles stated above, licences for import from the sterling area are granted freely. Licences for import from the non-sterling area are granted only if it is proved that the equipment required or a suitable substitute therefor could not be obtained from a sterling area within a reasonable time and at a reasonable price.

THE HON. SIR SHANTIDAS ASKURAN : Are Government aware that industrial machinery has been overtaxed during the war and requires immediate replacement ?

THE HON. MR. Y. N. SUKTHANKAR : All these factors are taken into consideration when these applications are considered.

THE HON. SIR SHANTIDAS ASKURAN : Do Government realise that the issue of licences for spare parts will help the existing industry in meeting the shortage of civilian supplies manufactured in this country and, if so, will Government grant licences for the spare parts

which the manufacturing importers are asking for, for a long time, and which has not been given proper attention to ?

THE HON. MR. Y. N. SUKTHANKAR : All the relevant considerations including the one mentioned by my Hon. friend are taken into account before licences are granted.

THE HON. MR. M. THIRUMALA ROW : Is it a fact that Government encourage only those importers of capital goods who import from sterling areas ?

THE HON. MR. Y. N. SUKTHANKAR : That is not so. This has been explained fully in my reply. As I said in the last paragraph of my reply, licences for import from the sterling area are granted freely. But, in certain circumstances, licences for import from the non-sterling area are also granted.

THE HON. MR. M. THIRUMALA ROW : Are Government aware of the general feeling prevailing among commercial circles that only goods imported from the sterling area will receive favourable consideration at the hands of the Government ?

THE HON. MR. Y. N. SUKTHANKAR : That is not the case, Sir.

THE HON. MR. G. S. MOTILAL : What are those circumstances in which licences are granted for import from non-sterling areas ?

THE HON. MR. Y. N. SUKTHANKAR : As I have stated, Sir, if it is proved that the equipment required or a suitable substitute therefor could not be obtained from a sterling area within a reasonable time and at a reasonable price, then licences for import from the non-sterling area are granted.

THE HON. MR. G. S. MOTILAL : Do Government consider the reasonableness of the price or is it for the importer to consider that ?

THE HON. MR. Y. N. SUKTHANKAR : As I said, Sir, all relevant considerations are taken into account before these applications are granted.

THE HON. MR. G. S. MOTILAL : I understood the Hon. Member to say that if the prices are reasonable, then licences are granted. Who determines the price ? Do Government determine the price ?

THE HON. MR. Y. N. SUKTHANKAR : Government take into account all the information available to them at the time regarding the prices, both in the sterling area and in the non-sterling area.

THE HON. MR. G. S. MOTILAL : If the importer wants to import from a non-sterling area either because of the quality or some other consideration, why do Government refuse him a licence ?

THE HON. MR. Y. N. SUKTHANKAR : As I said, Sir, he has to prove that that is the case, and then Government consider his application favourably or unfavourably as the case may be.

THE HON. SIR SHANTIDAS ASKURAN : In the case of manufacturers or concerns who have already placed orders which have been booked and agreed to by the manufacturers, are licences granted freely to them or is there any other consideration ?

THE HON. MR. Y. N. SUKTHANKAR : I must ask for notice of that question.

THE HON. SIR SHANTIDAS ASKURAN : Perhaps the Government are aware that the price of English machinery has not risen as much as they think. There has been only 40 to 45 per cent. increase over pre-war prices. If the order has been placed by the manufacturing company from here and if it has been accepted by the manufacturers, what is the reason for delay on the part of Government ?

THE HON. MR. Y. N. SUKTHANKAR : I cannot answer a general complaint. If my Hon. friend has any concrete cases to bring to the notice of Government, they will be considered.

THE HON. SIR SHANTIDAS ASKURAN : Government are aware of so many things. They cannot say why there is this delay. Why is the Member in charge not in possession of all the facts ? This is such an important question. Machinery has suffered and the supply of the country is suffering.

THE HON. MR. Y. N. SUKTHANKAR : I am not prepared to admit any undue delay. All such applications are handled within a reasonable time, taking all the relevant factors into consideration.

THE HON. MR. M. THIRUMALA ROW : Have Government got any expert personnel to decide whether the machinery ordered from the sterling area is equal in efficiency to that ordered from the non-sterling area or *vice versa* ?

THE HON. MR. Y. N. SUKTHANKAR : Such applications are disposed of, not by the Commerce Department alone, but by a Committee consisting of representatives of the various Departments concerned.

ISSUE OF IMPORT LICENCES.

101. **THE HON. MR. G. S. MOTILAL :** Will Government place on the table two separate lists of persons to whom licenses for import of machinery for vegetable ghee, cement and other manufactures have been issued for extension and for new establishment ?

THE HON. MR. Y. N. SUKTHANKAR : I lay on the table lists of persons to whom licences for import of machinery for extension or new establishment of vegetable ghee and cement factories have been issued. The time and labour involved in the preparation of a statement of licences granted for machinery for all other manufactures would not be commensurate with the value of the results.

List of firms to whom licences for import of machinery for extension or new establishment of Vegetable Ghee Factories have been issued.

Serial No.	Description.	Remarks.
1	2	3
1	Indian Vegetable Products Ltd., Bombay	Extension.
2	Nawab Sir K. G. M. Farouqi (of Bengal Industries Ltd.), for Hindusthan Vegetable Products, Calcutta	New Establishment.
3	D. P. Khaitan, Calcutta, for Kusum Products Ltd., Calcutta	" "
4	Hindusthan Development Corporation, Calcutta	" "
5	Francis Klien & Co., Calcutta, for Swaika Oil Mills, Calcutta ..	" "

List of firms to whom licences for import of machinery for extension or new establishment of Vegetable Ghee Factories have been issued—contd.

Serial No. 1	Description. 2	Remarks. 3
6	Ali Mohammed, Dawood, Calcutta for United Vegetable Manufacturers, Calcutta	New Establishment.
7	Sudha Industries Ltd., Pjulgoan, C.P. & Berar	" "
8	Mohanlal Sohanlal for Bharat Vegetable Products, Berhanpore, Orissa	" "
9	Bihar Industries Ltd., Dinapore	" "
10	Hasbani Premji, Bombay, for (Western India Vegetable Products, Bombay)	" "
11	Vegetables Ltd., Chittoor, (Mr. C. P. Sarathy Mudliar, Chittoor)	" "
12	Suderson Oil Mills, Katpadi	" "
13	The East Asiatic (India) Ltd., Madras	" "
14	The Karnatak and Vegetable Oil and Refineries Ltd., Hospet ..	" "
15	The Bharat Vanaspathi Ltd., Guntur, Madras	" "
16	The Madras Vanaspathi Ltd., Villupuram, Madras	" "
17	Vizagapatam Vegetable Oil Products, Bobbili, Vizagapatam ..	" "
18	The Director of Industries & Commerce, Madras, for Government Kerala Soap Institute, Calicut	" "
19	Hon'ble M. N. Dalal, Bombay	" "
20	Abdul Hussain, Noor Mohd., Bhavnagar	" "
21	Government of H. E. H. The Nizam, Hyderabad, Deccan	" "
22	Oudh Sugar Mills, Hargaon	" "
23	Cotton Agents, Bombay	" "
24	(Rustomjee Nowrojee Bapasola), for Seshasayee Brothers, Trichinopoly	" "
25	Francis Klien & Co. Ltd., for Snow White Food Products, Calcutta	" "
26	Morvi Vegetable Products Ltd., Morvi	" "
27	Mohatta Bros., Karachi, (Malwa Vanaspathi and Chemicals, Indore)	" "
28	Rustomjee Nowrojee Bapasola for Ravindra Mulraj Korsondas, Bombay	" "
29	Premier Flour Mills for Mohd. Alla Bux, Lyallpur	" "
30	Delhi Cloth and General Mills Ltd., Delhi	Extension.

List of firms to whom licences for import of machinery for extension or new establishment for cement factories have been issued.

1	Rohtas Industries Ltd., Dalmianagar	New Establishment.
2	Gokaldas & Sons, Ahmedabad	" "
3	Associated Cement Co., Ltd., Bombay	New Establishment & Extension.
4	G. D. Somani, Bombay, for Shri Dig Vijay Cement Co. Ltd., Navnagar	New Establishment.

ISSUE OF IMPORT LICENCES.

102. THE HON. MR. G. S. MOTILAL : Will Government state whether some members of the industrial mission to whom facilities have been given to tour in the U.K. and U.S.A. have placed orders for machinery ? If so, did they apply for and obtain licences for its import ? Will they place on the table a statement of such licenses issued, together with particulars of the country of origin, price of plants and time of delivery and arrival ?

THE HON. MR. Y. N. SUKTHANKAR : Government have no information but members were free to place orders for machinery during their tour in the U.K. and the U.S.A. Applications have been received from certain firms with which some of the members of the mission are known to be connected but it is not known whether the goods covered by the licences granted on their applications were ordered by the members of the industrial mission in the course of their tour.

In view of the answer given, the last part of the question does not arise.

THE HON. MR. G. S. MOTILAL : Did the mission submit any report to Government ?

THE HON. MR. Y. N. SUKTHANKAR : I think so, Sir. If my Hon. friend wants any particular, he will perhaps put down a question.

THE HON. MR. G. S. MOTILAL : Are Government going to publish that report ?

THE HON. MR. Y. N. SUKTHANKAR : I cannot say, off-hand.

GOLD AND SILVER MARKET IN BOMBAY.

103. THE HON. MR. G. S. MOTILAL : When do Government propose to permit the gold and silver markets in Bombay to resume monthly deliveries and settlements ?

THE HON. SIR CYRIL JONES : I invite the Hon. Member's attention to the Legislative Department's notification No. 5-W.L.(2)|46, dated the 25th January 1946 by which Defence of India Rule 90C has been amended and restrictions on forward contracts in gold and silver bullion removed.

PRODUCTION OF COTTON TEXTILES.

104. THE HON. MR. G. S. MOTILAL : What percentage of cotton textiles produced in India during 12 months ending 31st December 1945 were made available for use of civilian population ? Are Government still making purchases of it, if so, for what purposes and in what quantity ? How much of it was exported during this period ?

THE HON. MR. M. W. M. YEATTS : About 81 per cent. of the cotton textile produced in India during 1945 was made available for the use of the civilian population. Government are not still making purchases of cotton textiles produced in 1945. About 600 million yards were exported during 1945.

THE HON. PANDIT HIRDAY NATH KUNZRU : The Hon. Member said that Government were not making purchases. Were they not making purchases for the Army ?

THE HON. MR. M. W. M. YEATTS : We are not making purchases of cotton textiles produced in 1945. That was the question.

THE HON. MR. M. THIRUMALA ROW : To what countries were these textiles exported and what was the obligation of the Government to export these goods outside India ?

THE HON. MR. M. W. M. YEATTS : To maintain the connections with Indian trade, to which considerable value is attached. The industry itself attach very great importance to these contacts which they have made. I do not know if you can call that an obligation. That is the general attitude. The list of countries covers practically the whole of the Indian Ocean.

THE HON. MR. M. THIRUMALA ROW : Were these goods surplus to the needs of this country during 1945 and hence enabled them to go out of this country ?

THE HON. MR. M. W. M. YEATTS : I require notice of that question.

THE HON. MR. G. S. MOTILAL : Is it not a fact that the industry has criticised Government's permitting exports of these goods ?

THE HON. MR. M. W. M. YEATTS : Not so far as I know, Sir.

MANUFACTURE OF CAPITAL GOODS.

105. **THE HON. MR. G. S. MOTILAL :** Will Government state whether there is any scheme for the manufacture of capital goods in this country ?

LT. GENERAL THE HON. SIR THOMAS HUTTON : An Industrial Plant and Machinery (Heavy) Panel has been set up and is examining the possibilities of the manufacture in India of Textile, Sugar, Paper, Mining, Cement, Chemical and other machinery. To assist the Panel the services of Messrs. Ford, Bacon and Davis, a leading American Firm of Consulting Engineers, were obtained. The Firm's representative has just completed his work and his final report is awaited. In the meanwhile, he has made certain provisional recommendations for utilising Ordnance Factories for manufacturing secondary industry products required for the manufacture of capital goods and spare parts for machinery previously imported from abroad. These recommendations are being examined by the Industries and Supplies Department.

THE HON. MR. G. S. MOTILAL : When is this report expected ?

LT.-GENERAL THE HON. SIR THOMAS HUTTON : I believe within a month.

THE HON. SIR SHANTIDAS ASKURAN : Will action be taken on the recommendation within a short time or immediately ?

LT.-GENERAL THE HON. SIR THOMAS HUTTON : I certainly hope so.

CIRCULATION OF CURRENCY NOTES.

106. **THE HON. MR. G. S. MOTILAL :** Will Government place on the table a statement : (a) Of the currency notes of each denomination in circulation on the 12th January, 1946 ?

(b) Of the notes of each high denomination held by the Banks on the 12th January, 1946 ?

- (c) Of the total amount of notes of each high denomination exchanged ?
- (d) Is it a fact that notes were sold by holders of black market money ?
- (e) What steps were taken to prevent it effectively ?
- (f) How much black market money Government expected to receive by recent Ordinances ?
- (g) What were the loopholes which made it possible for black market money to escape full effect of the Ordinances ?
- (h) Why steps were not taken to close the loopholes ?
- (i) Was this step suggested by Lord Keynes or any other British Treasury official ?

THE HON. SIR CYRIL JONES : (a), (b) and (c). A statement is laid on the table.

(d) Government have no information, but have seen reports to that effect in the press.

(e) and (h). It is not in the public interest to give any information on these points.

(f) No estimate has been attempted.

(g) Infringement of the law does not necessarily imply loopholes in the law itself.

(i) No.

Statement.

Referred to in answer to parts (a), (b) and (c) of Question No. 106.

(a) The total value of the notes of the denomination of Rs. 100 and above in circulation as on the 12th January 1946 was—

Rs.		Rs.
100	..	501,37,82,600
500	..	26,18,000
1,000	..	119,70,11,000
10,000	..	24,00,40,000
Total		645,34,51,600

The figures relating to the other denominations have not been obtained by the Reserve Bank and it is presumed that they are not required.

(b) The returns submitted by banks and treasuries under Section 4 of the Bank notes (Declaration of Holdings) Ordinance, 1946, are still being forwarded by the receiving officers to the Reserve Bank, Bombay, where they are being collected. A number of the returns received have been irregularly drawn up and their figures will be taken into account after further clarification from the banks and treasuries concerned. It is, therefore, not possible to furnish accurate figures at this stage but on the basis of the returns so far received at the Bombay Office of the Reserve Bank by telegram the total value of the high denomination notes declared by banks and treasuries as on the 11th January 1946 works out to :—

Rs.		Rs.
100 notes	.. ..	46,32,75,600
500 notes	.. ..	14,93,500
1,000 notes	.. ..	11,29,75,000
10,000 notes	.. ..	1,57,80,000
Total		59,35,24,100

(c) The total value of the high denomination notes exchanged upto the 9th February 1946, based on the figures available with the Reserve Bank, was Rs. 1,20,68,31,500 made up as follows:—

Rs.					Rs.
500 notes	..	..	..	..	19,71,500
1,000 notes	..	..	..	..	102,84,10,000
10,000 notes	..	..	..	..	17,04,50,000
Total					.. 120,06,31,500

TOTAL VALUE OF IMPORTS TO, AND EXPORTS FROM U. S. A. AND OTHER DOLLAR COUNTRIES.

107. THE HON. MR. G. S. MOTILAL : Will Government place on the table a statement of the total value of imports to and exports from the U.S.A. and other dollar countries from 1939 to December, 1945 ?

THE HON. MR. Y. N. SUKTHANKAR : A statement is laid on the table.

Statement showing import from and export to Dollar countries e.g. U.S.A. and Canada, from 1939 to November, 1945.

Months.	United States of America.							In Rs. (Lakhs).						
	Imports therefrom							Exports thereto.						
	1939	1940	1941	1942	1943	1944	1945	1939	1940	1941	1942	1943	1944	1945
January	98	1,68	2,94	2,02	1,43	2,18	4,79	1,28	3,48	3,29	4,17	1,44	3,85	4,50
February	79	2,43	2,23	1,84	1,60	1,60	5,25	1,22	1,69	1,65	3,79	1,74	5,62	3,04
March	1,02	1,79	3,16	1,82	1,22	1,73	6,43	1,32	2,40	1,92	4,24	3,10	3,96	2,54
April	84	2,82	4,07	2,66	1,44	1,48	6,35	1,22	1,95	2,69	2,41	4,54	3,49	3,33
May	1,05	2,02	2,74	2,56	80	4,16	6,89	1,33	2,64	3,86	1,77	3,30	4,03	3,91
June	77	1,24	3,32	1,75	1,31	2,11	8,38	1,54	2,24	2,57	2,32	1,94	2,62	4,79
July	82	1,63	3,11	1,59	88	3,37	5,62	1,24	2,06	3,76	1,99	90	4,95	3,45
August	1,03	1,83	1,81	1,57	2,06	2,79	6,85	1,29	2,09	2,44	1,92	4,62	3,05	6,00
September	81	2,82	4,02	1,90	2,32	3,71	6,72	1,96	1,62	6,34	2,18	2,37	3,49	3,58
October	49	1,99	3,38	1,02	1,27	6,76	5,51	2,04	2,98	4,37	1,66	3,28	4,40	5,23
November	1,12	1,92	3,94	1,99	1,33	5,32	3,80	2,45	2,12	5,23	3,52	3,55	4,40	5,91
December	2,10	2,36	1,67	1,49	2,00	4,34	N.A.	3,79	2,23	1,74	3,88	2,78	4,31	N.A.
Total	11,60	24,58	37,19	20,43	17,66	39,21	66,68	20,68	26,60	40,96	33,85	32,96	48,17	46,28
							(for 11 months only)							(for 11 months only.)
<i>Canada.</i>														
January	13	11	35	31	52	11	51	18	55	41	62	42	31	1,30
February	15	28	30	17	16	18	29	21	33	22	36	45	36	99
March	11	21	43	1,20	15	13	27	22	34	19	21	45	45	13
April	8	19	53	75	28	9	32	15	30	13	60	8	41	16
May	9	18	51	22	38	17	24	14	25	18	24	27	33	61
June	6	9	42	1,07	9	12	63	16	18	24	33	97	34	22
July	11	12	26	44	8	45	41	21	21	68	30	25	58	89
August	11	15	25	81	17	28	28	25	16	87	26	51	55	70
September	8	32	77	18	53	39	50	59	53	51	54	13	70	40
October	6	11	81	54	21	39	59	34	17	1,08	10	63	42	98
November	9	44	79	41	11	35	71	19	28	1,16	6	35	61	92
December	8	31	67	28	23	35	N.A.	87	25	38	3	53	52	N.A.
Total	1,15	2,51	6,09	6,38	2,91	3,01	4,72	3,51	3,55	6,95	3,65	5,07	5,58	7,30
							(For 11 months only).							(For 11 months only).

N. A.—Not available.

ISSUE OF IMPORT LICENCES.

108. THE HON. MR. G. S. MOTILAL : (a) Will Government place on the table a statement of import licenses issued for capital goods and machinery, stating the names to whom they have been issued, the dates and conditions of their issue ?

(b) Are Government aware that some of the licence holders have been selling their licences ?

THE HON. MR. Y. N. SUKTHANKAR : (a) The time and labour involved in the preparation of a complete statement of import licences issued in the past for capital goods and machinery would not be commensurate with the value of the results. For the future, however, Government propose to publish at fortnightly intervals particulars of applications accepted for registration under the Capital Goods Registration Scheme.

(b) Government have no information.

THE HON. MR. G. S. MOTILAL : Will they not inquire into it please ? Have Government made any attempt to inquire about it ?

THE HON. MR. Y. N. SUKTHANKAR : Certain allegations were made and inquiries have been made from time to time ; but these allegations were not substantiated.

THE HON. MR. G. S. MOTILAL : If those allegations come out to be true, what action do Government propose to take ?

THE HON. MR. Y. N. SUKTHANKAR : This is a hypothetical question. If the allegations are proved, some suitable action will no doubt be taken against the persons concerned.

EUROPEANS ON INDIAN RAILWAYS.

109. FLIGHT LIEUTENANT THE HON. RUP CHAND : Will Government state : (a) Whether it is a fact that most of the senior and highly paid posts on the Indian Railways are held by Europeans ;

(b) Will they lay on the table a statement showing the number of all posts on Indian Railways carrying a salary of more than Rs. 1,000 per month and the number of such posts held by Europeans and Indians, respectively ?

(c) Will they also state the progress made in the scheme of Indianization of superior railway services in India ?

THE HON. SIR ARTHUR GRIFFIN : (a) While a large number of senior posts on Indian Railways is held by Europeans it cannot be said that most of them are so held.

(b) Out of a total of 825 posts, 373 are held by Europeans and 452 by Indians. These figures include posts of district rank held by officers on the old scales of pay in force prior to 1931 and in whose case the pay, although commencing from a figure much below than Rs. 1,000 rises to over Rs. 1,000 by incremental stages. The number of such old scale officers, most of whom are drawing pay exceeding Rs. 1,000, is 561 of which 192 represents Europeans and 369 Indians.

(c) The latest information will be found in the paragraph on the review of the progress made since 1934, contained in Chapter VII of

the Report on Indian Railways for 1944-45, in Volume I, a copy of which is available in the library of the House.

SHORTAGE OF CLOTH.

110. FLIGHT LIEUTENANT THE HON. RUP CHAND : (a) Are Government aware that there is a general shortage of cloth in India ?

(b) Will Government state the total quantity and value of textiles exported from India during the last two years ?

(c) Is it the intention of Government to stop the exports of textiles from India to other countries immediately in order to relieve the shortage of textiles in India ; if not, why not ?

THE HON. MR. Y. N. SUKTHANKAR : (a) Yes, Sir.

(b) The attention of the Hon. Member is invited to the reply given on the 18th February 1946 to part (a) of Question No. 15 by Hon. Raja Yuveraj Dutta Singh.

(c) No, but in order to relieve the shortage of textiles in India, Government have already reduced the export quota for 1946 by one-third.

THE HON. PANDIT HIRDAY NATH KUNZRU : What will the new quota be ?

THE HON. MR. Y. N. SUKTHANKAR : On a yearly basis the quota is 400 million yards. It was 600 million yards before.

LATE DELIVERY OF LETTERS WRITTEN IN HINDI.

111. FLIGHT-LIEUTENANT THE HON. RUP CHAND : (a) Are Government aware that there is a general complaint in the Punjab that letters and packets bearing addresses in Hindi are delivered at their places of destination very late ?

(b) Is it a fact that among the postal staff, specially in the Punjab, there are not enough men who can easily read addresses written in Hindi ?

(c) Is it a fact that several letters and packets bearing addresses in Hindi have been sent to the Dead Letter Office ?

(d) Whether Government are aware that Hindi is the *lingua franca* of a large number of Hindus in the Punjab ?

(e) What steps, if any, have Government taken to see that letters and packets bearing addresses in Hindi are not delayed at any stage during transit ?

THE HON. SIR MAHOMED USMAN : (a) Occasional complaints on the subject have been received.

(b) Yes, but so far as possible and, where necessary, arrangements have been made in the larger post offices for transcribing addresses written in Hindi into English by posting additional staff for the purpose.

(c) Yes.

(d) Urdu and Punjabi are the principal languages of the Punjab, but Hindi is also spoken.

(e) Instructions have been issued providing for the transcription into English by the offices of posting of addresses written in an Indian.

language on ordinary inland unregistered articles, not only when they are to be sent from the province of posting to another province in which that language is not ordinarily in use but also when they are to be delivered within the province provided that the language in which the address is written is not generally known to the people of the area in which the article is to be delivered.

ALL INDIA RADIO.

112. FLIGHT LIEUTENANT THE HON. RUP CHAND : (a) Are Government aware that All-India Radio, Lahore Station, uses a large number of Persian words and high-flown Urdu in its announcements, programmes and also in most of the talks, features and plays broadcast ?

(b) Are Government aware that Hindus and Sikhs who form almost half the population of the Punjab experience considerable difficulty in understanding fully a large number of broadcasts from the Lahore Station of All-India Radio as a result of the Persianized language used by them ?

(c) Whether Government propose to issue instructions immediately to A.I.R., Lahore Station, to simplify the language of their announcements, etc., in order that the masses may have no difficulty in following them ?

LT.-GENERAL THE HON. SIR THOMAS HUTTON : (a) That is a matter of opinion.

(b) No.

(c) It is proposed to set up a Standing Advisory Committee which will deal with such questions. The attention of the Hon. Member is drawn to the Press Note issued by Government on the 5th of February, 1946, of which a copy is placed on the table of the House.

THE HON. MR. M. THIRUMALA ROW : Is it the reply of the Government that whether a particular word is Urdu or Persian is a matter of opinion ?

THE HON. SIR AKBAR HYDARI : No, Sir. But what is stated in part (a) is a matter of opinion.

THE HON. PANDIT HIRDAY NATH KUNZRU : If a complaint is brought to the notice of Government regarding the language used by A.I.R., are Government going to content themselves with the reply that it is a matter of opinion ?

THE HON. SIR AKBAR HYDARI : If the Hon. Member saw the Press Note issued which was referred to in answer to part (c), he would find that Government have taken steps to remedy any complaints which may be legitimately advanced.

THE HON. PANDIT HIRDAY NATH KUNZRU : That is a different matter altogether. I am referring only to the reply given by the Hon. Member to part (a) of the question. When he says that it is a matter of opinion, he shelves the whole question. I agree that a Committee has been appointed and we hope that it will look into the question and settle it satisfactorily. But the reply to part (a) of the question still remains very unsatisfactory.

THE HON. THE PRESIDENT : Please do not argue.

PRESS NOTE.

EXPERTS TO ADVISE ON A. I. R. LEXICON.

STANDING COMMITTEE ON HINDUSTANI.

AUXILIARY STUDIO TO BE INSTALLED IN ALLAHABAD.

At the invitation of the Hon'ble Sir Akbar Hydari, Member for Information and Broadcasting, a Committee consisting of the Hon'ble Rai Bahadur Sri Narain Mahtha, Member, Council of State, Nawab Siddique Ali Khan, M.L.A. (Central), Dr. Zakir Husain and Dr. Tarachand met on January 26, 1946 to advise the Government of India on the following questions :-

(i) Should the Hindustani news of A.I.R. continue to be broadcast in a common language or should it be broadcast separately in Hindi and Urdu ?

(ii) If in a common language, what steps should be taken for the selection of vocabulary which should be satisfactory and generally acceptable ?

(iii) What programme composition would achieve a fair representation of Hindi and of Urdu in spoken-word items other than news ?

All the previous discussions on the Hindi-Urdu question which had taken place under official auspices, including the debates in the Legislature, were placed before the Committee and the difficulties that had arisen on account of the rival demands of the various sections of the people regarding the language of the Hindustani news bulletins and the composition of the Hindustani programmes of A.I.R. were brought to their notice.

2. So far as the language of the Hindustani news bulletins is concerned, it was pointed out to the Committee that during the last ten years or so the linguistic style of the Hindustani news bulletin had been fluctuating either from purely practical considerations or in response to the varying demands of the public. The language of these bulletins was, therefore, to be regarded as an experiment which had been in progress for some years, and the question for consideration now was whether this experiment should be continued and, if so, on what lines. In this connection, All India Radio had compiled a Lexicon of about 8,000 English words commonly used in news, together with their Hindi and Urdu equivalents and suggestions for simple Hindustani synonyms, with the intention of circulating it to experts in the country for their comments on the simple synonyms suggested. The Lexicon was placed on the table.

3. After a full discussion, the Committee unanimously came to the conclusion that the use of Hindustani as the common language for news bulletins though not free from difficulties should not be given up without a further attempt at arriving at a generally acceptable vocabulary. For this purpose the Committee recommended that a Standing Advisory Committee should be set up to advise the Director-General, All India Radio, on the choice of vocabulary for Hindustani and that the A.I.R. Lexicon, which was a very valuable and constructive compilation, should be circulated to suitable experts in the country for comments which, when received, should also be considered by the Standing Advisory Committee suggested above.

4. One member, while agreeing with these recommendations, proposed that of the four Hindustani bulletins broadcast daily, two should be given in Hindustani, one in Urdu and one in Hindi. This was not agreed to by the rest of the Committee as they feared that the existence of an Urdu and Hindi bulletin side by side with bulletins in a common language would tend to defeat the purpose of the latter reducing its chances of success as an experiment and the Urdu and Hindi bulletins, because of their separatist character, would tend to become literary and would, therefore, be less widely intelligible.

5. For spoken-word programmes other than news, such as talks, plays, poetry recitations, etc., the Committee unanimously recommended that items in

Hindi and items in Urdu should continue to be broadcast in spoken-word programmes other than news as it was most desirable to help and not to hinder the literary development of the two languages and that the question of fair and adequate representation, as between the two, should be referred to the Standing Advisory Committee mentioned above, as the matter would require detailed examination.

6. As for the composition of the Standing Advisory body, the Committee recommended that it should consist of experts representing the Anjuman-e-Taraqqi-e-Urdu, the All India Hindi Sahitya Sammelan and the Hindustani Prachar Sabha, with temporary members to be co-opted by the Director-General, All India Radio, as and when the questions coming up before the Committee required it.

7. It was also suggested that as an auxiliary to the Lucknow Station of All India Radio, a studio should be installed at Allahabad where spoken-word items could be arranged for inclusion in the programme of the Lucknow Station as it was felt that, pending the installation of more radio stations, this arrangement would enable the Lucknow Station to utilise the talent in the Eastern part of the U.P., more adequately than it could at present, in view of the long distances involved.

8. The Government of India have decided to accept all the recommendations of the Committee. Steps are being taken to set up a Standing Advisory Committee on the lines suggested by the Committee, to circulate the A.I.R. Lexicon to suitable experts in the country for eliciting opinion and to install an auxiliary studio in Allahabad as early as possible.

UNITED KINGDOM COMMERCIAL CORPORATION.

113. FLIGHT-LIEUTENANT THE HON. RUP CHAND : Will Government state : (a) The profits made so far by the United Kingdom Commercial Corporation since it started handling Indian export trade ?

(b) The steps taken by Government to see that the interests of Indian individuals or firms do not suffer as a result of the operations of United Kingdom Commercial Corporation.

THE HON. MR. Y. N. SUKTHANKAR : (a) According to information received by Government, United Kingdom Commercial Corporation's operations have in the main resulted in a substantial loss to His Majesty's Government.

(b) The main activities of the Corporation consisting about 90 per cent. of their operations in India were connected with arranging inter-governmental supplies which displaced no private trade. The Corporation's other activities were negligible and did not affect the interests of Indian individuals and firms.

MANUFACTURE OF LOCOMOTIVES.

114. FLIGHT-LIEUTENANT THE HON. RUP CHAND : (a) Will Government state what steps they have taken to promote the manufacture of railway locomotives in India and to provide full facilities for this purpose ?

(b) Whether any railway engines have been manufactured in India so far and whether they are in service ?

THE HON. SIR ARTHUR GRIFFIN : (a) Government are proceeding with their plan to remodel the locomotive workshops at Kanchrapara for locomotive building. Certain machinery has been ordered

and some expenditure on other works has also been authorised. It is the Government's intention that locomotives should also be built by the Tata Locomotive and Engineering Co. at Tatanagar. For this purpose the Singhbhum Workshops of the East Indian Railway were sold to this Company on the 1st June 1945 and the firm are at present proceeding with the manufacture of boilers as a first step towards the ultimate production of locomotives. In terms of the agreement entered into with this firm they are required to place before the Government before October 1946 a blue print of a layout to enable the workshop to produce locomotives for the Indian Railways.

(b) The reply to both parts of the questions is in the affirmative.

IMPORT OF LOCOMOTIVE ENGINES.

115. FLIGHT-LIEUTENANT THE HON. RUP CHAND : (a) Will Government state how many railway locomotive engines have been imported into India during the last two years and at what cost ?

(b) Whether it is a fact that a number of these engines have been imported recently at a cost far above their normal prices ; if so, the reasons therefor ?

(c) Whether orders for these engines were placed through British Commercial concerns, or whether British concerns acted as commission agents for the import of these engines into India ; if so, state the names of such firms and the payments made to them, respectively ?

THE HON. SIR ARTHUR GRIFFIN : (a) During the period 1st April 1944 to 1st February 1946, 677 broad gauge and 280 metre gauge locomotives were received in India. I lay on the table a statement showing particulars of these locomotives together with their estimated cost in India after erection.

(b) The cost of these locomotives is higher than the pre-war prices of similar types ; but considering conditions prevailing when the locomotives were ordered, the prices for the Railway Department locomotives are not considered unreasonably high. The prices for locomotives to be taken over by the Railway Department are being negotiated on the basis shown in the statement.

(c) The orders were placed by H.M.G. The second part of the question does not, therefore, arise.

THE HON. FLT.-LIEUT. RUP CHAND : Were the locomotives of American or English origin ?

THE HON. SIR ARTHUR GRIFFIN : Some of the locomotives were made in Canada, some in America and some in the United Kingdom.

THE HON. FLT.-LIEUT. RUP CHAND : Is it a fact that the locomotives were ordered from America through British concerns ?

THE HON. SIR ARTHUR GRIFFIN : I have answered in part (c). Sir, that the orders were placed by His Majesty's Government. We merely notified our demands to them and His Majesty's Government placed the orders in the best manner possible.

THE HON. MR. G. S. MOTILAL : Why were orders not placed directly by this Government ?

THE HON. SIR ARTHUR GRIFFIN : Because all orders for war equipment and all war supplies were canalized through one source.

THE HON. MR. M. THIRUMALA ROW : Do His Majesty's Government charge any commission for doing this business for the Government of India ?

THE HON. SIR ARTHUR GRIFFIN : No, Sir.

THE HON. MR. G. S. MOTILAL : Were the orders placed through His Majesty's Government or through any commercial firms ?

THE HON. SIR ARTHUR GRIFFIN : Through His Majesty's Government who arranged for orders to be placed on commercial firms in the countries I have named.

Statement.

Type or Class.	No. of Loco.	Estimated cost per loco. (Rs. in lakhs).
BROAD GAUGE—		
1. X-Dominion (Canada)	356	3.14 (1st order) 2.93 (2nd order).
2. Diesel Electric (U.S.A.)	30	1.76
3. Consols (U.S.A.)	60	2.57
4. X-Dominion (U.S.A.)	225	3.29
5. XD (U.K.)	6	3.10
Total	677	
METRE GAUGE.—		
6. MacArthur	267	2.12 H. M. G's property. The Railway Department are negotiating prices to be paid before taking them over. The prices will be based on market value and the condition of these loco.
7. Garratt	22	3.00
Total	289	
Total (B. G. & M. G.)	966	

Note.—The figures for metre gauge include 178 on War Department account and 102 on S. E. A. C. account.

STATEMENTS, ETC. LAID ON THE TABLE.

THE HON. SIR ARTHUR GRIFFIN (Nominated Official) : Sir, I lay on the table copies of the White Paper on the policy of the Central Government in respect of participation of State Railways in road motor transport together with copies of the statement showing the progress made in the formation of Joint Companies in the various parts of India.

THE HON. PANDIT HIRDAY NATH KUNZRU : May I ask the Hon. Member to throw some light on the position created by the throwing out of the demand for the investment of public money by Government in these rail-road companies by the Assembly the other day ?

THE HON. SIR ARTHUR GRIFFIN : I should like notice of that question, Sir, but I might say that the position at the present moment is naturally very much in the air, because no money is available and we shall now have to review the whole position to see what our commitments are and how we are going to straighten them out.

REPORT ON PROGRESS OF RAIL-ROAD CO-ORDINATION.

Madras.—

The Madras Government have adopted a policy of forming tripartite rail-road companies in the Madras Presidency and desire that all operators should be afforded opportunity to associate as shareholders, given priority for suitable employment and appropriate compensation in respect to their existing road interests. Future development on a zonal basis is visualised, but where two or more well-established companies are operating in the same area mutual exchange of routes is considered the appropriate solution. The Madras Government propose to participate financially to the same extent as the railways in companies in which a controlling State interest is to be acquired, but where substantial road undertakings which have demonstrated their ability as operators are parties to a merger they are to be permitted the controlling interest, the Provincial Government shareholding being correspondingly reduced.

Negotiations have recently been concluded with Messrs. T. V. Sundaram Iyengar & Sons, Ltd., for the flotation of a company to operate in the Madura District of the Madras Presidency. Other operators in the area have been invited to associate and those who have not so far intimated their desire to do so will be given further opportunities after the company commences operation. The agreed shareholding is—

Madras Government	..	..	..	15 per cent.
Operators	..	..	..	55 „
South Indian Rly.	..	..	..	30 „

The affairs of the company will be managed by a board of directors including a managing director. Existing staff will be absorbed and suitable employment will be found as far as possible for other operators who associate.

Further negotiations are being undertaken by both the M. S. M. and S. I. Railways, now that a basis for association has been established.

Bengal.—

The present Government (as also the previous Ministry) have accepted in principle the desirability of financial participation by railways in road undertakings with the object of co-ordinating the activities of the two services in the public interest. The Government do not propose to participate financially in such undertakings although they have reserved the right to acquire a nominal shareholding and desire to be represented on the boards of directors. Parity of shareholding as between the railways and operators will be the normal division. Management by existing suitable operators, where available, is favoured and the selection of promoters will be made by the Government. Existing operators will be given preference for employment in rail-road companies.

Negotiations are also being conducted in the Midnapore area between the Asansol Bus Syndicate for the formation of a company to operate in West Bengal. Practically all the local bus operators are members of the Syndicate, and it is hoped to devise methods to take care of their financial interests.

Negotiations are also being conducted in the Midnapore area between the B. N. Railway and promoters suggested by the regional transport authority, but these have not reached an advanced stage. Other negotiations are in progress in Bengal between the B. A. Railway and selected promoters for the formation of companies to operate on routes radiating from the Calcutta industrial area. In addition, proposals are under examination for the flotation of a company to provide railway collection and delivery services both in Calcutta and adjoining areas.

Bombay.—

The Bombay Government have given close consideration to the proposals for the co-ordination of road transport and railways in the Presidency, and have expressed themselves strongly in favour of unified control and orderly development. The Province has been divided into 11 zones and promoters acceptable to the majority of the operators as ascertained by personal contacts have been selected. Shareholdings are to be divided between operators (including promoters), the Bombay Government and the railways in the ratio of 35 per cent., 35 per cent., and 30 per cent.

Assets of existing operators will be taken over on valuation and, in addition, compensation to the extent of Rs. 1,000 per permit will be paid to those whose permits are acquired. The management and staff of new companies will be recruited, as far as possible, from existing operators and their employees.

Permission to issue the required capital has been given by the Examiner of Capital Issues and all 11 companies are likely to be registered during the month of January 1946.

United Provinces.—

The United Provinces Government are anxious to see road transport fostered in the public interest with a minimum of delay and they accept co-ordination with railways on the basis of financial fusion, as the best method of developing rationalised transport as in the Province. Their policy which has been notified in a press communiqué, favours the formation of tripartite companies with the shareholding divided between operators (including promoters), the Provincial Government and the Railways in the ratio of 49 per cent., 5 per cent. and 46 per cent. The new companies are to give preference to existing operators and their staffs in the matter of employment and existing operators will be permitted to invest to the extent of existing or potential interests in road transport up to a maximum of Rs. 10,000 per stage carriage permit and Rs. 7,500 per public carrier permit. An *ex-gratia* payment of Rs. 500 has been suggested for operators who do not desire to associate but are prepared to sell their assets and surrender their permits to the new companies, but the possibility of extending the compensation payment to all classes of operators is now under review by the Provincial Government. The Province has been divided into 7 zones in each of which a separate company is to operate. The promoters were selected by the Provincial Government on the recommendations of Regional Transport Authorities. As far as possible, selections have been from suitable existing operators or people connected with transport in the Province.

Central Provinces and Berar.—

The Government of the Central Provinces were early to recognise the necessity for and the desirability of associating road and rail services to provide planned, co-ordinated and regulated transport. Negotiations for investing in two companies in this Province had reached an advanced stage prior to the Assembly debates in which the principles governing railway association were discussed.

The C. P. Government, whilst considering an application in respect to the flotation of a limited liability company, under the managing agency system, to acquire and develop the assets of an existing road transport undertaking, had proposed that the two State interests should acquire a 51 per cent. shareholding divided equally between them, and after negotiations with the promoters a settlement on this basis was reached. The same principle was applied to another transport company already operating in the Province. In the latter company a block of shares which remained to be taken up was made available to the railways and an arrangement was concluded in terms of which the State interests were to acquire a 51 per cent. shareholding with the expansion of the issued capital.

After the Assembly debates the Hon'ble Member for War Transport made a personal visit to the summer capital of the Province to ascertain whether it would be possible to modify the proposals to permit of other operators being associated and the managing agency system eliminated. On the latter point it was found to be the considered opinion of the C. P. Government that negotiations with the promoters of the new company had been carried to a point from which it was not possible to resile; whilst so far as the existing company was concerned there could be no possibility of dispensing with the managing agency system unless this was voluntarily relinquished. On the other hand, the C. P. Government supported the proposal that opportunity should be provided for other operators to associate as shareholders and employees. The Central Government's proposals for taking over existing assets at valuation and for paying compensation where justified on a basis to be determined on the merits of each case were also approved. The two firms of managing agents were found willing to come to terms in respect to all proposals other than relinquishing the managing agencies.

At a later stage, after the matter of managing agencies had been referred to the Standing Finance Committee, in accordance with the undertaking given by the Hon'ble Member for War Transport Department, endeavours were made to curtail the period of office of the managing agents, but unfortunately without success.

Negotiations are now in progress for the formation of a third company to operate in the Bilaspur-Raipur and Drug districts in the eastern part of the Province. The managing agency system will not apply to this company.

Railway investments in the two former companies amount in the aggregate to Rs. 2,04,000. Details of these companies are given :—

Name.	Hd. Qrs.	Area of operations.	Present issued capital.	Proposed issued capital.	Present Railway investment.	Ultimate Railway investment.	Managing Agents
The C. P. Transport Services, Ltd.	Nagpur	Northern C. P.	75% of 30 lakhs.	(a) 30 lakhs.	Lakhs 5.73	Lakhs 7.65	M/s. F. M. Chitoy & Co.
The Provincial Transport Co. (Formerly Nagpur Omnibus Co.)	"	Southern C. P.	10 lakhs.	(b) 50 lakhs.	3.47	12.75	The Mechanical transport (1942) Ltd.

(a) Reserved for other operators Rs. 10,80,000.

(b) Reserved for other operators Rs. 17,56,800.

Punjab.—

The Punjab Government, whilst acknowledging the necessity for active co-ordination between road transport and railways, believe that this can be achieved without financial fusion and contemplate the provincialisation of road transport in the Punjab. They have, however, recently intimated they have no objection to railways acquiring an interest not exceeding 15 per cent. in road transport undertakings operating exclusively on national highways running parallel to the N. W. Railway.

Orissa.—

The Provincial Government have adopted the policy of railway fusion with road undertakings and accept generally the principles enunciated in the Assembly. They propose to acquire a 26 per cent. interest in companies formed in the Province, and to permit 25 per cent. to railways, the balance being left to operators (including promoters) and the public. All negotiations are to be carried out by the railway. At the moment schemes for the formation of three companies are under active examination. The following are the details :—

1. Sambalpur-Meranandeli (passenger & goods service).
2. Khurda Road-Berhampur (passenger service).
3. Kondupada-Amarda Road (passenger & goods service).

Assam.—

The Provincial Government have adopted the principle of rail-road fusion restricted to parallel and feeder routes. The Provincial Government propose to participate and whilst they have not defined the share they desire to acquire, they have stated they consider the combined holdings of the Central and the Province should not exceed 45 per cent., the remainder being left to operators and the public. The interests of existing operators are to be safeguarded by granting to them first option to invest in the shares of the companies to the extent of their existing or potential vehicle assets, and the former are to be taken over at valuation. Preference will be given to suitable existing operators in selecting managers and staff for the Companies.

The B. A. Railway propose to negotiate the formation of three companies in the Assam Valley and one in the Surma Valley as soon as the Assam Government have reached a decision as to whom the work of promotion is to be entrusted.

Bihar.—

The Bihar Government have recently found it possible to reconcile their policy with that of the Central Government. It is not the intention of the Government to participate financially in companies which may be formed, although they desire to be represented on rail-road company Boards. They propose parity of shareholding between the railways on the one hand and operators and general public on the other. Promotion is to be initiated by the railways who are required to associate with them in this work as many of the leading operators as possible. Negotiations are to be undertaken immediately a detailed examination of the traffic position has enabled the most economic method of administration and operation to be determined. The railways will adhere to the principles of the "White Paper" in respect to the employment of existing operators, the acquisition of assets on valuation and the payment of compensation for business disturbance where justified by the merits of individual cases.

Sind.—

This Government have decided on the formation of tripartite companies in which they propose to take a 16 per cent. shareholding, allowing 38 per cent. to railways, 38 per cent. to operators and 8 per cent. to public subscribers. They also are in agreement with the Central Government's policy of protecting existing operators. Negotiations are in progress for the formation of a company to operate between Karachi and Hyderabad. The first managing director has been selected by the Provincial Transport Authorities with the agreement of other operators on the route.

N.-W. F. P.—

The attitude of the present Government towards rail-road co-ordination has not yet been clearly defined, but there is a proposal afoot for amalgamating all the operators in the Province into one company in which the Provincial Government will acquire a share and possibly permit a share to the N.-W. Railway. Full consideration will be given to the interests of existing operators if and when this company is formed.

"WHITE PAPER".

The policy of the Central Government in respect of participation of State Railways in road motor transport.

1. *Objects.*—(1) The aim of the policy outlined in this Paper is briefly to ensure the best use of the dual means of rail and road transport each being used to its best inherent advantage, complementary to the other; avoiding, on the one hand, artificial restriction of the number and range of road passenger vehicles, and, on the other, the economic waste as for instance in the

duplication of services which is a corollary of competition solely for gain, for which the community must pay and which would be apparent not only in possible bankruptcy of road concerns and in depletion of railway earnings, but also in slowing up of road and railway development. The attainment of these objects will be sought by any promising means. Working agreements between the road and railway interests as to routes, rates and fares will be essential in any case, more especially where the road and railway are parallel. But experience has shown that adherence to such agreements when the two services are entirely distinct and separate is difficult to ensure and that disputes frequently occur in practice. Such agreements are no substitute for the close co-ordination which can be obtained from discussion on common ground in the Board room of a Company. The opinion of the Government of India is therefore that the most promising and comprehensive method of co-ordination is to be found in some fusion of financial interests, replacing the element of gain as the main incentive in competition by healthy rivalry on the basis of service and supplementing control by Transport Authorities with those mutual adjustments which naturally follow from pooling of financial interest.

(2) The essence of the plan is the same whether both means of transport are privately owned, as in the United Kingdom or, as in India, one is owned by the State. Were both means owned by separate compartments of the State, that is, if Provincial Governments owned and ran road transport, the need for effective co-ordination would be still greater.

(3) The method of co-ordination to which this Paper mainly refers is the formation of road transport Companies, primarily for passenger traffic, in which the existing operators, the Indian Government Railway serving the locality, and, where it so wishes, the Provincial Government hold between them a large part of the capital invested in the enterprise. Shares will where margin exists be offered for public subscription also.

2. *Constitutional position of the Central Government.*—The executive authority over motor transport is Provincial: and all road transport Companies, however owned, will be subject to control in accordance with the provisions of the Motor Vehicles Act, by the Authorities in the Provinces constituted in the Provinces under that Act. But the terms on which Indian Government Railways negotiate with Provincial Governments and existing operators, and subject to which Central Government money is invested in these concerns, are the responsibility of the Central Government. It is desirable therefore that the Central Government should define its policy in these matters. The definition in this Paper is as precise as the circumstances permit. Since, however, the arrangements made in any particular case must accord with the policy of the Provincial Government concerned, and must depend upon negotiations with existing operators; there must be elasticity in adopting the general policy to particular cases.

CONDITIONS OF PARTICIPATION.

3. *Extent of the interest of the Central and Provincial Governments.*—It is not intended that Railways should normally hold a dominating interest in these companies; but if their participation is to be effective for example in offsetting losses of short distance passengers travelling by rail, and if the railways are to have a due voice in the use of the public money which they have invested the interest of railways must be substantial; that is not less than 25 or, normally more than 45 per cent. Where the Provincial Government so desires, or where existing operators and the public do not take up the shares offered, railways may take a larger interest. Certain Provincial Governments wish to participate also and will of course themselves indicate the extent of their interest.

4. *The inclusion of existing operators.*—(1) The basis of the scheme is the replacement of competition for gain by mutual co-operation. It is the wish of

the Central Government that existing operators should be fairly treated in pursuance of the policy of co-ordination ; but it would defeat the object in view were they to remain in large numbers in competition both with the railway and with the new road company. It is, therefore, the intention that existing operators should, in addition to being absorbed, where suitable, into the establishments of the Companies be given prior option over the public in taking up shares in the new Companies.

(2) There is general agreement that, as the provider of passenger transport in the future, the small individual owner of one or a few buses will rarely find a useful place except perhaps on isolated routes. Therefore, whether or not railways participate, amalgamation of the existing operators or their elimination by more efficient concerns is inevitable. The operator of the past, who has during the war earned good money from the use of his vehicle and from the employment of himself and his family, must recognise that in any case his future interest will be that of a shareholder in a Company and as an employee of that Company, and that if, in the future, there is no effective road rail co-ordination his Company may find its earnings seriously reduced. In assessing what is a "square deal" with the present operators, it is necessary to forget the profits of today and to have regard to the conditions of the past and the prospects of the future. The general plan is that subject to the policy of the Provincial Government each existing operator should have first option to invest in the shares of these Companies up to an amount approximately equal to his existing or potential assets in the Vehicles covered by his permit.

(3) The authorised capital of these Companies will have to be determined on long range considerations including the proportionate holding permitted to the different parties. But the called up capital money at any time will be based upon commercial considerations after a careful survey of requirements. If the capital of the existing operators is only partly called up their returns during the earlier years may be small and the question of the proportion of capital to be called from the different parties might be left to be decided at the first general meeting of the Company.

5. *Assessment of assets of existing operators.*—(1) It is the intention that the vehicles and other assets of existing operators should, wherever they are suitable, be taken over on cash payment. For the convenience of existing operators these payments would be offset against the share capital subscribed by them. In the event of the assets of any permit holder exceeding the value of the shares offered to him (for example if he held substantial assets in a workshop), the excess could be covered by the issue of debentures in lieu of cash should the Company so decide.

(2) The following scale of valuation of vehicles and other assets is proposed :—

(a) *Vehicles.*—In the case of a new and unused vehicle, the actual cost to the owner including the cost of the body, subject to a maximum in the case of the chassis of the controlled price in force at the time. In the case of other vehicles, the present-day controlled price of the chassis plus the value of body, new, at present day prices, less depreciation at the rate of 25 per cent. per annum on the declining values from the date of first registration with a margin of Rs. 500 either way as an allowance for the condition of the vehicle. It would of course rest with the Company to decide whether the vehicles were worth taking over.

(b) *Gas plants, fitted* would be separately valued.

(c) *Spare parts and new tyres and tubes* would be valued at cost to the owner subject to a maximum of the controlled price obtaining at date of the transaction.

(d) Other assets taken over by the Company would be valued by negotiation.

(3) In order to help existing operators and because of the shortage of vehicles, the Companies should normally take over vehicles with one year's expectation of useful life before seeking new ones. In border line cases if the operator elects to sell the vehicle in the open market he should be permitted to do so without objection or forfeiting his option on shares. But an operator who elects to sell a good vehicle outside the Company at a scarcity price cannot also elect to come in as a shareholder.

(4) Any disputes arising out of the valuation of assets as above would be referred to arbitration under the orders of the Provincial Government.

6. *The question of "Goodwill".*—Section 59(1) of the Motor Vehicles Act provides that a permit shall not be transferred from one person to another, except on the death of permit holder, or with the permission of the Transport Authority. The majority of the rules made by Provincial Governments under that Act contain, it is believed, the further provision that, before sanctioning transfer, the Transport Authority may call upon both parties to state what payment or other consideration has been attached to the proposed transfer. The object of these provisions was to prevent trading in permits and the Act and rules thereunder do not recognise that a permit has any sale value. At the same time, the proviso to Section 58(2) gives preference to the renewal of an existing permit over the grant of a fresh permit to a different person. It can be argued therefore that a permit carries with it some right of continuance and is therefore of some commercial value. On the other hand, by consenting to transfer the permit to the Company the holder does not exclude himself from the right conferred by the permit to ply for hire, but retains it jointly with other shareholders. Moreover, the Railways and the Provincial Government, where the latter participate financially, bring for different reasons a valuable asset of goodwill to the merger. Thus it might also be argued that the claims of the three parties in respect of the goodwill which they bring to the business might reasonably be considered as cancelling out. Nevertheless, the Central Government recognise that there may, in certain circumstances, be justification for some payment to existing operators as compensation for disturbance of business. The question whether there is justification for such payment and of its amount must be determined by the Provincial Government concerned in the light of the conditions prevailing in each Province and on the circumstances of each case. The Central Government desire to deal reasonably with the operators and are in principle prepared to invest Railway finance in a company in which provision has been made for reasonable payments to existing operators on this account.

7. *Restriction of share option to previous regular operators.*—The policy in bringing existing operators into these Companies is to give preference to the old established persons or concerns, i.e., mainly those in the business prior to 1942, or to those who have been operating pre-1942 permits transferred to them, in accordance with the original conditions. There are also a few newer but regular Bus Companies whose claim to the option to take up shares should normally be recognised.

8. *Offer of shares to the public other than existing operators.*—Subject to a reasonable holding being reserved for the railway participating and, if desired, for the Provincial Government, shares offered to existing operators, but not taken up, and any other margin in the share capital, should be available for public subscription subject normally to a limit of say Rs. 5,000 being held by any one individual, preference being given to the applicant for a small number of shares.

9. *Promoters of Companies.*—Where possible, the preliminary work of organising and promoting the Company should for the sake of uniformity be undertaken by officials, in consultation and collaboration with one or more persons selected from among the existing operators on the route or area

concerned, who may be suitable to fill the position of Managing Director or General Manager. Where a suitable person is not available from among the existing operators who elect to be first option shareholders, then with the consent of the Provincial Authorities concerned and after negotiation with the qualified existing operators, some other suitable person experienced in motor transport operation may be selected, as General Manager, on a salary basis, to organise the Company. He may also, if considered necessary, be appointed to the Board of Directors on holding qualification shares as prescribed in the Articles *vide* also paragraph 11.

10. *Employment of existing owners and their present employees.*—In staffing these Companies preference should be given to those who are already directly employed in providing transport on the route or in the area concerned, and who are qualified and fit persons to be so employed.

11. *Direction of Companies.*—Normally there might be six Directors on the Board of a Company, or seven in the case of Companies which appoint a Managing Director. Non-rotating Directors will be the Provincial and Central Government representatives and also the Managing Director where appointed. Experienced operators in the area served who take up shares should be considered for seats on the Board. Indian Government Railway Directors will accept no fees.

12. *Management of Companies.*—Companies promoted hereafter will be managed by Managing Directors or General Managers, having road transport experience, preferably on a salary basis, under the Board of Directors. Wherever possible, the Managing Director or General Manager will be selected from experienced operators in the area concerned, to whom some additional shareholding may be permitted to ensure identity of interests but this should in no case be permitted to exceed 15 per cent. except where justified by the number of valid permits held.

13. *Managing Agents.*—Managing Agencies will not be employed hereafter. Cases where railways, or Provincial Governments in conjunction with railways, have carried negotiations with any road transport interest to a stage where they stand committed to a Managing Agency, and where such promoters are unwilling to modify the arrangement, will be reported by Railway Administrations to the Railway Board before agreements are concluded.

14. *The Monopoly Question.*—(1) It is the view of the Central Government that competition on the basis of gain will inevitably result in uneconomic duplication. They think therefore that the new joint Companies must in time have a monopoly of the type of road transport on the routes, or in the area, covered by their permits. The extent to which the Companies will operate on branch as well as on main routes will depend on the conditions of the permit imposed by the Transport Authorities. In some cases those authorities may consider that, for the present, certain or all branch routes should be operated by different concerns. In other cases they may require the Companies to operate the less remunerative routes as well as the main routes. This is a matter for evolution and experience. But in any case the joint Companies should have a monopoly on the routes and of the type of traffic (passenger or goods) covered by their permit. The management of the Companies by a Board representative of the Province and the Railways, whose main interest is good service, and of the other shareholders whose main interest may be expected to be profit earning, coupled with real competition on the basis of service will it is believed provide the necessary incentive to efficient operation and to close co-ordination of services in the interest of the public. What it is necessary to avoid is the domination of these Companies, or of any other road transport concerns, by any single financial interest. The proposals in this paper are designed to prevent that.

(2) There remains the not unnatural fear that the Companies will, with monopolies, become so strong as to ignore the public interest, and that the Transport Authorities will be powerless to insist on the provision of better service, since the only redress under the Motor Vehicles Act is the suspension or cancellation of permits, which does not help the travelling public. As far as the railway participating are concerned, the intention is that the Companies should give optimum service. Nevertheless, it is desirable to provide by amendment of the Motor Vehicles Act that the permits should be drawn in a fuller form giving the Transport Authorities power to levy fines for non-performance of the services specified in or under the provisions of the permit. In the ultimate resort it would be open to the Transport Authorities to grant additional permits on the same routes to other concerns, and to refuse to renew the permit on next date of renewal. Such non-performance is however inherently improbable.

15. *Effect on bullock-cart transport.*—Grave apprehension has been expressed in the Assembly and elsewhere that, in the post-war development of road motor transport, bullock-carts will be put out of business and rural economy seriously disturbed. The matter is primarily one for Provincial Governments to study in drawing up their plans for road and road transport development.

STANDING COMMITTEE FOR THE LABOUR DEPARTMENT.

THE HON. MR. H. C. PRIOR (Labour Secretary) : Sir, I move :—

“That this Council do proceed to elect, in such manner as the Honourable the President may direct, one non-official member to serve on the Standing Advisory Committee to advise on subjects with which the Labour Department is concerned *via* the Hon. Maulvi Ali Asgar Khan.”

The Motion was adopted.

STANDING COMMITTEE FOR THE DEPARTMENT OF INDUSTRIES AND SUPPLIES.

THE HON. MR. M. W. M. YEATTS (Industries and Supplies Secretary) : Sir, I move :—

“That this Council do proceed to elect, in such manner as the Hon. the President may direct, four non-official members to serve on the Standing Committee to advise on subjects with which the Department of Industries and Supplies is concerned, for the financial year 1946-47.”

The Motion was adopted.

STANDING COMMITTEE FOR THE COMMONWEALTH RELATIONS DEPARTMENT.

THE HON. DR. N. B. KHARE (Commonwealth Relations Member) : Sir, I move :—

“That this Council do proceed to elect, in such manner as the Hon. the President may direct, four non-official members to serve on the Standing Committee for the Commonwealth Relations Department during the financial year 1946-47.”

The Motion was adopted.

THE HON. THE PRESIDENT : With reference to the motions which have just been adopted, I have to announce that nominations to the Committees will be received by the Secretary up to 11 o'clock on Wednesday, the 6th March, 1946, and the date of election, if necessary, will be announced later.

WORKMEN'S COMPENSATION (AMENDMENT) BILL.

THE HON. MR. H. C. PRIOR (Labour Secretary) : Sir, I move :—

“ That the Bill further to amend the Workmen's Compensation Act, 1923, as passed by the Legislative Assembly, be taken into consideration.”

Sir, this Bill is fully explained in the Statement of Objects and Reasons. It is, I think, a non-controversial measure and I need not add to what has been stated in the Statement of Objects and Reasons.

Sir, I move.

The Motion was adopted.

Clause 2 was added to the Bill.

Clause 3 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HON. MR. H. C. PRIOR : Sir, I move :—

“ That the Bill, as passed by the Legislative Assembly, be passed.”

The Motion was adopted.

INDIAN MINES (AMENDMENT) BILL.

THE HON. MR. H. C. PRIOR (Labour Secretary) : Sir, I move :—

“ That the Bill further to amend the Indian Mines Act, 1923, as passed by the Legislative Assembly, be taken into consideration.”

Sir, I need not say much in explanation and support of this Bill. The Statement of Objects and Reasons makes perfectly clear the intention behind it. It is a part of the Government's programme for improving the standard of living of miners, and it is an important part of that programme. The House will remember that under legislation passed about two years ago the Coal Mines Welfare Fund was set up ; and under the authority of that legislation Government are taking steps to see that the standard of housing provided for miners is improved. But that by itself will not be sufficient, and we want to ensure that the miner, when he leaves his work is able to clean himself and if possible put on clean clothes and go back to his house clean and in clean clothes. That, we believe, will be a potent influence in improving his standard of life. The Advisory Committee set up to administer the Coal Mines Welfare Fund has accepted the proposal that it is an obligation on mine-owners to provide pit-head baths, and I do not think there is anybody that will quarrel with that view. It is the working in the mines for the benefit partly of the mine-owners and partly of the coal consumers that the miner gets dirty, and it must be an obligation on the mine-owners to see that he has an opportunity of cleaning himself. Some mine-owners have already provided this opportunity, and the use that has been made by miners of the pit-head baths that have recently been established by Tatas' collieries at Digwadih sufficiently establish that the miner does want to make use of the facilities as soon as they are provided.

Sir, we regard this measure as of urgency, and even when the legislation is passed it must take a little time before the statutory obligation can be imposed on the mine-owners ; and consequently Government, on the advice of the Advisory Committee administering the Fund, are prepared to make grants to mine-owners who set about the establishment of

[Mr. H. C. Prior].

pinhead baths during the next 12 months even and have them ready before the statutory obligation is on them, and that, we hope, will ensure that we get these baths quickly at the pit-head. Sir, I move.

The Motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was adden to the Bill.

The Title and Preamble were added to the Bill.

THE HON. MR. H. C. PRIOR : Sir, I move :—

“ That the Bill, as passed by the Legislative Assembly, be passed.”

The Motion was adopted.

CODE OF CRIMINAL PROCEDURE (AMENDMENT) BILL.

THE HON. MR. SHAVAX A. LAL (Nominated Official) : Sir, I move :—

“ That the Bill further to amend the Code of Criminal Procedure, 1898, as passed by the Legislative Assembly, be taken into consideration.”

Sir, as the law stands, the Sessions Judge has no power to recall a case from the Additional Sessions Judge who is not subordinate to him. This frequently causes delay in the disposal of criminal work. This Bill, therefore, seeks to remove that defect. Sir, I move.

The Motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HON. MR. SHAVAX A. LAL : Sir, I move :—

“ That the Bill, as passed by the Legislative Assembly, be passed.”

The Motion was adopted.

CODE OF CRIMINAL PROCEDURE (SECOND AMENDMENT) BILL.

THE HON. MR. SHAVAX A. LAL (Nominated Official) : Sir, I move :—

“ That the Bill further to amend the Code of Criminal Procedure, 1898, (Second Amendment), as passed by the Legislative Assembly, be taken into consideration.”

Sir, as pointed out in the Statement of Objects and Reasons, the Bill seeks to remove the lacuna to which Their Lordships of the Privy Council have drawn attention. This Bill seeks to confer power on the High Court to grant bail to a convicted person who has been granted special leave to appeal to the Privy Council. Sir, I move.

The Motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HON. MR. SHAVAX A. LAL : Sir, I move :—

“ That the Bill, as passed by the Legislative Assembly, be passed.”

The Motion was adopted.

PROFESSIONS TAX LIMITATION (AMENDMENT) BILL.

THE HON. SIR CYRIL JONES (Finance Secretary) : Sir, I move :—

“ That the Bill to amend the Professions Tax Limitation Act, 1941, as passed by the Legislative Assembly, be taken into consideration. ”

The Statement of Objects and Reasons attached to this Bill, Sir, short though it be, is self-contained and self-explanatory, and I have very little to add to it. Before the Professions Tax Limitation Bill was brought before the Central Legislature in 1941 Provincial Governments were consulted, and they were in general agreement with the provisions of that Bill subject to certain exemptions, which were embodied in a schedule of exemptions to the Bill. In the case of the Madras City the Corporation levies professions tax on individuals under section 111, and a tax on companies under section 110 of the Madras City Municipal Act. It was understood that the Professions Tax Limitation Bill, while affecting the professions tax levied under section 111, would not affect the tax on companies levied by the Madras Corporation under section 110 of their Act, and for that reason the Madras Government did not ask for exemption of this tax on companies when agreeing to the introduction of the Professions Tax Limitation Bill. That position was fully explained before the Central Legislature, and it was on that understanding that the Bill was enacted. Subsequently doubts have arisen, the position has been contested, and the Corporation of Madras have taken high legal advice, the result of which is that, although the matter is open to some doubt, it is highly probable that as the Act is now worded the tax on companies levied by the Corporation of Madras is brought within the mischief of the Limitation Act.

That was not intended. It was specifically and definitely understood by the Central Legislature that would not be the case at the time this Bill was passed into law. For that reason, this amending Bill has been brought forward at the request of the Madras Government to give effect to the original intention of the Legislature. Sir, I move.

The Motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HON. SIR CYRIL JONES : Sir, I move :—

“ That the Bill, as passed by the Legislative assembly be passed. ”

The Motion was adopted.

THE HON. THE PRESIDENT : That finishes the work of this morning. We shall again meet at 2-30 P.M. to discuss the Hon. Mr. Thirumala Row's Motion for Adjournment of the House. I trust Hon. Members will be present, especially that the Hon. Mr. Thirumala Row will be here in time to start with his motion at 2-30 P.M.

THE HON. MR. M. THIRUMALA ROW : Thank you, Sir. I am always alert.

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

The Council re-assembled at Half Past Two of the Clock, the Hon. the President in the Chair.

NOTICE OF MOTION FOR ADJOURNMENT.

THE HON. MR. M. THIRUMALA ROW (Madras : Non-Muham-madan) : Sir, I have given notice of an adjournment motion.* Before asking for leave of this House to move it, I want to place one or two matters for the consideration of the Government with a request for their elucidation. Two adjournment motions were passed in the other House on this topic and the strength of feeling against the use of Indian troops in Indonesia has been expressed during the debate on these two adjournment motions. In order to understand how far Government is ready to respond to public opinion in this matter, I have tabled this motion and if Government is in a position to explain their stand in this matter, that will greatly help me to come to a decision whether I should ask for leave of the House. Therefore, with your permission, may I request His Excellency the Commander-in-Chief to enlighten us ?

THE HON. THE PRESIDENT : I have no objection if His Excellency is prepared to make a statement at this stage.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : Sir, in answer to the request of the Hon. Member I should like to say that the civil or political problem which arises in Indonesia, and has arisen, is not the affair of the military authorities and it is for the Dutch and the Indonesians to reach a peaceful settlement and come to some agreement as to the future Government of the country. The sole concern of the Military Command, as I think Hon. Members are aware, is to promote such conditions as would permit peaceful discussions between the Dutch and the Indonesians to take place. In carrying out his tasks, the first task of achieving the two original objects for which the troops went to Indonesia, that is to say, the disarming and repatriation of the Japanese troops in Indonesia and the secondary task which arose out of this, disarming of the many lawless bands which were roaming the country and committing various lawless acts. Admiral Mountbatten throughout has placed the greatest stress on these two points. He has stated repeatedly that there are to be no reprisals for the excesses committed by terrorists ; and secondly he has stressed always that when force has to be used, it should be the minimum necessary and that due warning must be given. I believe I am correct in saying that troops have never opened fire unless first fired upon. But I must say, Sir, that I should be very glad indeed to see all Indian troops out of the Netherlands, East Indies. Nobody will be more pleased than myself and that is the feeling not only of the Government of India with regard to their own troops but also of the United States and His Majesty's Government in the United Kingdom. Both these Governments have made it very clear that they want a peaceful settlement as soon as possible and that their troops should be withdrawn.

As regards the withdrawal of the troops, it was just two or three days ago that I did hear of the proposals for this. A definite programme has been agreed upon, always provided of course that matters go as they should go in Indonesia—I hope they will. We hope that the withdrawal of these troops from the Netherlands East Indies will start almost immediately, that is in March, beginning tomorrow. The number to be withdrawn each month will of course depend on the situation and it will also

“I move an adjournment of the business of the House for discussing a definite matter of urgent public importance, namely, the continued employment of Indian troops in Indonesia for the purpose of suppressing Indonesian Nationalist movement for independence.”

depend on the capacity of this country to absorb them. That is a problem which I have to deal with ; but I do not think that will hold up the withdrawal. But I understand that the number to be withdrawn each month will be considerable. Although I know the approximate number, I would not like to give it here, because it might not be possible to work up to it. It is quite a large number every month and it is intended to continue the withdrawal until all are evacuated. Personally I hope that the evacuation may be complete at the latest by July. It does depend on circumstances. I do not want to give an assurance—I am sure Hon. Members will not ask for an assurance, because things may go wrong.

Those are the facts. I have seen this programme of withdrawal. It is a definite programme agreed upon by South East Asia Command and us. I do not think, Sir, that there is anything more for me to say, except possibly that it might interest Hon. Members to know that at the time of the Japanese surrender there were about 72,000 Japanese troops in Java. At present 39,000 have been concentrated under the control of our troops in Western Java and a few thousand more in Sourabaya. It is quite a complicated business. There are about 85,000 internees. Of the total number of internees of over 100,000, 85,000 are now under our protection. They have been concentrated and put into places where they are not subject to molestation ; and 30,000 have already been evacuated from Java. Evacuation, of course, depends on shipping.

To end up, I would like to say that the task of our troops in Java and the Dutch East Indies has been a thankless one and one which has not been at all relished by them. I know that. I have had plenty of opportunity to learn that. They had to do their duty and I think they have done it very well and as you know, it is not our habit to shirk our responsibilities, however irksome or distasteful they may be ; and in this case we have not shirked, although I can assure you that they have not been to our taste or to the taste of our men, Indian or British. I would like to add that we can say that we have acted throughout in good faith, and I would be very grateful if the House would accept this assurance from me.

THE HON. THE PRESIDENT : I think His Excellency's explanation ought to satisfy the Hon. Member completely and I do not think there is any necessity now to move the Adjournment Motion.

THE HON. MR. G. S. MOTILAL (Bombay : Non-Muhammadan) : May I ask one question ? What is the number of Dutch troops in Indonesia ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : I do not know, Sir. I believe there are no Dutch troops in Indonesia, although there may be some in the neighbourhood. I have not got that information.

THE HON. MR. M. THIIRUMALA ROW : In view of the statement made by His Excellency the Commander-in-Chief I do not feel any necessity for pressing the motion. I hope all the Indian troops will be withdrawn according to the programme arranged before July.

The Council then adjourned till Five of the Clock.

The Council re-assembled at Five of the Clock, the Hon. the President in the Chair.

PRESENTATION OF THE GENERAL BUDGET, 1946-47.

THE HON. SIR CYRIL JONES (Finance Secretary). Sir, I have the honour to present the revised estimates of revenue and expenditure of the Governor-General in Council in respect of subjects other than railway for the year 1945-46, and the corresponding estimates of revenue and expenditure for the year 1946-47.

2. It has fallen to me, Sir, to present to this House all six of India's war-time budgets, from 1940 onwards. The increasing magnitude and complexity of the issues underlying the estimates has rendered necessary during that period a progressively closer approximation of my speech in presenting the estimates to the Budget speech of the Hon. the Finance Member, which is printed and circulated and forms the basis of our subsequent discussions. We now come to our first post-war budget, and in view of the nature of the problems which arise on the threshold of a new era it has been considered desirable and appropriate, and conducive to the convenience of Honourable Members, that I should this year read to the House in his own words the speech which the Hon. the Finance Member is at this moment delivering to the Legislative Assembly. I understand, Sir, that this departure from precedent has your full concurrence, and I trust that it will be equally acceptable to all Hon. Members of this House. The Finance Member's Budget speech is as follows :—

“ Although I have not undertaken any intensive research to establish the fact, I imagine that I am the first Finance Member to deliver his first Budget Speech in the knowledge that it will almost certainly be his last.

2. In the interval since my distinguished predecessor presented his sixth and final Budget, the international and domestic scene has been transformed. The monstrous ambitions of the Fascist dictatorships have been utterly destroyed and the peace-loving and democratic nations can look forward to the building of a new world in the confidence that for many years to come their plans will not be frustrated and set at naught by the threat of external aggression.

But though our external foes have been overthrown, the world, and particularly India, is still confronted by a whole array of dangerous and enduring enemies—poverty, squalor, ill-health, illiteracy, under-nourishment and under-employment; and of these the most formidable is poverty. If we can expel this adversary from our midst, we shall find no great difficulty in dealing with the allies who revolve round his axis.

3. Let us not deceive ourselves, however, into thinking that we can triumph over the forces thus drawn up against us without a supreme and combined endeavour. Victory will not be achieved without sustained effort, without sweat and tears, without money or without leadership. Almost the greatest of these is leadership, and at this point I shall refer to the only political issue which I propose to raise in the course of my speech. No army has encompassed the defeat of its enemies on the battlefield without faith and confidence in its leaders. With all the earnestness at my command I add one more plea to the leaders on the benches opposite to co-operate with those on this side and with H.M.G. in finding an early solution to the political problem. I am conscious of the difficulties and am not insensible of the width of the gulf which has to be bridged, but it is my firm conviction that with toleration, restraint and

goodwill a solution can be found. What is certain is that for every day the solution is deferred, for so long will be postponed the attainment of India's destiny which is hers by right.

What I have said so far is merely to indicate in broadest outline what I conceive to be the aims of India's national long-term policy. Fiscal policy is merely one of the means to achieve national policy and in the proposals which I am about to submit to the House I have kept these long-term aims in mind. But necessarily and inevitably my proposals have been coloured and qualified by the conditions which have been created by the war and by its merciful termination earlier than any of us had dared to hope.

4. Let us pass these conditions under a brief review. While India has been spared the material destruction that has befallen many other countries, she has suffered in full measure, and in some directions in greater measure than others, the economic consequences of war. Her industrial equipment has been worked to the very edge of a breakdown and there is a large backlog of maintenance and replacement to be made good; more than that, the development of her economy and even her reconstruction are being delayed through her inability to obtain the necessary capital equipment owing to destruction and unsatisfied demands in the supplying countries. Civilian building has been almost entirely neglected for over five years, and this presses heavily on a country where the large annual increase in population and where growing industrial development require a continually expanding building programme. In India, as elsewhere, there have occurred large shortages of consumer goods, caused on the one hand by the failure of supplies from overseas and on the other by the diversion of a large part of her productive capacity to war purposes. Outstanding examples are textiles and foodgrains, though there are many other examples. I do not propose to dilate on the foodgrains situation, since that is only too well known to the House. Finally, as elsewhere, the purchasing power in the hands of the public has enormously increased and here, too, the consuming public is anxious to make effective use of its spending capacity. In other words, there are still pockets of inflationary forces which require to be closely watched and controlled.

5. In one important respect, however, the situation in India resulting from the cessation of hostilities differs from that in other important belligerent countries such as the United Kingdom and the United States of America. In largely agricultural countries such as India and the Middle Eastern States, war expenditure, though in absolute amounts much less than in the industrialised states of the West, has had a proportionately greater effect in stimulating the growth of the national income. It follows that, with the fall in war expenditure which is now inevitable, a greater proportionate effort will have to be made if the national income is not to fall too far below its war-level. In other words, deflationary tendencies will, in the absence of countervailing measures, begin to manifest themselves before very long. When I mention that the drop in defence expenditure on account of His Majesty's Government and the Government of India combined will be of the order of Rs. 600 crores next year as compared with the Budget this year, the House will realise how strong these tendencies will be. It must, therefore, be the object of

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the Government, in the coming year, with the help of the public and of the business community, to avoid the Scylla of increasing inflation and the Charybdis of too precipitate a deflation.

FINANCIAL YEAR, 1945-46.

Revenue

6. It is against this background that I now proceed to review the financial position for the current year.

Total revenue receipts are now expected to reach Rs. 360.66 crores, a decrease of Rs. 1.68 crores on the budget estimates.

Customs receipts are likely to improve by Rs. 9½ crores as a result of larger imports. Under Central Excises, however, we expect a shortfall of approximately Rs. 2 crores from the Rs. 48.59 crores provided in the Budget.

Under Taxes on Income, we estimated a collection of Rs. 190.5 crores, Rs. 90 crores under excess profits tax and Rs. 100.5 crores under other taxes on income. We now place the revenue at Rs. 189 crores, the shortfall of Rs. 1½ crores occurring under ordinary income-tax. The divisible pool of income-tax is likely to amount to Rs. 55.94 crores and the share of the Provinces together with the carry over of Rs. 5.28 crores from the previous year, to Rs. 28.75 crores.

The revenue of the Posts and Telegraphs Department is now estimated at Rs. 32.84 crores, Rs. 96 lakhs more than the budget figure. Expenditure is placed at Rs. 22.17 crores, an increase of Rs. 2.14 crores, due mainly to post-budget decisions regarding war and dearness allowances. The anticipated surplus of Rs. 10.67 crores will accrue to general revenues.

The contribution from Railways to General Revenues has been taken at Rs. 32 crores as envisaged in the Budget Estimates.

Expenditure

7. *Defence Services.*—It has been customary during the war years for the Finance Member to give in this section of his speech a general review of the progress of the war and the activities of the Indian Defence Services both in India and abroad. Partly in order to reduce the length of my speech and partly because I feel that such a review would come more appropriately from the War Department I shall, on this occasion, confine myself to only such broad matters of policy as directly affect India's defence expenditure, leaving it to my Hon'ble friend, the War Secretary in the course of the budget debates, to give the House fuller and more detailed information on the administrative measures and other activities with which his Department is primarily concerned. I am circulating with the Budget papers an Explanatory Memorandum prepared by the War Secretary setting out in more detail the main administrative measures in the field of defence and giving details of the amounts provided in the defence Budget Estimates.

8. The outstanding events of the year were, of course, the unconditional surrender of Germany on the 7th May, followed, about four months later, by a similar surrender on the part of Japan. Though the latter event came about six months earlier than was generally expected, plans

for the demobilisation of personnel of the Indian armed forces had been under active preparation for a considerable time before V-J Day and it was found possible to put these into operation at the beginning of October last. The number of personnel to be demobilised in India is well over a million and a half and no effort is being spared to speed up the rate of releases. It is a formidable task, which is complicated by transport difficulties and the uncertainties that must necessarily exist for some time regarding the ultimate size and composition of India's defence forces, but we expect it to be largely completed by the end of the coming financial year.

9. The actual discharge of personnel from the Indian armed forces represents, however, only one aspect of the process of demobilisation—using that term in its wider sense of the unwinding of war activities and the diversion of India's economic resources, both human and physical, from winning the war to the tasks of rehabilitation and development. Thus the defence authorities, besides dealing with the problem of the orderly release and repatriation of over one million and a half men from the fighting services, which includes the making of arrangements for the welfare of soldiers awaiting discharge and their education and preparation for civilian life, are directly concerned with the cancellation or reduction of their demands for stores of all kinds, the closing or slowing down of munitions manufacture, the stoppage of building activity and the declaration of surplus stocks and the disposal of fixed assets no longer required for defence purposes. The complementary schemes and measures to ensure that the personnel and industrial resources thus set free are utilised as fully and speedily as possible for the recuperation and expansion of India's civil economy, are primarily the concern of the civil authorities both at the Centre and in the Provinces, though naturally, in view of the strong interest that the defence authorities have in the resettlement of defence personnel, they are constantly brought into consultation regarding these matters.

10. In view of the fact that by the middle of the year the war had ended, it may come as a surprise and disappointment to some that the revised estimate for the current year does not indicate a more substantial fall in the expenditure chargeable to India's defence estimates, as compared with the budget for that year. The budget estimate was Rs. 394.23 crores and the revised estimate is Rs. 376.42 crores. The explanation for this is to be found very largely in the heavy costs of war gratuities, special leave and other terminal benefits granted to personnel on discharge in addition to their pay and allowances and other maintenance expenses while awaiting discharge in India.

11. With effect from V-J Day (2nd September 1945) the supply of goods and services from the United States of America to the United Kingdom and other countries under Lend-Lease arrangements came to an end and from the same date those nations, including India, ceased to provide services and supplies for the U. S. Forces on Reciprocal Aid terms. It was agreed, however, as a matter of administrative convenience, that supplies and services through mutual aid channels should continue for a short time to be rendered on both sides but on a cash repayment basis. A number of claims and counterclaims are arising between India and the United States of America on this account.

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12. Another matter outstanding between India and the United States of America is the settlement of Lend-Lease and Reciprocal Aid, and the transfer to the Government of India *en bloc* of stocks and installations accumulated by the United States of America authorities in India during the war and now surplus to their requirements.

It is clearly necessary to arrive at an early understanding with the United States of America on these matters and the Government of India therefore welcomed a suggestion from the U.S.A. Government of their discussion at Washington. Two senior officers will accordingly be deputed to America for this purpose.

Civil Estimates

13. The revised civil estimates for the current year stand at Rs. 129.19 crores, an increase of Rs. 5½ crores over the Budget figure. Civil expenditure connected with the war shows a fall of Rs. 7 crores, but this is more than offset by the provision under "Grants-in-aid" of a further subvention of Rs. 8 crores to Bengal. This further assistance is calculated to bring the total Central grant to Bengal to a figure representing roughly half the cost to the Province of the disastrous 1943 famine, and does no more than enable the Government of Bengal to break even on their revenue account to the end of 1945-46, when most other Provinces have been in a position to tuck something away for purposes of their post-war development. It is accompanied by a withdrawal of the Central Government's offer to meet half the losses involved in the rapid turnover of food stocks which was found to be necessary to prevent wholesale deterioration, and represents the last measure of special assistance which Bengal will require from the Centre as a result of the major calamity which was peculiar to that Province alone. For the rest, the increase in the Revised Estimates is due mainly to the strengthening of the Central revenue organisation and to expansion in a number of Departments, mostly those which are popularly called "nation building". I do not propose to refer here to individual variations since they are explained in the Explanatory Memorandum which accompanies the printed Budget Statement, and developmental expenditure will be dealt with separately later on in this speech. There are, however, one or two matters of general interest which I should like to mention in view of their bearing on Central expenditure.

14. The House will appreciate that the sudden termination of active hostilities did not end the difficulties and abnormalities of the country's economy which the war brought into being. In discharge of its responsibility for the economic health of the country, the Government has of necessity had to maintain the system of controls, both, economic and financial, which was developed during the war, but although some of the controls have come to stay, since you cannot have a planned economy without some controls, the remainder are being, and will continue to be, withdrawn as soon as they have ceased to serve the purpose for which they were designed. Indeed, some 150 control measures have already been so withdrawn.

15. The work of the Supply Department, now that war-time procurement operations have ceased to be of primary importance, is being

directed towards restoring the civil economy of the country. The department has been amalgamated with that of the Industries and Civil Supplies and the new department will deal mainly with the development of industries in accordance with the approved plans. During the first seven months of the current year the value of orders placed by the Supply Department was Rs. 107 crores compared with Rs. 162 crores during 1943-44. Latterly one of the main tasks of the department, however, has been to terminate war contracts already entered into and arrange for the disposal of surplus stores. By December 1945, existing contracts to the value of approximately Rs. 20 crores had been cancelled, while in other cases contractors were permitted to utilise the materials acquired by them for Government contracts for the production of goods required by the public. As a result of this policy, the amount of compensation paid has been very small and amounted to only Rs. 8 lakhs to the end of January, representing the final settlement of claims for contracts totalling over Rs. 13 crores. Some Rs. 8½ crores have also been received by the direct sale of surpluses. I have already referred to the negotiations which are taking place with the American authorities in connection with the disposal of U. S. A. surpluses in this country.

The future policy in regard to Ordnance factories has been laid down, and, as a purely short-term measure, the available spare capacity is being utilised for the production of civilian goods in short supply.

A Co-ordination Committee of Council has been appointed to ensure that the many complicated problems connected with the transition of India's economy from a war footing to a peace footing are effectively integrated and speedily dealt with. The Defence Department was wound up last month.

16. To summarise the whole budgetary position in 1945-46, the figures are these :

Original Budget.—Expenditure Rs. 517.63 crores, Revenue Rs. 362.34 crores, giving a revenue deficit of Rs. 155.29 crores.

Revised Budget.—Expenditure Rs. 505.61 crores, Revenue Rs. 360.66 crores, yielding a revenue deficit of Rs. 144.95 crores. The revenue deficit position has, therefore, improved to the extent of Rs. 10.34 crores.

FINANCIAL YEAR, 1946-47

Revenue.

17. I turn now to the financial year 1946-47. Before taking into account fresh taxation proposals and an adjustment to which I shall refer later, our total revenue estimates amount to Rs. 307 crores compared with Rs. 362.34 for the current year.

Customs receipts have been placed at the conservative figure of Rs. 65 crores net, which is the same as in the revised estimates for the current year; but with an improvement in the shipping position and with the increasing availability of supplies from exporting countries receipts may well exceed this figure. Under Central Excise Duties, the estimates provide for Rs. 47.20 crores.

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Now that war activities have ceased, we are allowing for a total revenue of Rs. 158 crores only under Corporation and Income-taxes. This includes an expected yield of Rs. 75 crores from excess profits tax. The divisible pool of income-tax has been taken at Rs. 46.79 crores and the share available to Provinces at Rs. 19.64 crores.

The revenue of the Posts and Telegraphs Department is expected to be Rs. 32.25 crores and expenditure Rs. 22.25 crores, inclusive of an extra contribution of Rs. 50 lakhs to the Renewals Reserve Fund. The surplus is estimated to be Rs. 10 crores.

In modification of the policy pursued during the war years, of taking the entire surplus of the Posts and Telegraphs Department to general revenues, it is proposed, for the coming year, that the contribution should be three-quarters of the surplus instead of the whole. The share which accrues to the Posts and Telegraphs Department will strengthen the resources available for expenditure on post-war schemes.

As regards the contribution from Railways, we are providing for Rs. 7.36 crores. This represents a drop in receipts by Central Revenues of nearly Rs. 25 crores. The House is already aware of the basis of this estimate from the Railway Budget recently presented.

Expenditure

18. *Defence Estimates.*—As already mentioned, general demobilisation will be in progress throughout the year 1946-47 and for this reason the defence estimates for that year are inflated by the abnormal expenditure arising out of that process. Provision has been made for the maintenance of an Indian contingent consisting of one Indian brigade, one R.I.A.F. squadron and two R.I.N. sloops, with ancillary and administrative units and formations, to be stationed in Japan during the year as part of the forces of occupation furnished by the United Nations. Apart from the great part played by her armed forces in the subjugation of the Japanese, India's representation amongst the forces of occupation is an appropriate and inevitable recognition of her international importance.

Some reduction in the estimate has resulted from the decisions to withdraw Japanese campaign pay, the further accrual of war service increments, and other war-time concessions, with effect from various dates in 1946-47.

19. It has been decided, after consultation with His Majesty's Government that the Financial Settlement will remain in force until the 1st of April, 1947. In spite of much discussion on the subject both in this House and elsewhere some confusion of thought and misunderstanding still persist about the nature and intent of this Settlement. Three separate, though interconnected issues, are involved.

First, there is the principle in accordance with which expenditure on the armed forces of India is borne by the revenues of India and of the U.K. respectively. The principle is simple and is not new. It has been in force for many years. It is this: expenditure incurred for the purposes of India's own defence falls on India: the remainder falls on His Majesty's Government.

Secondly, there is the so-called Financial Settlement. This is merely a set of accounting rules for allocating to the respective exchequers the

total war expenditure in accordance with the principle to which I have just referred. Experience gained in the last war showed that the normal peace-time methods of determining the shares to be borne by India and the U. K. in accordance with this principle are quite impracticable under war conditions and the Settlement was, therefore, devised as a rough and ready means of arriving at India's share of defence expenditure, which, while broadly conforming to the accepted principles of incidence, would not impose an intolerable strain on the administrative and accounting machines. Shortly after the conclusion of hostilities with Japan, His Majesty's Government asked us to consider a suggestion that the Financial Settlement might be terminated on the 31st March, 1946. It was pointed out to them, however, that the great virtue of the Settlement lies in its saving of manpower and that, in view of the heavy calls that general demobilisation and other transitional activities would make on India's administrative and accounting staffs, the reversion during that year to the normal accounting methods of allocating expenditure would be impracticable. It was therefore urged by us that the retention of the Settlement until the end of that year (by which time these disturbing factors would have largely disappeared) was essential, and His Majesty's Government has accepted this view. I want to emphasise that it was Whitehall and not Delhi that wanted to drop the Financial Settlement at the end of the current financial year.

Thirdly, there is the method of financing the expenditure for which His Majesty's Government is responsible. This is not affected in the slightest degree by the terms of the Financial Settlement itself; it follows that the continuation of the Settlement for another year in no way prejudices the question of an alteration in the financing procedure hitherto followed, which, as the House knows, has resulted in heavy accumulation of sterling balances. The question of alternative methods of financing His Majesty's Government's expenditure is engaging the closest attention of Government, although, as will be seen in a second, the amount involved next year is insignificant in comparison with the total of our sterling assets to date.

20. The estimate of defence expenditure recoverable from His Majesty's Government for the year 1946-47 is only Rs. 42 crores, against Rs. 489 crores in the Budget for the year 1945-46. The very marked decrease in next year's claim reflects partly the success of the Hydari Mission's efforts to secure a reduction of the demands for war purposes on India's productive capacity, partly the decision to discontinue, except in respect of certain agreed categories of stores with effect from 1st April, 1946, the use of India as a source of supply of the S. E. A. Command's requirements, partly the fact that, to a large extent, the requirements of both the India and S. E. A. Commands during 1946-47 will be met from stocks in India paid for by His Majesty's Government in previous years; and finally the large reduction in the numbers of Indian troops employed overseas. The recoverable expenditure for 1946-47 will thus represent for the most part the pay and allowances of Indian forces employed on occupational duties overseas (elsewhere than in Japan) and connected transportation charges incurred in India.

21. While the war lasted, the budget estimates of the defence services ceased for the most part to serve as instruments for restricting and

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generally controlling expenditure. This was inevitable in view of the impossibility of foreseeing the course of the war and, therefore, the measures that would have to be taken to meet the threats to India's security as they arose from time to time. Clearly, if a measure could be shown to be essential for the prosecution of the war, its introduction could not be opposed merely on the ground of the absence of budget provision. Now that the war has ended this state of affairs can no longer be allowed to continue and it has been decided to reintroduce, as far as possible, the normal procedure for budgetary control over defence expenditure during 1946-47. Owing to the existence of numerous abnormal factors it will not be possible to introduce the normal peacetime accounting and budgetary procedure in its entirety, but I contemplate that such control will be substantially secured.

22. The budget estimates of defence expenditure for 1946-47 amount to Rs. 243.77 crores and Rs. 1.57 crores for the Revenue and Capital heads respectively, as compared with Rs. 376.42 crores and Rs. 14.93 crores in the revised estimates 1945-46. His Majesty's Government's expenditure is now Rs. 3.47 crores in the revised estimates for 1945-46 and, as already stated, Rs. 42 crores in 1946-47.

23. *Civil estimates.*—I shall not, at this stage, detain the House with details of the civil estimates. Suffice it to say that expenditure debitable to Revenue amounts to Rs. 111.94 crores.

The position for the coming year is thus as follows. The expenditure detailed in the civil estimates comes to Rs. 111.94 crores and provision for the defence service has been placed at Rs. 243.77 crores, the combined total being Rs. 355.71. The total revenue at the existing level of taxation is estimated at Rs. 307 crores. We are thus left, before making adjustments resulting from taxation proposals, with a prospective revenue deficit of Rs. 48.71 crores, as compared with Rs. 155.29 crores in the original and Rs. 144.95 crores in the revised budgets for 1945-46.

WAYS AND MEANS

24. In the context of war finance our ways and means operations have assumed a position of special importance and my predecessor took occasion to explain the changed significance which they have come to occupy in the broader field of Government's financial and economic policy as a whole.

During the period of hostilities, due to the situation created by our own war expenditure and that of the Allied Governments, a major pre-occupation was the problem of trying to absorb by taxation and borrowing, the purchasing power in the hands of the public so as to bridge, or to reduce to a manageable size, the inflationary gap. Today the problem in its broadest aspects has, as I have indicated earlier in my speech, two facets, first, of securing stability in the immediate future by keeping in check an inflationary potential that undoubtedly still exists, and secondly, of preventing any material decline in business and economic activity as a result of the cessation of war-time expenditure.

In so far as the immediate problem still remains that of an excess of purchasing power competing for a limited volume of consumer goods, a main objective of our policy in the financial sphere must be to ensure

that, through the issue of various loans and through other forms of borrowing, as well as by measures of taxation, surplus funds in the hands of private citizens are diverted to the public fisc to the extent that they are not devoted to new productive enterprises. Investment in Government loans and the consequent withdrawal of redundant purchasing power from the public has the two-fold advantage of mitigating the pressure of such surplus funds on the prices of consumable goods, and, at the same time, of building up reserves in the hands of Government for development purposes.

25. With this purpose in view, we have continued our efforts to popularise investment in Government loans. While the support accorded by the various sections of the public to the borrowing programme of Government has been satisfactory, a great deal remains to be done to bring home to the population in the rural areas the desirability of investing in Government loans, in furtherance of the common good. With the object of turning the savings movement from a wartime measure to combat inflation, to a peacetime organisation which can serve a great social end, the Small Savings Scheme has been reorientated with the primary purpose of encouraging consistent savings among the less well-to-do section of the community. Particular emphasis has been directed towards ensuring that no pressure is brought to bear, but that the people should be persuaded, by reasoned explanation of the advantages, to save regularly whenever possible and however small the amount. The propaganda which has recently been launched with the co-operation of gentlemen eminent in the public life of the country has been directed towards these ends and I should like to take the opportunity of acknowledging the support which they have given in laying the foundations of a scheme which, I believe sincerely, is not only in the interests of the individual saver but also to the advantage of the community as a whole. I greatly hope that the day is not far off when the people will cease to keep the bulk of their savings in the form of hoarded currency, or bullion or superfluous ornaments, and will put their savings to work to create new wealth. It has always seemed stupid to me that man should expend so much effort in digging out treasure from mineral deposits only to bury the bulk of it in safe deposits.

26. During the last financial year Rs. 40½ crores were invested in Small Savings and, during the first nine months of 1945-46, Rs. 43½ crores have been accumulated. The total amount invested by the public in the various public loans offered during the period February 1945 to January 1946 aggregated Rs. 346 crores, compared with Rs. 286 crores during the corresponding period last year.

The progressive total of public loans issued since the beginning of the war up to the end of January 1946 reached the figure of Rs. 1,178 crores. Impressive as this total is, the House will agree that there is no room for complacency when we regard the development expenditure in prospect. It is true that it has been possible to float the loans required for the prosecution of the war cheaply, but it is necessary at the same time that funds required for India's development should be obtained at equally and ever more favourable rates. If large developmental expenditure is to be undertaken, whether from the public fisc or from the private sector, one of the pre-requisites will be the ability to borrow what

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is needed at cheap rates of interest. On the other hand, the capacity of the country to lend to the State will depend to an appreciable extent at any rate in the years immediately ahead, on the volume of expenditure by the Government of the day, coupled with other recognised important factors such as Government's taxation policy, the retention of selected controls and the public's liquidity preference. Borrowing and spending must, therefore, go hand in hand.

27. As a result of the gradual funding of our floating debt, there is a reduction in the outstandings of Treasury Bills. Thus, against a figure of Rs. 104.81 crores at the end of December 1944, the corresponding figure at the end of December 1945 was Rs. 66.01 crores. It is true that our comfortable ways and means position does not compel the continuance of this form of borrowing, but this class of investment plays an important role in the money market. In the coming years it may be necessary, and even possible, for Government to exercise greater discrimination in the finding of development expenditure and to meet some of it by short term borrowing. I am satisfied that we can without risk carry a floating debt substantially in excess of the present figure.

Excluding the contributions for quotas under the Bretton Woods Agreements, in regard to which special arrangements will be made with the Reserve Bank of India at the appropriate time, the total borrowings which I hope to raise during the coming year amount to approximately Rs. 300 crores. This compares with Rs. 346 crores raised during the last twelve months.

28. As regards sterling, during the first nine months of the current financial year, £228 million were added to the Reserve Bank's holding and it is estimated, allowing for the receipts during the last three months of the year, that the total holding on the 31st March 1946 will be of the order of £1,330 million.

As I have already indicated, additions to this total on account of His Majesty's Government's defence expenditure will be quite small next year even if no change is made in the method of financing this expenditure. Indeed, it is possible that in the course of 1946-47 the United Kingdom may succeed in increasing her exports to India to such an extent as to avoid any further additions to our sterling credits and, perhaps, even to reduce them. And this, of course, is quite apart from the amount of sterling which will be convertible into free exchanges as a result of the negotiations which will take place in the course of the year between His Majesty's Government and ourselves. I have made it clear on previous occasions that the arrangements to be made for the transfer of these balances are a matter for bilateral settlement between India and the United Kingdom and I take this opportunity of reiterating what I have said before, namely, that should negotiations take place while the present Government is in office, I would hope to associate representatives of the leading political parties in the country and other non-officials with the delegation appointed to undertake the discussion with His Majesty's Government. I would also repeat what I have told the House previously, that India will be entirely free to take any line that she may see fit to pursue at these negotiations and any idea that she is committed in advance to a scaling down of the balances or to a continuance of arrangements under which such balances will continue to accrue is entirely with-

out foundation. When these negotiations will take place, however, it is not yet possible to say, but it is highly unlikely that they will be held until the United States Congress has ratified the U.S.A.-U.K. Loan Agreement.

In my opinion, no grounds exist for the fears which have been expressed that India's ability to obtain, in the immediate future, capital equipment from abroad will be prejudiced by the fact that a large portion of her foreign exchange reserves are in the form of sterling. Indeed, I would go so far as to say that, for a number of years to come, the main consideration will not be the availability of exchange but the physical capacity of the two main exporting countries to meet the demands of a war shattered world. At the same time, the absorptive capacity of India herself and the rate at which the necessary technical personnel can be made available, may well be limiting factors of considerable importance.

29. Another question which is closely connected in the public mind with sterling balances is that of the so-called Empire Dollar Pool. There is a widespread belief that the arrangement which goes by this name has been grossly unfair to India, that this country has contributed enormous net amounts of hard currency to the Pool and that it would be to our advantage to withdraw from it without further delay.

There is, I am afraid, a great deal of misconception about the whole subject. Nobody is to blame for this misconception. It is mainly due to the fact that, for security reasons, it was not possible, while the war was on, to disclose the volume and details of the transactions which took place through the Dollar Pool.

I should like to examine the question very briefly under four heads : First, what is the nature of the Empire Dollar Pool ? Secondly, how has its operation affected India ? Thirdly, would it be to our advantage to withdraw from the Dollar Pool immediately ? Fourthly and lastly, to what extent has India contributed to the Pool assets in excess of assets drawn by her from the Pool ?

To take these points in turn. First, what exactly is the Dollar Pool ? The Dollar Pool is, in effect, the modification, imposed by war conditions, of the sterling area arrangement which has existed for a century. Under this sterling area arrangement, Empire countries, and other countries as well, found it convenient and economical to settle their transactions on international account through sterling, through London. Before the war, sterling was freely convertible into any other currency. When war broke out, the ability of the Commonwealth to earn foreign exchange was severely reduced owing to the fact that productive capacity previously devoted to exports had to be diverted to armaments, munitions and other warlike stores. At the same time imports necessary for the prosecution of the war remained high. The different countries in the Commonwealth were, however, affected in this respect in varying degrees and an arrangement was therefore entered into among them whereby earnings of dollars and other hard currencies would be pooled and the essential requirements of the several countries, in terms of these currencies, would be met from the Pool.

Secondly, how did the pooling arrangement affect India ? The answer is that India had free access to the pool to finance her essential current imports from hard currency countries, which included the U. S. A., Canada, Switzerland, Sweden and Portugal. Moreover, a sum

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of 20 million dollars was specially earmarked to pay for capital equipment required by India from non-sterling countries for her post-war development.

Thirdly, would it be in India's interest to withdraw from the Pool forthwith? In my view, it would be premature and unprofitable to do so, since the balance of trade with the U. S. A. has been unfavourable to India for many months. In other words, India is receiving from the Pool more dollars than she is currently earning, and she is far from having exhausted the sum of 20 million dollars to which I have just referred. Moreover, under Article 7 of the Anglo-American Loan Agreement, the U. K. are committed to making arrangements which will involve the dissolution of the Dollar Pool within one year of the effective date of that Agreement.

Lastly, what is the excess of India's contribution to the Pool over her drawings from it? The wildest and most fantastic guesses have been made and the lowest non-official guess has put the figure at several hundred crores. I have been at considerable pains to establish what the true position is. Owing to the number and complexity of the transactions, it is very difficult to arrive at completely accurate figures, but with the help of the Reserve Bank I can give figures which are approximately correct. Here they are: Between September 1939, and March 1945 India earned hard currency assets to the amount of Rs. 364.33 crores. Excluding the 20 million dollar special fund which I have already mentioned, India has utilized hard currency assets to the amount of Rs. 265.02 crores. To this latter figure should be added the net import of gold from the United Kingdom during the same period, since gold is equivalent to hard currency. Computed at the world (not the Indian) price, the value of this gold is Rs. 50.08 crores. The balance in India's favour is, therefore, Rs. 49.23 crores as at March of last year.

It is contended that India should claim this amount from what remains of the Dollar Pool. Having regard to the essential character of the Dollar Pool, it seems to me difficult to establish a claim on this basis. The most that could be claimed would be a *pro rata* share of the existing Pool assets. But even if the full amount could be established, it is much less than I hope and expect that we shall obtain by way of free exchange from the pending negotiations between India and the United Kingdom on the subject of sterling balances.

POST-WAR PLANNING.

30. I shall now turn to the important subject of development planning, in which great strides have been made during the past twelve months, both at the Centre and in the Provinces. My predecessor last year referred to the steps which had been taken at the Centre for dealing with post-war planning and development, and mentioned a number of important preparatory measures which had been put in hand, such as the establishment of a Central Electrical Power Board, and Irrigation and Waterways Board, the Resettlement and Re-employment Directorate and the training of students overseas. Preparatory work of various kinds has expanded and intensified throughout the year, particularly in connection with the "Grow more food" campaign, essential training both in India and overseas, preparations for the re-settlement and re-employment of ex-soldiers and discharged war workers, and various research activities. In addition, all-India policies in respect of a number of subjects such as education,

agriculture, food, health, labour, transport and civil aviation have been announced. The Central Government Departments have not confined their activities to advancing their own plans but have also been able to assist the provinces in the preparation of theirs. Some, indeed most, of the subjects which I have just mentioned are, of course, primarily the responsibility of the Provincial Governments, but we hope that the general policies suggested, for example, in the Report on Education and in the Report of the Committee on Public Health will afford valuable guidance to Provincial Governments. All Provincial Governments have formulated their 5-year plans, and they are now under review by the Centre so as to ensure that they are properly co-ordinated *inter-se*, are generally in broad accord with all-India policies and objectives, and are individually and collectively feasible. I anticipate that, after due examination and discussion with Provincial Governments, the Provincial 5-year plans will be finalised in the course of the next few months. They involve expenditure of the order of Rs. 900 crores, part of which, however, will extend well into the second five year period. In addition to this, the plans of the Centre in respect of railways, roads, civil aviation, tele-communications, Central institutions etc., will also add up to a considerable figure. Our approach to the problem of planning has been of the severely practical kind, for which the main justification is that we now have within a minimum of time a very large programme of practical and desirable schemes in an advanced stage of preparation.

31. I have already mentioned the very heavy drop in war expenditure and the deflationary tendencies which this drop will set in motion with a consequent threat of widespread unemployment and depression. The House will doubtless wish to know what is being done to meet the situation. Industrial development cannot be relied upon to fill the immediate gap, if only because of the difficulties and delays in securing large-scale imports of capital goods. No Government, whether Central or Provincial, can afford to contemplate with complacency the onset of deflation or allow purely financial considerations to stand in the way of maintaining the economic health of the country. Public expenditure of a useful kind is the obvious remedy, and in May last Provincial Governments were asked to select from their 5-year plans schemes which would create employment and could be started at short notice; they were promised a substantial contribution towards the cost of such measures. When the war with Japan came to an unexpectedly early end, the position was further reviewed and our offer of financial assistance extended. Provincial Governments have been urged to embark forthwith on all schemes which provide a high proportion of employment relative to the cost, or are productive or of economic importance calculated to increase the national income. Such schemes will include roads, buildings, minor irrigation works, anti-erosion measures, agricultural and forestry development, and public health measures such as anti-malaria, water supply and drainages schemes. As an incentive to urgent action we have undertaken to provide Provincial Governments with all the funds that they may require for approved schemes of this nature up to the end of March 1947. In the case of self-financing schemes, this assistance will take the form of loans, while for others we are prepared to make advance grants to cover the full costs, which will not be recoverable but will be adjusted against whatever scheme of Central grant is eventually decided upon. Lists of schemes proposed to be taken up during this interim period have been received from most of the Provincial Governments, and

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approval is being freely and quickly accorded. A lump sum provision of Rs. 85 crores has been made in the budget estimates for such advance payments, and of Rs. 15 crores for loans to Provinces for productive development works.

32. For Central Government development schemes, excluding some Rs. 22 crores on Railway items, a total provision of about Rs. 27 crores has been made in the Budget. This covers development expenditure in the Centrally Administered Areas, expenditure on the post-war plans of the Posts and Telegraphs and the Civil Aviation Departments, special loans to Port Trusts to assist them in carrying out works which will create employment, and a lump-sum provision for various schemes of the Central Departments which are not sufficiently advanced for inclusion under the ordinary departmental budgets. One of these latter items, to which I would like to invite attention, is the Labour Department's subsidised housing scheme. Building is one of the most useful and desirable forms of investment, in regard to which there is, as I have already said, a tremendous leeway to be made good. The scheme, which is intended to benefit not only employees of Governments and Local Authorities but also industrial workers, provides for a subsidy up to 12½ per cent. by the Centre to local bodies and industrial employers, provided the Provincial Government concerned is also prepared to make a grant equivalent to 12½ per cent. of the cost to enable suitable houses to be constructed for the poorer classes of workers who are not in a position to pay a full economic rent. The scheme will apply mainly to urban employees, but we have not overlooked the importance of improving rural housing conditions also, and we are considering the possibility of setting up model housing schemes in selected villages in Delhi Province or other Centrally Administered Areas. In order to assist and stimulate private building activity special steps are being taken to increase allocations of coal for the burning of bricks and releases of timber, cement and steel, to relax controls over these materials and to expand production capacity. I think it is true to say, in regard to all the various schemes to which I have referred, whether Central, Provincial or private, that any delay which may arise is far more likely to be due to lack of qualified personnel than to lack of funds.

33. In the matter of the general financing of governmental plans there is little that can usefully be added to what has been stated in the last two Budget speeches. The scope for development is greatest in the Provincial sphere, but planned development on a national scale must be a joint and co-ordinated effort by both the Central and Provincial Governments, with a large measure of pooling of resources notwithstanding constitutional limitations. The Centre and the Provinces alike will need to develop their taxation resources to the full. If this is done, and effort during the early years is concentrated on economic measures designed to increase material prosperity and national income so as to build up revenue on which expansion of the social services must depend, there is good reason to believe that funds will be available to the extent that they can be usefully spent. It seems likely that Provincial Governments between them will have, by the end of the current year, balances of the order of Rs. 70 Crores, and will acquire during the next 6 years revenue surpluses totalling some Rs. 100 crores. They have based their plans on the broad assumption that, apart from borrowings either from the Centre or from the market, they will receive Central grants during the quinquennium amounting to approximately Rs. 250 crores which will

be distributed roughly on a population basis. I do not myself regard population as an altogether appropriate basis of distribution and would prefer a scheme more on the lines of the Australian grants system, under which grants to States are made on the recommendation of an independent and impartial body such as the Australian Federal Grants Commission. As I understand it, the Australian system aims at achieving a reasonably equal standard of social and cognate services in all the States of the Commonwealth. In making their recommendations, the Commission takes into account such factors as the natural resources of each State, its stage of industrial development, its taxable capacity, the extent to which this taxable capacity is exploited, and so on. The Commonwealth Government have very kindly agreed to receive one of my senior officers to study on the spot the working of the Australian system and the possibility of its adaptation to Indian conditions. Pending his report I am not in a position to make any more definite statement on the subject.

34. It is not on the activities of the Government alone, however, that the rapid development of India will depend, but also, and to a very large extent, on the efforts of private enterprise, particularly in the industrial field. I do not propose to go into the details of the various measures which the Planning and Development Department, in co-operation with the other Departments of Government and the industries concerned, have in hand for the rapid progress of industrialisation of this country. Reference to those measures will take place during the course of the budget debates. For my part I need only mention some of the more important measures which I have taken in hand. One of them is the establishment of an Industrial Finance Corporation in order to ensure the availability of medium and long-term credit to industrial enterprise in India where the more normal methods of industrial finance are inadequate. Detailed proposals for the establishment of such a Corporation have reached an advanced stage of preparation. Legislation will be required, and I shall endeavour to introduce the necessary measures in the course of this session.

35. Another matter which is under the consideration of my Department is that of the planning of investment, both public and private, with a view to securing the fullest and most advantageous utilisation of the economic resources of the country in the interests of planned capital development. Investigation is required to determine whether a National Investment Board should be set up for this purpose, and, if so, how it should be constituted and on what lines it should work. Meanwhile, the existing control over capital issues must necessarily be continued. Some measure of relaxation has been rendered possible by the steady reduction of pressure on goods and services in short supply which the end of the war has brought about; but that control is necessary to prevent excessive flow of capital into less important or less desirable directions which would lead to unregulated and lopsided development will, I think, hardly be disputed. Whatever final decision is taken will require the backing of new legislation, until which time the course must be kept clear by retaining the existing Defence of India Rule in operation.

36. If control over investment is to be made effective, the Government of India's statistical and economic organisation will have to be so strengthened as to enable us to prepare, and to present with the Annual Budget, a National Investment budget. We are not at present in a

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position to introduce this desirable reform, but I have this year taken the first step by presenting a Central Capital budget along with the Central Revenue budget. It is but a modest step towards the ultimate objective, but it seems to me to be an innovation in the right direction. Even if it serves no other purpose, it will at least permit of a proper presentation of our transactions of a capital nature and focus attention on the productive and dead-weight indebtedness of Government, and on the expenditure of loan monies on productive and unproductive schemes. The changes made are explained at length in the Explanatory Memorandum, and I trust that the departure made from past practice will meet with the approval of the House.

37. Before I explain the taxation proposals for next year, there is one further matter to which I would like to refer. A widespread desire has been expressed for the appointment of a Committee to examine and report on the present tax structure and taxation incidence, with special reference to their effect on trade, industry, employment, standard of living, savings and capital formation. The Government appreciate that more than 20 years have elapsed since the last general enquiry into taxation in India was held, and that the situation has in many ways changed materially since then, particularly during the six years of war. Not least of the changes has been the re-orientation of economic thought in the interval. With the cessation of hostilities and an era of intensive development begun, which will require constructive planning of taxation with a view to ensuring the most effective use of the taxable resources of the country, the present may reasonably be regarded as ripe for a fresh comprehensive taxation review. I propose, therefore, to set up a Taxation Enquiry Committee in the near future. Since one important object of the proposed enquiry would be to secure, as between the various classes of taxpayers, an equitable distribution of the burdens of taxation, it would seem to be essential that, as in the case of the Taxation Enquiry Committee of 1924, the scope of the enquiry should extend to the whole field of taxation—Central, Provincial and local. While it would not be appropriate for the Committee to concern itself with the question of the distribution of taxable resources between the Centre and Provinces, it should cover the harmonisation of Central and Provincial taxation where experience has shown conflict or overlap to exist in their respective spheres, as defined in the Constitution Act. The present lack of uniformity in the incidence of taxation as between Provinces, illustrated by the varying rates of sales tax, octroi, property tax, motor taxation, etc., could be dealt with by the Committee. The main purpose of the enquiry would, however, be to ascertain what adjustments or modifications of the taxation system of the country as a whole would be required and could, from the practical administrative point of view, be introduced in order to produce a properly balanced and scientific tax structure, fair in its incidence and adequate to the needs of a forward development policy, without deterrent effect on initiative and private enterprise, and with due regard to the administrative requirements for the prevention of tax evasion. The Provinces are in favour of an enquiry of this nature. My provisional view is that the Committee should be predominantly non-official in character and that it should be an expert rather than a representative body, although care should be taken to obtain the views of all the interests affected,—industry, commerce, agriculture, labour, the consumer, the ordinary taxpayer and lastly, the Administration, both Central and Provincial. Above all, it should not be unwieldy. There

appears to me to be in India a tendency to set up not only too many committees but also committees which are quite unmanageable from the point of view of size. I shall greatly welcome the views of Hon'ble Members as to the scope and composition of the Committee.

I now pass to my taxation proposals for next year.

Part B. of Budget Speech for 1946-47.

NEW PROPOSALS

38. I said early on that fiscal policy was not an end in itself. It must subserve the ends of national policy. Its purpose should be not merely to raise a given revenue but to raise it in such a way as to obtain the maximum social and economic advantage and to distribute the burden as justly and as fairly as possible between the various classes of taxpayers. This is of course, an ideal which it is difficult to achieve in this imperfect world, where psychological and political factors operate to modify and qualify economic theory and doctrine, but the pattern and design of my proposals attempt to conform as near as possible to this ideal.

39. The lines of this pattern are made plain in the opening paragraphs of my speech. Let me recall briefly the gist of those paragraphs I pointed out, first that a great deal of money would be required to combat the evils of poverty, ill-health, squalor, illiteracy and unemployment : and secondly, that during the next year or two Government must do all it can to offset the fall in economic activity which will otherwise result from the heavy drop in military expenditure.

The largest single source of revenue in the years immediately ahead will have to continue to be the profits of industry. I am conscious of the depressing effect on industrial enterprise of a high level of taxation on profits, and that it is the expansion of industry which holds out the earliest promise of increasing the national income and raising the standard of living in the country, although India will not achieve the maximum of economic health and wealth until agriculture as well as industry have multiplied their productivity many times.

The fiscal problem, so far as industry is concerned, is how to lay it under a heavy contribution and, at the same time to encourage it to expand. This is the problem which I have attempted to solve, but its successful solution will require the whole-hearted co-operation of Industry itself. If it be the aim of India's industrial leaders, as I am sure it is, not so much to make millions for themselves as to raise the standard of life of India's toiling and poverty-stricken millions, then the problem can be solved.

40. Here is my own contribution to its solution. First, I propose to discontinue the Excess Profits Tax on earnings arising after the 31st March, 1946. The only justification for E.P.T. as a tax is the emergency which called it into being. By all the canons of taxation doctrine it is a thoroughly bad tax. It is rough and ready in its operation ; it is unfair in its incidence and, beyond a certain point, it is a direct inducement to inefficiency. Except that I, as tax gatherer-in-chief, cannot refrain from casting a longing, lingering look behind at its high yield, none of us will, I think, mourn the passing of the Excess Profits Tax.

It will, of course, be realised that the discontinuance of the tax will not, of itself, affect the revenue of the coming year nor give any immediate relief to the class of tax-payer to whom it applies, since the tax will still

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be payable in respect of all excess profits earned up to the 31st March, 1946. The scheme of compulsory deposits will also remain in force to the end of the E.P.T. period.

As regards the refunds of E.P.T. deposits, they will be sanctioned in advance of the date for which the law provides, on condition that they are not distributed as dividends to shareholders but are required for the provision or replacement of buildings, plant or machinery.

When I remind the House that E.P.T. will yield Rs. 90 crores in the current year and is estimated to produce Rs. 75 crores in the coming year, Honourable Members will be able to measure the loss to revenue and the benefit to industry which the abandonment of E.P.T. implies.

One last word about E.P.T. Concern has been expressed about losses and expenditure which may arise in the period of transition from war-time to peace-time conditions and which may involve hardship if they are not allowed against the profits of the final E.P.T. chargeable accounting period. This question is under consideration and, when it is known what is the actual extent and nature of these hardships, then will be the time to consider appropriate legislation.

41. The next relief to industry which I propose is to revive the proposals which were dropped last year to grant special initial depreciation allowances of 10 per cent. on new buildings and 20 per cent. on new plant and machinery and to allow for income-tax purposes expenditure on scientific research. In addition, I propose to widen the scope of what is called the obsolescence allowance, so as to make it include the loss of the asset by destruction or demolition and also to extend it to buildings. These proposals will cost Rs. 2 crores.

In order to complete the picture of the easements which I propose for industry, I shall now move to the field of indirect taxation. I shall return later to other direct taxation proposals which will affect industry.

42. I am anxious at the earliest possible moment to meet the demand so often made in the past for the relief from Customs duty of raw materials imported for industry ; and also, to the extent that this may be practicable without injury to Indian manufacturers of similar goods, to reduce the rates on such imported plant and machinery as are now dutiable. The former proposal is estimated to cost approximately Rs. 70 lakhs. As regards the latter, it is difficult to estimate the cost of relief till a careful review of the position is made. So no allowance has been made in the revenue estimates on this account at this stage. It is proposed to give effect to the decisions separately by a notification under the Sea Customs Act.

43. I now revert to the direct taxation field but, before dealing with it as it specially affects industry, I should like to mention a proposal which will effect not only all classes of taxpayers but also Central and Provincial Revenues, namely, the amalgamation of the surcharges on income-tax and super-tax with the basic rates. This amalgamation is estimated to benefit the Provinces to the extent of Rs. 12½ crores at the expense of the Centre.

44. Coming back to industry, the total of the present rates of income-tax and super-tax on a company is 7½ annas. I propose to reduce this total of 7½ annas by 1½ annas to 6 annas, by a reduction of 2 annas in the super-tax and an addition of ½ anna to the income-tax. This is estimated to cost Rs. 7 crores. For the past two years the Finance Act has contained a provision giving a rebate of super-tax to companies at the rate

of one anna on all sums not distributed as dividends. This, in effect, imposed an extra tax at the rate of one anna on all sums distributed as dividends. I think that circumstances now warrant the introduction of a new method for discouraging the distribution of dividends. In my view, a reasonable distribution is something which the shareholder has a right to expect and which should not attract a penal rate of tax. I am, therefore, proposing that, excluding dividends payable at a fixed rate, sums equal to 5 per cent. on the capital of the company, including reserves, and equal to 30 per cent. of the total income, may be distributed without attracting more than the 1 anna rate of super-tax. Dividends above that datum line will become liable to additional super-tax at steepening rates. I hope that this provision will keep the distribution of dividends within reasonable bounds and encourage the ploughing back of profits into the business. This is estimated to yield about Rs. 1½ crores. .

45. Before turning to the non-company direct taxpayer, it will be appropriate to mention at this stage another and somewhat novel proposal which affects both classes. I have referred more than once to the possible emergence of deflationary tendencies consequent upon the very heavy fall in military expenditure, and I reminded the House that, owing to the difficulty experienced by our industries in obtaining adequate quantities of capital equipment from abroad, they would not be able to do a great deal next year to replace the economic activity engendered by the vast military expenditure of recent years. There is, however, one direction in which the private sector of the national economy can do much to help. I mean, of course, building, which has been almost at a stand-still, except for war purposes, for the past five or six years. The great advantage of a large building programme is that the ratio of labour costs to total costs is high and so, therefore, is the employment factor. Apart from the offer of subsidies for working-class dwellings which I have already mentioned, Government are doing all they can to assist by increasing the free availability (but by this expression I do not, of course, mean free of cost) of bricks, timber, cement and steel. But so important do I regard private building as an anti-deflationary activity that I have felt justified in going further and in making a contribution in the fiscal field. I am, therefore, proposing some income-tax relief where new buildings are begun and completed within the next two years. For residential buildings, I propose a two years' income-tax exemption and for buildings used for the purposes of the business, profession or vocation I propose that the initial depreciation allowance should be 15 per cent. instead of 10 per cent. These proposals are contained in a Bill to amend the Income-tax Act which is being put before the House. As next year's estimates are not likely to be affected, no provision has been made on this account.

46. And now I turn to greet the ordinary direct tax-payer, and I hope that, on reading tomorrow morning what I have to say, he will think the greeting cordial, or at any rate, as cordial as any greeting between an Income-tax Officer and an assessee can reasonably be expected to be. In my judgment, the steep rise in direct taxation inseparable from the war has borne more heavily on the man of moderate means and particularly on the man with a moderate fixed income than on almost any other class of tax-payer. I think the time has come to give him some relief. I propose to do this in two ways. First, by reducing the rate of tax in the lower ranges and secondly by increasing the earned income allowance. As to the first, I propose to reduce the rate on the

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second income slab of Rs. 3,500 from 15 pies to 12 pies, and the rate on the third slab of Rs. 5,000 from 2 annas 1 pie to 2 annas. These two changes will cost about Rs. 1½ crores. As to the second, I propose to raise the earned income allowance from one-tenth of the earned income, subject to a maximum of Rs. 2,000 (in terms of income), to one-fifth, subject to a maximum (in terms of income), of Rs. 4,000. This relief will cost about Rs. 3½ crores.

47. I propose to take a further and, as I think, a logical step in carrying over the differentiation of treatment between earned and unearned income into the super-tax range. At the same time, I propose to increase the number of slabs in incomes subject to super-tax, the result being a more gradual steepening of the rates, although the rates will be more severe on the largest incomes than at present. The differentiation in favour of earned income is one anna in the rupee between Rs. 25,000 and up to Rs. 2 lakhs and half an anna between Rs. 2 lakhs and Rs. 5 lakhs. On the balance above Rs. 5 lakhs there is no differentiation. This proposal is estimated to yield about Rs. 75 lakhs. On merits, and as a partial offset to the loss of revenue involved in the three changes which I have just described, I propose to increase the rate of income-tax on the balance of income above Rs. 15,000 from 4 annas 9 pies to 5 annas. This will yield about Rs. 3½ crores.

48. With two other and relatively minor changes I shall be done with my proposals relating to direct taxation. The first is a reduction of the rate on life insurance companies from 5 annas 3 pies to 5 annas. The second relates to the discontinuance of the provision for funding a portion of the tax in the case of incomes up to Rs. 6,000. The reductions in the rates on the lower slabs and the increased earned income allowance now proposed take away the justification for this provision. Salaried assesses, however, have to be given the benefit of the provision in the coming year, since they came under the scheme one year later than other assesses. These two proposals are estimated to cost Rs. 25 lakhs.

49. I have now dealt with relief to industry and to the man of moderate means and some of my Hon'ble Friends opposite will be wondering whether I propose to do anything for the poor man. In the field of direct taxation, I can obviously do nothing since he does not pay direct taxes. At least he does not pay them directly. The extent to which an increase or a decrease in direct taxation is passed on to him through the price of the articles he has to buy is one of the things which I hope that the proposed Taxation Enquiry Committee will examine and ascertain.

Nor is it easy to do very much for the poor man in the field of indirect taxation. The main advantage which he will derive from my proposals will be through the schemes, economic and social, which will be financed by the yield of the taxes contributed by the wealthier sections of the community.

But there are two other things which I am doing for the poor man, one negative and the other positive. As to the first, I do not think that any of my proposals will add to the cost of his essential purchases—indeed the contrary should be the case—and secondly, I propose to reduce the duty on kerosene, which plays so important a part in the economy of the poorer class households, from 4 annas 6 pies to 3 annas 9 pies an imperial gallon. This will cost about Rs. 65 lakhs, of which Customs will bear Rs. 60 lakhs.

50. And this brings me to my other indirect taxation proposals. I propose to continue (subject to some modifications) the general surcharge for one more year. In the customs tariff a small change is proposed in respect of "Wines". The rate of surcharge on "Wines", which is now one-fifth, will be raised to one-half, thereby bringing it on a par with "Spirits". I expect an increase of revenue by about Rs. 5 lakhs on this account. The duty on cinematograph films, both exposed and not exposed is at present assessed on *ad valorem* rates. It will be an improvement to convert this into a specific duty charged on footage, and this change, besides yielding an increased revenue of Rs. 45 lakhs, will make for administrative convenience.

51. In the interests both of the revenue and of the indigenous grower, I consider it desirable to raise substantially the duty on imported betelnuts, I propose to fix the duty (without any surcharge) at the standard rate of 5½ annas a pound, with a preference of 6 pies a pound for British colonies. British colonies even now enjoy a preferential rate of 45 per cent. *ad valorem* against the standard duty of 54 per cent. *ad valorem*. The yield is estimated at Rs. 155 lakhs. I have considered very carefully whether, concurrently with an increase in the customs duty on imported betelnut, I should not reduce the excise on indigenous nuts, in view of the fact that the wholesale trade, instead of passing the whole tax on to the consumer, has tended to reduce the price paid to the grower, thereby diminishing the benefit which the latter has derived from the high prices resulting from the cessation of foreign imports during the war. Any such reduction would, however, I am convinced, be absorbed by the wholesale trade and would bring little, if any, benefit to the grower. I am satisfied, moreover, that the increase now proposed in the customs duty on betelnuts renders reduction of the excise less necessary, since wholesale prices ought thereby to remain hereafter at a level which will permit the payment of a reasonable price to the grower. I have, however, been very impressed by the grower's difficulties, which I believe to be rooted in the weakness of his bargaining position *vis a vis* the wholesaler and I think that the grower's interests will be best served by organising the marketing of his products in such a way as to strengthen his position *vis a vis* the wholesale dealer; by improving cultivation methods and, if possible, finding further uses for the nuts; and I propose accordingly to make an annual grant of Rs. 3 lakhs for the purpose of financing measures designed to improve the production and marketing of this crop.

52. I propose a change in the levy of duty on cotton. At present the customs duty on raw cotton is 1 anna a pound and a further duty of the same amount is levied under the Cotton Fund Ordinance of 1942. The Fund has a sufficient balance to its credit to carry out the purpose for which it was created and it is no longer necessary to aid the Fund by proceeds of the special duty. At the same time, general revenues cannot afford to give up the amount yielded by the duty and I propose to amalgamate the two charges into a consolidated duty of 2 annas a pound (without any surcharge) which will be leviable wholly under the Indian Tariff Act, the Ordinance being repealed.

53. I shall bring my indirect taxation proposals to a close with two important changes. The first relates to motor spirit and the second to bullion. It admits of no doubt that, if India is to advance economically and socially, a great improvement in her road communications will be necessary. Village must be joined with village, town with town and

[Sir Cyril Jones.]

producing centres with markets. Although the supply of motor spirit is at present severely restricted, it is not too much to hope that before the next financial year is out both vehicles and petrol will be available in much greater abundance. I propose to encourage the use of road transport by reducing the rate of duty on motor spirit from 15 annas to 12 annas an imperial gallon. This will cost Rs. 165 lakhs of which the share of Customs will be Rs. 120 lakhs.

54. My last proposal under Customs is in respect of bullion. As the House is aware, the Indian prices of gold and silver bear no sort of parity with world prices. The paucity of imports has, in a large measure, contributed to the present high and artificial prices. With the end of the war, and with the general restoration of normal trade in sight, we may expect the resumption of bullion imports, but we must be prepared to have ready a suitable machinery which will render it unattractive on the part of anyone to indulge in speculation and to hope to reap profits at present levels. I propose, therefore, to provide for the imposition of a specific duty on gold bullion and coin at the rate of Rs. 25 a tola of 180 grains fine. This rate will be varied from time to time by a notification under the Sea Customs Act, in order to attain in an orderly manner a reasonable measure of approximation to world prices. The House will appreciate the difficulties that lie in the way of framing any estimate of the likely imports during next year and the revenue that may result. I am, however, allowing for a revenue of Rs. 1 crore on this account, but the figure is no more than a shot in the dark.

55. As regards silver, the existing duty is 3 annas an ounce, with a surcharge of 7 1/5 pies. As it is proposed to have a specific duty (without surcharge) on gold, it is appropriate that the rate on silver should be brought reasonably in line, with gold. I accordingly propose to alter the existing rate to 8 annas an ounce, without any surcharge. At this stage I am making no revenue provision on account of this change in the tariff, but this must not be taken as meaning that I am satisfied that there will be no increase in supplies available to the market next year.

All these changes, except that in regard to raw cotton, are being put into immediate effect.

56. I shall now summarise the financial effect of the above proposals. In the field of direct taxation, my income-tax proposals will cost Central Revenues Rs. 21·50 crores, while the changes under customs and excise are expected to yield a net Rs. 5 lakhs. The estimated gap between revenue and expenditure will thus be increased from Rs. 48·71 crores to Rs. 70·16 crores. To bridge a part of this gap, I propose to transfer to revenue Rs. 26·10 crores, being the estimated balances in the two War Risk Insurance Funds, which sums are transferable to revenue in pursuance of the provisions of the relevant Acts. On the basis of these proposals, next year's deficit comes to Rs. 44·06 crores.

I have come to the end of my story. I have aimed at keeping the revenue at the level necessary to sustain and advance India's economy and I have tried to do this by distributing the burdens and the reliefs evenly and fairly over the various classes of taxpayers. Is it too much to hope that the last budget presented by a British Finance Member will be judged on its merits and will not be rejected on purely political grounds? I humbly believe that my proposals will do something to help my Indian successor, who will shortly be taking over from me and to whom I wish the best of good fortune, to lead India farther along the road to prosperity, happiness and greatness." (*Applause.*)

THE HON. THE PRESIDENT : Hon. Member, before I adjourn the Council, I desire to remind you that a group photograph will be taken on the 6th March at 10-30 A.M., and, as this will be the last session of this Council, I desire that all Members should try to be present on the occasion.

THE HON. MR. M. THIRUMALA ROW : On a point of information, Sir. Are two days allotted for Budget discussion ?

THE HON. THE PRESIDENT : No, only one day is allotted so far as this House is concerned. If the Hon. Member desires two days to be allotted, he must make his request to the Honourable the Leader of the House. The House will adjourn till the 6th March, and in the meantime I understand the Leader of the House will approach His Excellency the Viceroy and see if he can have the 8th March also allotted for Budget discussion.

The Council then adjourned till Eleven of the Clock on Wednesday, the 6th March, 1946.