

*Friday,
1st March, 1912*

ABSTRACT OF THE PROCEEDINGS

OF THE

Council of the Governor General of India,

LAWS AND REGULATIONS

Vol. L

April 1911 - March 1912

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OF
THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA

ASSEMBLED FOR THE PURPOSE OF MAKING

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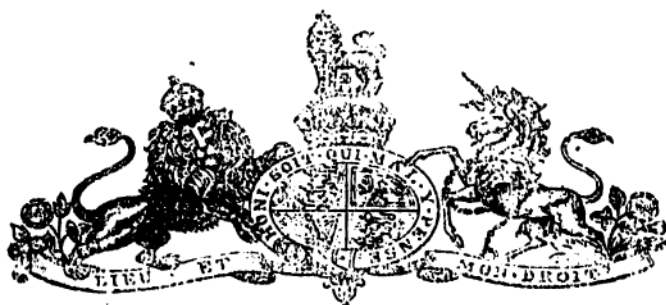


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GOVERNMENT OF INDIA.
LEGISLATIVE DEPARTMENT.

PROCEEDINGS OF THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA, ASSEMBLED FOR THE PURPOSE OF MAKING LAWS AND REGULATIONS UNDER THE PROVISIONS OF THE INDIAN COUNCILS ACTS, 1861 TO 1899 (24 & 25 VICT., c. 87, 55 & 56 VICT., a. 14, AND 9 EDW. VII, c. 4).

The Council met at Government House, Calcutta, on Friday, the 1st March 1912.

PRESENT :

His Excellency BARON HARDINGE OF PENSHURST, P.C., G.C.B., G.O.M.G., G.O.V.O., G.M.S.I., G.M.I.E., Viceroy and Governor General of India, *presiding*,
and 59 Members, of whom 51 were Additional Members.

The Hon'ble Mr. Madge asked :

" Will the Government be pleased to state—

" How many officers discharged from the Opium Department owing to reduction of establishment consequent on contraction of manufacture have been provided with suitable appointments in other departments; and

" Whether the expectation is entertained of thus providing for all discharged Opium officers who are not unfit for further service."

The Hon'ble Mr. Sachchidananda Sinha asked :

" Will the Government be pleased to state what arrangements, if any, have been made for the provision of the officers and staff of the Opium establishment in Behar and the United Provinces, necessitated by the reduction of the opium revenue?"

The Hon'ble Sir Guy Fleetwood Wilson replied :

" I propose to deal with these points in my Financial Statement. I hope, therefore, that my two Hon'ble friends will excuse me for not answering their questions at the present time."

The Hon'ble Mr. Sachchidananda Sinha asked :

" (a) Will the Government be pleased to state the number of (a) raids committed, (b) persons murdered, (c) kidnapped, and (d) the value of the property looted, during each of the ten years since the creation of the North-West Frontier Province on the 9th November 1901?"

[*Mr. Sachchidananda Sinha ; Sir A. McMahon.*] [1ST MARCH 1912.]

"(b) Has the attention of the Government been drawn to the following statements in the Administration Report of the North-West Frontier Province for 1909-1910 (pages 10-11) :—

'(1) The number of offences of all kinds reported during the year was 21,839, and was the highest recorded since the formation of the Province.'

'(2) The statistics of the year show an increase in violent crime generally throughout the Province, that in murder cases being especially marked.'

'(3) During the year under report 26 persons suffered capital punishment as compared with 10 in 1908, and 40 persons were sentenced to transportation for life, an increase of 13 over the figures of the previous years.'

"(c) Will the Government be pleased to state what special steps, if any, have been taken since the publication of the said Report in 1910 to check the growth of crime ?

"(d) If none has been taken, is any under contemplation at present."

The Hon'ble Sir A. McMahon replied :

"In reply to the Hon'ble Member's first question, I have to say that a statement will be prepared and furnished as soon as possible.

"In reply to the other questions, I have to say that the attention of the Government of India has been drawn to the statements in the Administration Report of the North-West Frontier Province for 1909-10. These should be read with paragraph 5 of the general summary of the Administration Report for 1910-11 by the Hon'ble the Chief Commissioner of the North-West Frontier Province which also refers to the regrettable increase of crime of all kinds. The Chief Commissioner attributes this increase to two prime causes: (1) the numerous offences committed by outlaws residing across the frontier in Afghan territory, and (2) the fact that the law, as it at present stands, fails to meet the social needs of the people and that, with the growth of civilisation across the border, outlawry is beginning to lose its most terrifying features, and there is consequently an increased tendency for the people to take the law into their own hands, trusting either to outlawry, or to the belief that the fear of reprisal will render not forthcoming the amount of proof which the law requires. The fault in Sir George Roos Keppel's opinion appears to lie not with the police, who are much more efficient than formerly, but with the system which compels the police to interfere in many petty cases in which the State is not really concerned.

"The Government of India have taken strong measures in regard to the outlaws, which with the friendly co-operation of His Majesty the Amir of Afghanistan have already resulted in substantial improvement, and the Government of India are considering further measures should these become necessary. With regard to the unsuitability of the present law, proposals are under consideration for its amendment to meet local requirements."

The Hon'ble Mr. Sachchidananda Sinha asked :

"(a) In what departments of the public services is the system of temporary promotions and acting allowances in force ?

"(b) Is it a fact that the rules regulating temporary promotions and acting allowances are different in the case of the members of the Indian Civil Service, the Imperial Police Service and the Indian Educational Service, from those that obtain in the case of the members of the Provincial Civil Services, of the Executive, the Judicial, the Police and the Educational departments ?

"(c) If so, will the Government be pleased to state the points of difference between the rules obtaining in the two classes of the Services referred to above ?

"(d) Will the Government be pleased to state the number of members of the Indian Civil Service, the Imperial Police Service and the Indian Educational Service, in each province, drawing acting allowances on the 1st of January 1912 ?

"(e) Do Government propose to assimilate the rules of both the classes of the Services referred to above in the matter of temporary promotions ?

"(f) If not, will the Government be pleased to state their reasons for the same ?"

[1st MARCH 1912.] [Sir Reginald Craddock; Mr. Sachchidananda Sinha.]

The Hon'ble Sir Reginald Craddock replied :

"(a) It is understood that the Hon'ble Member desires to know the Services of which a member can draw an allowance in excess of the pay of his permanent post on account of temporary promotion to another class or grade in the same Service. Without attempting to explain the somewhat complicated details of minor Services, it may be said that the principal Services in which such concessions are allowed are the Indian Civil Service and the Police (in the case of officers of and above the rank of Assistant Superintendent). Officers in the Indian Educational Service are now upon a time-scale, and acting allowances are only drawn by them when officiating in appointments to which a special rate of pay is attached.

"(b) The answer is in the affirmative.

"(c) The important point of difference to which the Hon'ble Member is apparently alluding in the case of the Provincial Services is that acting allowances are not given to members of such Services in respect of appointments ordinarily held by them. Members of the Provincial Services acting in posts not ordinarily open to them (e.g., a Deputy Collector officiating as a Collector, a Deputy Superintendent of Police as a District Superintendent of Police, or a member of the Provincial Educational Service in a post usually reserved for the Indian Educational Service) receive acting allowances.

"(d) Figures are laid on the table* showing the case of the Indian Civil and Police and Indian Educational Services of officers who were in receipt of acting allowances on the 1st January 1912.

Province.	Indian Civil Service.	Police Service.	Indian Educational Service.
Madrns	80	41	...
Bombay	78	38	...
Bengal	92	68	...
United Provinces	95	62	...
Punjab	62	30	...
Burma	78	51	...
Eastern Bengal	72	23	...
Central Provinces	44	21	1
Total	610	338	1

"(e) The answer is in the negative.

"(f) The Hon'ble Member is referred to the answer given to the Hon'ble Mr. Dadabhoj in this connection at the Council meeting of 26th February 1912."

The Hon'ble Mr. Sachchidananda Sinha asked :

"(a) Are the Government aware that there is a feeling amongst the Deputy Superintendents of Police that a difference is made in their status as compared with that of the Assistant Superintendents, and that there is dissatisfaction amongst the Deputy Superintendents owing to this feeling ?

"(b) Is it not a fact that besides the difference accruing from their belonging to two separate Services—the Assistants to the Imperial and the Deputy Superintendents to the Provincial—they do not rank equally in position and functions and that the latter have been relegated to an inferior status (as evidenced by difference in not only pay, but travelling allowance), and are entrusted with less important work ?

* Printed below.

[Mr. Sachchidananda Sinha ; Sir Reginald Craddock ; | 1st MARCH 1912.]
 Sir Guy Fleetwood Wilson.]

"(c) Is it not a fact that the Police Commission recommended in their Report that the Deputy Superintendents 'should have precisely the same departmental status as the Assistants' (page 52, paragraph 69), and that the Government recorded in their Resolution on the Report that 'their functions and departmental status will be similar to those of Assistant Superintendents' ?

"(d) If so, do the Government propose to restore to the Deputy Superintendents the status and functions recommended for them by the Police Commission in their Report and accepted by the Government in their Resolution thereon ?"

The Hon'ble Sir Reginald Craddock replied :

"The matter referred to in the Hon'ble Member's question is engaging the attention of the Government of India, and it is impossible at present to make any further pronouncement on the subject."

The Hon'ble Mr. Sachchidananda Sinha asked :

"(a) Will the Government be pleased to state whether they have recommended to the Secretary of State the abolition of any posts on the score of economy, and if so, the names of the posts and of those in respect of which Secretary of State's sanction has been received ?

"(b) Is it intended to abolish any other posts, and if so, what posts ?"

The Hon'ble Sir Guy Fleetwood Wilson replied :

"The Government of India recommended a reduction in the number of Imperial Inspecting officers and Directors serving under the Government of India. Economy was not, however, the only determining factor in the proposals submitted. The abolition of the posts was based on administrative rather than on financial grounds.

"The Secretary of State has decided that the posts of the Inspecting Officer of Cantonments, the Inspector-General, Civil Veterinary Department, and the Inspector General of Agriculture should be abolished.

"Certain other posts have come under review, but no statement in regard to them can be made at present."

The Hon'ble Mr. Sachchidananda Sinha asked :

"(a) Has the attention of the Government been drawn to a letter of Dr. Harold Mann published in the *Indian Social Reformer* (Bombay) of the 5th November 1911 and to the editorial article of that Journal on 'Traffic in Minor Girls' in the same issue ?

"(b) Is it a fact as stated in Dr. Mann's letter that in the Poona case referred to therein 'the higher Courts on appeal held that any man might have a concubine even if she was a little girl below the age of sixteen and even though there was every probability of its leading to a permanently evil life' ?

"(c) If so, do Government propose to so amend the law as to make concubinage of girls below the age of sixteen illegal ?

"(d) If not, will Government be pleased to state their reasons for the same ?"

The Hon'ble Sir Reginald Craddock replied :

"Government have seen the letter and article referred to, and are making inquiries about the matter."

The Hon'ble Mr. Sachchidananda Sinha asked :

"(a) Will the Government be pleased to state the total number of cases decided by the Calcutta High Court during each of the last three years (1909, 1910 and 1911) ?

[1ST MARCH 1912.] ; Mr. Sachchidananda Sinha ; Sir Reginald Craddock ; Raja of Dighapatia ; Mr. Gokhale ; Sir Harcourt Butler.]

“(b) What was the total number of cases, out of those so decided, which came up from the Patna, Tirhut, Bhagalpur, Chota Nagpur and Orissa Divisions?”

The Hon'ble Sir Reginald Craddock replied :

“The figures asked for by the Hon'ble Member are not readily available, but I lay on the table a statement* to show the number of cases instituted in the High Court during each of the five years 1906-1910, and the number of such cases which came from the districts, which it is proposed to form into the new province of Behar, Chota Nagpur and Orissa. If further information is required regarding the number of cases decided, it can be obtained in due course if the Hon'ble Member will let me know that he desires it.”

The Hon'ble Raja of Dighapatia asked :

“Is it contemplated to reorganise and reduce the expenditure on the Criminal Intelligence Department?”

The Hon'ble Sir Reginald Craddock replied :

“The Government of India have the matter under their consideration, but are not in a position to make any statement on the subject at present.”

The Hon'ble Mr. Gokhale asked :

“Will the Government be pleased to state how they propose to expend the Imperial grant of 50 lakhs a year to popular education announced at Delhi?”

The Hon'ble Sir Harcourt Butler replied :

“The Imperial grant of 50 lakhs a year for popular education announced at Delhi will be distributed as follows:—

(i) 45 lakhs will be at once distributed to the major provinces:—

	Rs.
(a) The extension and improvement of elementary education for boys, including the extension of free education.	30 lakhs.
(b) Education (mainly elementary) of girls	5 „
(c) Hostels	5 „
(d) Technical and industrial education	2 „
(e) Education of Europeans and Anglo-Indians	3 „

The Government have likewise addressed the Provincial Governments with a view to indicating a more detailed definition of these objects, subject to the requirement of local conditions:—

(a) *Elementary education of boys.*—As regards free education, it is not intended to make elementary education of boys generally free. In some provinces such education is already free, and in the majority of provinces considerable provision is already made for giving free elementary instruction to those boys whose parents are likely to be in any way inconvenienced by the payment of fees. Local Governments have been requested carefully to consider those provisions and extend them where necessary by reasonable concessions to cultivators and others of small income whose children are reading elementary courses in existing schools. As facilities for education are increased among the poorer and

* *I* vide Appendix No. 1.

[*Sir Horcourt Butler ; Mr. Gokhale.*] [1st MARCH 1912.]

more backward section of the population, it is thought probable that still larger exemptions from the payment of fees will be found requisite in the new schools established for this purpose. As regards expansion, the grant is intended to facilitate the establishment of new schools of the elementary type, and to provide, according to the needs of each province, for the training of elementary teachers, the enhancement of the pay of existing teachers, and the erection of school buildings. The Government of India desire that the grants now made should be given largely to the extension of elementary education and the extension of the principle of free elementary education for those that cannot afford to pay fees. There are two further objects regarding which the Government of India have at various times called for information, and the replies concerning which show that they are deserving of very special consideration. These are the improvement of the facilities for elementary education in municipal areas and the establishment of special half-time schools for children employed on plantations or in factories.

- (b) *The education of girls.*—It is considered that the bulk of the allotment under this head will most fitly be expended upon elementary education and training, but it is recognised that conditions vary greatly in different parts of India.
- (c) *Hostels.*—It is presumed that in the first instance the grant now made will mainly be expended upon the erection of buildings for the reception of pupils in colleges and high schools. The Government of India, however, are deeply impressed with the importance of making proper provision for superintendence in hostels. The growth of these institutions will throw upon budgets an ever-increasing recurrent charge.
- (d) *Technical and Industrial Education.*—It is understood that much is needed in the way of workshops and equipment and, in cases where schemes for industrial education have been submitted but not yet sanctioned, it is thought that money may usefully be expended upon these and kindred objects.
- (e) *Education of Europeans and Anglo-Indians.*—It is requested that some portion of the sum for this object may be devoted to increasing the number of free pupils or reducing fees in the elementary classes.

(ii) Three-quarters of a lakh will also be distributed at once among the minor provinces and administrative units, mainly for the extension and improvement of elementary education, and also for such other of the five objects enumerated above as may appear to the local authorities most deserving of support.

(iii) Four and a quarter lakhs will be held as a reserve, and will be distributed later in the year in such proportion to the objects named above as may appear desirable."

The Hon'ble Mr. Gokhale asked :

"With reference to the assurance given by the Hon'ble Finance Member last year on the subject of retrenchment in the course of the debate on the increase in public expenditure, namely, 'I am empowered to announce that all the Members of the Government of India will, during the current year, subject the expenditure for which they are individually responsible to close scrutiny with a view to effecting all possible economies,' will the Government be pleased to state what steps were taken during the year to carry out this intention, and what economies have been effected or are proposed to be effected in the different departments?"

The Hon'ble Sir Guy Fleetwood Wilson replied :

"In the Department which is under my direct charge, the opportunity for reduction is limited, and all the tendency is to strengthen the machinery for audit and efficient accounting. We have, however, a saving of roughly two lakhs in sight, as the result of re-arrangements of staff in the Comptroller-General's office and of a simplification of the methods of work in the Postal Accounts offices.

"I lay on the table statements* prepared in the other Departments of the Government of India, indicating the economies which they have effected or propose to effect."

The Hon'ble Mr. Bhupendranath Basu asked :

"(1) Will the Government be pleased to state if there is any truth in the report that the Criminal Intelligence Department or any of its special branches is going to be abolished ?

"(2) Will the Government be pleased to state the constitution and composition of the Criminal Intelligence Department ?

"(3) Is there a special branch of the Criminal Intelligence Department ? If so, will the Government be pleased to state how much of the Department is engaged in the general police work of the country, and how much in the work of the special branch, and what are the functions of the special branch ?

"(4) Will the Government be pleased to state the number of prosecutions undertaken at the instance of the Criminal Intelligence Department or its special branch, if any, province by province, with the result of such prosecutions ?

"(5) Will the Government be pleased to state if any punitive police has been quartered at any place in India at the instance of the Criminal Intelligence Department, and if so, in how many places ?"

The Hon'ble Sir Reginald Craddock replied :

"In reply to the first part of his question, the Hon'ble Member is referred to the answer given to the Hon'ble Raja of Dighapatia.

"With reference to the second part of his question, the Hon'ble Member is referred to the information given in the statements which were placed on the table at a meeting of the Council held on the 11th September 1911 in response to the Hon'ble Mr. Gokhale's question of the 24th January 1911.

"In Bengal and Eastern Bengal and Assam there are temporary special departments of the Criminal Investigation Department which deal with organised political crime. In other Provinces there are special branches of the Criminal Investigation Department which deal with work of this description ; but it is impossible to differentiate the work of these branches from the general public work of the country.

"With reference to the fourth and fifth portions of the question, prosecutions and the posting of punitive police are not undertaken at the instance of the Criminal Investigation Department, but of the authorities responsible for the peace of the districts concerned."

FINANCIAL STATEMENT FOR 1912-13.

The Hon'ble Sir Guy Fleetwood Wilson presented the Financial Statement for 1912-1913. He said : "My Lord, I have once more to ask for the consideration of this Council while I lay before them my annual review of the

finances of India. In pursuance of what is now the established custom I shall do no more to-day than present the Financial Statement for 1912-13. The discussion upon it will open on Thursday next; and on the 22nd of March I hope to submit the Budget in its final form, while the closing debate will take place, with your Lordship's permission, on the 25th.

"It is to-day, as it was a year ago, again my exceeding good fortune to record a period of progress and prosperity. The year which is drawing to a close has been in many ways a memorable year. It will stand out illustrious for the first visit of a King-Emperor to his Indian dominions. It will be remembered for the stately ceremonials of which Their Imperial Majesties were the central figures, and even more for the enthusiastic loyalty and reverence with which they were received by their people. It will be associated with important territorial changes which will lead, we all trust, to greater political content and will strengthen the cause of good government. In all these ways the year will take a memorable place in the history of India. But it has not been without its dramatic interest in realms far removed from political changes or Imperial pageantry. For at one time, during two anxious months, the half of India was on the verge of a drought for which we might have had to go back thirty-four years for a parallel. In the middle of August the outlook was gloomy in the extreme over the greater part of the Northern provinces; and a further suspension of rain would have brought widespread suffering and a serious dislocation of our trade and of our finance. This catastrophe, however, was averted. Rain came, late but abundant; the area of distress was reduced to narrow limits; and we now cherish every hope of bumper harvests, busy trade, and advancing prosperity. The change, as I have said, was dramatic; it was also a striking lesson of how narrow is the line in India between plenty and want, and how incessant is the need for caution in our forecasts and for economy in our expenditure.

"REVISED ESTIMATE OF 1911-12.

"I shall first attempt to sketch the main features of this remarkable year, and to indicate their effect upon the revenue and expenditure provided in the budget which I laid before the Council this day twelve months ago. The year opened well. The winter rains had been favourable, and the spring crops had yielded an abundant harvest. To the weather-wise an unusually cold March in Northern India gave cause for nervousness; but hot-weather conditions established themselves later, and the monsoon currents reached our coasts close upon the due dates. Their progress inland, however, was weak and fitful; and their joint efforts were spent by the third week in June. Rain ceased over virtually the whole of India, excluding Burma; the dry west wind revived in the North; and one of the most trying summers in living memory was protracted well into August. Early in that month, the standing crops had withered over large areas in the United Provinces, Punjab, Rajputana, Central India and the northern half of Bombay. When irrigation had saved the position, a plague of insects, which always seem to accompany drought, was working serious havoc. Fodder was growing scarce, prices were rising, and the situation was critical. The outlook got gradually darker until the third week in August, when relief came at last. The rain-bearing currents revived, and the pressure was eased everywhere except in Sind, Gujarat, Kathiawar, and a small tract with its centre lying between Delhi and Meerut. In September the position improved steadily; and by the end of the month the only seriously distressed areas that remained were Gujarat and Kathiawar, in parts of which famine has since been declared and relief operations undertaken. The numbers on relief in the middle of last month were roughly 80,000. In the rest of Northern India, the people took heart with the late rains: the autumn crops were re-sown wherever possible, and an exceptionally large area was prepared for the spring harvest. In Bengal and Southern India there has been no anxiety. Lower Burma suffered in parts from floods in August; but the general prosperity was satisfactory. Viewed as a whole, the year has been a good one, and the agriculturist has been helped by the high prices which prevail for some of our staples in the markets of the world. A period of much anxiety gave way, at the eleventh hour, to recovery and hopefulness: and the year ends with the best of prospects in the greater part of India outside the few afflicted tracts in Gujarat and Kathiawar.

[1ST MARCH 1912.] [Sir Guy Fleetwood Wilson.]

“ From the seasons we turn naturally to the harvests which depend upon them. The wheat crop that was being cut at the time of my last budget was the finest on record, particularly in the Punjab. Rice also had been good, and the year thus began with plentiful stocks, which mitigated the loss of the cheaper food grains in the autumn, without checking the supply to foreign markets. Of the other export staples, oilseeds gave a plentiful yield. Jute was grown under favourable conditions, and the returns are appreciably better than last year. Cotton did excellently in Berar but suffered from drought in Bombay and Northern India, and the produce all round is reckoned at 18 per cent. less than in 1910. This year's rice crop is plentiful in spite of some local shortage in Lower Burma; and the prospects of the spring harvest which is now maturing are exceptionally fine. Whatever deficiency there has been in the agricultural output—and on the whole it cannot have been serious—has been more than made good by the activity of the export demand for our chief staples and the full prices which they have fetched. Rice and opium have been specially remarkable in this way; the former owing to a serious failure of the Eastern crop and heavy speculations in Rangoon; the latter owing to the steady reduction of our supplies to the Far East. These, however, are only two outstanding examples of the strength of the export market. The general range of prices has been high. In many cases it has benefited the producer; and it has certainly dilated the volume of outward trade, as measured in money, and brought payment to India in heavy imports of merchandise and bullion, to swell our customs revenue and to keep our railways busy.

“ The record of our over-sea commerce has thus been an impressive one. The value of our exports is up to date the highest on record. A heat has not been so big as it was in 1909, or cotton as it was in 1910, or jute as it was in the famous year 1906; but each of them is bigger than in any other year except those which I have named, and the cumulative effect was an all-round excess. Moreover, silver was re-exported, chiefly to China, in very large quantities; and the declared value of rice, opium and seeds has been well above the figures of any previous year. Similarly with our imports. They were unusually active in April and May; they eased off in the ensuing four months, as if waiting for the fickle monsoon to disclose its intentions; and there was a striking revival from October onwards. It is piece-goods and gold that have been the notable features of the year; gold forming one-sixth of our total imports and having reached, during the December quarter alone, the imposing value of 10 crores. Combining both currents of trade, I gave the total value of our private sea-borne commerce for the first nine months of last year as 272 crores, which I said constituted a record. This year the corresponding figure for April to December 1911 is 304 crores. Even after every allowance for an inflation of prices which may be in some degree undesirable, this result means busy revenue, a strong exchange, and no small measure of general prosperity.

“ Happily, then, there has been justification for the faith in which the budget for the current year was framed: it was based, as I said a year ago, ‘on the hypothesis of normal harvests, a good export season, and a steady progress in our trade and industries.’ These hopes have been more than realised. The total revenue of the year, Imperial and Provincial, I budgeted at £78 millions; we now expect to obtain nearly £81½ millions. For the total expenditure, Imperial and Provincial, I estimated nearly £79 millions; we shall require barely £78 millions; so that we have an aggregate improvement of £4½ millions, of which about £2½ millions belong to the Provincial account. The Imperial surplus will thus be enhanced from just over £½ million to £2½ millions. The greater part of this is contributed by unexpectedly high opium receipts. The balance due to general causes is small, but it is only the residue, as I shall subsequently show, after very large sums have been handed over to the provincial accounts.

“ Opium.

“ This leads me at the onset to the well-worn theme of our opium policy and its results. The position, when I summarized it a year ago, was one of some difficulty. We had completed the first stage of the period fixed conditionally for the extinction of the trade with China in Indian opium. That period, under the 1907 Agreement

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was ten years from the beginning of 1908 ; but at the end of the first three years we were entitled to ask China if her curtailment of production had kept pace with our reduction of exports ; and our future arrangements were to be dependent on the reply. When the time came, however, China was unable to give an authentic answer, and the British officers who were touring the poppy-growing provinces had not yet reported. Out of consideration for China's difficulties we had consented not to press our strict right, and to continue the reduction of our exports for another year. In the meantime certain of the Chinese authorities, particularly the Viceroy of Canton, had been imposing disabilities on our trade, which, in our opinion, were clear infractions of the Chefoo Convention ; and we were insisting on their removal if our co-operation with China was to continue. Negotiations on these and other outstanding points were in progress when the last budget was before this Council ; and it was obviously impossible to prejudice or anticipate the result by any discussion at that time.

"On the 8th of last May the negotiations culminated in an agreement which I may safely describe as satisfactory and honourable to both sides. The agreement is public property, and I need not recall its leading features, and explain what it means to China and to ourselves respectively.

- (a) What was conceded on our side was this. We were to restrict our China exports in 1911 to 30,000 chests, with a progressive reduction thereafter of 5,100 chests a year. But if China can completely eradicate the cultivation of the poppy before 1917, we are to shut down our exports at the same time. In the interval, as each province stops its production and import of native opium, the admission of Indian opium into that province is to cease ; the ports of Shanghai and Canton, however, being the last to be closed. Finally, we agreed to a consolidated import duty of R680 a chest, being a very large increase on the old duties and a welcome addition to the Chinese revenues.
- (b) The concessions which China made on her side were these. An excise tax equivalent to the import duty was to be imposed on native opium, All other taxation and all restrictions (such as those at Canton) on the wholesale trade in our opium were to be withdrawn. Facilities were to be given to our officers to investigate the facts of cultivation, taxation and trade restrictions in the interior.
- (c) In a supplement to the agreement it was settled that, though the other Treaty Ports would be closed to it at once, Indian opium not specially certified for China might be admitted into Shanghai and Canton for two months after the date of the agreement. All opium thus admitted, however, as well as all opium bonded in the Treaty Ports and in stock at Hong Kong for China on the date of the agreement, would be listed, except so far as it was covered by special certificates from us ; and the number of chests thus listed would be taken in reduction of our regular exports during the three years 1912 to 1914. The list, which was not completed till later, showed that the necessary reduction will be 3,820 chests in each of the three years.

"Such are the main features of the agreement which was concluded at Peking on the 8th of last May. The attitude of the Government of India throughout has been absolutely straightforward. We are in full sympathy with the reformation of China ; and we are prepared to make, and have made, large sacrifices to help her. But we cannot consent that, under the guise of a reform which may be no reform, revenue should be transferred from India to China without any other benefit to the latter. We unhesitatingly recognised the sincerity of the Chinese Government, but we demanded certain ordinary precautions to insure that our sacrifices shall not be frustrated by reactionary tendencies in the provinces, and we insisted that our trade, so long as it lasts, shall receive equal privileges with the trade in the indigenous drug. This is the spirit in which we pressed the claims of India ; and in this spirit the negotiations were carried to a successful conclusion by Sir John Jordan, the British Minister in China. To that distinguished official India is deeply indebted for his care of her interests and for the skill with which he secured a settlement that is sympathetic and just to China and to India alike.

[1st MARCH 1912.] [Sir Guy Fleckwood Wilson.]

"Since our agreement was signed in May, startling events have happened in China. Revolution and civil war have rent the country, and its ancient monarchy has now been replaced by a republic. Amid the inevitable confusion, the cause of opium reform has suffered in some measure, though we may hope that the setback has only been temporary. Cultivation of the poppy has revived in parts of the far interior, where it had been officially extinguished. And some spasmodic attempts have been made, at Canton and elsewhere, to infringe the Peking agreement. But nothing has occurred which cannot be explained by the suspension of the central Government: and on the whole our compact has been carried out with scrupulous care and has stood a severe test remarkably well. We of course have carried out our part of it with scrupulous care; and we have done more, for we have gone outside our bargain to help China, as I shall shortly explain.

"The operation of the agreement is automatic, except as regards the special measures for closing down our trade in less than seven years. These hinge upon the provisions of Article III, which will exclude Indian opium from any single province of China and the Treaty Ports therein (Canton and Shanghai always reserved) as soon as there is clear evidence that the province has ceased both to grow the poppy itself and to import native opium from other provinces where it is still produced. It is this provision which I apprehend will be the key to future developments. For the present, it has resulted in closing the whole of Manchuria and the provinces of Shansi and Sze-chuan. The two latter had been thoroughly inspected by Sir Alexander Hosie, the British Consul-General at Tientsin; and similar local enquiries are being extended, under that officer's direction, to all the other provinces. The work has involved protracted journeys through the hinterland of China amid conditions of no small physical hardship; and I am glad of this opportunity of acknowledging the great value of the services which Sir Alexander Hosie has thus rendered us.

"I referred a moment ago to the proofs which we have given China of our goodwill towards her by co-operating in matters which are outside the strict letter of our treaty obligations. The first of these, mentioned in my last Financial Statement, was our decision to 'carmark' or certify opium for China from January 1911. The second was our postponement till the second half of 1911 of our usual monthly sales of opium for other markets than China. By these measures it was our purpose to help China through a critical time. In the early part of 1911 her position was that she could not exclude foreign opium without an international agreement. Meanwhile, prices were bounding up, and it was generally surmised that the closing of her ports was only a matter of time. The inducements were great to pour opium from all quarters into the country before the agreement could be negotiated, and thus to render nugatory her efforts to effect a direct and progressive reduction of her imports. Our action prevented this. Later, we took a third and even more important step, by curtailing the quantity of our opium sold for markets other than China. That step was pressed upon me, in a resolution which he moved in this Council last March, by my Hon'ble friend, Sir Sassoon David. I was unable to accept his proposal at the time for two reasons; first, because the whole question was under diplomatic discussion at Peking; and second, because we had carefully calculated the requirements of our non-China customers and found them to be well in excess of the 10,000 chests which my Hon'ble friend suggested. After the Peking agreement was concluded, however, we decided to cut down the 16,000 chests, which we had budgeted to sell, to 14,000: and thereby to reduce the possible margin for smuggling opium without our certificates into China. For 1912 we have brought the figure still lower to 13,200 chests. We doubt if this is sufficient for the legitimate local needs of Singapore and elsewhere. We know that it means an avoidable loss of revenue to us. But against the inconvenience and the sacrifice we have set our anxiety to prevent the illicit diversion of uncertified opium from less profitable markets into China. These then are our relations with our neighbour in this great and humane reform. She must in the last resort work out her own salvation; but India will assist her by every means in our power and will advance with her, step by step, until the goal is reached.

"Towards the close of the year a conference was held at The Hague by the Powers which were represented at the Shanghai international commission on opium. The ostensible object was to conventionalize the findings of that commission. To us that particular object was comparatively unimportant, for

we have already undertaken all, and more than all, that China asked from us ; while our domestic control of the use of opium in India is not a matter in which we require international assistance. We welcomed the conference, however, from another point of view. It enabled us to lay before the Powers a narrative of the unselfish policy which India has followed. It gave us an opportunity of reviewing and improving our arrangements against the misuse of opium in this country. But above all it justified us in asking for the co-operation of the Powers in checking what I am convinced may become a much greater curse than opium has ever been, or is ever likely to be, to India. I refer to the consumption of cocaine and morphia and their respective congeners. The evil done by these drugs is already great ; their spread is rapid and insidious ; and nothing short of the most drastic State control over their manufacture and sale will stop the growth of a particularly degrading vice. I am happy to say that the conference accepted this view and that, with the assistance of Sir William Meyer, who most ably represented the interests of India, a convention has been drafted which, if the Powers accept it, will go far to strengthen our hands against this new danger.

“ One word more and I close this account of our opium policy. I see relief depicted in every countenance. The poppy-growing States of Central India and Malwa are sufferers as well as ourselves from the loss of the China market ; and hitherto they have been unable to share with us the temporary compensation of the high prices fetched at the sales of Bengal opium. The whole of the permissible Malwa exports up to the end of 1911 had already been bespoken by advance payment of duty. Some of the Durbars endeavoured to secure a portion of the enormous profits of the trade by imposing extra transit dues : but their efforts were ineffective and lacked combination. It was clearly necessary for us to intervene, and we did so from the beginning of 1912. The old pass-duty of Rs600 is now doubled ; and the privilege of obtaining our certificates for China is exposed to auction. We propose to credit one-half of the extra pass-duty and one-half of the auction fees to the Imperial exchequer, and to hand over the other half to the States on certain easy conditions and under a formula of distribution which they themselves have agreed upon. We intend also to give the Durbars an opportunity of securing a footing in the non-China markets, which they have made no effort to exploit in the past. For this purpose, 1,000 out of our 13,200 chests will be taken as an experiment from Malwa if arrangements can be made for marketing it and if reasonable prices are offered. In these ways we hope to mitigate to the producing States the blow that must fall upon them sooner or later. We believe that they in turn recognize the generosity of our intentions.

“ There are three special reasons why I have dwelt at what may seem to be inordinate length on this dull subject. First, the future of our opium revenue has been made clearer by the agreement of last May, and a lengthy pronouncement of policy may not again be necessary. Second, I wished the Council to see that our attitude has not been vicarious righteousness on the one hand, or selfish obstruction on the other : we have made real and lasting sacrifices and manifested a practical faith in China's capacity for regeneration. Lastly, I desired to show that we have not ignored the legitimate claims of our merchants or the interest of the Malwa States. With these explanations I turn now to the financial outcome of our policy. In 1911 we sold 15,440 Bengal chests and exported 15,576½ Malwa chests with certificates for China. We also sold 14,000 Bengal chests for other markets. Speculation was active throughout the year, and reached its zenith in October, when the China drug rose to the phenomenal price of Rs6,000 a chest. Then came the revolution and prices dropped, but they are still over Rs4,000, while the curtailment of the Singapore sales has kept that section of the market strong. In 1912 we propose to sell 6,700 Bengal and export 14,500 Malwa chests for China, as well as 13,200 chests (of which 1,000 at the outside will come from Malwa) for other markets. The first two months of our new Bombay system of auctions have been satisfactory, the average yield (including pass-duty) having been close on Rs3,000, of which we take Rs1,800, and the Durbars the remainder. In the current financial year the net result is that Bengal opium is now expected to realise £1,241,000 and Malwa opium £334,000 more than I budgeted for.

“ The true measure of this remarkable windfall is obtained by comparing our actual receipts with what we should have obtained under the sliding scale which, as I explained last year, we treat as the gauge of normal conditions. The sliding

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scale figure for the year is 615 lakhs; our anticipated receipts are 878½ lakhs. The excess is £1,757,000, which we propose to use on precisely similar lines to the windfall which it was my good fortune to announce a year ago. Two-thirds of the amount will be remitted to London for the redemption of temporary sterling debt. The remaining third, or in round figures £566,000 (85 lakhs), will be distributed in grants for non-recurring expenditure of a beneficial character. Our precise disposition is briefly as follows:—

- £333,000 among the provinces for sanitation;
- £133,000 among the provinces for agricultural improvements and similar purposes;
- £40,000 to the Central Research Institute for work in public hygiene;
- £33,000 towards the establishment of a School of Tropical Medicine in Calcutta; and
- £27,000 for Government laboratories in Burma and at Parel (Bombay).

Last year the bulk of our opium windfall was earmarked for education; this year it goes to the sister grace of cleanliness. The details will be found in the explanatory memorandum attached to this statement; and I have no doubt that my Hon'ble colleague, Sir Harcourt Butler, will explain next week the objects which these grants are intended to further.

Ordinary Revenue.

"I am able at last to turn from the story of opium and its troubles to the ordinary business of the closing year. As I mentioned, we expect the total revenue, including that of the provinces as well as our own, to be nearly 3½ millions better than my original estimate. Of this improvement £3,400,000—or practically the whole—is Imperial in its origin. The fact is disguised, as I shall shortly explain, by large transfers of revenue from the Imperial to the Provincial exchequers; but, to get a clear view of the position, we must for the moment neglect these transfers. Of the true Imperial betterment then, close on £1,600,000 is accounted for by the high prices of opium, and £1,800,000 by the general increase in the prosperity and trade of the country.

"The main contribution to this great advance comes again from our State railways. Every one of our main lines has shared in the improvement. Wheat, cotton, jute, coal and oil seeds swelled the returns; the passenger traffic has grown exceedingly; and the extra business brought by the Royal visit has outrun our expectations. The total earnings for the year are now expected to be £1,587,000 above our budget, and the highest on record. This growth of receipts has meant of course extra expenditure in working the traffic, and extra payments in profits to the companies which lease our lines; so that the increase in net revenue is £1,185,000. Closely associated with our railway figures, as they must always be, are our Customs returns, which promise an increase of £330,000 over our budget estimate. For this we have to thank petroleum, piece-goods and rice; petroleum imports having been stimulated by a rate war among the great oil syndicates; piece-goods being always an active market in prosperous years; and the export of rice being in abnormal demand to meet a shortage in the Far East. To enumerate all the other heads of revenue which have contributed to our surplus would take more time than I can spare. The chief of them are interest, with an excess of £237,000 earned almost entirely by the high balances in our Home treasury; Mint where, owing mainly to the demand for British dollars in consequence of the troubles in China, our receipts have risen by £143,000; and Exchange, which has been strong throughout the year and has brought us an additional £106,000. I am glad to see that the consumption of Salt, and with it our revenue, have begun to move again after a long period of stagnation. There was some holding-up of stocks before the Durbar in the hope of a reduction in the duty; but a brisk business is now being done and, in spite of the growing popularity of credit sales in Bengal, the revenue is expected to be £65,000 higher than our estimate.

"The one and only budget head that has disappointed us is Land Revenue, where our figures faithfully reflect the distress in parts of Bombay, and the failure of the early autumn crops in certain areas of the Punjab and the United Provinces. The sale of proprietary rights in the canal colonies of the Punjab has also advanced more slowly than seemed probable a year ago. The deficiency from

the budget, for the head as a whole, is £1060,000, of which approximately a half would be the Imperial loss.

"The marked improvement in our resources, however, has enabled the Government of India, with the concurrence of the Secretary of State, to make a number of important grants to the provinces; and this pleasing operation takes the technical form of increasing the provincial shares, and *pro tanto* diminishing the Imperial share, of the land revenue receipts. It will thus be found that, in place of a drop of about half a million, our figured tables show an apparent deterioration of nearly £2,600,000 from the budget estimate of our Imperial income from this source; while the provinces instead of being about half a million to the bad, are shown as being £1,639,000 to the good.

"The grants which we have thus made out of our abounding good fortune cover a large field. I have already mentioned the £566,000 allotted from the excess opium receipts. Of those which are taken from our general resources I need enumerate only the more important, referring my Hon'ble friends to the explanatory memorandum for greater detail:

£782,000 in connection with the re-constitution of Bengal and Assam;

£212,000 for the cost of the Royal bonus of half a month's pay to provincial officers in civil employ;

£,72000 for the remission of famine debts in Kathiawar, as announced at the Delhi Durbar;

£167,000 to the Madras Corporation in aid of its waterworks and drainage scheme;

£133,000 to Burma for the improvement of communications;

£58,000 for special provincial expenditure in Assam and Burma on the expeditions upon the North-East frontier.

The first of these grants represents the cost of providing suitable opening balances for the three new provinces of Bengal, Assam and Behar and Orissa. The other grants explain themselves. They are all non-recurring.

Ordinary Expenditure.

"The expenditure of the year is less by £843,000 than we provided for in the budget. £225,000 of this occurs in the Provincial account, mainly as a consequence of the inability of the local Governments to spend in full their grants for education and sanitation. The Imperial savings come to £618,000, which may be taken as appearing almost wholly under two heads,—the Royal visit and the Opium Department in Bengal. Apart from these, there has been an increase of about £100,000 in Military expenditure which will be explained later. On the other hand, the £120,000 which was allotted under a new head for Protective Irrigation has not been utilised,—a disappointing result in view of the importance of these works. In other respects our estimate of expenditure was a very close one, and there are no material departures from it. The non-recurring expenditure on the Royal boons, in so far as it falls into this year's expenditure accounts, was met without difficulty by savings in other directions.

"The opium charges require a few words of special notice. China's zeal for reform and our pledges of assistance mean a large and, we must assume, a progressive reduction in our output of Bengal opium. To keep abreast of this, we have closed down the Patna factory and abolished the appointment of Opium Agent for Behar. We have focussed the administration in one Agent, and the manufacture in one factory, at Ghazipur. We have also concentrated the area of licensed cultivation, giving up Behar entirely, as well as a number of the outlying districts in the United Provinces. How drastic the reduction has been, may be judged from the fact that in 1906-07, the last year before we began to curtail our exports, the area under poppy was 900,000 bighas; in the current season it is only 325,000 bighas. Recruiting for the department has of course been stopped for several years; but the sharp restriction of area in the present year, with the closing of one factory and a number of sub-agencies, has necessitated some retrenchment in establishments. I should like to explain how this is being carried out. I should like also to express the sympathy of the Government of India with a body of deserving officials for whom the outlook for some time past must have been full of uncertainty and gloom. What we are doing is first, to get rid of the least efficient of the opium employés

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on such pensions or gratuities as the rules permit; second, to transfer to other departments all who are fit for a new class of employment; and third, to encourage the retirement of the senior men by offering full pensions to all those who are within five years of completing their qualifying service. On these lines we are dealing with every rank, from the highest paid departmental officer down to the humble peon, and we hope to prevent any genuine hardship. The notices of discharge which were served on a number of the gazetted officers have been withdrawn; several of the younger men have been provided by the United Provinces Government with posts in the provincial civil service; the claims of others are still being pressed in different offices; and any who are ultimately redundant will be retained as supernumeraries until we can absorb them or find other employment. When the department has been lightened in this way, and by the acceptance of the special pensions which we are offering, we trust—though of course we cannot promise—that it will be put on a footing which will make further retrenchments unnecessary. The area of cultivation is now as low as it need be for several years; and any future reductions will probably be no more than parallel with the normal decrement of an establishment for which there is no recruitment.

“To come back to the present, however, the Council will perceive a saving of £445,000 in opium charges. This is due in part to the economies in administration which I have just mentioned, but in the main to the abnormally thin yield of the last poppy harvest. The consistence was poor, and our payments were correspondingly low.

“*Expenditure on the Royal Visit.*”

“I now, my Lord, wish to describe briefly, and of necessity in somewhat general terms, the expenditure incurred on the Imperial Durbar at Delhi and on the other incidents connected with the visit of the King-Emperor and Queen-Empress to India. Our accounts have not yet been closed or compiled, and considerable alterations in detail may still have to be made. But, looking back to the cordiality and even the enthusiasm with which this Council applauded the provision entered for the Royal visit in my last budget, I consider myself bound in courtesy to take this, the first available, opportunity of laying before them the manner in which that provision has been used. It will be remembered that the total allotment for the Royal visit was £1 million sterling. It was necessarily a very rough forecast, as we had no estimates to go upon at that early date: but our feeling was that it would enable Their Imperial Majesties to be received and entertained in a manner suitable to the wishes of their Indian subjects. One-third of this million was to be military expenditure; and the remainder appeared in the civil estimates, with a small deduction for recoveries from the sale of tents and other equipment. The total net provision for Imperial Civil charges, including a small advance grant in 1910-11 was £633,000. The actual net expenditure against this grant, so far as we can at present estimate, may be tabulated as follows:—

(a) On the Durbar at Delhi:—	£
Administrative charges	52,100
General services, roads, lighting, water supply, sanitation, etc.	190,100
State ceremonies	58,300
Sports, garden party, fireworks, music, etc.	20,000
King-Emperor's camp	56,000
Camps of the Government of India, Foreign Department, Commander-in-Chief, Political and other Imperial officers	115,600
Visitors', Press and Police camps, etc.	10,300
Miscellaneous	12,200
Less recoveries	-143,800
	£420,800
(b) On the Royal tour	48,300
(c) On medals and other incidental charges	13,300
	£482,400

We have still to meet the cost of an addition to the regalia. Allowing for this and leaving a small margin for charges which have not yet come in, we may take the net expenditure at £560,000.

"The allotment provided in the Military budget was £333,000, which was intended to cover a very large concentration of troops at Delhi. When the failure of the early rains in Northern India indicated difficulties about food supplies and forage, the Military programme was reviewed and the number of troops under orders for Delhi was materially reduced. The actual estimated expenditure has been only £207,000. It will, I am sure, be no small gratification to this Council that the reception of Their Imperial Majesties was carried out on a scale worthy of the occasion, and yet with a regard for economy which has left us so well within the funds allotted for the purpose.

"The expenditure from Provincial revenues on the Royal visit had not been the subject of any reasoned estimate when the budgets of the various local Governments were framed in the opening months of 1911. It was worked out, however, during the hot weather in the closest consultation with the Government of India, and we have now got provisional accounts. It is estimated that the eight major provinces spent £173,000 on their camps at Delhi, and about £72,000 on local celebrations, illuminations, etc.

"Such then, so far as we can judge from our unfinished accounts, were the charges for the reception and entertainment of Their Imperial Majesties. But the Council will probably expect me to narrate also the cost of the Royal bonus and the various minor boons which were announced by Your Excellency on behalf of the King-Emperor at Delhi. For these of course there could, in the nature of things, be no budget provision; and some of them entail expenditure or loss of revenue which will not be brought into our accounts for some time to come. The only boon of any importance for which I have a reasonably complete estimate is the bonus of half a month's pay to certain civil employes and to the Army in India. The whole of this will be met from Imperial revenues; and we believe that it will cost about £325,000 in the Civil accounts and about £166,000 in the Military accounts, or a little under £500,000 in all. The remission of debts in certain Native States means a loss of nearly £85,000; and the monetary effects of the other boons (apart always from the grant for Education) is inconsiderable. I believe, therefore, that I should be safe in putting the total figure at £600,000 at the outside.

" Budget Estimate for 1912-1913.

"I now leave the eventful year which closes with this month, and open my budget for 1912-13. There is no one who realises more keenly than I do the dangers of prophesy in India; but the budget forecast must inevitably involve some element of prophesy. All that I can say is that our prospects to-day are excellent, and that we have every hope that the brightness of the outlook will continue. I propose, then, avoiding unreasoning optimism on the one hand, and holding fast to my faith in the progress of India on the other, to estimate again for a year of normal seasons and trade. There still hang over us the uncertainties of the opium revenue, and there are, as there always will be, special claims of an urgent nature upon our exchequer. But with care and economy we shall be able, during the coming year at least, to discount the former and to satisfy the latter without any addition to the burden of our taxation. On the other hand, our position is not one which justifies any important remission of taxes. I present to-day, therefore, what I may call a 'No Change' budget. My estimate is that the revenue and expenditure, Imperial and Provincial, will balance almost exactly at £79½ millions. In the purely Imperial section of the accounts, however, there will be a surplus of approximately £1½ millions, which it is proposed, for reasons that I will touch upon later, to retain unimpaired.

" Revenue.

"If we set aside Opium, the total revenue, Imperial and Provincial, for which I budget is almost the same as in the current year. We expect an improvement in the Land Revenue collections and in those other classes of receipts which respond most directly to favourable agricultural conditions. On the other hand, I have taken a somewhat conservative estimate of Railway and Customs revenue, while we cannot count upon a continuance of this year's high receipts from Mint and Interest. The net result, as I have said, is practical equilibrium. But in the Imperial section of the accounts, with which we are at present more immediately concerned, the position is one of considerable strength, seeing that we have not to repeat the large

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non-recurring grants to the provinces which diminish our share of the land revenue receipts in the current year. Apart from opium, which as usual throws the comparison out of gear, the Imperial revenue which we hope to obtain next year will be £920,000 in excess of our estimated receipts in 1911-12. I shall dispose of opium first, and then discuss this figure in some detail.

"The consequences of the new agreement with China are written large across our estimate of opium revenue. The number of chests which we may sell with China certificates in 1913 is limited to 16,580, of which we are under a promise to offer 14,860 to Malwa. Our China sales for each calendar year will now, in all probability, be held from January to October in Calcutta; and in Bombay from the preceding November to August. Our uncertified exports will amount to 13,200 chests, of which we shall give Malwa a chance of taking 1,000 chests; and the sales will be spread over all the months in the year. I shall spare the Council the reasons for these divergencies in procedure, which are intended to secure the maximum of revenue with the minimum of inconvenience to the trade. I shall also spare my Hon'ble friends the puzzling calculations which are needed to fit these arrangements into the mould of the financial year; and will merely say that it is proposed to sell altogether 19,821 chests for China in 1912-13, which, with the 13,200 chests for other markets, gives roughly 33,000 chests in all. As compared with the much larger quantity on which we have been paid in the current year, this in itself suggests a considerable fall in revenue. But I have not ventured to budget for the same high prices as we are now receiving. With the restoration of settled government in China, we may look for the revival of more rigorous measures against the opium habit, and these are likely in turn to affect the tone of the market for our exports. In any case prudence forbids us to attempt to follow the vagaries of a highly speculative market. Between a falling output therefore and a cautious forecast of prices, my total estimate of opium revenue for next year is £2,235,000 below what we expect to obtain in the current year. The actual figure is 543 lakhs, which happens to be almost identical with the figure (540 lakhs) for 1912-13 on our theoretical sliding scale. If prices should outrun our calculations, I have little doubt that we shall find useful employment for the money.

"The improvement in our Imperial receipts from general sources is of a negative character, being entirely due to the smaller volume of special grants to local Governments. In other respects we do not look forward to the same high revenue returns as in the current year. Under Railways in particular I have thought it wise to assume some slight relaxation after the rich harvest of the Durbar year. It is not only that we shall have no Royal visit; but so much depends on trade conditions which it is impossible to forecast, and I think a moderate margin of safety should offend no prudent publicist. I have accordingly taken the net earnings of our State railways at £605,000 less than in the present year. Similarly with Customs. If the almost feverish activity of the trade in rice, silver and petroleum were to continue, our Customs receipts would probably touch the imposing figure of 10 crores. But all booms have their day, and we have made a deliberately moderate estimate for these commodities; the net result is a reduction of £146,000 from this year's receipts. Three other heads of Imperial revenue yield somewhat fortuitous contributions to the decline. Interest is worse by £192,000, because the balances in our Home treasury are being materially reduced; Mint by £135,000, because we do not expect the same demand for dollars from China; and Exchange by £106,000 for the technical reason that we always budget for our exchange transactions at par.

"In the classes of revenue which are more closely associated with the internal prosperity of the country, we anticipate no set-back. Now that the Salt revenue is moving, we expect that it will rise by another £31,000. From Stamps an improvement of £71,000 is probable; and a still larger increase would have been taken for Excise if it had not been obscured by the complete provincialization of that source of revenue in Bengal. The chief advance, however, is under Land Revenue, where the return of normal conditions in the areas that suffered from the irregularities of the last monsoon will, we trust, be the main contributor to an increase of which the Imperial share should be something in excess of £400,000.

"This brings me to the dominant factor in the whole comparison—the provincial grants which appear as land revenue assignments, and the reduction in which will push up our apparent Imperial receipts. The details are complicated and

can better be set out in the explanatory memorandum. But their net effect is that we are saved the non-recurring grants of roughly £2 millions which signalize the current year, and that we propose, as I shall explain later, new recurring grants of about £½ million in the coming year. There is thus an addition of £1½ millions to the Imperial share of the land revenue, over and above the £400,000 which comes to us from improved collections.

“ Expenditure.

“The position in regard to expenditure is fortunately simple, and not unsatisfactory. Imperial and Provincial charges together, the total provision for next year is nearly £1½ millions higher than the estimated expenditure of 1911-12. The whole of this excess, however, occurs in the provinces; and by far the major part of it represents drafts on the large Imperial subsidies for education, sanitation and other beneficial services which are being placed at the credit of local Governments. When we turn to the estimate of Imperial expenditure, we find that there is an actual decrease, the total being £76,000 less than in the current year. The chief factors in this result are the following. Our Interest liabilities show a growth of £277,000, moving, as they must always do, with the growth of our borrowings, and also in a minor degree with the expansion of our provident funds, savings bank deposits and the like. Our Railway revenue charges, apart from interest on the regular railway debt, are also higher by £97,000. But the only other large excess over the grants in the current year appears under Education and represents a special reserve of £530,000 for the advancement of this great service. Otherwise the spending departments have shown much restraint, and there is little or no general rise in administrative charges. On the other hand, there is a noteworthy drop of £511,000 in military expenditure to which I shall refer later; and as if to make room for the new education expenditure, we have a reduction of £486,000 under the head where the outlay on the Royal visit is recorded in the current year.

“With the substantial improvement in our general revenue and the curtailment in expenditure, it is obvious that we are in sight of a large surplus. It was decided therefore to take an important step forward in the path of educational reform. The King-Emperor had announced at Delhi a permanent grant of 50 lakhs (£333,000) for the furtherance of truly popular education. We have decided to add another recurring £67,000 to the Royal boon, and to supplement it further by a non-recurring grant of £433,000. The total new provision for the year has thus been raised to the handsome figure of 125 lakhs, or more than the whole amount which we spent this year in connection with the Royal visit and the Delhi Durbar. I will leave it to my Hon'ble friend in charge of the Education department to describe how the money is to be employed, and I confine myself to explaining where it is to be found in the estimates. £300,000 of the recurring grant has been transferred, through the usual method of Land Revenue assignments, to the provinces which have regular financial settlements, and £3,000 to the North-West Frontier Province. The remaining £97,000 recurring and the whole of the £433,000 non-recurring have been entered, for the present, as an Imperial reserve under the Education head, for distribution at more leisure.

“There are two other small matters which we have taken the opportunity of disposing of. One is the provision of a small reserve (£15,300) for strengthening the sanitary services in India in accordance with a scheme which is now before the Secretary of State. I invite the attention of the Raja of Korapam to this. The other is the abolition of the last of the petty cesses upon the land against which my predecessor waged incessant war. The cess in question is the village service cess in proprietary estates in Madras; and as I have explained more than once, the reasons why we have not hitherto taken up the question are first, because we had no money, and second, because we could not remit the cess before it was imposed. The levy of the cess is now being extended as the old service tenures are being resumed; and it is estimated that its relinquishment will cost Imperial revenues £17,000 a year, rising gradually until the proprietary estates have been wholly relieved. The rent of the tenures will be credited as Land Revenue, of which the province will receive a moiety. The province will pay the salaries of the village servants; and the net loss to provincial revenues will be made good by Imperial assignments.

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"Delhi Expenditure.

"No narrative of next year's programme of expenditure would be complete without a reference to the momentous project which lies before us in the construction of the new Imperial Capital of India at Delhi. I may say at once that we are not yet in the possession of any estimates of its cost. Plans for the temporary housing of the Government of India headquarters are under preparation; but no plans for the permanent Imperial City are to be thought of until the best available experts have studied and advised upon the project in all its bearings. Meanwhile, my immediate duty has been to devise a scheme for financing the work, a scheme which will be as little onerous as possible to the taxpayers of India. Three possible alternatives have presented themselves throughout. The first, and in some ways the most attractive, would be a special Delhi loan. The second would be to charge the whole expenditure, as it occurs, against current revenue. The third would be to put the Delhi works on precisely the same footing as our large railway and irrigation works, treating them as capital expenditure and financing them partly from loans and partly from whatever spare revenue remains in each year after meeting our ordinary administrative needs. I shall not weary the Council by the various considerations which decided us, with the full approval of the Secretary of State, to adopt the third of these courses. It will, I believe, commend itself to the financial and commercial community of India. By treating the Delhi operations as ordinary Capital works, we ensure the greatest possible elasticity in the provision of funds; we avoid unnecessary additions to our unproductive debt; and I hope we allay the fear—so far as I am concerned, a baseless fear—that the new city will be built from the produce of fresh taxation.

"Our programme then is this. So long as large sums of money are wanted for Delhi, we shall raise as much as we can along with our ordinary rupee loans, being guided in the amount of our borrowing by the state of the money market rather than by the precise estimate of expenditure for the year. If money is easy and we can obtain more than we immediately require, it will lie in our cash balances available for future use. Meanwhile, as we shall now have three sections in our annual Capital programme instead of two, we may reasonably enlarge the conventional figure of one crore which we have hitherto endeavoured to secure as our revenue surplus. There is no need to fix any standard surplus; much will depend on the circumstances of the year and on the other interests concerned; but whenever we find ourselves able to budget for a larger surplus than £667,000 without detriment to the other claims upon us, we shall do so until the financing of the new Delhi is completed. It is on these lines that we are budgeting for 1912-13. We propose to raise a rupee loan of 3 crores, the whole of which, so far as we can at present judge, will be available for Delhi: and we leave our surplus at the unusually high figure of £1½ millions, out of which at least one crore can be used for Delhi. Our estimate of what we shall need for actual expenditure within the year is two crores, shown under a new Capital head which will be observed in the tabular statements. Whatever part of our total provision is not required, will remain in our general balances for future use. The current administrative charges of the Imperial area, as opposed to the initial outlay, will of course be taken in the ordinary revenue account, and we have entered a lump provision of £33,000 in the 1912-13 budget for that purpose.

"MILITARY SERVICES.

"Under Military Services the expenditure for five years is shown in the following table:—

	Gross.				Total.	NET.
	Army.	Marine.	Military Works.	Special Defences.		All Military heads.
	£	£	£	£	£	£
1908-1909	19,177,266	476,957	967,362	29,044	20,650,629	19,602,088
1909-1910	18,901,181	461,157	858,312	28,604	20,249,254	19,112,323
1910-1911	19,131,780	445,867	899,795	7,987	20,485,329	19,204,312
1911-1912 (Budget)	19,444,600	447,300	924,400	6,900	20,823,200	19,675,200
1911-1912 (Revised)	19,872,400	455,200	889,200	7,000	20,223,800	19,590,700
1912-1913 (Budget)	19,084,700	447,100	860,500	20,200	20,412,500	19,094,500

In our Army estimates for the current year we provided £½ million for Coronation expenditure. This grant was designed to cover the military cost of the Delhi Durbar and of the general manoeuvres by which the assembly at Delhi was to be preceded, as well as other military charges connected with Their Imperial Majesties' visit to India, such as expenditure on escorts at Bombay and Calcutta, and also to provide for the despatch of a contingent to England to represent the Army in India at Their Imperial Majesties' Coronation at home. But the unfavourable outlook in the early monsoon period made it necessary to recast the original programme. It was decided to abandon the intended manoeuvres altogether, to reduce the number of troops to be concentrated at Delhi, and, in the interests of the civil population, to rail all troops except those in the immediate neighbourhood. Notwithstanding this modification of the original programme, the numbers brought to Delhi eventually reached the high total of 57,000 soldiers, 18,000 followers and over 20,000 animals. The total expenditure on the reduced scale was finally estimated at £206,700, and it appears that this estimate will be very closely adhered to. The military accounts of the Durbar and other services connected with the Royal visit and Coronation are rapidly approaching completion; and the latest forecast of the accounts authorities indicates a probable outlay of £161,700 (less receipts amounting to £3,500) in connection with the concentration at Delhi, while the total of other expenditure connected with the Royal visit is put at £27,300 and the cost of the Home Coronation contingent at £18,300. These figures do not include the bonus of half a month's pay which was issued to the military services in common with the civil departments, and for which no provision could of course be made in the original budget. This concession cost the Army £165,700.

"The excess outlay thus entailed and the cost of the Abor expedition together with the friendly mission to the Mishmi country (£124,300) may be regarded as met from the lapses which occurred in the schedule provision, owing to delay in the prosecution of various schemes, of which the most important were those of artillery re-armament and line-rebuilding. As regards the ordinary charges, the budget provision was fully utilized and some additional grants were made in view of the improved receipts, with the result that the year is expected to close with a small net excess of £15,500.

"It should be noticed that in both the present and the coming year there is a heavy bill for special services. Apart from the Delhi Durbar and the Abor expedition already mentioned, the arms traffic operations were continued at a cost of £118,000, the total expenditure from the outset up to the end of the current year being thus raised to £340,300; and the Indian Government had also to meet a share (£17,000) of the cost of sending a regiment to strengthen the consular guards in Southern Persia. In the coming year it is estimated that the winding up of the Abor operations will involve an outlay of £35,700. The provision of £133,300 for the continuance of the arms traffic operations is repeated, and £11,200 is provided towards the additional cost of the consular guards. On the other hand, a windfall of £76,700 is anticipated from the absence of certain troops in China.

"Apart from these special services, the budget of 1912-13 has been mainly influenced by the enquiry into the possibilities of retrenchment which was promised a year ago. The schedule grant has been reduced by £75,200, as compared with the figure adopted in the current year, and its application will be limited almost exclusively to the provision of primary requirements of the Army such as guns, rifles, bayonets and swords, and to the prosecution of the scheme for providing Indian troops with sound and well constructed lines, and the continuance of other military works now in progress. In pursuance of the same policy, expenditure has been temporarily curtailed in various directions, and a number of permanent economies effected, while other important suggestions are still under consideration. This investigation will not be concluded until the Government of India and the Secretary of State have received and dealt with the reports of Field Marshal Sir William Nicholson's Committee, which will enquire into army expenditure during the coming summer, and Admiral Sir Edmond Slade's Committee, which has just completed its examination in marine expenditure. Meanwhile the effect has been to curtail expenditure, whether temporarily or permanently, by a sum of £191,200, of which the budget for the year takes account. We are also relieved by the disappearance of the provision for Coronation; Durbar

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expenditure; and though in some directions, and especially in regard to the food charges and the provisions of stores, some additional outlay has to be faced, the final result is a reduction of the net military budget by £180,700, which brings down the total net figure, namely, £19,094,500, to an amount lower than that of any year since 1903-04.

“ Railways.

“ In accordance with the usual practice, I have had the figures of capital expenditure on railways during the last five years brought together, and compared with the similar estimate for 1912-13. The table includes all capital outlay whether incurred by the State or through the agency of guaranteed or assisted companies.

	1907-1908.	1908-1909.	1909-1910.	1910-1911.	1911-1912 (Revised).	1912-1913 (Budget).
	£	£	£	£	£	£
Open lines including rolling stock	7,328,000	8,032,747	6,532,411	5,002,843	5,217,400	6,341,200
Lines under construction—						
(a) Started in previous years	3,000,800	1,306,200	1,482,062	2,055,264	2,636,000	2,578,800
(b) Started in current year	..	146,130	360,291	387,821	265,000	80,000
	10,334,800	10,045,071	8,384,694	7,445,928	8,118,400	9,000,000

“ On the 31st March 1911, the total length of open lines was 32,398·81 miles, classified according to gauge as follows :—

5' 6" gauge	16,758·05
Metre (3' 3½")	13,633·28
Special gauges (2' 6" and 2')	2,007·48
TOTAL	32,398·81

“ During the current year we have added to these approximately the following mileage :—

5' 6" gauge	322·30
Metre (3' 3½")	308·91
Special gauges (2' 6" and 2')	70·11
TOTAL	701·32

During the ensuing year it is intended to increase this length by 790·55 miles.

“ In the current year the return on the capital at charge amounts to 4·99 per cent. as compared with 4·66 in 1910-11, 4·48 in 1909-10 and 3·69 in 1908-09. The rate of interest which we have taken for the year on the debt chargeable to railways is 3·377 per cent.

“ The current year has been more favourable than last year, and the traffic returns show that there will be a large improvement over the Budget Estimates. The improvement is largely due to general development of traffic on railways and to additional traffic in connection with His Majesty's visit to India and the Delhi Durbar. The grants for working expenses are likely to be larger than the Budget Estimate by £346,700.

“ If we take the Railway Revenue Account as a whole and set the interest charges, the annuities and Sinking Fund payments and the minor debits (cost of land, etc.) against the net earnings, we find a surplus of £2,989,300, which accrues to general revenues, against a net gain of £2,017,500 in 1910-11.

“ In the Budget Estimate of next year provision has been made for a decrease in the gross receipts compared with the current year, for reasons to which I have already alluded. The latter includes an extra day's earnings in February, and special traffic in connection with the Royal visit and Delhi Durbar. Provision for working expenses has also been put a little higher on account of necessary renewals

of permanent-way, rolling stock and strengthening of bridges. It is expected that the net surplus after providing for interest charges, which show an increase on account of growth of capital, will be £2,021,900.

"Irrigation.

"The financial position of our great Irrigation undertakings may be gathered at a glance from the following table, which carries on and brings up to date the information that it has been customary to give in previous Financial Statements.

Particulars.	1908-1909.	1909-1910.	1910-1911.	1911-1912. Revised.	1912-1913. Budget.
<i>Productive Works.</i>					
Capital outlay to end of year	£ 28,022,898	£ 29,145,119	£ 30,355,971	£ 31,163,000	£ 33,386,800
Direct receipts	2,213,044	2,240,011	2,230,080	2,314,309	2,225,700
Land Revenue due to Irrigation	1,084,773	1,111,158	1,170,065	1,362,100	1,375,200
TOTAL RECEIPTS	3,298,417	3,350,169	3,400,145	3,676,409	3,600,900
Working Expenses	1,011,140	1,005,481	1,080,404	1,000,000	1,050,000
Interest on debt	930,708	969,829	1,004,080	1,051,700	1,104,000
TOTAL WORKING EXPENSES	1,941,848	2,020,310	2,084,484	2,147,700	2,154,000
NET PROFIT	1,356,569	1,333,859	1,321,070	1,528,709	1,446,900
<i>Protective Works.</i>					
Capital outlay to end of year	2,736,084	3,112,121	3,444,204	3,814,200	4,291,900
Direct receipts	33,930	58,066	51,061	57,900	66,800
Land Revenue due to Irrigation	6,271	6,230	7,940	9,100	9,100
TOTAL RECEIPTS	40,201	64,296	59,001	67,000	75,900
Working Expenses	25,449	28,730	29,217	42,700	55,000
Interest on debt	86,619	97,632	110,730	122,600	130,000
TOTAL WORKING EXPENSES	112,068	126,362	139,947	165,300	192,800
NET LOSS	71,817	62,316	80,946	98,300	116,900
<i>Minor Works and Navigation.</i>					
Direct receipts	210,334	235,091	228,495	243,400	244,300
Expenditure	879,339	889,435	877,728	848,400	909,300
NET LOSS	669,005	653,744	649,233	605,000	665,000

"On the 31st March 1911, 58,261 miles of main and branch canals and distributaries had been constructed, commanding 48 million acres of culturable land, the area irrigated in 1910-11 being about 22 million acres. The productive works during that year yielded a net return of 7·66 per cent on the capital outlay of £30 millions after paying all charges exclusive of interest. The net profit to the State was £1,322,000.

"The revised estimate for 1911-12 shows a net profit of £1,529,000 on productive works and a net return of 8·07 per cent on the capital outlay of £32 millions. Excluding works still under construction the net return on the balance of the capital expended (£26 millions) amounts to 9·78 per cent.

"On the 31st March 1912 we expect to have 58,684 miles of main and branch canals and distributaries constructed to command 48,734,000 acres of culturable land. It is expected that an area of nearly 22½ million acres will be irrigated during the year. In addition to the canals in operation, there are altogether 55 projects which are either under construction, awaiting sanction or being examined by the professional advisers of the Government. Of these 26 are productive, 23 protective and 6 minor works. The two former are designed to irrigate 8·80 and 1·18 million acres, respectively, at a total capital cost of about £31 millions and £6½ millions, respectively. The productive works are expected to yield a net return of 7·28 per cent on the outlay.

"Of the projects referred to in paragraph 48 of the last year's Financial Statement, the Ghaggar, Twante, Mahanadi and Vainanganga canals were sanctioned

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during the year. The other three schemes, *viz.*, the Cauvery Reservoir Project, the Sukkur Barrage and the Rohri Left Bank canal are still under the consideration of the Government of India. Another most important scheme which is now before the Government of India is the Sarda-Ganges-Jumna Feeder project, mentioned in paragraph 63 of the Financial Statement for 1909-10. This work is estimated to irrigate 1,528,400 acres situated in two Provinces, twenty-five districts and three Native States. An estimate for providing permanent Head Works for the Upper Ganges canal, amounting to nearly Rs26 lakhs, is about to be submitted to the Secretary of State for sanction. This work will serve to render the water supplies of the Upper Ganges and Agra canals more assured during critical times. Satisfactory progress continues to be made in the construction of the triple canals in the Punjab. The probable dates of opening of the three canals are as follows :—

Upper Chenab canal—May or at latest October 1912.

Upper Jhelum and Lower Bari Doab—1914.

“The works on the Upper Swat River canal in the North-West Frontier Province are now about half finished and are proceeding satisfactorily.

“ Provincial Finance.

“In saying a few words on the provincial finances I have no intention to try the patience of the Council with a disquisition such as it was necessary to impose upon them a year ago. The scheme of permanent financial settlements which I then described is still in its infancy, though it could not have had a much better start than the current year has given it. The only province that has caused us any anxiety is Burma where the revenue has been disappointing and the turn of the tide has not yet come. In order to prevent either a large overdraft, which under our new arrangements is inadmissible, or practically a complete suspension of its public works, we have made the province a special gift of £133,000 to be spent on the improvement of its communications. The other provinces have all fared extremely well, and I have every hope that the permanence of their settlements will strengthen the spirit of economy and self-reliance in the provincial administrations, while leaving them ample margin for all legitimate expansion.

“The even tenor of our way, however, was broken by a cause which none of us foresaw a year ago. The re-constitution of Bengal means the abrogation of the settlements with the two existing provinces, and has led to the formation of new settlements with the three provinces which are now to take their place. Such settlements we have now framed, and the budgets for next year have been drawn up in accordance with them. It was obviously impossible to endow the new arrangements with the same permanency as in the older provinces. In Behar and Orissa there must be a considerable amount of initial expenditure before the province settles down to normal conditions, and in Assam it will be some little time before we can estimate the permanent requirements of a tract which shows promise of important developments. Moreover the methods adopted in framing the settlements standards were of necessity in some measure tentative and provisional. The arrangements which we have concluded therefore are for three years, in the hope that, after that period expires, it will be possible to gauge the needs of the new provinces with sufficient accuracy to justify us in giving them permanent settlements.

“In all other respects our temporary settlements follow the ordinary lines. In each of the three provinces the Imperial exchequer will receive one-half of the receipts from Land Revenue and one-half of the net receipts from Stamps and Assessed Taxes. In Bengal and in Behar and Orissa it will take half the net Irrigation revenue as well, and in the latter province one quarter of the net receipts from Excise. All other revenue and expenditure will be wholly provincial, and the shares which I have mentioned have been chosen with a view to bring the provincial accounts as near to equilibrium as possible so that the local Governments may get the full advantage of their growing revenues. The standards of expenditure have been fixed with moderate liberality, and besides distributing the existing balances we have strengthened the reserves of the new provinces by initial grants aggregating £782,000. The provinces will thus start their 1912-13 accounts with the following opening balances: Assam with £287,000; Behar and Orissa with £833,000; and Bengal proper with a round £1,000,000. These figures exclude the grants made from the opium windfall in the current year; and the Bengal figure includes £267,000 held for the Calcutta Improvement Trust. Behar and Orissa is treated well because it needs substantial assistance in the task of establishing a new head quarters. Assam is a country

of much promise, where we believe that judicious expenditure on communications and colonizing will amply repay itself in time. Bengal proper has been contending for some years against serious financial difficulties, which we are glad to mitigate, particularly if we thereby facilitate the steady improvement of the administration in the Eastern districts. We trust that our liberality will be justified, and that it will be regarded as an earnest of our desire for the well-being of the three new administrations.

“Ways and Means.”

“The management of our cash balances, and the provision of adequate funds for all the multifarious claims upon them, have presented no difficulty in the current year. Our capital programme for 1911-12 was the expenditure of £9½ millions on Railways and about £1¼ millions on Irrigation. We proposed to pay off roughly £2½ millions of debentures, bonds and floating debt; while on the other hand we meant to add £1½ millions in India and 4½ millions in England (the latter partly borrowed by Railway companies) to our permanent debt. We expected that our cash balances in England and India combined would be reduced from £28½ to £21¼ millions, exclusive in each case of the uninvested portion of the Gold Standard Reserve. The Secretary of State’s Treasury drawings were taken in the budget at nearly £16 millions.

“The actual position has been stronger throughout. The total capital outlay (excluding a small sum for Imperial Delhi) has been only £9¼ millions, Irrigation having used a small fraction of the Railway lapses. The repayment of debt has been what we took in the budget:—£1½ millions of Madras and Indian Midland Railway debentures, £½ million of annual drawings from our Indian Bonds and £½ million of India Bills withdrawn. We have borrowed as we proposed in India: but the operations of our Railway companies in the London market have not been what we expected, and the total addition to our permanent sterling debt has been only a little over £2½ millions. Nevertheless, our cash balances have fallen only from £30¼ to £29½ millions. The great improvement is due chiefly to the growth of the surplus, both Imperial and Provincial; to a large increase in savings banks deposits; and to bigger credits from departmental and judicial deposits. The Secretary of State’s drawings against our Treasury balances have, owing to an active trade demand, been much higher than we provided for. They will probably be as heavy as £24½ millions; our surplus funds in India being thereby transferred to London, so that while our Indian closing balance is a little under 18 crores, that of the Home treasury will be about £17½ millions.

“In 1912-13 we shall have to finance a capital programme of £9,000,000 for Railways and of £1,416,000 for Irrigation, as well as to find £1,333,000 for Imperial Delhi. We also have Madras and Indian Midland Railway debentures to the value of £1,478,000 falling due; and it is proposed to repay the whole of our outstanding India Bills of £4,500,000, as well as to meet the usual £500,000 drawings of India Bonds. Our special liabilities outside the revenue accounts thus come to roughly £18½ millions, which it is intended to finance as follows. We shall have our estimated revenue surplus of £1,512,000. It is proposed to raise a loan of 3 crores (£2,000,000) in India and another of £3,000,000 in England; while it is hoped to obtain £1,810,000 through Railway Companies, apart from the money they raise for the discharge of debentures. This will give us about £8½ millions, and for the remaining £10 millions it may, for all practical purposes, be assumed that we shall draw on our high cash balances. The result of these, and of a host of minor and more everyday transactions, will be to reduce our balances on the 31st of March 1913 to approximately £19 millions. We estimate that the Secretary of State will sell Council Bills and Telegraphic Transfers upon us to the extent of £15½ millions and the result will be to leave £6 millions in the Home Treasury and 19½ crores in India. We may regard 2 crores as being kept in hand for future expenditure on Imperial Delhi.

“Besides the £15½ millions of drawings which I have estimated above, the Secretary of State will as usual sell additional bills on India so far as our resources may permit, if there is a sufficient demand for them. All my announcements about loans and drawings are subject to the ordinary reservations: the Secretary

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of State and the Government of India retaining full discretion to vary the amounts mentioned above in any way and to any extent that may be thought advisable.

“ Retrospect and Conclusion.

“ And now I come, I think, to what we can call Mesopotamia—blessed is Mesopotamia. My Lord, I have nearly finished. But, before I sit down, I may be permitted a few words of retrospect. This is the last session of Your Excellency's Legislative Council which will be held in this chamber, and this year is the closing year of the first triennial term for which the present Council was appointed under the new regulations. Next year we shall meet in different surroundings, and there will probably be a number of new faces among us. In such circumstances it is not unnatural that we should look back across the last three years and register the progress we have made. When I laid my first budget before the Legislative Council of the old régime in March 1909, I ventured to forecast the results of the then impending reforms on the branch of Government business which is immediately under my charge. I said that I did not fear the change. I believed that, though there would be increased and more searching criticism, it would proceed not from any intention to embarrass a public servant who was honestly trying to do his duty, but rather from a desire to help him to effect improvement. I said that I should welcome criticism, because I believed that my critics would be actuated by a common desire to improve the work of those who govern and the condition of those who have to bear taxation.

“ My Lord, I may confidently say that that forecast has been fully realised. It is not the time to sum up the influence which this Council has exercised on the general administration of India, or to estimate the services, which it has rendered alike to the rulers and to the ruled. But I can testify unhesitatingly to the power that the Council holds for good in directing attention to the finances of the country, in scrutinizing expenditure, and in advising the Government on the employment of the public funds. I have always found the criticisms of my non-official colleagues temperate, suggestive and helpful. Unable though we may at times have been to accept their opinions at once, they have not been without their effect on our subsequent arrangements; and even where we wholly disagreed, they have shown us fresh points of view and warned us of probable dangers. It is no exaggeration to say that the free interchange of views which this Council stimulates, has already become a powerful factor for good in the financial policy of India.

“ It is not, however, the tendency of financial thought on which I wish to dwell to-day, so much as the movement of our finances themselves during the last three years. Measured by figures, this has been very striking. The year in which the new Council was elected, 1909-10, was one of slow and painful recovery from the effects of the famine and the international financial crisis of 1907. The shears of economy had to be brought out; but no great retrenchment was possible with the necessary promptitude, and some of the provinces—especially Eastern Bengal and Assam—were in serious difficulties like ourselves. There was also every prospect of a serious collapse of our opium revenue. The whole position was gloomy when the first of its budgets was laid before the new Council, and it was my painful duty to announce the imposition of new taxes. I am not going to fight all that battle over again. Recent events have somewhat obscured the necessity for the measures which we took in March 1910; but I believe they have caused the minimum of hardship; and I am confident that time will justify them, when our opium revenue ultimately dwindles and our other resources are strained by the growing demands for more schools and healthier homes.

“ In 1909-10 we took in hand what I had recognized at a very early stage to be one of the main dangers of our financial stability, *viz.*, our liability for provincial expenditure and our somewhat ineffective control over it. A scheme of permanent provincial settlements was worked out, defining the resources of local Governments and providing a specific procedure for enforcing their financial responsibilities. That scheme is now in force, and I believe that it will be found a source of strength to ourselves and an incentive to economy in the provinces. This reform and a steady campaign against avoidable expenditure occupied most of our energies in 1909-10. But simultaneously the tide turned after the long depression which had

begun in 1907, and since then there has been an almost unchecked advance in financial well-being.

"The actual figures of the period which I am reviewing may be stated very briefly. In 1909-10 the total revenue of India, excluding the gross opium receipts, was £69,100,000; in 1912-13 we expect that it will be £75,700,000. In 1909-10 the total expenditure of India was £73,100,000; in 1912-13 we are taking it at £79,300,000. The growth of normal revenue in the four years has been £6,600,000; the growth of expenditure has been only £6,200,000; and part of this latter figure represents special and non-recurring outlay (probably close on £900,000) out of the opium windfalls of the last two years. We are thus steadily building up our bulwarks against the dangers and the needs of the future. I am indebted to my official colleagues for their cordial co-operation in a policy of economy which, though it is now beginning to bear fruit, must often have been a disagreeable duty, and which I could not possibly have carried through without their cordial assistance and support for which I am extremely grateful.

"An analysis of the expenditure of the period gives remarkable results. The growth in our total spending has been, as I have mentioned, from £73·1 millions to £79·3 millions, or 8½ per cent. Within these totals, however, expenditure on education has risen from £1,705,000 to £3,043,000, or by 78 per cent: and on medical and sanitary services from £968,000 to £1,683,000, or by 73 per cent. During the same four years the growth in Police expenditure has been only 10 per cent and on our Military services it has been less than 1 per cent. There are obvious qualifications to any all-round percentage comparisons like these: but they do not obscure the main issue, the paramount importance that has been given, during the lifetime of this Council, to the furtherance of the objects which I know the Council has closely at heart. I might allude also to the increase in our provision for Irrigation, both productive and protective; but time is short and I must pass on to the more general aspects of our financial situation.

"The most faithful reflex of our general position would be found in an analysis of our public debt and the statistics of our foreign trade: but unfortunately figures for neither of these are yet available for the whole of the period which I am reviewing. So far as our statistics go, there is clear evidence that the additions to our debt since 1908 have been more than covered by the value of the railways and irrigation works which they have helped us to construct and acquire. Our borrowings, both in England and in India, have been studiously moderate; and we have not yet approached the full £12½ millions railway programme which has been advocated. The £6 millions of floating debt which we had to raise in 1908 has been very much on my mind: but it will, if all goes well, be completely repaid next year, thanks in a large measure to our opium windfalls. The condition of our public debt is healthy. About our external trade I have already spoken at some length. Its total monetary value in 1909-10 was roughly 350 crores (excluding Government transactions): in the current year it will touch 415 crores. Even if we discount the element of high prices, this represents a great advance in trade and industry: and as the balance is steadily in our favour, it means a strong exchange, good credit and a ready inflow of the capital which India so badly wants for the development of her magnificent resources.

"The mention of exchange brings me very close to currency. Our currency system has had a remarkable history—a history of which we may be pardonably proud—during the last three years. For a detailed examination of the present position, I cannot do better than refer Honourable Members, if they have not already studied it, to the admirable report on the operations of our Paper Currency Department by our present Comptroller General, Mr. Gillan, published in October last. It contains an able and illuminating analysis of the movements and tendencies of our currency, and exemplifies the new spirit with which I trust that these important developments may be watched and guided. Three years ago, when this Council considered their first budget, the position was unique. Our mints had stopped fresh coinage for over a year. The adverse balance of trade in 1908 had forced us to draw on our Gold Standard Reserve in defence of exchange; and against the gold thus released we had received and withdrawn from circulation in India the enormous quantity of 120 million rupees. Mainly through this cause our rupee reserves at the beginning of 1909-10 were enormously strong: between our currency chests and the silver branch of the Gold Standard Reserve we had alto-

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[*Sir Guy Fleetwood Wilson.*]

gether 47 crores at our command ; and in the strength of that accumulation we have been meeting all demands upon us ever since. The absorption of rupees in the intervening three years has been about 32 crores ; and by whatever test the figures are tried, it is clear that the demand has been less active than in the earlier years of the century, when the resources of our mints were severely strained to meet the calls of trade for silver currency. This change in the habits of India, swift and momentous in its possibilities, has defeated the calculations of silver speculators. It has also absolved me from the necessity of undertaking fresh coinage, in spite of no inconsiderable pressure from interested quarters.

“ To my mind it is a matter of no small satisfaction that the country is taking kindly to other forms of currency. We cannot look for rapid progress in the use of cheques and other banking substitutes for metallic money. But the extended employment of sovereigns and of currency notes will lighten our burdens materially and must lead to greater elasticity and economy. I am particularly hopeful that the sovereign will push its way into popular favour. During 1909-10 no less than £9 millions were imported : in the following year over £8 millions ; and up to December of the current year, a further £8½ millions. I do not attach too much importance to the spasmodic issues of gold for the movement of certain harvests in the more advanced areas. But I am convinced that these masses of imported sovereigns will not all disappear into hoards or the melting-pot ; and that, as the people become more familiar with them, their use as genuine currency will very largely extend. The habit will probably come with a rush, as other changes do in India.

“ No better precedent could be found for the change than the remarkable growth of our paper currency. In March 1909 the volume of the note circulation was 45½ crores. In August 1911 it overtopped 60 crores, and it is now rarely under 55 crores. We can hardly doubt that this rapid development had a share in easing off the demand for rupees. Nor is there any question that it in turn owes its success to the bold policy of universalizing all notes from ₹100 downwards. The old circle system was devised as a precaution against the use of notes as remittances. Its abolition (except for very high value notes) has shown that what the people may remit freely, they will treat with all the more confidence as currency ; and we have the unquestioned authority of the Comptroller-General for saying that no inconvenience whatever has resulted from the extension of the universal notes.

“ In all these ways our currency system has made notable progress in the last three years. We have fortunately been able to refrain from the fresh coinage of silver : we have seen an imposing volume of gold flow into this country by perfectly natural channels : and the people have taken with avidity to a paper currency from which a number of obsolete restraints have been removed. If the free circulation of gold is not so much nearer as some of us would wish, it is certainly no further off. And during these three years our gold reserves have been greatly strengthened and their functions have been more clearly defined. I am well aware how robust and general is the feeling in India that the Gold Standard Reserve should be raised to a still higher minimum, and I confess to a lingering hope that this may yet be found practicable. But the matter rests in the hands of the Secretary of State for India, who keeps and controls the reserve, and who has accepted a wide responsibility for making it effective.

“ In the review which I have now given of the expenditure during the last three years, it will be seen how markedly the character of the allotment to certain services has changed.

“ Hon'ble Members will, I think, look back with satisfaction on the steady increase which has taken place during the first period of the life of the reformed Council in the expenditure on Sanitation and Education.

“ India owes a debt of gratitude to Mr. Gokhalé for pressing to the forefront the claims of Education.

“ He has been fortunate in being able to do so during the Viceroyalty of one who has Education as much at heart as has Mr. Gokhalé himself.

“ If I may be pardoned an indiscretion, I may mention that on the very first occasion when I discussed finance with His Excellency, very soon after he assumed his high office, he expressed a hope that the burdens on the people would not be increased. He added that his chief desire was, that the amelioration of sanitation and the wide and comprehensive diffusion of education should form the chief features of his Viceroyalty.

[*Sir Guy Fleetwood Wilson; Sir James Meston; Sir Robert Carlyle; Mr. Maclagan.*] [1st MARCH 1912.]

"It will be admitted, I hope, that I have endeavoured, by the provision of money, to second Mr. Gokhalé's efforts, to support the Honourable Member in charge of Education, and to give effect to His Excellency's heartfelt desire.

"The trend of expenditure is upward; but it is indeed a hopeful feature of the financial and political progress of this country that the growth of expenditure is occasioned, not by costly military operations, not by exaggerated railway expenditure, not by wasteful extravagance in administration; but by well-considered outlay on services which tend to the moral and material progress of the Indian people."

INDIAN STAMP (AMENDMENT) BILL.

The Hon'ble Sir James Meston moved that the Bill further to amend the Indian Stamp Act, 1899, be taken into consideration.

The motion was put and agreed to.

The Hon'ble Sir James Meston moved that the Bill, as amended, be passed.

The motion was put and agreed to.

CO-OPERATIVE SOCIETIES BILL.

The Hon'ble Sir Robert Carlyle: "My Lord, I beg to move that the report of the Select Committee on the Bill to amend the law relating to the Co-operative Credit Societies be taken into consideration. As I was unable to attend the meetings of the Select Committee, I have asked the Hon'ble Mr. Maclagan to explain briefly the principal changes proposed by the Select Committee."

The Hon'ble Mr. Maclagan: "My Lord, the changes made in the Bill are explained in the Select Committee's report. They are fairly numerous but they are mostly changes in subsidiary points and are of a technical character. I do not propose to go into them in detail now. There are, however, two points to which I would venture to draw attention in connection with the Bill.

"In the first place, the amendments since made do not involve any change in the main features of the Bill as introduced in this Council on the 1st March last year. As stated by the Hon'ble Sir Robert Carlyle in introducing the Bill, the main objects which it has in view are four. In the first place, it extends the Act to all kinds of Co-operative Associations. Secondly, it abolishes the statutory distinction between the rural and urban societies. Thirdly, it relaxes the restrictions previously imposed on the distribution of profits in unlimited societies. And, fourthly, it recognises unions of societies. These reforms in the law have received very cordial support in all quarters, and the changes which have been made in the Bill in Select Committee do not affect these primary considerations.

"The second point to which I would invite attention relates to certain changes which have been made in the scope of the Bill. When the present Act was introduced in 1904, it was explained that the Act had purposely been made simple and elastic. Legislation was restricted to as small a field as possible. The Act was a mere framework and to a large extent nothing more than an enabling Act. This was doubtless the right policy to follow, and it has been most successful in its results. It was a policy comparatively easy to carry out so long as the Act was concerned with Credit Societies only. The present Bill, however, will apply not only to Credit Societies but to Co-operative Associations for purposes of production, consumption, insurance of cattle, and so forth. When once the Act is extended to this class of society, there is always a risk that the special concessions granted by the Act to Co-operative Societies may, in the absence of proper precautions, be utilised by societies of a Joint Stock character for which they were never intended. Now to meet this difficulty we could have laid down a definition to which a society registered under the Act should conform. We could have prescribed certain rigid conditions to

[1ST MARCH 1912.] [Mr. MacLagan; Sir V. D. Thackersey.]

which any society professing to be co-operative should comply. We have not done this. We felt that our experience was not yet sufficient and that it was too early in the history of the movement for us to lay down hard and fast definitions or requirements. At the same time we have not thought it advisable to dispense almost entirely, as the original Bill did, with an indication of the class of society for whom the Bill is intended. We have, therefore, without prescribing definite requirements, added to the Bill certain provisions which either indicate what we want or give Local Governments power to lay down their requirements. For instance, the Act of 1904 had a preamble to say that the Act was intended for agriculturists, artisans and persons of limited means. In the Bill as introduced the preamble, which has, I understand, no legal effect, was omitted, but in the Select Committee we decided that the preamble, in a somewhat modified form, should be restored, so that there should be an indication for what it was worth to the class of persons for whom the measure is intended. Then again we went out of our way to prescribe that a society which wants to be registered must be one which has for its object the promotion of the economic interests of its members in accordance with co-operative principles. What these principles are, we have not defined, and we should doubtless find it difficult to define them. Registrars, however, will doubtless, in the future as in the past, acquaint themselves with co-operative practice and principles as understood in other countries. Now there are two characteristics which are commonly accepted as imparting to a society the hall mark of true co-operation. One of these is that the number of members in a society should not be subjected to any artificial limitation. In other words, the societies should not be in a position to become close corporations. The other is that there should be a restriction on the dividends payable in societies with unlimited liability, so that the profits which should be employed in cheapening the services performed by the society may not be diverted for the benefit of shareholders. We have not laid down either of these conditions as a necessary qualification for a society registered under the Act, but we have given Local Governments power, if they so desire, to insist on these qualifications.

"So, too, as regards the dealings of a society with persons who are not members. Some people would hold that a society which deals for the benefit of persons who are not members is not strictly a Co-operative Society. It is quite true that it may be advisable to prohibit such dealings, but we have not done so in the Bill. In the present state of our experience it would probably be dangerous to lay down any general provisions of this character, but we have left it to the Local Governments to lay down such prohibitions and restrictions on this point as experience may lead them to adopt."

"What we have done in the Select Committee, therefore, is to guard against the misuse of the Act, not by laying down definitely (for that would practically be impossible) the difference between a co-operative and a non-co-operative association, but partly by giving indication of the objects we have in view and partly by conferring on Local Governments specific power to impose certain kinds of restrictions on societies.

"In this and other ways the Bill has certainly been much improved since it was introduced last year. It is intended to promote further a movement which has already made great strides in India and from which the most valuable results may be expected. The Bill now before us is not perhaps the last word which may be said in this Council on the subject, and, as our experience extends, we shall doubtless desire to improve upon it. But, as it stands, it may be regarded as a valuable and beneficent piece of legislation and one which I sincerely believe to be full of promise for the welfare of the country."

The Hon'ble Sir V. D. Thackersey: "My Lord, I beg to support this motion, and in doing so I must say that the present Bill is a great advance upon the Co-operative Credit Societies Act of 1904. My Lord, I firmly believe that in a country like India, the salvation of our agricultural population and of the poor artisan class lies in the application of co-operative principles to their daily life. Since the Act was passed in 1904, great progress has been made in the formation of Co-operative Societies all over the country. I believe that, had our agricultural population been more educated and not so ignorant,

[*Sir P. D. Thackersey ; Mr. Mudholkar ; Mr. Madge ;* [1ST MARCH 1912.]

Sir Robert Carlyle.]

the progress would have been still more rapid. I think, my Lord, that the present Bill satisfies all reasonable requirements of the case. While the scope of the Act has been expanded, there are sufficient safeguards provided for the prevention of abuses. The new Act when it becomes law will, instead of confining its operation to the credit principle only, also permit Co-operative Societies to deal with production and distribution much to the advantage of their members. This will be a very great help to all the members of Co-operative Societies.

"Again, this new Act legalises the grouping of several Co-operative Societies into unions, and this will greatly strengthen the credit of Co-operative Societies, and they will be able to secure money at a more reasonable rate of interest from the central money markets of the cities. I believe, my Lord, that this new Act, when passed, will be of great assistance to the progress of the Co-operative movement in India."

The Hon'ble Mr. Mudholkar : "My Lord, on behalf of those who have been interesting themselves in the advance of the agricultural and of the artisan communities, I wish to accord my support to the motion of the Hon'ble Sir Robert Carlyle. The principle of co-operation and the necessity of its application in India was recognised by the educated people in the country nearly a generation ago. That great man amongst us, the late Mr. Justice Ranade, drew the attention of the educated community to the necessity of applying this principle for raising the agricultural classes and the artisan classes. And it was by the illuminating ideas of what was true public benevolence contained in his addresses and the writings which he published, that the attention of the educated people of Western India was directed to this matter. That was, my Lord, nearly thirty years ago ; long before the Act of 1904 was passed. In recent times, our Industrial Conferences have been devoting as much attention to the organization of real credit as to the organization of the credit of the artisan classes. The present Bill, as has been very aptly pointed out by the Hon'ble Mr. MacLagan, makes far greater advance in this direction than in the existing law. It is because measures like this are calculated to bring together the people of this country and the officers of Government into close contact in a work of utility and public benevolence, that we value it so greatly. I hope, my Lord, that this Bill will prove as great a success as its predecessor."

The Hon'ble Mr. Madge : "My Lord, while congratulating the Government and the Select Committee on the special Bill which vitalises the principle of self-help, I merely wish to call attention to a section in it. I have not proposed any amendments, because I have been led to hope that sub-clause (b) of section 6, page 2, will serve the object which the clause preceding would seem to prevent. Sub-clause (a) requires a member of a registered society to reside in the same town or village, or in the same group of villages, and the clause following gives the Registrar power to allow the members of the same tribe, class or occupation scattered over the country to join a single society. I understand that this clause was first introduced with the object of meeting the case of Indian tribes, classes, etc., but it may apply also to all members of the domiciled community who exist in small numbers in various places scattered over the country, and as applications had been made to one or two societies and it had been held, I hope not rightly, that members of a community like ours scattered all over India could not belong to a particular society limited to a particular place, I hope that the power given to the Registrar in sub-clause (b) of clause 1) of section 6 will enable the Registrar to allow members of the domiciled community in ones and twos in different places to join any society anywhere."

The Hon'ble Sir Robert Carlyle : "My Lord, I understand the clause to have the effect the Hon'ble Mr. Madge hopes it will have."

The motion was put and agreed to.

The Hon'ble Sir Robert Carlyle moved that the Bill, as amended, be passed.

The motion was put and agreed to.

[1st March 1912.] [Mr. Clark; Sir F. D. Thackersey.]

INDIAN POST OFFICE (AMENDMENT) BILL.

The Hon'ble Mr. Clark moved that the Report of the Select Committee on the Bill to amend the Indian Post Office Act, 1898, be taken into consideration.

The motion was put and agreed to.

The Hon'ble Mr. Clark moved that the Bill, as amended, be passed.

The motion was put and agreed to.

WHITE PHOSPHORUS MATCHES PROHIBITION BILL.

The Hon'ble Mr. Clark moved that the Report of the Select Committee on the Bill to prohibit the manufacture, sale and importation of matches made with white phosphorus be taken into consideration.

The Hon'ble Sir V. D. Thackersey : "My Lord, I beg to move that the consideration of the Report of the Select Committee on the Bill to prohibit the importation, manufacture and sale of matches made with white phosphorus be postponed for one year from this day, and that in the meantime His Excellency the Governor General in Council be requested to make inquiries as to the correctness or otherwise of the statement that since 1906 there has been such improvement in the process of manufacture as to obviate the need for legislation, and similarly to make inquiries as to the extent of the hardship that the prohibition is likely to inflict on the poorer people of this country, particularly the agricultural classes. My Lord, four members of the Select Committee on this Bill have signed the Report subject to a minute of dissent, and my reasons for moving this amendment are given in the minute of dissent. The minute of dissent runs thus :—

'A period of close upon six years has elapsed since the Berne Convention was signed in 1906, and it is, we understand, contended that during this time great improvements have been made in the methods of manufacturing phosphorus matches, with the result that the risk of necrosis has been almost entirely eliminated. In the information that has been placed before the Select Committee, there is no evidence to show that this contention is incorrect, and we are therefore of opinion that the case for this proposed legislation has not been substantiated and that consequently the consideration of this Bill ought to be postponed for one year. We further consider that during that time His Excellency the Governor General in Council should be asked to make inquiries as to the correctness or otherwise of the statement that since 1906 there has been such improvement in the processes of manufacture as to obviate the need for legislation and that similarly inquiries should also be made as to the extent of the hardship that the prohibition is likely to inflict on the poorer people of this country, particularly the agricultural classes.'

"A long statement of objections, my Lord, was placed before this Council at Simla by my friend the Hon'ble Mr. Armstrong, who has a great knowledge of this subject, and he was then able to place before this Council details of the figures from England and Germany, and I have no doubt that when he speaks here to-day, he will give again more figures and further satisfy the Council as to the inadvisability of hurrying through this measure. The chief consideration which has induced me to move this amendment is not the question whether the importers of white phosphorus matches will suffer or not, but the question whether the prevention of the importation of these white phosphorus matches will entail any hardship on the poor classes of our people. We all know that the 'light-anywhere' matches, as the term has been used elsewhere, are very popular with the poorer classes, because, in the first place, from one box half a dozen or a dozen poor people can satisfy their wants, and in the second place they are not liable to get bad in wet weather. When we consider that most of our poorer population wear no other clothes than a little dhoti and sometimes less than that, and when we consider the kind of leaky houses in which they generally live and their occupations in outdoor work in the monsoon, we can easily realize their difficulties, and I think it would be a great pity that these people should be inconvenienced by any measure of this kind which is not absolutely justified by facts and figures. The safety matches

can only light on the boxes and many of the Members of this Council may have experienced in the monsoon that, in spite of our water-tight houses, we often find, after the first half-dozen matches are used, the boxes are no good for the lighting of the matches. How are these poor people expected to buy these empty match boxes for the balance of the matches to light on? Apart from this, the members of the Select Committee, or at least those who have signed the minute of dissent, tried to get as much information as possible from the Hon'ble Member in charge of the Bill, and beyond an assertion that all civilised countries in the West had adopted this method, and that at one time in 1906 all civilized countries were agreeable to the Convention of 1906, and that at that time it was proved that the manufacture of phosphorus matches was harmful to workers, we could not get any more or better explanation. But this is insufficient ground; and therefore it is not right that we should entail so much hardship on the poor classes of our people. The amendment that I have the honour to move in this Council does not delay the action any longer than is intended under the Bill itself. The Bill, as amended by the Select Committee, provides that certain sections should not come into operation till July 1913; so there are 15 months from now. Is it unreasonable for the Members of this Council to ask that within these 15 months—that is, before 12 months are over—the Government of India should make inquiries as to the correctness of the assertion whether necrosis had been eliminated or not, and as to the hardship that the poor classes would suffer by this Bill, and lay before Council that information. If we are satisfied, and if the Government of India are satisfied, that the improvement since 1906 do not justify any change of policy, and if the Government of India are satisfied that the poor class of people will not at all suffer by this legislation, by all means the whole of this Council will pass that measure unanimously. But why hurry up this measure, and even pass it by a majority when we have still got 15 months before this Act will come into operation? The principal reason given by the Hon'ble Member in charge of the Bill for taking such a long time for bringing it into operation was this, and rightly so,—that generally orders for matches have been, as a rule, placed long ahead of the time of delivery, and therefore it was fair to the merchants that they should give sufficient notice for discontinuing orders. Well, we have got this Bill, passed by the Select Committee, before the Council and before the country, and the merchants of the country have noticed that it is the intention of the Government of India to put this Bill into operation by July 1913: so we give them sufficient notice. So far as that argument is concerned, we meet the objections of the merchants: but we ask the Government of India to meet our objections and those of other Members and of the members of the public who feel that more facts and figures are necessary before justification can be made out for passing this measure.

“My Lord, therefore, I hope Government will consider this amendment in the spirit in which it is moved, and accept this. As I have already shown, there will not be any harm done either to the Berne Convention of 1906 or to the people who are ordering out matches. The Bill does not come into operation till July 1913.”

The Hon'ble Mr. Armstrong: “My Lord, I am very glad that this amendment has been moved,—an amendment by the way which merely asks for further time for consideration,—and I shall support it because it seems to me that we are still at sixes and sevens over this Bill. When the measure was introduced in Simla, we were told that the object was to stamp out the disease of necrosis which was very prevalent among the workers. But since then inquiries have been made and it has been shown that, at any rate, in Sweden and in Norway, where these matches are made in Europe, the disease, since the signing of the Berne Convention in 1906, has almost disappeared, owing to a very much better class of machinery, better methods of ventilation, better supervision, and so forth. From figures that have been supplied to me of the Norwegian factories, I find that over a period of seven years ending last November the percentage of cases of necrosis was one-eighth per cent. of the total number of workers engaged in the factories, and very slightly under one-

[1st MARCH 1912.]

[*Sir Vilhaldus D. Thackersey; Mr. Armstrong.*]

fourth per cent. of those who were engaged in the particularly dangerous parts of the work. This, of course, is, as I have said, over a period of seven years. We were also told at Simla, that so far as this country is concerned, there was a great danger of the heads of these matches being used to poison people; but not a single instance was given us from any of the police reports for the past thirty or forty years, during which time these matches have been coming to India in very large quantities, to prove this statement. I do not think that there is any fear whatever of matches being used for this purpose, because I have been told on very good authority that in all probability it would require the heads of about 144 matches to effect this purpose. The heads would have to be very carefully detached from the sticks; they would then have to be ground up into a fine powder before they were mixed in the food, and the taste would then be so abominable that no one would swallow it; so I do not think there is the slightest fear of any one being poisoned by these matches. A third reason was that a case of necrosis had already occurred in this country. I must say I was astonished at this, and I was unable to deal with it at the time; but I think it is fully dealt with in the report of the Chief Commissioner of the Central Provinces, whose Secretary when reporting upon the Bill writes as follows:—

‘There are only two match factories in the Central Provinces. The one at Ellichpur in Berar is at present not working, but its manufacture will be confined in future to safety and pyrotechnic matches, and it will, therefore, presumably not be affected by the Bill. The Amrit Match Factory at Kota in the Bilaspur District, however, produces ‘the strike-anywhere’ match, which contains white phosphorus, and the proprietor has submitted a memorial, a copy of which is forwarded herewith for the Government of India’s consideration, protesting against the proposed legislation. In this memorial mention is made of one case of necrosis said to have been reported by the Civil Surgeon at Kota, but the memorialist appears to be under a misapprehension in this respect, for the Civil Surgeon has never known a case of this disease and so far as can be ascertained “phossy jaw” has never been met with in the Province. In those circumstances, a Bill with the object of eliminating absolutely the chance of necrosis appears to the Chief Commissioner to be in effect, so far as any rate as these Provinces are concerned, not so much an amelioration of existing conditions warranted by any practical necessity as a concession to humanitarian sentiment or possibly to trade interests. The concession in this case would, if the memorialist’s representations are correct, be at the expense of a local industry which supplies, and has for eleven years supplied, without detriment to the health of its employes, a variety of match undoubtedly far better suited to the requirements of the poorer classes, and much more widely in use among them, than the safety match.

‘The Chief Commissioner is unable to say how far the same consideration would apply to other parts of India, but he does not think that Government should go further than take legal power to restrict this kind of manufacture if and when it is shown to be prejudicial to the health of workmen in the conditions obtaining in match factories in this country.’

‘I think this opinion of the Chief Commissioner on this question is of very great value. But, my Lord, notwithstanding all this, we are still asked to pass this Bill. So far as I can remember, all the arguments that were brought forward in Simla have now been disposed of. No doubt fresh arguments will be brought forward to-day, and, if so, then this amendment, if accepted by Government, will give us time for further consideration. No one in this country has asked for this Bill; no one wants it; and nearly everyone who has given consideration to this matter has reported against it. The Chambers of Commerce are against it because they see no necessity for it. I do not think the Chambers of Commerce are by any means unreasonable bodies. They are always very willing and very glad to support Government when the necessity has been shown; but in this case they consider that the case has not been proved.

‘Now, no doubt we shall be told later on that there are other ‘strike-anywhere’ matches which could very well take the place of those that we are now asked to prohibit. Whether this is so or not I am unable, at the moment, to say, and if this statement is put forward it is another reason why the amendment should be agreed to, so that the point can be inquired into. But it is not so much a question whether a strike-anywhere match can be found to take the place of these we are now prohibiting, but whether these new matches will stand the damp of the Indian climate, the extreme damp of the monsoon in

[*Mr. Armstrong ; Mr. Dadabhoy ; Sir Cecil* [1st MARCH 1912.]
Graham.]

a great many parts of India. As the Hon'ble Sir Vithaldas Thackersey has told us, this is just exactly where the safety matches fail, and I think we, every one of us, know it from experience: and if these new matches will also fail in this respect, then I say there will be very great inconvenience to millions of work-er in this country. The Royal Inspector of Factories in Norway has reported on this point as follows:—

'That so far as I know, it has not as yet been possible to produce an article without phosphorus that can replace the phosphorus matches, where such matches, considering the climate and other circumstances, cannot easily be dispensed with.'

"Well, now, as regards local factories, I said in Simla that they could, I thought, be very easily controlled. Matches cannot be made in out-of-the-way places, and as I then pointed out every factory must be known, and it would be very easy to lay down regulations that a certain class of machinery must be used, that there must be proper and efficient methods of ventilation, that there must be supervision and inspection. I think there will be no difficulty in laying this down, and it would, I think, be infinitely better than the course it is now proposed we should take, that is, to limit absolutely the manufacture and the importation of such matches into India, these matches being, as I have said, cheap, suitable and in every way very desirable. A delay of a year seems to me, therefore, necessary for further inquiry and for further consideration, and, if we are told of other matches which could take the place of these, for a thorough test of those matches during the monsoon months. I cannot see that this delay would do harm to any one, certainly not in this country, nor, so far as I can see, to any one either in the country of manufacture. I think it will be a very great mistake if this is not accepted by Government. It will give an impression among the commercial community that under a certain set of circumstances the commercial interests of this country are apt to be put aside and not properly considered, and as a few years ago we formed a special Department of Industry and Commerce to look after, develop and take care of our trade, I think it would be a very great pity if an impression of this kind were to get abroad."

The Hon'ble Mr. Dadabhoy: "My Lord, I wish to associate myself entirely with the observations that have fallen from my Hon'ble Colleagues Sir Vithaldas Thackersey and Mr. Armstrong. I submit that there is one recognised line of legislation, and that is, we should not legislate in advance of the times. At present, as has been completely shown, no case or exigency has been made out for legislation of this nature. In my humble opinion this Act is entirely unnecessary and superfluous; at any rate, at the present time. The amendment suggested is of a most reasonable character. I do not see what great hurry there is for passing this Act, and I think the Hon'ble Member in charge of the Bill will see his way to accede to this amendment. We shall only be putting off the consideration of this Bill for a further period of twelve months, and during that period fresh evidence might be collected. Eventually, if no conclusive evidence is forthcoming, the legislation may be dropped; on the other hand, if there are then any very serious grounds for proceeding with it, the Act in its present form may be passed. I do not think that Government will be at all inconvenienced by putting off this legislation for another twelve months, or that public interests will in any way suffer for the delay. I have great pleasure therefore in supporting this amendment, and I do hope the Hon'ble Member in charge will see his way to accept it."

The Hon'ble Sir Cecil Graham: "My Lord, I wish to associate myself with the Hon'ble Member who has just spoken. If any sufficient evidence had been put before us that there was any real danger of necrosis in India at the present moment, or that necrosis was really dangerous under present conditions of manufacture in Europe, I would vote that this Bill should be passed at once; but as no such evidence was forthcoming, I signed the minute of dissent, so that we might be given a year in which inquiries might be made, and that some more evidence one way or the other should be forthcoming. There seems to be throughout India a considerable amount of opinion against the Bill or its necessity, and I think that that opinion should be listened to in this respect, and that this amendment should be adopted. On the

[1ST MARCH 1912.] [Sir Cecil Graham; Mr. Mudholkar; Mr. Mazharul Haque; Mr. Bhurgri; Maharajadhiraja Bahadur of Burdwan.]

evidence before us the only possible advantage in the Bill at the present moment that I can see is that it may to some extent benefit British manufacturers against foreign ones on the Continent; otherwise I am convinced, as it stands, I can see no advantage in the Bill whatsoever."

The Hon'ble Mr. Mudholkar: "My Lord, as one of those who thought it necessary to take the attitude which has been taken about to-day's Bill in the Select Committee, I wish to associate myself with the amendment which has been moved by Sir Vithaldas Thackersey. My Lord, the difficulty which we felt in the Select Committee, a difficulty which has not been removed till now, is the utter want of information on this subject. We wished to ascertain from the Hon'ble Member in charge of the Commerce and Industry Department as to what necessity had been made out for this legislation. We quite conceded that on grounds of humanity it was necessary to take steps for protecting people against diseases of serious character, if there was any real danger; but when we found that the paper before us gave no evidence as to the existence of this disease of necrosis in India, and when we found men who presumed to know what they wrote about had been saying that the recent improvements which have been made in the machinery used in the manufacture of phosphorus matches eliminated all chances of necrosis, it was a matter which certainly deserved further consideration and more information. The alleged case in the Central Provinces had been disposed of by the letter of the Local Government, and we know of no other case in India. On the other hand, it was pointed out both by Local Governments, by persons engaged in the trade, by merchants and manufacturers, that the people who used these matches would be put to serious inconvenience if manufacture or importation of this kind of matches is prohibited. My Lord, there is no case made out for hurried legislation, and I would therefore join with the requests that have been made that the consideration of this measure be deferred till 1913."

The Hon'ble Mr. Haque: "My Lord, I beg to support the amendment which has been proposed by my Hon'ble friend Sir Vithaldas Thackersey. I support it on two grounds—first that no necessity has been made out for such legislation—in the language of lawyers 'the case has not been proved;' secondly, there is no doubt that if the Bill be passed it would entail great hardship on the poor.

"My Lord, if I were assured that there was any necessity for this Bill, I would have been the first man to support it. In my humble opinion it is one of those measures on which Government should not assume a rigid attitude; they should adopt the policy of give and take. Here I find most of the non-official Members, Europeans and Indians alike, are unanimous in thinking that the consideration of this measure be deferred for the next twelve months, and this should be done. With these few remarks I support the amendment."

The Hon'ble Mr. Bhurgri: "My Lord, I rise to support the amendment of my Hon'ble friend on my right (Sir Vithaldas Thackersey). Being a zamindar myself, I can testify that this is the only sort of light used by the raiyats in the mufassal for obvious reasons. My Lord, had a case been made out by the Hon'ble Member in charge of the Bill that the interests of the public health demanded such a measure, it would then have been time for the Council to consider the measure and pass it if necessary. But, my Lord, I ask this Council whether such a case has been made out. I submit, not. On the contrary, my Lord, it has been rightly brought out that it would cause a great deal of inconvenience and annoyance to the great mass of agriculturists in the mufassal who only use this sort of 'strike-anywhere' match, as it has been called by my Hon'ble friend Sir Cecil Graham. Under these circumstances, my Lord, I think the amendment of my Hon'ble friend is a reasonable one, and I hope Government will see their way to accept it."

The Hon'ble Maharajadhiraja Bahadur of Burdwan: "My Lord, I beg to support my friend, the Hon'ble Sir Vithaldas Thackersey, and I think there is no necessity to rush through this small Bill."

[Mr. Sachchidananda Sinha; Mr. Clark.] [1st MARCH 1912.]

The Hon'ble Mr. Sachchidananda Sinha: "My Lord I desire to associate myself with the Hon'ble Sir Vitthaldas Thackersey in supporting this amendment."

The Hon'ble Mr. Clark: "My Lord, the complaint of the Hon'ble Members who have supported this amendment has been that Government has withheld information which ought to have been laid before Council, and that in fact they have not substantiated their case for legislation at all. I deny those charges altogether. When this Bill was introduced in Simla I gave our reasons for thinking that the time had come for legislation of the kind in India. The Hon'ble Mr. Armstrong raised certain objections and I answered them then and there. When the next stage of the Bill was reached, the stage in which we moved for the Bill to be referred to a Committee, when the principles of the Bill could have been discussed, nobody thought it worth while to offer any opposition or comment at all and the proposal was accepted without debate. Then in the Committee, Sir Vitthaldas Thackersey and others wanted to discuss the principles of the Bill instead of its provisions. Well, it was not the fault of the Government if they omitted to oppose the Bill on the motion to go into Committee and it was not the fault of the Government that my Hon'ble Colleague the Law Member, following the universal practice of business in Committee, had to rule that a discussion of principles in Committee would be out of order. Government have no wish whatever to shirk discussion on the matter. The result of all this is that we have come to the final stages of the Bill without any serious attack having been made upon it in circumstances which would have given any opportunity for Government to reply, and personally I am very glad that the question has been raised to-day in order that we can see where we stand.

"The objections to the present motion as stated in the minute of dissent and in the speeches of the Hon'ble Sir Vitthaldas Thackersey and the other Hon'ble Members fall under two heads, the first of which is that the native of India, especially in the agricultural classes, cannot get on without white phosphorus matches; and secondly, that in Western countries where they are manufactured, the improvements in the methods of manufacture are so great that there is practically no further risk of necrosis; that you need not therefore stop importation, and that employing the same methods here, you need not stop manufacture. As to the agricultural labourer, I dealt with that part of the case in Simla; the Hon'ble Mr. Armstrong raised the point and I answered it. We have, to start with, the case of Burma. In Burma the use of these matches has been prohibited for more than 20 years: for 20 years they have done without them, and there has been no serious inconvenience of any kind. I made special inquiries about it to satisfy myself that this is so. What is possible in Burma, is surely also possible in other parts of India. The real fact of the matter is that those who have accused Government of bringing in this Bill on inadequate information, have not taken much trouble to ensure the accuracy of their own statements. The Bengal Chamber of Commerce in writing to the Local Government on the subject of the Bill said that it is a hardship on the raiyat of Bengal to buy safety matches because they cost more and because they are less suited to his needs. Yet, at the present moment, common safetics are imported into Calcutta at lower prices than white phosphorus matches, and mufassal labourers in the Province take a view of their own needs so different from that of the Bengal Chamber that they have practically given up the use of white phosphorus matches. If Hon'ble Members will look at the correspondence which has been circulated with this Bill, they will find a letter from the Chief Inspector of Factories in which he says—'I have frequently purchased matches in many districts in Bengal, but cannot call to mind within recent years having seen any consignment of the white phosphorus match that was so well known everywhere 20 years ago; and he goes on to refer to the safety match as almost universal in Bengal and as procurable in every village. Well, even Chief Inspectors are not infallible; and I have checked that statement by the Customs returns, which show that a little over five per cent. of the total amount of matches brought into Calcutta are manufactured with white phosphorus and that nearly 95 per cent. are safety matches.

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[Mr. Clark.]

"Now I come to the case which the Hon'ble Sir Vithaldas Thackersey has mentioned regarding the habits of the agricultural labourer in Bombay. He said that a certain number of them buy a box of matches, divide the matches among themselves, and go out for the day; whereas if they have to use safety matches, each man will also have to carry a box. I hope Hon'ble Members will not think me very unsympathetic if I say that I find it very difficult to take this argument seriously as a reason against an industrial reform. Just let us consider what it means. We have, say, seven labourers going out to work with a box of matches which holds something like three dozen matches allowing them a daily consumption of some five matches each. At the present moment, they buy one box, divide it among themselves and go off to their work. When this Act is passed, what they will have to do is that each of these seven men will have to buy a box of matches once a week. Hon'ble Members can hardly think that a serious grievance or likely to cause great discontent and unhappiness among the lower classes. It is not as if India was the only country where this legislation is contemplated or has been brought into effect. It has already been carried into effect in other countries where similar climatic conditions exist, such as the Dutch East Indies, several French Colonies and British Colonies, such as Mauritius, the Seychelles, the Gold Coast, Sierra Leone, and Southern and Northern Nigeria; and really, it is hardly conceivable that prohibition should have been effected in all these tropical countries if it involved, as has been alleged, so much discomfort and inconvenience in the rainy season.

"I now come to the argument that the manufacture of matches with white phosphorus has been made so safe that there is no real necessity—or at any rate no proved necessity—for a Bill of this kind. It is said that in the best factories in Sweden, for instance, practically all the risks attendant on manufacture have been obviated; and I have myself discussed the question here with a member of a firm interested in a large Swedish factory who informed me that they have had no cases of necrosis in their factory in recent years.

"I shall return later to the experience of Western countries and the lessons to be drawn from it, but in the first place it must be remembered that we are legislating here not for Sweden or for any other Western country but for India. A great number of Western factories are now using automatic machinery for dipping the matches; ventilating fans of great power are used, and the matches are even packed by machinery; but at the same time all sorts of sanitary precautions for their workmen are also necessary. I do not think anybody who knows the Indian operative will imagine that he will take kindly to sanitary arrangements of that kind. We cannot deal with him in the same way as we can with the European operative, who although he does not like restrictions, is wise enough to know that he has got to put up with them, as the risk is so great. Another good reason why we should take this legislation now is that it is the most suitable moment for the purpose. We do not want to wait until a great industry has grown up with vested interests and the change would involve a great deal of difficulty and loss. There are some half a dozen factories only in India, and one of these has given up the manufacture of white phosphorus matches and has taken to safety matches only. A case of necrosis has already occurred. The Hon'ble Mr. Armstrong has told us that that case did not really exist. I am quite aware that the Central Provinces Government in their letter on the subject of this Bill stated that the case was not a real one. But for once in a way, although I say it with diffidence in the presence of my Hon'ble Colleague Sir Reginald Craddock, the admirable Administration of that Province would appear to have been caught tripping. I will put the facts before Council. The manager of the factory at Kola in the Bilaspur District in his memorial against this Bill said very straightforwardly that he had had a case in his factory. The Secretary of the Central Provinces Administration, in forwarding the memorandum, said that there could not have been a case in the factory because the Civil Surgeon did not know about it. I should like to point out to Council that it is in the highest degree improbable that the manager would go out of his way to invent a case, while it was so particularly to his interest to prove that none had occurred. But what

makes me more certain of the Central Provinces Administration being wrong in this matter, is that the case of necrosis was actually reported in their own official Administration Report two years ago. I would submit to Council that we ought to attach more importance to the contemporary record of 1909 than to this somewhat tardy after-thought.

"After all, whether one case or more have occurred in India does not greatly affect the question. We have the experience of Europe behind us, and we know that, if the industry is permitted to go on in India, sooner or later, cases of the disease will develop and multiply. Even in England in the early days of the campaign against this disease it was difficult to get evidence owing to the men affected leaving the factories, and in India with its relatively nomad factory labour, it is much more difficult. Even now with fuller knowledge the diagnosis is not easy. I have been through the recent Swedish reports, and I notice that even now in Sweden there is a good deal of argument whether certain cases which occur in the factories are true cases of phosphorus poisoning or only cases of periostitis. I submit, Sir, that there is no reason why we should wait for more cases to appear, as they most surely will; or why we should wait for vested interests to grow up, instead of putting an end now to a dangerous industry when it can be done with the minimum of loss.

"I now turn, my Lord, to the argument that in Western countries regulation has proved an entire success. The Hon'ble Sir Cecil Graham has said that if we could show that there was still danger of contagion in Western countries he would freely vote for this Bill, and I think I can show him good cause for doing so. The whole of the evidence shows that other countries do attach serious importance to this danger. This is the history of the countries which joined the Convention of 1906. The United Kingdom joined the Convention as lately as 1908 and Austria in 1909. Both countries had previously tried regulation instead of prohibition, Austria especially, a great match-making country, where the vested interests were naturally strong, holding out as long as she could against the Convention; but both countries had to admit that regulation had proved a failure. Of the other European nations, prohibition is now in force in Germany, France, Spain, Italy, Denmark, Switzerland and the Netherlands; in Russia there is a special differential taxation of white phosphorus matches; in some other of the smaller countries, match-making is a State monopoly and is therefore under control; and in Sweden itself, where the manufacture of poisonous matches is permitted, their importation and consumption is prohibited. I am aware that the United States can be cited on the other side. Any one who has any acquaintance with manufacturing conditions in the United States knows that, in questions affecting labour, the conscience of the American people is only now being aroused; but it is beginning to be stirred in this matter. There has certainly been cause. A recent report of the International Association for labour legislation in which some figures are quoted about the extent of the disease in the United States, speaks of 15 cases of phosphorus necrosis being discovered by Federal Officials in an investigation covering 15 out of the 16 American match factories; and of subsequent personal inquiries in the homes of the labourers conducted by Secretary of the American Section, showing that for four of these factories alone this number should have been increased to 80. I have here too a letter which I have recently received from America through the International Association which comes in very appositely to this controversy. With your permission, my Lord, I will read an extract:—

"We are continually securing new data concerning industrial phosphorus poisoning and two deaths have recently been reported from two of the best ventilated and most sanitary modern match factories in this country—and that means the best in the world. The largest factory of the Diamond Match Company, at Barberton, Ohio, is probably the best ventilated factory of the kind. The air is washed and purified before it is warmed and forced into the work rooms, which are spacious, light and clean. The most up-to-date, automatic continuous process machinery is in use—in fact the most improved, automatic machinery has been invented in this establishment. The Company employs a dentist on an annual salary to look after the teeth of the employes, and employs a physician for medical examination. It maintains a welfare department with a splendid matron in charge; the lavatory facilities are excellent. In spite of these extraordinary precautions, this factory had a horrible death from "phossy-jaw" on July 15th, 1911, and another victim who entered the hospital a year and a half ago has recently had her lower jaw cut out. Other victims are under treatment. The best match factory in New York State had a death from "phossy-jaw" on September 30th, 1911, and we are making vigorous efforts to secure prohibition of the poison by Act of Congress. Our Bill

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comes up for hearing on January 10th, and we believe it will be passed at the present session of Congress.

"So strong has the movement become that in his annual message to Congress delivered in December 1910, Mr. Taft recommended the imposition of a heavy Federal tax on white phosphorus matches as a method, to use his own words 'of stamping out a serious abuse.' This proposal was not adopted, but it seems probable that action of some kind will soon be taken.

"The United States, therefore, is not a fortunate example for those who hold that this legislation is unnecessary. Even Sweden, where regulation is probably more effective than in any other country, is not immune from the disease. The inspection reports for 1902 to 1910 show that in spite of all the precautions which have been taken, 16 cases have occurred in the 9 years under review.

"One other point I have to deal with. It must be remembered that these matches, which are manufactured at such risks to the operatives, contain when issued to the public a violent and dangerous poison. The Hon'ble Mr. Armstrong traversed that statement. I should like to refer him to a recent issue of the United States Census Bureau which specifies 31 deaths from phosphorus poisoning, in 23 of which matches were definitely given as the causes of the poisoning, 12 of the cases being of children under 15 years of age. These dangers are no less real in a country like India.

"My Lord, I have said enough to show that our case rests on very strong grounds. We have not come here to propose legislation without having satisfied ourselves that there is a very good reason for it. We consider that we have ample grounds for going on with the Bill as it stands; but at the same time, I admit that the suggestion put forward by the Hon'ble Sir Vithaldas Thackersey is a very reasonable one. He points out that the Bill is not to come into force in any case until the 1st of July 1913, and section 6, which prohibits the sale of white phosphorus matches, until the 1st July 1914. I agree with him that so long as the Bill does come into force on those dates, it cannot matter whether it is passed this cold weather or next cold weather. The only objection I see to this proposal is this. The reason why we have given such an unusually long interval between the Bill being passed into law and coming into operation is to allow a fair opportunity for the clearing off of the existing stock of matches without undue hardship to the traders. It is clearly necessary to make a proper allowance for that. But if we were to agree now to postpone the passage of the Bill for a year as the Hon'ble Member asks, we could not permit the case of the people who hold large stocks to be brought up again with the request that the date of operation of the Bill should also be postponed for a year. We are allowing more than two years now for the clearing off of the existing stocks. We could not, if we postponed the Bill, allow traders to fill up their stocks again, and to claim another two years from the time when the Bill is eventually passed into law. I will make an offer to the Hon'ble Member. If it is clearly understood that the Bill shall come into force at the dates now proposed, namely, 1st July 1913 and 1st July 1914 (for section 6), I have no objection to ask His Excellency's permission to withdraw it now and to take it up again next cold weather. We are not afraid of our case being impaired by any information that Hon'ble Members may collect in the interval. They want to have the opportunity of further investigating the matter, and we are very glad to give it to them. But I repeat, it must be clearly understood that the argument in regard to stocks cannot be brought forward again next cold weather, nor, if the Bill is passed into law, can its operation be postponed. If the Hon'ble Member will accept this condition and withdraw his amendment, I will ask for permission to withdraw the Bill now and bring it up next cold weather."

The Hon'ble Sir Vithaldas D. Thackersey : "My Lord, I have not the slightest objection to agree to the condition laid down by the Hon'ble Member in charge of this Bill, that if within the next twelve months satisfactory proofs are brought forward and the Bill passes this Council next cold weather, the provision of the Bill (that is, sub-section (3) of section 1) should stand as it is, and that the Bill should come into operation on the 1st July 1914. As Government has thought fit to accept my amendment I will not take up the time of this Council by going over the explanations given by the Hon'ble Member in charge of the Bill. I am perfectly

[*Sir Vitaldas D. Thackersey; Mr. Clark; the President.*] [1ST MARCH 1912.]

sure that, so far as the Bill at present is concerned, I am absolutely unable to say that I am satisfied with the explanation that has been given. Let us, however, hope that satisfactory proofs will be brought forward next year when the Bill comes before the Council; and if it is really the case that such diseases occur in the production of these matches, I will be the first person to support the passing of this Bill.

The Hon'ble Mr. Clark: "My Lord, I understand that the Hon'ble Sir Vitaldas Thackersey will withdraw his amendment, if I withdraw the Bill."

The Hon'ble Sir Vitaldas Thackersey: "I will withdraw my amendment."

The Hon'ble Mr. Clark: "I will ask His Excellency's permission to withdraw the Bill."

His Excellency the President: "The Bill is withdrawn."

[*At this stage the chair was taken by the Hon'ble Sir Guy FLEETWOOD WILSON, Vice-President.*]

RAILWAYS.

The Hon'ble Sir Vitaldas D. Thackersey moved the following Resolution:

That this Council recommends to the Governor General in Council that a Committee, composed of officials and non-officials, be appointed to inquire into:—

- (1) the policy followed at present in fixing goods tariffs and its effects on the development of Indian Industries and on inter-provincial trade;
- (2) the extent, if any, to which the principle of non-interference with vested interests is recognised in dealing with proposals for the construction of new lines with special reference to its effects, if any, on the opening up of outlying tracts and the creation of monopolies in favour of existing lines; and
- (3) the desirability of associating members of the Commercial Community with the deliberations of the Railway Board either by nomination to it of one or two additional members from among them, or by constituting an Advisory Committee of representatives elected from the different important centres.

He said: "My Lord, this Resolution that I have the honour to move in this Council is of very great importance from the point of view of the industrial development of the country which every one of us has so much at heart. Railways as the great distributing agents of commodities are an important factor in the growth of industries in every country, and it is a question of vital interest whether they are proving themselves of maximum use in this direction. I should like to state at the outset that in bringing this Resolution before the Council I do not intend the slightest reflection on those who are responsible for their present management. Our Railways are managed, save with few exceptions, on the most up-to-date commercial principles with a view to give the largest returns to their share-holders and to Government who own the largest share of the capital invested in them. This is as it should be, and my object in bringing forward this Resolution is to show that certain important considerations are lost sight of in the way in which this perfectly legitimate anxiety to earn the highest dividends is allowed to dominate the present policy in regard to freights and construction of new lines. The first part of my Resolution deals with certain features of the present goods tariffs and their effects on the development of Indian industries and on inter-provincial trade.

"In framing tariffs the main consideration with the Railway Companies is naturally to make the maximum profit out of the working of their lines. If lower rates are allowed for the carriage of some classes of goods than on others, it is only from the expectation of a greater volume of traffic and of earning ultimately more profits. Such questions as the development of local industries all over the country hardly enter into their calculations except in so far as the development may be considered by the Railway Companies as a source of greater traffic for themselves. But these, my Lord, are questions of great importance to the people of this country, and my object in moving this Resolution is to enlist the support of this Council to my plea that greater consideration must be

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allowed to them, than at present, in the policy followed by the Railways. We are entitled to ask that this should be done, as India has the inestimable advantage, denied to other countries, of owning most of her Railways. Thanks to the foresight of the originators of our Railway policy, it has been from the first carefully provided that Indian Railways should eventually be the property of the State, and, at the present moment, all the great trunk lines are owned by the State. We should, therefore, be largely immune from the difficulties which are loudly complained of in countries where Railways are owned by private Companies; but, so far as the development of internal trade and industries is concerned, I am afraid this is not the case. Although the Companies which manage many of the State lines hold only from 5 to 15 per cent. of the capital invested in them, yet they practically control the policy in regard to freights to the detriment of the development of local industries, the encouragement of which has been recognised to be the only complete remedy against the disastrous famines to which the Indian people are so frequently exposed. The management of Railways by private Companies was adopted as it was rightly felt that it would be more efficient and economical than State management; but we should be very careful that this does not deprive us of the advantages of having a national system of Railways, by its disregard of every consideration except that of earning high dividends. In particular, my Lord, I think that the Railways have a duty towards the internal development of the country. Where this duty is disregarded, it is incumbent on Government to use every means in their power to set things right. I will give the Council some concrete instances of such a subordination of interests of indigenous industries to the earning of dividends. My first instance is, the traffic in matches. As a general rule matches from Calcutta, Karachi, Bombay and Madras are quoted specially low rates, while match factories in the interior have to pay a higher rate.

“From the Railway point of view it can be truly said that the traffic from ports being heavy, consisting of wagon loads for long distances, it is cheaper to carry than the small quantities of locally made supply from wayside stations where they cannot get a large enough traffic to employ more than a few wagons. My Lord, there is another point of view to consider. In the present development of the country, we can hardly expect to have large factories throughout India turning out wagon loads of matches. It is not right that the small pioneer factories should be placed at a serious disadvantage in competition with foreign matches, and that too in Railways which are owned by the State, that is, by the nation. Even if it entailed some little sacrifice, the same low rates ought to be quoted for local industries if they are not to be crushed by foreign competition. A policy which recognised a duty to promote indigenous enterprise, will not affect the total revenue of the Railway. Even if there is a small loss in such traffic, it will be only for a short time as the development of such industries is sure to provide the Railway in the long run with large traffic and profits.

“At present the North-Western Railway charges its fifth class rates for Ahmedabad matches while it charges a special mileage rate from Karachi port. The East Indian Railway charges the fifth class rate with a minimum of 20 maunds on Ahmedabad matches for all the stations on its line except *via* Agra, where it charges its fourth class tariff with a minimum of one maund; but this concession for Ahmedabad factories cannot be utilised as it is impossible to approach every station *via* Agra. If these special rates are charged from all junctions and the minimum quantity is done away with, factories in Ahmedabad and such other places can despatch separate small consignments all over the country. So far as railways are concerned, the consignments may be smaller, but along with other goods from that station they can always fill up their wagons. It would certainly entail extra work for passing receipts and giving deliveries, but is it too much to expect the State to help even to this small extent in the development of infant industries?

“I will give another instance. Glass factories in India are placed at much disadvantage by specially favourable rates for imported glassware. For example,

the class of glass chimneys—a cheap article fetching not more than Rs. 14 per maund on the basis of the weight of glass—are rated fourth class in the general goods classification, that is, the freight is $\frac{1}{4}$ of a pie per maund per mile. The rates from Amballa to Allahabad on this basis will be Rs. 2-4-5 per maund for 513 miles; whereas the Railway freight on glassware, which includes chimneys and other high-priced articles from Howrah to Allahabad, 514 miles, for imported glassware is only Rs. 1-9-8 per maund. Thus an Indian industry is penalised by the favour shown to foreign goods. Here again the quantity from port may be bigger and that from local factories may be smaller; but a State-owned Railway should try to strengthen the position of the home industry in competition with foreign ones. Here again a slight sacrifice will not make much difference to the revenue, but the industry would be immensely benefited. The same arguments hold in the case of our sugar manufactures. Imported sugar from ports get special quotations, while no such concession is granted to the product of our up-country factories. I need not trouble the Council with more instances as I am sure the President of the Railway Board, who is present here, will admit the fact, that specially low rates are quoted, whatever may be the justification the Railway Companies may urge in support of their action. Inter-provincial trade also suffers owing to the so-called block rates quoted by practically all Railways in order to draw all available traffic to their own line and to prevent as far as possible traffic from their own stations to go on other Companies' lines. This again from the Railway Company's point of view is perfectly justifiable, as no Company can be expected to tolerate the transfer of its own traffic to other lines if it can possibly prevent it. But from the country's point of view, it is clearly not advantageous that merchants should be compelled to send their goods not by the route which gives them readiest access to the best market—whether it be Calcutta, Bombay, Karachi or Madras—but by a route which brings the most profit to the Railway which happens to pass through the particular places. And again, why should the people of such places be hard hit because their geographical position may happen to be between two competing lines? These hardships are unavoidable in countries where Railways are owned by private Companies, but why should they be tolerated in India where the Railways belong to the State? I think a scheme ought to be devised under which the interests of the people may not suffer in the competition between rival Companies.

“In fixing tariffs Railways provide for a reduction of rates as the distance increases. As a matter of general principle, this cannot be objected to. But there can be no justification whatever for carrying goods over a longer distance at actually less cost than over shorter distances. This is done purely as a matter of competition. Many examples of this kind can be quoted. Of course, the low rates charged to places like Delhi are due to competition amongst various lines to appropriate the traffic to themselves. But either the rates charged are fair or they entail loss to the Railways concerned. If the latter, why should all the three Railway lines owned by the State be allowed to cut each other's throat at the sacrifice of our revenue? If the former, then surely it is unjust that people at Lahore should be asked to pay 30 per cent. more for carrying their goods over a distance of 757 miles than Delhi sending its goods over 908 miles. The cotton-mills of Delhi suffer in the same way by specially low rates from stations on the North-Western Railway to Karachi while higher rates are charged to Delhi. We can multiply many instances of this kind. But I will not take up the time of this Council, as I am sure the Chairman of the Railway Board will not deny the fact that such anomalies occur though he may not hold that they are anomalous. These are instances where particular industries and localities are placed at a disadvantage; but there is a more serious case in the Bombay Presidency where the trade of the city of Broach—a rising port—is being actually killed by the adoption of a similar policy. In the old days Broach was a very prosperous port, but since the construction of the Bombay, Baroda and Central India Railway to Bombay it suffered a great loss of traffic, mainly because the sea-route had not been properly developed. In these days of quick traffic no one cares to utilise the old, slow, sailing boats, but since 1909 an up-to-date steamship line has been organised for the port of Broach. Now Broach is 204 miles distant from Bombay,

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and the sea-route, every one knows, is always cheaper than Railways. It was natural, therefore, that the merchants of Broach should avail themselves of the sea-route, and some traffic came that way to Bombay. Of course, this was a loss to the Bombay, Baroda and Central India Railway, though it was a gain to the Broach merchants and traders of the places north of Broach. If that Railway had cut down its rates in order to meet the competition of the steamship line, the trade would have been benefited and no one would have had a right to complain. But the Bombay, Baroda and Central India Railway did something very different. Instead of reducing its rates so as to divert traffic from the steamship line, it raised its rates in several cases for traffic northward, in some cases by so much as 200 per cent. How all the rates were manipulated has been clearly described in a petition presented to the Collector by the citizens of Broach consisting of merchants, ship-owners, mill-owners, tradesmen, etc., in December 1910. I understand that the Government of Bombay have forwarded this petition to the Government of India strongly supporting the contention of the people. His Excellency the Governor of Bombay, Sir George Clarke, than whom it is difficult to find a statesman with a keener sense of duty in protecting the legitimate rights of the people, referring to this complaint, remarked :—' Railways are made for India and not India for Railways.'

" I do not find fault with the management of the Bombay, Baroda and Central India Railway, because it is doing what any private individual would do to make as much profit as possible. An individual does not care if in order that he might make one rupee, several others have to lose several rupees, provided he is honestly earning his one rupee. But here again I am asking the State which owns this Railway—is the State justified in killing the port of Broach for its own revenue ?

" The Bombay, Baroda and Central India Railway is one of our best managed lines. It employs a large number of Indians in the higher posts and has endeavoured to its utmost to meet the convenience of the travelling public. But in this case, while the Railway is right from the point of view of the interest of the shareholders, the people of Broach have a justifiable claim to fair treatment from the hands of Government. A redress of this grievance of the people of Broach and the traders of the places north of it, is urgently needed. If Government cannot over-rule the Railway under the existing agreement, they should adopt some other means, such as compensating the shareholders of the Railway Company for the loss that they may suffer by giving up this penal rate north of Broach. But the State ought not to allow the Railway owned by itself to ruin the material interests of the public of Broach.

" It has been said that the traffic affected is not the legitimate traffic of Broach, because before the sea-route was developed the traffic went by the Railway. We may as well argue that the traffic is not legitimate, because if no sea existed, Broach would never have been a port. The fact remains that Broach is a port and that the sea traffic is developed. Who is to decide whether the traffic is legitimate or illegitimate ? Are the owners of the Railway who are interested in its profits to decide, or are the traders whose business is ruined ? Keep both routes open on fair terms and let the traders choose that which is most convenient to them. My Lord, further there is a serious grievance of the commercial communities against the form of 'the owner's risk notes' and against the way in which extraordinary high rates (in some cases 120 per cent. higher) are charged for the carriage of goods at railway risk. Under this policy it often becomes absolutely impossible for the owner to send his goods at railway risk, and thus Railway Companies get absolved altogether from the liability on the carriage of such goods. On principle this policy of differentiating the rates cannot be objected to, but care must be taken that the Railway Companies do not charge more than what may be reasonably considered a fair insurance premium for the risk taken by them. Surely 120 per cent. higher rate is not reasonable, as it cannot be said that our Railway management is so bad that the actual average loss of goods in transit justifies such heavy premium. My Lord, such instances of fixing tariff with the sole object of earning the biggest

dividend can be multiplied, and I have a large list of such instances, which I shall be glad to place before any Member of this Council who desires to pursue this subject further. I may also draw his attention to the admirable and instructive articles on this subject contributed in the *Empire* by our worthy citizen, Mr. R. D. Mehta, C.I.E., who has thus done a great service to the country. Sir F. S. P. Lely, C.S.I., K.C.I.E., a very distinguished member of the Indian Civil Service (now retired) in Bombay, who knew the people intimately and entertained deep sympathy for them, in his book entitled *Suggestions for the better governing of India* observes: 'The Traffic Manager wields an irresponsible power over the country commanded by his Railways which should not be entrusted to any man, and least of all to one who rightly from his own point of view regards nothing but his masters' dividend under certain wide limits set down by Government. By a slight re-adjustment of rates he can, and sometimes does, crush a rising home manufacturer in favour of a foreign customer. An amoned Code of Civil Procedure occupies for days and months the wisest of the land, but is of less practical consequence to the people of a district than the local goods tariff book.'

"This is the opinion deliberately expressed by a very high Government official who spent the best years of his service in India, moving in the district and watching the needs of the people.

"While I have been observing this policy of fixing tariffs for a long time, it naturally occurred to me to ask, what does the Railway Board do? I cannot imagine that it would shut its eyes to the interests of the industries and commerce of the country. I have the highest respect for my friend the Hon'ble Sir T. Wynne and for his desire to do what he can in the interests of the country. Some time ago I discussed some of these matters with him, and I understood from him that the Railway Board has no power to interfere in fixing the rates provided they were within the limits—minimum and maximum—prescribed. If that be so, I can only say that the handing over to the Railway Companies such wide powers in their contracts is the most unfortunate thing that could have happened to this country. After all, the Railways were not leased to the Companies for want of money; from 80 per cent. to 95 per cent. of the purchase capital is either supplied or guaranteed by the Government of India. The only consideration which induced the contracts was that private management was better than Government management. It would seem, however, that we had not sufficiently considered the interests of industrial development in framing the contracts. Cheap carriage of goods is a main factor in industrial development, and, as we have seen, the Managing Companies not only do not recognise any duty to encourage local industries, but they in some cases actually discourage them by penal rates. But Government have still sufficient power to influence the action of the Railway Companies as the country has to provide any additional capital that may be required. I hope that Government will give special instructions to the Railway Board to examine the conditions of each industry and prevail upon the Railway Companies to fix such tariffs as would not affect them injuriously in competition with imported articles and as would also afford inter-provincial trade full scope of expansion.

"I will now come to the second part of my Resolution. The extension of Railways to many times their present mileage is a great necessity of India. The Committee on Indian Railway Finance and Administration, presided over by Sir James Mackay, now Lord Incheape, in their report published in 1908, pointed out that in their opinion the estimate that the existing 30,000 miles of railways in India should be increased within a short time to 100,000 miles, was short of what would be ultimately found to be necessary in India, and they were convinced that there would be fruitful fields for much productive expenditure on railways for many years to come. They added that in their opinion the steady and even rapid development of the Railway system of India should be regarded by Government as one of its most important duties. The Government of India have, I need hardly say, fully realised the importance of the extension of Railways. Recently very satisfactory terms for the construction of feeder lines were issued by the Railway Board. These I have no doubt

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will materially encourage the extension of feeder lines, and I hope the progress will be much more rapid than it has been in the past. So far as these terms are concerned, they are satisfactory; but I am afraid too much weight is attached by the Railway Board to vested interests in withholding sanction for new lines when such lines are likely to divert some portion of the traffic of any existing lines. I will give a few instances. There is a proposal to construct a line from Ranpur on the Bhavnagar Railway to Dholka, a station on the Ahmedabad-Dholka Railway, which would shorten the distance between Ahmedabad and the Bhavnagar port and thus effect a saving to the merchants in railway freight. Moreover, it would develop a large part of the country which at present has no Railway connections. Messrs. Killick, Nixon & Co. and the Bhavnagar State have jointly agreed to construct this line, and they have applied to Government for sanction to carry out the project. It seems that sanction has been withheld because the Bombay, Baroda and Central India Railway has objected on the ground that its traffic would be affected. Why should the traders of Ahmedabad and all surrounding districts be asked to send out goods by a circuitous route and pay extra freight on them, and why should that portion of the country remain undeveloped at considerable loss to the people living there because the present Railway, which provides the circuitous route, objects for reasons of its own? And after all the Bombay, Baroda and Central India Railway own only a part of the present line. I will give another instance. It is proposed by the Mysore Government to construct a line from Erode in Southern India on the South Indian Railway to Nanjangud and through Mysore to a station on the north Arsikere, a station on the Madras and Southern Mahratta Railway. The new line will be of 224 miles in length and will develop a considerable part of the country. Here again difficulties have been raised on the ground that some part of the traffic may go through this line, which now goes by the present circuitous route from Erode *via* Jalarpet and Bangalore. The distance between Erode and Arsikere is 301 miles by the circuitous route; while by the new line it will only be 240 miles. Is the development of this vast country, and the consequent advantage to the people living in this area, to be subordinated to the interests of the existing line? Are the interests of the commercial and trading community, which would be immensely benefited by a shorter route, not to be considered?

“There is another instance where a vested interest has come in the way of legitimate Railway expansion. I refer to the case of the Bombay, Baroda and Central India Railway which is urgently in need of a link between Muttra and Aligarh. The question was raised on a previous occasion in this Council, when the Chairman of the Railway Board replied that vested interests have to be considered. This line will give the shortest route to Bombay from the fertile country round about Aligarh, the junction for all North Indian Railways. Apart from the advantages which Bombay may secure by the shorter route, the part of the country through which the Muttra-Aligarh line would pass will be greatly developed and the producers round about Aligarh will be able to secure the highest rates for their produce owing to the keener competition of purchasers. Are these interests of the people to be subordinated to vested interests? These are only a few instances out of many that can be cited. But I hope I have said enough to convince the Council that the practice of withholding sanction for the construction of new lines, on the sole ground of interference with vested interests, is detrimental to the proper development of outlying tracts and is calculated to create a monopoly in favour of existing lines.

“My Lord, I do not wish to be understood to mean that no consideration should be paid to the vested interests of the existing lines. I admit that where a proposal is made to run a parallel line to the existing line without opening up any new tracts, Government will be perfectly justified in refusing its sanction. But I contend that vested interests must be given a secondary place when a Railway line is proposed which runs through some outlying tracts whose development it will greatly stimulate and where the interests of the commercial and trading community are concerned. If we are to have a hundred thousand miles

or more of Railways, as recommended by the Railway Committee, how are we going to have them without treading upon somebody's toes? It is to the interest of the country that it should rather earn a somewhat smaller return for a hundred thousand miles and withdraw all conditions which hamper the free development of every part of it, than earn a larger return on 80,000 miles only and run the risk of retarding the opening-up of undeveloped tracts. Of course, from the point of view of the existing Companies, it is to their interests to earn large profits on small capital by trying to monopolise as much as possible the existing traffic. But there again, as I have already observed, from 85 per cent. to 95 per cent. of the capital invested on the Government lines comes out of India's revenue, and we are entitled to have a controlling voice in preference to the shareholders owning between 5 and 15 per cent. of the capital when it is a question of the economic development of the country. Further, the contracting Companies have an interest of only about 5 per cent. on the excess profit over the minimum.

" I now come to the third part of my proposition, *viz.*, the desirability of associating members of the commercial community with the deliberations of the Railway Board either by nomination to it of one or two additional members from among them, or by constituting an Advisory Committee of representatives elected from different important centres. This follows as a natural corollary from the first two parts of my proposition, in which I have endeavoured to impress upon Government the necessity of giving special consideration to the development of industries and to conserve and protect the interest of the commercial community. The Railway Board, I admit, has shown that it has the interests of India greatly at heart in dealing with Railway Companies, and has often used its good offices when complaints have been brought before it. But anxious as we know its energetic President is to help on India's advancement, he is powerless to dictate to the Railway Companies so long as in manipulating their rates they keep within the limits of minimum and maximum rates. I have asked that Government should give special power and special instructions to the Railway Board to alter the present policy on the lines I have indicated. But this, my Lord, will involve a great amount of extra work, and will demand a special knowledge of industries and trade in order that such responsibility can be satisfactorily discharged. The Railway Board as at present constituted can hardly be improved upon so far as expert knowledge of Railway management is concerned and their ability to discharge that part of their functions. But we cannot expect these Railway experts to take up the extra responsibility that will devolve upon them as a consequence of these suggestions, if my proposition is accepted. We should give the Board some extra assistance in the shape of experts in industrial and commercial matters. Such a combination of expert knowledge in Railways, with special experience in commercial and industrial affairs, will be of immense benefit to the country. The commercial member on the Board should have, in addition to his general duties as member, the special function of attending to the interests of commerce and industries. He will attend to complaints and suggestions from commercial representatives and bring them forward before the Board and would assist the Board with his opinions on them. There will also be a further advantage in that the expert members on the Board will have more time to devote to the work which they are best qualified to discharge. I should like to affirm once more that I do not intend by this proposal the slightest reflection on the Board, which, as I have acknowledged, has done admirable work. The proposal is on the principle familiar to us in our daily life, as well as in the Government of India. In the Executive Council of Your Lordship we have a law expert as Legal Member, we have a Finance Member a special expert sent out from England, we have His Excellency the Commander-in-Chief as an expert in the defence of the country, and so on. The question is of such vast magnitude and the interests involved are so many, that it is impossible to expect an agreement on all sides with the views I have expressed. I hope, however, that what I have said will be considered as making out a sufficient case for the inquiry which is all that this Resolution asks Government to institute. I hope therefore the Government of India will see their way to accept this Resolution. "

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[Mr. Mudholkar.]

The Hon'ble Mr. Mudholkar : " Sir, I rise to accord my support to the Resolution that has been moved in such able terms by my friend Sir Vithaldas Thackersey. For some years past the attention of those from among the people of the country who have been taking part or interest in its industrial and commercial development has been directed among other things to the principles and policy which guide the administration of railways in this country, and especially to those features of it which seem to them unfavourable to such development. The Council is aware that there has been an All-India Industrial Conference holding its session annually since 1903, and Provincial Conferences are also being held in the different Provinces. The Government of Madras and the Government of the United Provinces also convened Conferences at Ootacamund and Naini Tal, respectively, to discuss questions relating to industries in which they were interested. On several of these occasions some features of Railway administration bearing on indigenous industries and trade were discussed. At the meeting of this Council held on the 3rd January 1911 questions were put by my friend the Hon'ble Mr. Sinha in regard to Railway rates and their effect on the growth of indigenous industries. The reply of the Hon'ble the President of the Railway Board to these questions, which though it was pretty long, not only failed to carry conviction, but did not meet the objections involved in those questions. Since then an eminent citizen of Calcutta, Mr. R. D. Mehta, has published a series of articles pointing out a number of anomalies and flaws in the methods followed by Indian Railways, especially those connected with rates for the carriage of goods. Now, Sir, I wish to make it clear at the outset to the Council and to the various Railway Administrations that those who criticise their policy and methods fully recognise the vast benefits which Railways have conferred on India, and the indispensable part they play, not only in our industrial and commercial activities, but in our every-day life also. Such a recognition, however, ought not to blind us to any defects which might be existing, and ought not to prevent the demand for improvement.

" Confining myself to the issues raised in this Resolution, I wish to add a few observations to supplement those which the Hon'ble Sir Vithaldas Thackersey advanced in his telling speech.

" One of the complaints made in regard to Railway freights is that they are excessive. In the statement which the Hon'ble Sir T. R. Wynne made on 3rd January 1911 he said that the Government is not prepared to agree off-hand to the statement that existing Railway rates on goods of indigenous origin are generally excessive. Now, Sir, a reply of that kind coming from a person of such high authority would under ordinary circumstances have been doomed conclusive. But there is an authority, who must be deemed equally high, who does say that relatively speaking the fares and rates charged in India must be regarded as high. In the report which the late Mr. Robertson, who was appointed ten years ago to inquire into the administration and working of the Indian Railways, this subject is specially dealt with. He says : ' the fares and rates charged in India, judged from the standpoint of the actual money payment made, are considerably lower than those charged in England ; but for a comparison to be of any value, consideration must be paid to the circumstances of the two countries. Taking the cost of construction and working in England and comparing them with the cost of construction and working in India, and in every other respect if like is compared with like, I think it will be found that the fares and rates in India should, broadly speaking, be only about one-sixth of those charged in England.' He proceeds to establish by figures that before the fares and rates charged in India can be regarded relatively as even equal to those in England the former would require to be lower than the rates now charged—for passengers, by about 18 per cent. to 40 per cent. ; for general merchandise by about from 30 per cent. to 60 per cent. ; and for coal by about 40 per cent. to 60 per cent.

" He went on to say that such low rates as these reductions would involve are not impossible of adoption. Those therefore who say that Indian rates on goods are high have good warrant for saying so.

"The second complaint is that not only do the schedules of rates for the different Railways show numerous anomalies, but they throw far heavier burdens on indigenous articles and on inter-provincial trade, and that preference is shown to imported articles and to articles of export, as also to certain favoured industries and localities. There is not the least insinuation that these rates are devised deliberately or of set purpose to do injury to local industries or trade. But that the result of those rates is such will appear to any one who studies facts. I ask the Council to bear with me for a moment while I recount a few facts—and they are very few—out of the numerous which I can quote in support of what I say. I have got tables here, Sir, which will show how curious the anomalies are and how hard are the cases which the Council has to consider.

"In one table I give figures culled from the tariff schedules of the chief Trunk Railways which show instances of higher rates charged on shorter distances than on longer ones. For instance, from Delhi to Howrah, which is 903 miles, for a wagon load of wet hides they charge Rs. 170-1-0; from Khurja to Howrah, a distance of 852 miles, they charge Rs. 284, that is, Rs. 113 more. From Nagpur to Bombay, a distance of 520 miles, the charge on cotton is 12 annas; from Akola to Nagpur, a distance of 158 miles, the charge is Re. 0-10-6. I shall not tire the Council by reading all the 30 or 40 cases which I have noted down on this paper I have in my hand.

"In another table I quote a few instances to show that rates from and to ports like Calcutta, Bombay, Karachi, etc., are lower on articles imported from abroad, or are generally exported abroad, than those charged on the same kind of articles when inter-provincially consigned. The rates in the latter case are greatly in excess. Thus, from Peshawar to Karachi, a distance of 929 miles, the charge per maund for cotton at railway risk is Rs. 1-5-0, and from Peshawar to Delhi, a distance of 585 miles, the charge is Rs. 1-8-8, which is Re. 0-3-8 more than that charged from Peshawar to Karachi, and the distance is shorter by more than 350 miles. From Multan to Delhi, a distance of 458 miles, the charge is Rs. 1-8-8, and from Multan to Karachi, a distance of 577 miles, it is Re. 0-14-0, that is, five annas less. You will find that the difference is this. The charge in the case of Karachi to Multan is 33 pie per maund and in the case of Multan to Delhi it is 50 pie per maund.

"In a third table I go to show how some places are favoured. For example, Cawnpore gets better, that is, lower, rates than Delhi. Cotton consigned from Amraoti or Hinganghat to Cawnpore is at a lower rate per mile than from either place to Delhi. Similar is the case with consignments from Chandausi to Cawnpore and Chandausi to Delhi.

"In a fourth I give instances to show that there is positive discouragement to Indian industries. Thus imported sugar from Bombay to Cawnpore, a distance of 840 miles, is charged Re. 0-13-6 per maund, while indigenous sugar going from Cawnpore to Akola, a distance of 649 miles, is charged Re. 1-2-4. Sugar going from Bombay to Barsi is charged Re. 0-6-6. This is imported sugar for the most part. While jagree, which is inferior and rough indigenous sugar, is charged Re. 0-9-9, that is, 50 per cent. more if taken from Barsi to Bombay. While the Government and the people are anxious to revive the sugar industry, and are spending vast sums for that purpose, the Railway Companies are imposing upon its products heavier burdens.

"Sometimes the lowest possible rates are quoted for seeds exported from the United Provinces to Europe, but for oil the rates are the ordinary classified rates. For seeds from Allahabad to Howrah, the charge is half of what the consignees from Calcutta to Allahabad have to pay on their consignments of oilcake.

"Cotton seed for export has the benefit of the lowest rate for seeds, but oilcake or cotton seed oil or cotton seed consumed in the country is not allowed such low rates on most of the Indian Railways. The rate for cotton seed from Cawnpore to Bombay, a distance of 992 miles, is Re. 0-8-3 per maund; from Delhi to Karachi it is Rs. 0-7-7 for a distance of 908 miles, constituting 08 and 1 pie per mile; whereas the rate for oil from Cawnpore to Hathras is Rs. 0-5-0 per maund, that is, 4 times and $3\frac{1}{2}$ times as much as the rate for the cotton seed exported.

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"The rate for oil-seeds from Allahabad to Howrah is Rs. 0-5-3. Oil-cakes consigned from Howrah to Allahabad have to pay Rs. 0-9-1, that is, a little less than double.

"The fares from trade centres from where two or more lines start or where they meet are so devised by each Railway as to attract greater traffic to its line. The interest of the public is not kept in view in this scramble for traffic. We have what are called the 'block rates', whereby a Railway on which a certain traffic originates prevents that traffic going by a shorter route worked by another Railway. The Railways are owned by the State, and as the Companies have to work only in the interests of the country, it is undesirable that this state of things should continue.

"With regard to the other portions of the proposition, I can only accord my hearty support."

The Hon'ble Sir T. R. Wynne: "Sir, I have listened to Sir Vithaldas Thackersey's speech with the greatest interest as it deals with a matter of very great importance, and I thank him for the very moderate way in which he has placed his case forward and for his testimony that Railways are working their lines as they should do. Briefly, his point is this, that as a commercial proposition the Railways of India are being worked as they should be, but he says that, owing to the large interest the State has in Railways, Railways should be worked in the interests of trade and not so much as commercial dividend-producers. And he further argues that if the State is unable, under its contracts with the Companies, to accomplish this end, then it is a most unfortunate thing for India and that a remedy should be applied. Well, while holding the opinion, for reasons which I shall give later on, that Railways do quote rates with the object of developing local industries, I may as well say at once that Government, under the contracts with Companies, has no power to order a Railway Company to quote special rates as would meet Sir Vithaldas Thackersey's wishes, even though it happens to own all the Railways in India.

"It would be useful if I explained how the situation has arisen, and how it was that Companies were employed in the early days of Railways in India to make and work Railways and how it was that they have been given this latitude in the matter of rates. The decision to employ Companies to make Railways in India was not based, as Sir Vithaldas thinks, on the idea that private management was better than State management.

"In the year 1845, when Railways first began to be made in India, the Government of India and the Secretary of State were not in a position to raise as loans the money required to build Indian Railways."

The Hon'ble Sir Vithaldas Thackersey: "May I, Sir, with your permission, correct a misunderstanding, because the Chairman of the Railway Board may be arguing the point what was done in 1845 and in the early days of Railways in India. I refer in my Resolution to the contracts that were renewed with the Railway Companies only within the last five or eight years."

The Hon'ble Sir T. Wynne: "Sir, I shall be dealing with Sir Vithaldas' point later on, but, Sir, I am obliged, to fully explain the position, to trace back to the time when Railways all over the world were then in their infancy, and the idea of a Government owning and working its own Railways, or that a time would arrive when there would be a demand that Government should have the right to specify rates for each commodity, had never entered anyone's head. Moreover, all Railways in all countries were then being made by Companies.

"To these circumstances it was due that the early Railways of India were Railways owned and worked by Companies, under such financial terms and conditions of working as were necessary to enable the

necessary capital to be raised. Later on the State undertook to build and work Railways itself, but after a time difficulties were experienced in raising sufficient funds by loans, and in 1884 a Select Committee of the House of Commons was appointed to inquire into and report upon the necessity for more rapid extension of Railway communication in India and the means by which this object may be best accomplished. This Committee in their report stated they had given great attention to the merits of State operations as compared with construction and working by means of Companies, and were of the opinion that it was desirable to employ both agencies. They further added that the Government should retain in their own hands a power of fixing or from time to time varying the maximum of fares and rates, subject to adequate provisions to secure the interests of investors.

"These shortly are the reasons why Companies began the construction and working of Railways in India and continue to do so at the present time.

"Now, out of the fact of Companies being used to build and work Indian Railways in the first instance have arisen conditions which at present do not permit of the Government of India acting in the manner which Sir Vitthaladas desires.

"When you invite capital to invest in an undertaking, you have to make it quite clear (especially in the case when one party to the contract is a Government holding larger interests in the country besides those of its Railways) exactly to what extent that Government is entitled to interfere in fixing the charges which a Railway may make.

"It is obvious in a country like India, where the Government is so largely interested in land and draws its revenues from many sources of taxation, besides having to pay large sums for transport, it might be to the interest of Government to reduce Railway receipts in order to secure more revenue in one direction, or savings of transport in another. In such a case, the interests of the shareholders and the Government would become divergent.

"In these circumstances, the early investors in Indian Railways, contracted under contracts between the Government of India and the Railway Companies, insisted on a clear understanding as to the power which Government might exercise over rates and under which they would be protected against such contingencies I have just indicated.

"The form which this protection has taken in all Indian Railway contracts is that Government has the right to fix the class in which each commodity shall be placed, and the maximum and minimum rate for each class. Within these limits the Companies are left to use their own discretion in the matter of the rates which they will charge.

"It may be urged that modern contracts should have provided for the State having more control over rates. It is true that as the old contracts expired new contracts were entered into, but the investors and the money market having become accustomed to certain conditions it is no easy task to modify them without prejudicing the raising of capital. Every new contract is more favourable to Government from the financial point of view, and instead of Companies owning the lines as they used to do, the lines are now the property of the State, the contracts being working leases and the shareholders providing a small share of the capital. In the minds, however, of those controlling the money market and the shareholders, the possible arbitrary reduction in rates by Government has not been disregarded, and for this reason the old protection in regard to power of control of rates by Government has been insisted on.

"This being the position, I have now to deal with Sir Vitthaladas's opinion that it is an unfortunate one for India and should be remedied.

"To begin with, I would point out that, without Companies, India would not have had as large a Railway system as it has at present. Sir Vitthaladas

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[Sir T. R. Wynne.]

has correctly stated that 18 millions share of the capital belongs to the State, but he has left out of account the debenture capital, which is a very large amount indeed. It often happens that it is more convenient for the Secretary of State to ask the Companies to raise money by debentures. Out of 264 millions sterling spent on Railways in India, the sum of 49½ millions has been provided by Companies in shares and debentures which represent many miles of Railway which would not have been built if outside capital had not been employed. This is some compensation for the lack of Government control in the direction which Sir Vithaldas advocates. The main reason, however, why I cannot agree that the position is an unfortunate one and which requires immediate remedy is because the position is not as Sir Vithaldas and Mr. Mudholkar has described it to be in all good faith.

"Local industries are, in my opinion, largely assisted in their development by Indian Railways. What a Railway wants is traffic, and it is to its interest to quote rates that will produce this traffic whether it is to a port or local. Indian Railways quote rates to assist local developments, and as evidence of this I have here two goods rate books of the East Indian Railway and the Bombay, Baroda and Central India Railway. You will note the large number of pages in each of these books in which are enumerated the special rates for local and inter-provincial traffic—rates which are lower than the Companies could insist on.

"Furthermore, to illustrate the attitude of Railways in regard to rates for the development of local interests, I will refer you to a very useful Industrial Conference which was held in the United Provinces in 1907, when Mr. Chatterjee was placed on special duty to inquire to what extent Railway rates were hampering local developments of trade. The report of this Conference was sent to the Railway Board by the United Provinces Government, their letter ending with these very sound remarks:—

'The Lieutenant-Governor is aware that the question of Railway rates is an extremely technical and difficult one, and he would have some hesitation in forwarding suggestions which are not based on expert knowledge and which in many respects will probably be found to be open to criticism. He is convinced, however, that an industrial awakening of the country is in progress which will lead to the most important results, and as he understands that a general revision of Railway rates is now being discussed he desires to put these suggestions for the encouragement of industries before the Railway Board for their consideration.'

"The action which the Railway Board took was to send the report of the Conference to the different Railways, expressing the opinion that it was deserving of their most careful consideration. The Railways met in Conference and considered it, and, as a result, several reductions in rates were made, by putting the articles in question into different classes with lower maxima to that in which they had been before, and the following unanimous resolution was recorded:—

'That Railways have given and will continue to give sympathetic consideration to any question of rates calculated to assist in the development of local industries.'

"This, I claim, establishes the attitude which all Railways agreed to take up in 1908, and which seems to me to be quite in accordance with Sir Vithaldas's views of the fitness of things.

"Again, only last week replies were received in answer to a reference from the Railway Board to some of the leading Railways relative to a reduction of rates on oil-cake to be used as a fertilizer and its relative position as regards oil-seeds which shows that this attitude is steadily adhered to.

"One Railway pointed out that the local rates for oil-cake were very much lower than for oil-seeds and for several stations were the same as for coal, the second Railway reduced its rates for oil-cake, the third Railway said there had been no requests for a reduced rate, but that it would be quite prepared to quote rates to meet the demand.

"I am quite prepared to admit anomalies do exist in local rates; they exist in every country in the world; but I am not quite sure that Sir Vithaldas has been quite happy in the cases which he has cited. The Ahmedabad match case is one about which a great deal has been written. I think I am right in saying

that special rates are now quoted for this factory, and that it is allowed wagon rates on a minimum of 81 maunds instead of the 175 maunds which is insisted on in the case of the foreign match from Bombay. With regard to the remarks about Broch, the subject is the development of local industries, and I do not think that a Railway should be prevented from competing with seaborne traffic. At the same time, I cannot help thinking that the reason why Railways do not sometimes quote the rates which producers desire to secure in order to help on the business, is often due to the trader not being in close touch with the Railways and placing his position clearly before them; and I think this is the reason rather than reluctance of the Railways to meet the trader.

"I base this opinion not only on my own experience in India but also on what happened in 1906 in England. English traders had been complaining in a general way for some time that English Railways favoured foreign farm produce by quotation of favourable rates as compared with those charged for home produce. A Committee was then appointed to inquire into the rates charged by Railway Companies in Great Britain in respect of the carriage of foreign farm and dairy produce from the ports to the towns, and into the question whether there was any evidence to show that preferential treatment was accorded to such produce as compared with home produce, and, if so, what further steps should be taken either by legislation or otherwise to secure the better enforcement of law in the matter.

"It is a parallel case to the matches, glass and sugar case referred to by Sir Vithaldas. The Committee came to the conclusion that no legislation was necessary, because the evidence which they had taken showed a marked absence on the part of the complainants to take the action which they might have taken to get their difficulties remedied.

"My advice is that those desirous of developing local industries should cultivate very close relations with the Railway Administrations whose assistance they require. I feel sure the Railways will respond, and the Railway Board have assisted in the past, and always will be ready to assist individuals in the future, in settling a rate which is fair to the Railway and reasonable to the producer; but it cannot, as I have explained, order that its views shall be enforced in such cases under existing conditions if the Railways will not agree to it.

"On this question of Railways being worked in the interests of the trade of the country and not solely as commercial undertakings as stated by Sir Vithaldas Thackersey, it will perhaps be interesting if I quote an extract from a report by the Board of Trade of England on the Railways in Germany issued in 1909. It is interesting, as it brings out the fact that in a country where the Railways are practically all owned and worked by the State, there is still a great deal left undone in the way of rates for developing local industries, in the way Sir Vithaldas would recommend.

"The extract is from the Report of the Chamber of Commerce for Essen, and the opening lines run as follows:—

'The decisive rôle in the nationalization of the Railways was the standpoint that the State lines would be made to serve in the first line of economic considerations and with their aid the economic forces of the country would be developed and a considerable impetus be given to agriculture, industry and trade.'

"That is, I take it, Sir Vithaldas's idea.

"The Chamber then proceed to explain that this result has not occurred and give as one of the reasons the fact that (exactly as in India) the 'economic interests' of Railways were not kept apart from the financial and fiscal interests of the State.

"They also record that great difficulties are opposed to an extensive reduction of rates and that such reductions as have been made have proceeded at a very slow rate. They also refer to shortness of rolling stock.

"This is what has happened in Germany, where all Railways are practically owned and worked by the State, and the reason for it is that in the quotation of rates you cannot entirely neglect the financial claims of Railways to some

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consideration, especially in India and Germany, where Railway receipts are part of the Imperial Budget. The result is that some very difficult rate problems have to be solved. What, off-hand, seems the obvious thing to do may, when investigated, often show that the quotation of the low rate demanded can only benefit the producer at the expense of the Railway or some one else in the same trade elsewhere. If any member is anxious to appreciate the complexity of such rate problems, I recommend him to read *Railway Problems* by Professor Ripley. He will find it very hard reading, and I venture to think that when he has finished he will approach apparently simple rate questions with great caution.

"I will make use of that book to answer the question asked by Sir Vithaldas: 'Why should people in certain places be hard hit by Railway rates because their geographical position may happen to be between two competing lines?' My answer is that you arrive at apparently most anomalous decisions when all the considerations affecting a rate are taken into consideration. For instance, in America there is an Interstate Commission to which may be referred all questions of rates charged by Railways. One of the cases which came before this Commission was the 'Chattanooga' case. In this case the rates were higher to Chattanooga from certain other stations than they were to another station 151 miles further away. Apparently a gross anomaly! The Commission, which is not interested in any way with the Railways concerned and whose sole duty is to deal fairly with cases before them from every point of view, including the Railways, came to the conclusion that, taking the many considerations which affected the case into calculation, the higher rate to Chattanooga had not been shown to be unreasonable.

"In the same way good reasons could be advanced why the rates from competitive points to the ports should be lower than the intermediate rates. The Hon'ble Mr. Mudholkar has referred to what seems to be chiefly competitive rates. To go into this fully would take up too much time and would necessitate the careful examination of the financial, administrative and economical, etc., considerations involved. The interests of the country served by the Railway in respect of the rates it would have to charge on intermediate traffic, if it did not carry a share of the competitive traffic in question, and the interests of the port served, are also important factors in this case.

"There is one more point to deal with the first part of the Resolution, namely, the quotation by a Railway of its maximum rates permissible. These are generally called block rates. Sir Vithaldas has very correctly described why these rates are quoted and has recognised their fairness from the point of view of a Railway dividend. But there is another reason why these maximum rates should be allowed. The trade to and from the ports, under the rates that have been charged in the past, has in course of time developed spheres of influence for each port.

"Taking it all round, Calcutta trade receives certain advantages through its Railways quoting maximum rates against other ports in its favour, and as Bombay Railways do the same in Bombay's favour, it pans out on the whole fairly well to both sides. Inter-provincial traffic is not carried for long distances, and the maximum rate that may be charged is fixed by Government. Furthermore, State revenues are very much interested in this matter. If any Railway mainly interested in taking traffic to Calcutta and now quoting its maximum rate for a short lead in the direction of Bombay, say, was obliged by law to reduce this rate considerably, it would at the same time have to reduce its rate to Calcutta in order both to retain its traffic to and in the interests of that port. This would affect other rates it might be quoting from many other stations.

"In a very short time the receipts of this Railway would show a very considerable reduction, very largely at the expense of the Government revenue from this line."

The President: "The Hon'ble Member has exceeded his time, and he must bring his remarks to a conclusion."

The Hon'ble Sir T. R. Wynne: "Sir, I remember once attending an old Council meeting when Lord Curzon was here, when he said that if a gentleman

[*Sir T. R. Wynne; the President; Mr. Clark.*] [1ST MARCH 1912.]

would like to hand in his speech instead of reading it he would not object. May I be allowed to hand in this paper containing the remarks I have still to make, and may they be considered as having been read?"

The President: "I have allowed the Hon'ble Member considerable latitude because I felt quite sure that I should be acting in accordance with the wishes of the Council as this is an important subject in regard to which he is a specialist. But, of course, I must keep an even balance between him and other Members, and therefore I think if he will kindly shorten his remarks and bring them to a conclusion as soon as possible, we shall get on better."

The Hon'ble Sir T. R. Wynne: "With regard to the question of vested interests, I feel sure that when Sir Vithaldas takes it into his head to promote Railway Companies to increase the Railway mileage of India which he so strongly advocates, it is certain that when he has built these Railways and opened them and somebody comes forward with a proposal to make a line or lines in competition with them that Sir Vithaldas will supply one with unanswerable arguments as to why these new lines should never be made.

"As regards the question of the Commercial Member on the Railway Board, it would be very difficult to select a suitable man, as the field is so narrow. It is also difficult to appreciate how a man conversant with, say, the grain and seeds business in Bombay could assist the Board in dealing with tea and jute in Bengal.

"My time is too short to enable me to develop my further arguments, so I will now conclude."

The Hon'ble Mr. Clark: "I am afraid, Sir, that I have already taken up a fair share of the time of Council this afternoon, but in dealing with this Resolution I will be as brief as possible, especially as my Hon'ble friend the President of the Railway Board has dealt with the earlier part about rates and the more technical part very thoroughly. At the same time, I think I ought to say a few words upon it, partly because the Hon'ble Sir Vithaldas Thackersey is entitled to hear the views of Government from the Member in charge of the Railways, and partly because the line of argument which he has adopted also affects me in my other capacity as Member of Commerce and Industry. His argument, in the closely reasoned and very moderate speech which he has delivered, has been that the inquiry which he advocates is necessitated in the interest of commercial and industrial development in India. He complains in fact that the Railways, which he says—and I am very glad to have his testimony—are most efficiently run from a purely Railway and financial point of view, are not utilized, as they might be, to assist commerce and industry; and I gather his view also is that in certain districts, at any rate, the Railway policy is actually inimical to trade.

"I think I shall not be wrong in assuming that in proposing a Committee of Inquiry, the Hon'ble Member has in view the question of Railway rates more especially than the other two subjects mentioned in his Resolution. It is without question the most important of the points he brings forward; and it is one which, for reasons I will mention later on, I think it is an excellent thing that we should have had an opportunity of discussing in this Council. He will not expect me to go into details as the President of the Railway Board has done, but I will just place a few observations before Council, showing why in our judgment the appointment of a Committee would not be the best way of dealing with the situation. I take it the Hon'ble Member does not intend to suggest that the policy now adopted in regard to Railway rates interferes with the trade of India as a whole. Trade has developed very rapidly during the last few years, and not only that, but the traffic on the Railways has developed very rapidly. If Railway rates as a whole had been inimical to commercial interests as a whole, that would not have been possible. At the same time I do not deny for a moment that anomalies do exist in certain localities. These anomalies are largely due to the Indian system of separate and, in some cases, necessarily competitive Railway administrations. The policy of Railway Companies, which at first is usually

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towards direct competition, tends very rapidly towards mutual agreements and understandings which reduce competition practically to a minimum. In England, for instance, competition, especially during the last two or three years, has practically come to an end. In India, though lines working more or less parallel to one another are for the most part not in acute competition, there is always the cleavage between the East and the West, the result of which is that areas, so to speak, on the watershed, such as Delhi, benefit by competitive rates to Bombay and Calcutta, while, on the other hand, the Companies working the main trunk lines running east and west put on block rates over short distances under their control, in order to induce traffic to go over a long lead on their own systems to the ports in which they are interested rather than over a short lead on to their rivals' systems. There is nothing of course unusual about this or unfair, as I think the Hon'ble Member himself has admitted. But it unquestionably leads to certain places enjoying peculiarly favourable rates and to others paying block rates, at any rate in one direction. I do not mean to suggest that competition is the sole cause of anomalies of rates occurring. You also find Railways habitually giving a lower charge for a longer distance from or to a port as compared with intermediate places. These are all anomalies, but they are anomalies which result from a very natural state of things, a state of things which is accepted as a commonplace of Railway management.

"Now if I understand the Hon'ble Member's proposition correctly, what he would wish to see is that Government should have power to step in and say to these Companies—'We object to your putting on a block rate here, and to your giving special competitive rates there, or to your giving special reductions for import or export trade. You ought to equalise rates as far as possible over the same distance; and one locality ought not, whatever the reasons, to be favoured above another.' This is a very plausible contention, and I should think most people would have a good deal of sympathy with it. But I think my Hon'ble friend the President of the Railway Board has shown how impracticable it is under our present system and having in view the contractual relations of Government with the Companies. He has shown, too, how very complex these rate questions are, and how very difficult it is for Government, even if it had a very free hand, to interfere in the matter. And I think he has shown also that Railway Administrations do not approach these questions in an unreasonable spirit; that they are ready to meet the difficulties of traders; and, where existing rates are interfering with trade, to modify them. It is clearly in their interest to promote trade and to get localities opened up; for the development of trade in a given district means more business and more profits to the Railway. It must be remembered that the Traffic Manager of a Railway is not omniscient, and until he is approached in regard to a given commodity, it is not always easy for him to strike a suitable rate. In such circumstances, he will probably place the commodity in the maximum class and then on receipt of representations reduce it to meet the requirements of the trader and at the same time to create traffic on his Railway. The position therefore is really, that what is mainly wanted is for traders and agriculturists to come forward more freely and to place themselves in closer communication with the Railway Companies. Now the question I should like to put to Council is whether the appointment of a Committee is really the best way to achieve this object. A Committee of Inquiry would go about India; it would ask for grievances; it would ask people to bring forward cases where they thought their interests were not properly considered by Railways. Everybody, agriculturists and traders, would have a try at getting a lower rate for his goods whether he had a good case or not, and the real grievances would be swamped in the sham ones. A very good instance of what would occur was afforded by that Committee appointed in 1906 in the United Kingdom, to which Sir T. R. Wynne has referred. I remember its appointment very well and the kind of discussion which led up to it. It was partly due, like many Committees of the kind, to parliamentary pressure from the local members, who said that their agriculturist constituents were being penalised by having to pay heavier rates on their goods than were paid on produce

imported from abroad and shipped direct by rail to London. It sounded an exceedingly plausible case and as if there must be a very serious grievance underlying it; but when the Committee looked into the matter, they found that the greater number of these agriculturists had not even taken pains in the first instance to try and get reasonable rates by the ordinary methods of approaching the Companies, and so on. We do not want an inquiry with that sort of result here. What we do want to do, as I said, is to get the trader into closer touch with the Company. They would then be able to discuss these things, and be able to arrive at a satisfactory conclusion, and, if the services of the Railway Board were of any use in coming to an arrangement, I am quite sure that they would, as in the past, do their very best to help. I said just now that I was glad that the Hon'ble Member has brought forward this Resolution. I think it specially useful that we should have had this discussion at a time when it will help to indicate the true difficulties of the case and to show that it is not quite so easily dealt with as may appear. I think anyone who has listened to today's debate will realise something of the complexity as well as of the importance of these problems. If Government do not consider that a Committee is now desirable, it is that the first step, as it seems to them, is that the needs of traders should be brought more clearly before the Railway Administrations. The Hon'ble the President of the Railway Board has put this side of the case, I think, very clearly, and Hon'ble Members will, no doubt, remember that he speaks not only as an official of Government, but also with the experience of an officer who has had the running of one of our great Railway Administrations.

"I turn now to the second and third parts of the Hon'ble Member's Resolution. The first of these relates to the question of vested interests in connection with proposals for the construction of new lines. This question must after all be mainly a matter of degree. You clearly ought not to attach excessive importance to vested interests; but, at the same time, you cannot afford to disregard them altogether. I cannot help thinking that in putting down this part of his Resolution, the Hon'ble Member had principally in mind the case of the proposed extension of the Nagda-Mutra Railway to Aligarh which the Bombay Chamber of Commerce have very hotly advocated. I have reason to remember the case well because I was approached on the subject on the very day after I first landed in India. The Bombay Chamber loses no time and no opportunity over matters in which they take a strong interest, and they are very wise to do so. This is no time to go in detail into all the pros and cons of this much debated question; but it affords a good example of the danger of neglecting vested interests altogether. Rightly or wrongly, it is generally assumed that the sphere of the East Indian Railway is generally supposed to extend up to the east bank of the Jumna. The Bombay Chamber's proposal is to push a Bombay line through to Aligarh. I am not now discussing the merits of the case on either side; but one thing is quite clear, and that is that the extension, if authorised, would lead to a strong competition of rates of the kind which the Hon'ble Member has already deprecated and which would probably end in a considerable loss of revenue. This shows how careful you have to be in these matters. As I have said, this question of how far vested interests should be taken into account must be one of degree. No Committee, so far as I can see, could lay down hard and fast principles to guide the Railway Board or Government in taking a decision in the many cases which must continually arise; and therefore I cannot agree with the Hon'ble Member that there is a case for having this subject examined in this particular way.

"Something of the same kind must be said with regard to the third proposal, that we should have one or two commercial members on the Railway Board, or that there should be a sort of permanent Advisory Committee to assist the Board with their advice on commercial matters. Again I would submit that whatever may be the merits of these proposals *per se*, there are really no grounds for referring them to a Committee. Hon'ble Members will remember that the constitution of the Railway Board was examined only as recently as 1908 by the Committee on Indian Railway Finance and Administration presided over by Lord Incheape; and certain alterations were then made in its structure. It has had a little more than three years to run in its revised form, and it would

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be premature to institute another inquiry into it at present. As to the merits of the proposal, I am sure the Hon'ble Member will appreciate the difficulty of getting a man who would really be of very much use to the Board. It sounds a very plausible proposition that we should have a commercial member, but we can only get a man who is experienced in one particular branch of business and who would not know much outside of it. A Member with financial experience would no doubt be of use to the Board in the scrutiny of a new contract; but this, I gather, is not what the Hon'ble Member has in view. The purely commercial member who, generally speaking, would be a man who had gained commercial experience in a single branch of trade, would, as the Hon'ble the President of the Railway Board has said, have little useful knowledge outside that sphere. I also think that we have hardly reached the stage yet when an Advisory Committee would be of any great assistance in India. Business men in India are generally hard worked, and most offices are shorthanded. It is difficult to see how an Advisory Committee could be formed which would be prepared to meet together from different parts of India, and confer with any frequency with the Railway Board, especially as an essential part of the idea would, I take it, be that the Committee should contain representatives from all parts of India, and certainly from the two great commercial centres in the east and the west, Calcutta and Bombay. No doubt the proposal would be facilitated by the approaching change of the capital of India from Calcutta to Delhi; but even then I hardly see how the thing can be done. It seems to me that it would be far better for the present, at any rate, to retain the existing system by which the members of the Railway Board meet the different commercial interests in the different centres, and obtain commercial opinion from the Chambers of Commerce. The Chambers of Commerce in India are very active bodies and they are not, in my experience, behindhand in bringing their grievances before Government and stating them very fully. I hope the Hon'ble Member will not think that I say this in any spirit of obstruction towards his proposals; but I honestly think that it would be more convenient for the commercial community generally that the present system should be continued.

"I have set forth as briefly as I can the reasons why Government think that they should refuse the Committee of Inquiry proposed by the Hon'ble Member. There hardly seems scope for an inquiry by a Committee except in regard to the first subject which he has mentioned, namely, that of rates. There I fully admit that anomalies and difficulties arise, but, as I have explained, I do not think that they would be best met in the way he suggests. Government regret, therefore, that they must oppose the Resolution."

The Hon'ble Sir Vithaldas Thackersey: "Sir, I have listened very carefully to the speeches of the Hon'ble the Member for Commerce and Industry and of the Chairman of the Railway Board, and I must say that neither of them has given any satisfactory explanation for the conditions under which the industries of India suffer so heavily. I am very sorry that the Chairman of the Railway Board was not able to finish his speech because I was very anxious to know what possible defence could be offered on behalf of the anomalies I referred to in my speech. However, to the extent that he has replied, I will take his points one by one. He says Railways were started in 1845 or somewhere about that time, and that then it was not quite easy for the Government of India to raise all the capital required for Railways. Well, that was not my point. I say, Railways were started in 1845, but the contracts expired in 1870, in 1900 and in 1907; why did you then enter into new contracts for management with those Railway Companies? The only argument that could be urged would be, perhaps, that those who were responsible for the making of these contracts thought that Company management was better. The fact remains that the Railway Companies only own 7 per cent. of the capital and we own over 93 per cent. Out of the total outlay on Indian Railways of 264 millions sterling, only 18 millions belong to Railway Companies. The 35 millions that are raised by debentures are guaranteed by the Government of India. Surely, the Government of India did not go to those Railways for want of 18 millions when they themselves financed about 250 millions. There must be some other reasons.

The argument that we went to them for money does not hold good. The Hon'ble Sir T. Wynn said, that when Government invited capitalists to subscribe for Railways, unless they gave them a free hand they would not respond. It might have been necessary in 1845, but when contracts become due, all that you had to do was to pay off the shareholders. Instead of that you allowed them to continue on very favourable terms. Surely, in making new terms, no one can complain if you do not give those shareholders a free hand. Then the Hon'ble the Chairman of the Railway Board said that Railway Companies, for their own benefit, tried to quote low rates for inter-provincial trade, so that they might get the most traffic. Well, I have admitted that general proposition in my speech. But the question is, what if the Railway Companies do not consider that there will in some individual cases be any immediate profit? I will give one concrete example. A very influential Railway Company, only a short time ago, in reference to a Government communication, said that any reduction favourable to a certain local manufactory would kill the traffic in imported commodity from Bombay which was much against the interests of the Railways. Well, Sir, this is the argument of the Railway Company. If a Railway Company believes that matches made in Ahmedabad or Allahabad or any other place will reduce the traffic from Bombay to Allahabad, it is not in the interest of the Railway to reduce that rate, but it is in the interest of the nation which finances the Railways to so reduce it. The Hon'ble Sir T. Wynn said that the Railway Conference in 1908 accepted Mr. Chatterji's recommendations. I am very glad that they accepted his recommendations, and if they begin to remove just grievances, they will have plenty of them brought before them, and there will be no reason to come before the Imperial Council. Then, Sir, the Hon'ble the Chairman of the Railway Board, made only a passing remark about Broach, that the trade had doubled in two years and therefore there was no necessity to interfere. Well, I say, that the grievance of the Broach people is real and that the Broach trade is being killed.

"Sir, in this case at least the Government of India have the power of interference, and if they do not exercise their power, the merchants will have a stronger grievance against the Government of India. I have in my hand a contract entered into between the Secretary of State and the Bombay, Baroda and Central India Railway, dated the 8th April 1907. In paragraph 25 it says 'the Railway Board may at any time require the Company to quote over the Railways comprised in the undertaking such rates in respect of the conveyance of passengers and goods to and from western ports lying between Karachi and Bombay inclusive, as may be necessary in the opinion of the Board to secure the carriage of trade to and from such ports on equal terms.'

"Here is a clear power reserved under the contract to the Government of India, and Broach shall have a just grievance against the Government of India if they do not exercise the power reserved to them. Broach does not want more than equal treatment at the hands of the Bombay, Baroda and Central India Railway, as provided in paragraph 25 of the contract.

"Then, Sir, I come to the question of block rates. The Hon'ble Chairman of the Railway Board has said, as also the Hon'ble Member in charge of the Department of Commerce and Industry, that it was a very difficult matter to deal with. It is natural that the Railway Companies should try and prevent their traffic going to other lines. Well, with all that I agree, but what would have been the condition if all the Railways had been owned by one Company? Take the instance of Bombay, Baroda and Central India, East Indian Railway, and the Oudh and Rohilkhand Railway or any other Railway: within their respective lines there are no such block rates. It is because Railways belong to different Companies, and each Company tries to appropriate traffic to itself, that such circumstances arise. My argument is that the whole of the Railways belong to the State, and therefore there should be on the whole one general policy, that Railways should have no block rates against one another. Let the Great Indian Peninsula traffic go to Calcutta and the East Indian Railway go to Bombay and the Oudh and Rohilkhand Railway go to Karachi. There should be fixed charges according to greater or shorter distances, but there should not be block rates for preventing the natural development of trade; and I do not

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see what difficulty can arise in following such a policy when contracts expire in future. The trade should be allowed to go wherever the merchants feel justified in taking it.

"Then it is said, if you properly approach the Railway people, they will listen to you. I do not know what is the proper way of approaching the Railway people. The agents of the Ahmedabad Match Factory had a great deal of correspondence with the Bombay, Baroda and Central India, the North-Western and the East Indian Railways, and they also wrote to the Chairman of the Railway Board. From nowhere did they get their grievances removed. I will give you an instance. Of course, properly to approach often means, 'use influence,' if you have. Take the instance of Cawnpore and Delhi. Cawnpore is a large industrial centre for cotton, and so is Delhi. Every Railway that goes to Cawnpore has rates for carrying cotton to Cawnpore, because the large mill-owners of Cawnpore—I need not mention their nationality—know to approach the Railway Companies. Take now the case of Delhi. There are a few mills owned by Indians and we are asked to believe that they do not know how to approach. The mill-owners of Delhi put their grievances before the Hon'ble Member for Commerce when he went to Upper India Chamber of Commerce, and were asked to approach the Railway Company. I think this way of asking individuals to go to the Railway Companies for favours or to use influence is the worst thing that we can do. There should be rules and regulations, and a policy fixed, and we should get things by right and not by favour."

The Hon'ble Mr. Clark : "I ought to explain that I did not for a moment mean to suggest that the Hon'ble Member should go to the Railway Companies and ask for favours. I only meant to say that the Railway Companies are not necessarily in a position to know the requirements of every form of trade, and unless the Traffic Manager is informed by the people interested as to what they want, he cannot know where rates are unduly high."

The Hon'ble Sir V. Thackersey : "Sir, I am glad to have the explanation given by the Hon'ble Mr. Clark. But would you believe, or would this Council believe, that during the last two or three years, when the crop of cotton round about Delhi was bad and mills had to shut down for want of cotton, that they did not approach the Railway Companies to bring cotton from places like Multan at lower rates? I have got instances. Multan to Delhi is 458 miles and the rate is 50 pices per mile or Rs. 1-3-6 per maund. Multan to Karachi is 577 miles, and the rate is 14 annas 6 pices per maund. For carrying goods for 577 miles to Karachi port the North-Western Railway charges 14 annas 6 pices, and for carrying to Delhi, a distance of 458 miles, it charges one rupee three annas. Is this justifiable? Again, from Chandausi to Cawnpore, a distance of 230 miles, the Oudh and Rohilkhand Railway rate is Rs. 0-5-0, while from Chandausi to Delhi, a distance of only 128 miles (*i. e.*, nearly half only), the rate is, Rs. 0-6-7 or over 1½ annas more than the rate for Cawnpore for carrying nearly double distance. When we come to this Council and put before it specific instances, with proofs, we do not ask Government to take our figures on our word, but we ask them to make an inquiry, to satisfy themselves about our grievances and then change the policy. The Government says, 'it is no use making an inquiry; you must approach the Railway Company direct and see what they do for you, and they will do what is good for you.' This is most disappointing. Mr. President, I will now refer to only one point. The usual argument, when you do not want to do a thing, is to say that there is no suitable man available for our purposes. Sir, only this morning you gave with just pride figures of our exports and imports which came to hundred of millions; and there must be commercial men who must be dealing with such large merchandise. After 100 years of British rule, to say that in India there is not one man who can advise on commercial matter is not a compliment to the British Government. This is all that I can say. When we wanted a member for the Imperial Council, it was said, there was no suitable man for that. We have got one now. I think our Chairman of the Bombay Chamber of Commerce will undertake to give you a man if you decide to have a man. Well, Sir, I am very sorry for the attitude taken up by the Hon'ble Chairman of the Railway

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Board in this matter, and I must press this proposition to the vote. Our grievances are great."

The Council divided :

Ayes—20.

The Hon'ble Pandit M. M. Malaviya, the Hon'ble Nawab Abdul Majid, the Hon'ble Raja of Partabgarh, the Hon'ble Raja of Dighapatia, the Hon'ble Babu Bhupendranath Basu, the Hon'ble Mr. Sachchidananda Sinha, the Hon'ble Mr. Ilaque, the Hon'ble Raja of Kurupam, the Hon'ble Mr. Gokhale, the Hon'ble Mr. Mudholkar, the Hon'ble Mr. Madge, the Hon'ble Sir G. M. Chitnavis, the Hon'ble Mr. Dadabhoy, the Hon'ble Mr. Shafi, the Hon'ble Khan Zulfikar Ali Khan, the Hon'ble Malik Umar Hyat Khan, the Hon'ble Maung Mye, the Hon'ble Mr. Jinnah, the Hon'ble Mr. Bhurgri, and the Hon'ble Sir Vithaldas D. Thackersey.

Noes—33.

His Honour the Lieutenant-Governor of Bengal, the Hon'ble Sir Robert Carlyle, the Hon'ble Sir Harcourt Butler, the Hon'ble Mr. Syed Ali Imam, the Hon'ble Mr. Clark, the Hon'ble Sir Reginald Craddock, the Hon'ble Mr. MacLagan, the Hon'ble Mr. Porter, the Hon'ble Mr. Sharp, the Hon'ble Mr. Enthoven, the Hon'ble Mr. Wheeler, the Hon'ble Mr. Brunyate, the Hon'ble Sir A. H. McMahon, the Hon'ble Mr. Lyon, the Hon'ble Mr. Saunders, the Hon'ble Sir James Meston, the Hon'ble Mr. Gordon, the Hon'ble Mr. Todhunter, the Hon'ble Surgeon General Sir C. P. Lukis, the Hon'ble Mr. Fromantle, the Hon'ble Mr. Vincent, the Hon'ble Mr. Carr, the Hon'ble Mr. Arthur, the Hon'ble Mr. Fyffe, the Hon'ble Mr. Phillips, the Hon'ble Mr. Meredith, the Hon'ble Mr. Gates, the Hon'ble Mr. Slacke, the Hon'ble Sir Charles Stewart-Wilson, the Hon'ble Mr. Dempster, the Hon'ble Sir T. R. Wynne, the Hon'ble Mr. Kenrick, and the Hon'ble Mr. Kesteven.

So the Resolution was rejected.

ADJOURNMENT OF COUNCIL.

The President: "The Council will adjourn till Monday, March the 4th, at 11 o'clock, when Mr. Gokhale's motion on indentured labour will be taken, and I understand that it is expected to complete the discussion on it by the usual mid-day adjournment."

CALCUTTA ;
The 12th March 1912. }

W. H. VINCENT,
Secretary to the Government of India,
Legislative Department.