

Thursday, 13th March, 1924

THE
COUNCIL OF STATE DEBATES

(Official Report)

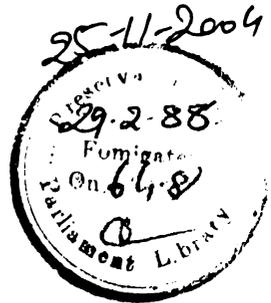
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FOURTH SESSION

OF THE

COUNCIL OF STATE, 1924



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COUNCIL OF STATE.

Thursday, the 13th March, 1924.

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

SESSION OF THE LEGISLATURE AT SIMLA IN MAY.

THE HONOURABLE THE PRESIDENT: I understand there is a private notice question. Will the Honourable Member please read the question?

THE HONOURABLE MR. J. W. A. BELL: I should like, Sir, with your permission, to put a question to the Honourable the Leader of the House, of which I have given him private notice, and, as Members have not received copies of that question, I would ask your permission to read it. The question is as follows:

- (a) Will Government be pleased to state whether they have decided that there shall be a Session of the Legislature at Simla in May?
- (b) If so,
 - (i) will Government be pleased to explain the necessity for holding a special Session?
 - (ii) have Government taken into consideration the great inconvenience to which Members will be subjected by reason of having to leave the management of their private affairs so soon after their return from a two months' Session at Delhi, not to speak of the personal inconvenience arising from their having to travel to and from Simla in the hottest season of the year?
- (c) Is it proposed to hold a Session of the Legislature at Simla in September?
- (d) If so, have Government considered the additional expense which will be incurred in summoning the Legislature to Simla twice in one season?

THE HONOURABLE DR. MIAN SIR MUHAMMAD SHAFI: (a) The present intention of Government is to hold a short Session, probably in May.

(b) (i) The reasons why Government consider this Session necessary were fully explained in a statement made by the Honourable the Commerce Member in another place. A copy of this statement is placed on the table.

(ii) Government have taken into consideration and very much regret the inconvenience to which Honourable Members will be put on both the grounds stated in the question.

(c) In the ordinary course of events there will be a Session of the Legislature at Simla in September.

[Dr. Mian Sir Muhammad Shafi.]

(d) For the reasons given in the reply to (b) above, Government cannot in this case be deterred by the question of additional expense.

THE HONOURABLE MR. G. A. NATESAN: A supplementary question, Sir. Will the Honourable Member be good enough to state what will be the approximate cost of a week's Session in Simla of both the Houses?

THE HONOURABLE DR. MIAN SIR MUHAMMAD SHAFI: Sir, the cost of the session at Simla, I am sure the Honourable Member will realise, will depend partly upon the duration of that session. It is, of course, at this stage impossible to say definitely what the cost will be, but, if the cost of the last session at Simla is any indication, I am able to give the figures in connection with that. The cost of the Simla session of 1923 was as follows:

Council of State.

	Rs.	A.	P.
Travelling allowances of official and non-official Members.	18,444	12	0
Daily allowances of official and non-official Members	8,580	0	0
Total	27,024	12	0

Legislative Assembly.

	Rs.	A.	P.
Travelling allowances of official and non-official Members.	50,080	0	0
Daily allowances of official and non-official Members	49,420	0	0
	99,500	0	0
Contingent expenditure, approximately	1,700	0	0
Total expenditure on the entire Legislature	1,28,224	12	0

This excludes the telephone charges for the Assembly and Council Chambers, and also at Members' quarters. Honourable Members will remember that the last session at Simla, in so far as the Legislative Assembly was concerned, extended to, I think, four weeks, and as regards the Council of State, a little over two weeks.

THE HONOURABLE MR. PHIROZE C. SETHNA: Sir, the Leader of the House has told us that the session will be a short one. Could he give us an idea whether it will be a week or ten days, or longer. Further he says it will be in May. Can he give us an indication whether it will be early in May or late in May?

THE HONOURABLE DR. MIAN SIR MUHAMMAD SHAFI: As regards the duration of the session, I think it will probably be somewhere about a week. As to whether it will be early in May or towards the end of May, I am not at present in a position to make a statement.

THE HONOURABLE SIR ARTHUR FROMM: Will the Honourable Member inform the House whether, in the event of this special short session in May, it will be for the conduct of some special business only, and that notice of this business will be given to Honourable Members of this Council? In putting this question to the Honourable Member, what I wish to establish is whether Government merely intend to call us up for one special business and would undertake that no other business which

ordinarily would be brought before the Council say in the September session would be introduced in May? It would be a determining factor with many Members whether they would attend the special session or not.

THE HONOURABLE DR. MIAN SIR MUHAMMAD SHAFI: I should require notice of that question, Sir, in order to be able to answer it adequately.

THE HONOURABLE MR. PHIROZE C. SETHNA: Do Government consider it absolutely impossible to extend the life of this session by a week or ten days and do the work which it is intended to bring up during the session in May, during the present Session?

THE HONOURABLE DR. MIAN SIR MUHAMMAD SHAFI: It is impossible in the circumstances to do that.

THE HONOURABLE KHAN BAHADUR NAWAB SIR MOHAMED MUZAMMIL-ULLAH KHAN: Will the Honourable Member kindly try to fix the session, if possible, at the end of May instead of the beginning?

THE HONOURABLE DR. MIAN SIR MUHAMMAD SHAFI: That consideration will be borne in mind.

THE HONOURABLE MR. D. T. CHADWICK (Commerce Secretary): Sir, I beg to move:

"That the Bill further to amend the Sea Customs Act, 1878, for certain purposes, as passed by the Legislative Assembly, be taken into consideration."

THE HONOURABLE DR. MIAN SIR MUHAMMAD SHAFI: It has been suggested to me by the Secretary that perhaps it would be convenient to the House if you, Sir, would allow me to read the statement made by the Honourable the Commerce Member in the other House, so that those Members who have not seen that statement might hear it now instead of referring to it afterwards.

THE HONOURABLE THE PRESIDENT: I think it is very desirable to follow the suggestion of the Honourable Member.

THE HONOURABLE DR. MIAN SIR MUHAMMAD SHAFI: In answer to question No. 624 on the Assembly's list, this is what the Honourable Sir Charles Innes said:

"The Government of India have considered most carefully whether it will be possible for them to arrive at their conclusions on the Tariff Board's report in time to place them before the Legislature this session, but they regret that they see no possibility of being able to do so. The report is in two parts. Though they received a first proof of the preliminary chapters of the first parts on February the 11th, they did not receive a complete proof of that part till February 18th. The proof of the second part of the report was not received till February 28th. Copies of the evidence, with the exception of that of a very few witnesses, have not yet been received. The report covers not only the steel industry but also industries based on steel and raises questions of great difficulty and far-reaching importance. It is quite impossible for the Government of India to come to a decision on these questions without giving them more consideration than the time at their disposal has permitted them to do. They share the general desire that a decision should be come to on the report with the least possible delay and in the circumstances I am authorised to say that the present intention is to summon a special session of the Legislature as early as possible in the summer in order that the conclusions of the Government on the report may be placed before the Legislature. I am aware that this course will place the House at a great inconvenience, but I hope that they will realise our difficulties and recognise that this is the best possible solution of dealing with a very difficult and very important subject. The effect will be that the House will be adjourned as at present contemplated. We shall consider the report probably in April and we hope to be able to call an adjourned session or a new session probably in May in order to consider our conclusions."

[Dr. Mian Sir Muhammad Shafi.]

Sir, in reply to a supplementary question put by Sir Gordon Fraser, the Honourable Sir Charles Innes added:

"I have already explained the reasons why Government have come to this decision. I recognise that a special session in May will cause a very great deal of inconvenience to the Members of the Legislature. We fully recognize that fact, but at the same time everybody is agreed that this is a matter on which it is necessary to come to a decision as early as possible; so this special session is the best solution that we could find of the case. I must repeat what I have already said—that we feel that it is quite impossible for us to come to conclusions on this extremely important question within the time left to us during the current session."

In reply to another supplementary question by the same Honourable Member, the Honourable Sir Charles Innes further added:

"The House may rest assured that the report will be published in plenty of time before the special session takes place."

THE HONOURABLE THE PRESIDENT: I must ask the indulgence of the Honourable Mr. Chadwick for the interruption. He can now proceed with his motion.

SEA CUSTOMS (AMENDMENT) BILL.

THE HONOURABLE MR. D. T. CHADWICK: Sir, I beg to move:

"That the Bill further to amend the Sea Customs Act, 1878, for certain purposes, as passed by the Legislative Assembly, be taken into consideration."

This is an extremely small Bill and is intended to repeal the proviso to section 20. Under section 20 of the Sea Customs Act, all stores imported on Government account, whether for the Government of India or for Local Governments, are exempted from payment of customs duties. The effect of the repeal will be to make such stores hereafter subject to the payment of customs duty. This Bill carries out one of the recommendations of the Fiscal Commission. The Commission said that they had received much evidence from commercial and industrial bodies objecting to the right that Government had to import stores free of duty. They recognised that under the Stores Rules, when comparing tenders from abroad with tenders from India, customs duty and other charges must be added to the price quoted. I wish to assure the House that, as far as the Railway Board is concerned and the Indian Stores Department is concerned, those Stores Purchase Rules are strictly observed: possibly and occasionally they may not be in all cases. But at the same time Government is bound to recognise that the industrial and trading community in India do not consider those rules to be a sufficient safeguard. Therefore, as opinion in India is absolutely unanimous, as far as has been ascertained, on this point Government have decided to repeal this proviso.

The Fiscal Commission recommended that the repeal should only extend to articles which are manufactured in India, and that articles which are not manufactured in India should still be imported free of customs duty if required by Government. That suggestion has been examined but in practice it would not be workable and so the repeal is being made absolute. The only exception that will be made relates to arms and ammunition, certain military stores, aeroplanes, aeroplane engines, currency notes and postage stamps.

There is one point to which I must allude, and that is the case of Local Governments. It is recognised that this Bill will increase the expenses of Local Governments in so far as they have to pay duties on stores imported by them. The object of the repeal of this proviso is to encourage industries in India. Industries are a provincial transferred subject and the encouragement of them is as much a matter of interest to Local Governments as it is to the Government of India. It would not therefore be unreasonable to ask Local Governments to bear this slight extra cost. However, we are bound to recognise that the Local Governments have enjoyed this privilege for many years and that many of them are in financial difficulties themselves; and so at present, for the time-being until the matter can be further discussed, it is proposed to open accounts in the Customs Office and keep an account of the amount of duty that different Local Governments have paid. At the end of the year those amounts will be refunded to them. Therefore for the present no Local Government will be harmed financially by the Bill now brought before the Council.

The Bill of course does result in a certain amount of inflation on both sides of the account. It will increase our customs duty. It also does increase the demand for grants for the large spending departments and to some extent for the administrative departments. It may be said that that is payment out of one pocket into another. To a slight extent that is true, but in some cases—as, for instance, in the Railways, specially if separation goes through, it will be a definite payment from the Railway Department to general revenue. The difference that the Finance Member has estimated it will make in the total customs revenue is that it will increase the customs revenue by 168 lakhs, of which he estimates that something like 22 lakhs will be refunded to Local Governments and another 25 lakhs will come as an increase on the military estimates by which those estimates must be enlarged, and that the bulk of the rest will fall upon the Railways.

I think there is very little opposition to this Bill. I have explained its purport and its effect, and I commend it to the acceptance of the Council.

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces: General): Sir, this Bill is intended to give effect to the recommendation of the Fiscal Commission of which I had the honour of being a member by embodying their decision in a legislative enactment. This Bill, though of a very simple character, is of a far-reaching nature and of great importance to the commercial world. This Bill has not seen the light of day too soon. In fact, I myself had got tired of the delay on the part of Government in introducing this measure, and I drafted a Bill and presented it to the Legislative Department to be introduced in this Council; and it was on the assurance of my Honourable friend, Mr. Chadwick, that the Government had already prepared a Bill and were considering the matter with the Secretary of State for India that I withdrew my Bill. Since the Sea Customs Act of 1878 was passed, there has been a revolutionary change in fiscal ideas in this country. In 1878, when the Sea Customs Act was enacted, there were very little imports into this country and the customs duties too were more or less of a nominal character. At that time there was some justification for exempting Government stores from import duties in view of the fact that the Government was the largest individual importer of goods in this country. There were no industries

[Sir Maneckji Dadabhoy.]

in 1878 of any great importance in this country. The era of industries arose very considerably after the nineties in India. So the justification was apparent at that time, but with the advent of new industries in this country, with the manufacture of stores in this country, the Fiscal Commission came to the conclusion that, though Government were doing their best by the Stores Purchase Rules to avoid all injustice when considering competitive tenders, yet it was not possible for them on many occasions to avert the injustice wholly, and it was suggested that the proviso to clause 20 of the Sea Customs Act should be altogether deleted so that the matter might be placed on a firmer footing. There was an additional justification for carrying into effect this recommendation also. The Fiscal Commission's Report, as Honourable Members have seen, has also recommended a policy of discriminate protection, and that policy could not possibly be given effect to unless imports of stores required by Government, which is the largest individual consumer, paid the same import duty. Industries could not be protected in this country by the higher tariff duty if Government did not pay import duties. It may be said by some of my Honourable Colleagues that after all what did it matter. Government would be raising revenue on the one hand and disbursing it on the other; it is merely money coming from one pocket to another; but it is not so. It is not merely a matter of book-keeping. It would afford a substantial measure of protection to the industries in this country, and the sales of stores actually manufactured in this country will also obtain additional impetus and incentive. Further, if the policy of separating the Railway finance from the General finances of the country is introduced, this Bill will really be of great benefit. In view of the proposed modification of that policy, this measure is further justified. I have no doubt Honourable Members will perceive the scope and the utility of this measure and give their support to it as this subject has been thoroughly thought out by the Fiscal Commission and it was only after mature consideration that they came to this decision, which it is now sought to embody in an Act of the Legislature.

The motion was adopted.

THE HONOURABLE THE PRESIDENT: As there are only two clauses to the Bill, I will put them together as also the Preamble.

Clauses 1 and 2 and the Preamble were added to the Bill.

THE HONOURABLE MR. D. T. CHADWICK: Sir, I beg to move:

"That the Bill further to amend the Sea Customs Act, 1878, for certain purposes, passed by the Legislative Assembly, be passed."

The motion was adopted.

INDIAN TARIFF (AMENDMENT) BILL.

THE HONOURABLE MR. D. T. CHADWICK (Commerce Secretary): Sir, I beg to move:

"That the Bill further to amend the Indian Tariff Act, 1894, for certain purposes, as passed by the Legislative Assembly, be taken into consideration."

This is another small Bill of a useful nature which is brought to the attention of the Council. The Indian Tariff Act of 1894 gives power to the Government of India to impose customs duties

on certain of the frontiers of India, so far as it applies to the sea frontiers, I have nothing to say on it. But it also deals in section 5 of the Act with the land frontiers. As at present drafted, the effect of that section is as follows:

The Government of India shall impose customs duties at the same rates as those imposed on the sea frontiers on goods crossing the land frontiers to and from the European Settlements in India. Further, the Government of India may impose such duties on any goods crossing the land boundaries between Indian States and British India wherever such Indian States have been notified as foreign territory for the purpose of this section. In regard to Indian States, that power has been vested in the Government of India for the last fifty years, and before that it was vested in the Governments of Madras and Bombay. This Bill makes no change whatever in that power. So far as Indian States are concerned, the powers of the Government of India remain unaltered, what they always have been. But the House will notice that the Act of 1894 gives us no authority whatever to charge duty on goods crossing by land over what may be called the external land frontiers of India, as for instance from Siam or China to India or over our northern frontiers. Hitherto there has been very little need to consider the levy of duties on such goods. However, during the last year, it has become a matter of considerable moment to us. With the high duties which are now imposed on many goods in India, especially on some goods of small bulk such as matches, cigarettes and saccharine, it has become a profitable trade for importers to bring these small articles by routes other than by sea, especially where they can lawfully avoid the payment of duties by so doing. Matches and cigarettes have been coming over in considerable quantities from Bangkok and over the Siam frontier into Burma and India. So that already we have lost several lakhs of revenue. Cigarettes can be bought in Rangoon more cheaply than they can be landed there through the port. In fact some have found their way right through as far as Delhi. Therefore, Sir, it is necessary that the Government of India should have power to impose duties upon goods crossing their external land frontiers, and that is all that this Bill purports to do. It does not make it compulsory, but makes it permissible. I hope I have explained the purpose of the Bill and leave it to the consideration of the House.

THE HONOURABLE THE PRESIDENT: The question is:

"That the Bill further to amend the Indian Tariff Act, 1894, for certain purposes, as passed by the Legislative Assembly, be taken into consideration."

The motion was adopted.

THE HONOURABLE THE PRESIDENT: The Council will now proceed to a detailed consideration of the Bill.

Clauses 1, 2, 3 and 4 and the Preamble were added to the Bill.

THE HONOURABLE MR. D. T. CHADWICK: I beg to move:

"That the Bill, as passed by the Legislative Assembly, be passed."

The motion was adopted.

STATEMENT OF OFFICIAL BUSINESS FOR TUESDAY, THE 18TH
MARCH, 1924.

THE HONOURABLE DR. MIAN SIR MUHAMMAD SHAFI (Law Member): Sir, the Resolution, of which the Honourable Mr. Ley has given notice, regarding the ratification of the draft Convention concerning the use of white lead in painting, adopted at the International Conference held in Geneva in 1921, will be set down for Tuesday, the 18th, on which date the Finance Bill will also be laid on the table, if it is passed by the Legislative Assembly on the day previous.

THE HONOURABLE THE PRESIDENT: I understand there is no business for Monday; I therefore adjourn the Council till Tuesday next at eleven o'clock.

The Council then adjourned till Eleven of the Clock on Tuesday, the 18th March, 1924.